CHAPTER -2

REVIEW OF LITERATURE

2.1 Introduction
2.2 Microenterprise
2.3 Self Help Groups and Entrepreneurship Development
2.4 Role of SHGs in economic development
2.5 Indicators for development
2.6 Group cohesion
2.7 Microfinance and microcredit
2.8 Role of banks/financial institutions and SHPI
CHAPTER -2

REVIEW OF LITERATURE

2.1 Introduction

This chapter makes an effort to review the existence literature of the studies on SHGs and entrepreneurship development as many scholars have shown great interest in studying various aspects of SHGs. Various studies were conducted on the impacts of Self Help Groups in general and performance of women members, credit delivery system, SHG – Bank linkage programme, benefits of women members and marketing system in particular. All these studies have been extensively reviewed in the chapter to show the relationship between SHGs and entrepreneurship development.

Accordingly, this chapter has been divided into eight sections. The 1st section is devoted for introducing chapter. The 2nd section reviews the studies on microenterprise. The 3rd section reviews the studies conducted on Self Help Groups and Entrepreneurship in India and in Manipur. The 4th section has been devoted to review the studies on role of SHGs in economic development. The 5th section is concerned on indicator for development. Section 6th presents the review group cohesion. The 7th section is concerned with the review of studies on
micro finance and micro credit. In section 8th, the related literature on the role of banks/financial institution has been reviewed.

2.2 Microenterprise

Micro enterprise is the important vehicles of eradicating poverty and creating higher level of gainful employment. These enterprises are of tiny sizes and include all types of business and manufacturing activities existing in the villages, towns and cities in the developing countries. They include small manufacturing or servicing units, stationeries, groceries, street vendors, carpenters, machine shop operators etc. The owner of these enterprises are having weak economic base. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 has defined a manufacturing enterprises as a “Micro Enterprises where the investment in plant and machinery does not exceed twenty five lakh rupees and a service enterprise, where investment in equipment does not exceed ten lakh rupees”. Mahajan (1997) argues that micro enterprises owned by SHGs play significant role in socio-economic transformation in the rural poor and the schemes of micro finance help them to get relieved from the clutches of the money lenders, who charge exorbitant rate of interest on their lending. Microfinance through the SHGs help the members in borrowing money at easier terms for agricultural purpose or starting micro enterprises.
Premachander (1993) in his study “Micro Enterprises for Rural Women” had found out that economic enterprises are the means by which women empowers themselves. The women entrepreneurs started enterprises such as handlooms weaving unit, batik unit and tile making unit and effectively manage them. Women entrepreneurs expressed that the increase income directly related to the empowerment in their status and the level of living. Micro enterprise can create immediate employment opportunities for the members. It provides ample prospects for the poor and illiterates towards their livelihood. Micro credit is necessary but not sufficient for micro enterprise promotion. It requires other inputs also.

Sudan (2004) in his studies micro enterprises found that micro enterprise development plays an important role in improving the quality of life. It has emerged as a real boon for the poor and helped in generating additional income for families. The promotion of micro enterprises for the poor rural women is perceived as a powerful medium to ameliorate several socio-economic problems such as reduction in poverty, provision of goods and services, appropriate to the local needs, redistribution of both income and opportunities in the community in general etc.

According to Sudan, the women SHG members may take up microenterprises in three situations. These situations are:
- they may take up individual activities
- they may also come together to own common inventories by sharing capital and operating costs, however their principal economic activity is individual-based and
- they may take up collective activities.

Further, he studied that bank needs to develop new financial products and adopt innovative approaches to meet the growing financial requirement of micro enterprises.

**Schreiner (2001)** has suggested that micro enterprise is good choice for a poor people but wage jobs, additional education and training are still the most common path act of poverty. Self employment helps women empowered. The two prerequisite for entrepreneurial success are human and financial capital.

According to **Seipel (2003)** microenterprises should support for the well being of the poor people because substantial income and staple food for the poor are typically generated from informal economic sectors in developing countries. It has been shown that poor people have been able to start or expand income producing self employment, only through credit, saving and technology support.
As per World Bank Report, only 2 percent of the microenterprises in developing countries have assessed financial services. The World Bank has diagnosed the failure of micro-enterprises is due to lack of demand.

Micro enterprises are tiny business, a way to help the poor, the unemployed and those who receive public assistance. An economic activity results in generations of income. Undertaking self employed or income generation activities through microenterprise is one of the prerequisites of becoming a sustainable SHG. Self employment has now become a necessity rather than an option. Microenterprises produce both service and manufacture goods. The micro-enterprises are set up at individual level and group level but the study plans to explore the microenterprises set up through SHGs.

2.3 Self Help Groups and Entrepreneurship Development.

United we stand and divided we fall, we heard story of the birds caught in a net. They could not escape one by one. But when they flew together in a group, they escaped. The Self Help Groups stand true on the above mentioned story and saying. The SHGs show as to how unity is strength.

Samara (1993) conducted a study on “Rural Entrepreneurship Training to Women Self Help Group”. His findings reveal that economic
independent for women, a key base for individual empowerment required bringing together two basic set of dynamics into simultaneous play one’s economy.

Lokhande (2009) opined that Self Help Groups have been instrumental in initiating micro entrepreneurial activities among those people who have been neglected so far and far away from the process of social as well as economic development. Self Help Groups -banks linkage programme is responsible for developing banking habits among the poorest of the poor people. The most significant contributions of SHGs are that they build up enough confidence among the poor and now they are ready to participate in the process of development. SHGs movement is a revolutionary movement as it attacks on poverty and unemployment and the most significant contributions of the scheme is capital formation by the group of the poorest of the poor people.

According to Rahman (2009) who conducted study on Self Help Groups, the socio-economic transformation in the backward areas is a must for the nation. Growth of micro-enterprises is concomitant to the emergence of SHGs in any region. The basic aim of both micro enterprises and SHGs are empowering the unprivileged group of society. The sector is one of the most important vehicles through which low
income people can escape poverty. SHGs can help in the growth of micro enterprises in any region.

Ghosh (2000) stated that the entrepreneurial spirit is being reviewed in order to search for a better way of life, for creating employment, for creating a meaningful business etc. During this time, tiny enterprises must be given the opportunity to be a great source of growth. This opportunity must be backed by guidance assistance and capital. Furthermore, an entrepreneurial climate must be created to support the entrepreneurial growth strategy.

As per the study conducted by Gupta and Khanka (1996) women are regarded as the “better half of the society”. But in real life, the truth prevails otherwise, our society is still male-dominated and women are not treated as equal partners both inside and outside the four walls of the house. The development of entrepreneurship is expected very low in the country due to these unfavourable conditions. Now, they are increasingly participating in all spheres of activities relating to the development of women. Micro enterprises development can help to create immediate employment opportunities involving a number of women at low investment level. Besides it provides for all full utilization of capital and also reduces the wastage of human resources particularly women.
Mani Makalai and Rajeshwari (2000) examined the "Empowerment of Women Through SHGs in Rural Enterprises" in Trichurapalli district of Tamilnadu. They found majority of the women to be married and engaged in petty business, with the rest distributed across processing, production and service units. Further the services units performed better and helped to repay the loan on time, whereas the production units not only failed to generate its own capital but also affected loan repayment.

Dwarakanath (2002) conducted a study on Rural Credit and Women Self Help Groups in Andhra Pradesh. The study revealed the effectiveness of these groups with linkage programme and awareness among the rural folk about the significance of women empowerment groups it increasing substantially in rural areas but a majority of them are unorganized. These groups mobilize thrift deposits, but unable to rescue timely matching and revolving funds to generate employment activities to earn their livelihood.

Minarani (2004) conducted a study on "Development of Entrepreneurship in Small Scale and IT Industries in Manipur". This study revealed that entrepreneurship has to characterize the available manpower to appropriate vocation and aimed at increasing number of employability. It is an instrument of management practice and it means a
matter of understanding how the human mind works at the time of emotion. Understanding comes only when I, we, you, he or she meets at the same place, at the same time and for the same purpose.

A study conducted by Nirmala, Bhat and Buvaneshori (2004) indicated that mere financial assistance does not help the sample women, many of whom do not posses and prior experience in the production activity. It is recommended that they should also be provided with institutional support like training, marketing and information on availability latest technology. It revealed from this findings that women should be encouraged to venture into more diversified and remuneration activities which would raise their earnings, and thus their saving too. The main benefits of SHGs were increased participation in social service and organized action, received new skills/training and better access to credit facilities. It was also found from the study that many of them encountered many problems while conducting the activities. Above all effective implementation of the scheme is recommended for poverty alleviation and empowerment of the rural poor women.

Dumas (2001) have carried out a study on “Micro Enterprise Training for Low-Income Women-A Case of the Community Entrepreneurs Programme”. This study has made significant contribution towards the existing understanding of entrepreneurship development.
Participants have seen the programme as one that has brought above positive changes. They have learned to create their own business, gained knowledge about running a business and improved their critical thinking skills. This study clearly showed that community entrepreneurs programme served as an example to other micro enterprises training programmes that strive to help the unemployed and underemployed achieved self sufficiency through entrepreneurship.

Sethy (2001) argued on his book “Clinical Approach to Promotion Entrepreneurship Among Women” that saving and credit or income generation requires a holistic approach to human development, which ultimately leads to community development. Self Help Groups have become a forum for the collective unit of the poor against common expression and exploitation, to understand individual and common problems and to improve this skills and capabilities to manage resources. Women participate in all spheres of activities. The promotion of women entrepreneurs should form an integral part of all development efforts. The Government of India has been assigning increasing importance to the development of women entrepreneurs in the country in recent years. Product and process oriented courses enabling women to start small scale industries are also recommend in the policy statement and many national associations are set up with a purpose to create a congenial environment for developing women entrepreneurship in rural and urban areas.
Jerinabe and Kanniammal (2009) found from their study that SHGs among Muslim women have created conducive environment for growth and development of micro enterprises and meeting the credit needs to its members, convergence with government programmes and over all empowerment of its members in terms of improved socio-economic status, income earnings, mobility and confidence building to sustain and manage business on their own. The study analysed the impact of micro credit on socio economic empowerment of Muslim women, strengthening of micro finance programme and effective and efficient functioning of SHGs.

Sarkar (2005) stated that various studies by different committees and different institutions reveals that the main step that is required for poverty alleviation and for encouraging the people towards self employment is people’s participation through community based organizations. The habit of savings should also be created among the poor for ensuring smooth repayment of the loans. All these observation led to the introduction of SHG- Bank linkage in February 1992 – a bridge for linking the borrowers and the lenders in a cost effective and sustainable manner. Similarly Swarna Jayanti Gram Swarajgar Yojana (SGSY), initiated in April 1999, aimed at and established a large number of micro enterprises in rural areas, the beneficiaries of which are both individuals and Self Help Groups.
According to Sudha and Sudan (2000) Rural Women have traditionally been at the fag end of development and hence to bring them in the mainstream of the society, capacity building process needs to be strengthened. The micro enterprises development programme should be based on traditional skills and local resources which have a ready made local market. The existing traditional skill possessed by the objective of micro enterprise developments is to empower the rural women and create an environment for social change to improve their quality of life. A higher production of the finances are to be met from the contribution of the women SHGs and the gap is to be met from existing development schemes for which suitable linkages needs to be forged with government and non-government development agencies.

Chakraborty and Roy (2005) conducted a study on “Development of Women Entrepreneurship Through Self Help Groups” in Tripura. They had found from their study that, the programme of development entrepreneurship among women was initiated in Moloynagar Gram Panchayat in August 2000. They selected 17 SHGs for their study, 10 were all women, 2 men and 5 were both men and women combined. From the field survey it was observed that the programme of developing entrepreneurship by organizing women into SHGs had promoted some opportunities for their entry into income generating occupations. The programme certainly had an impact on women’s empowerment specially
on economic empowerment. The women entrepreneurs were provided easy and affordable access to credit through SHGs and other facilities had raised overwhelming hopes and desires among the women of poor households, they had started to believe in their abilities to improve lives for themselves. It was found from the survey that the women members of SHG had faced many problems as well as they also got many benefits from this programme. The study revealed that the programme of developing entrepreneurship among the poor women through SHGs had brought some remarkable positive change in their lives. Women not only gained experienced with financial affairs but also claimed that their status within the households was raised as they were seen to be contributing to the welfare of the family.

As per the findings of the study conducted by Shrialaskethi and Hugar (2007) entrepreneurship among women, no doubt improves the wealth of nation in general and family in particular, women today are more willing to take up the production activity and have been proving that they are more than men in contribution to the growth of the economy. Hence the provision of necessary support in production, financing and marketing and improvement in the socio-cultural environment are the urgent need of the day to improve the status of women in the society.
Ahirrao (2009) mentioned on his article "Rural Women Empowerment Through Micro Finance" that women in SHGs have been encouraged by the government as well as NGOs to undertake self employment ventures with locally available resources. Availability of micro credit helped SHG women a lot and many women came forward and established micro enterprises. At present a number of NGOs have been offering microfinance to rural women micro entrepreneurs. They also motivate training programmes to develop their entrepreneurial skills and capacities. As a result micro entrepreneurship is gradually growing importance among the rural women.

Haridoss (1998) argued that an integral approach is necessary for making the movement of women entrepreneurship a success. The role played by women in national development has been included in the seventh Five Year Plan. If the new slogan “march towards the twenty-first century” is to become a reality, a vital part of the society which can contribute substantially towards economic development should be given attention. And that vital sector is women entrepreneurs. Therefore an integral approach is necessary for making the movement of women entrepreneur a success.

According to a survey conducted by Centre for Bharatiya Marketing Development (CBMD), (2005) the highest numbers of SHGs
are found in the southern states. On an average southern state constitutes 65% SHGs, eastern 13%, central 11%, northern 5% and western 6% at the national scene. Andhra Pradesh followed by Tamil Nadu, has the highest number of women SHGs working independently and setting up a micro enterprise which helps in income generation.

The survey report of NERCORMP-IFAD Karbi Anglong (2007) said that most of the SHGs besides income generation activities also provide public services and awareness campaign. Besides initiating activities only from within, some SHGs organize health camps, vaccination camps and provision of medicines. This survey also revealed that introduction of SHGs has enhanced social cohesion and sense of belonging amongst women in the community. “Union is strength” and through SHGs and economically poor individual gain strength as part of a group.

2.4 Role of SHGs in economic development.

“If we can come up with a system which allows everybody access to credit while ensuring excellent repayment, I can give a guarantee that poverty will not long last” – Prof. Dr. Mahammod Yunus.

Shiralashethi & Hugan (2007) stated that economic development of a country means a process moves upward over a period of time. Therefore, development of Indian economy cannot be possible by
neglecting women who contribute the large segment of the society. Like both hands are necessary for the growth and development of any human, men and women need to work jointly and individually for the development of family income in particular and country’s income in general.

According to Begum (2006) the progress and all round development of a country depends upon harnessing the skills and abilities of all sections of society. The status of women could be the best indicator of a nation’s progress. The position of women in society is the true index of its cultural and spiritual attainments. Women’s active role is regarded as an integral part of a progressive social system. Women development should not only be viewed as an issue in social development but should be seen as an essential component in every dimension of development.

Kumaran (1997) made a study of three SHGs in rural Tirupati block of Andhra Pradesh to understand the process of their development, structure function and factors contributing to group formation and resource mobilization, besides participation of the members in decision making and socio-economic activities. He found that the main factors responsive for active functioning of SHGs were solidarity and cohesiveness, whereas passively was mainly on account of irregularities
in saving and repayment of loan and lack of mutual trust and confidence among members.

Datta and Raman (2001) studied SHGs under Rastriya Seva Samithi (RSS) at Tirupati. The authors indicated that the success of SHGs in terms of high repayment was mostly related to social cohesion found among the members, not only from their diverse background of knowledge base, skills, occupations and income levels, but also the successful completion of loan repayment. To bridge the gap between the demand and supply of funds in the lower range of the rural economy, the formal sectors took the initiative to develop a supplementary credit delivery mechanism by encouraging institutional arrangement outside the financial system. With the launching of NABARD’s pilot scheme, to cure the illness of rural country gained concepts like self reliance, self sufficiency and self help at its core.

Self Help Groups enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural sphere of life. In all stage of economic and social activities, involvement of women is found in taking active part in the socio-economic progress of a nation. The SHGs bring out the supremacy of women in building the community in right perspective and explore the initiative of women in taking up entrepreneurial ventures.
Women's contribution to national development is crucial. The process of economic development would be incomplete and lopsided unless women are fully involved in it. The SHGs empower women and train them to take active part in the socio-economic progress of the nation and make them sensitized, self made and self discipline. They remove the social limitations of women such as superstitions and dormant role in decision making. The SHGs have inculcated a great confidence in the minds of the rural women to succeed in their day to day life. **Kokila (2001)** worked on credit groups for women workers. She said that development of economic condition through SHG requires at least 2-3 meetings of women with the concept of saving.

**Dogra (2002)** conducted a study in Saharanpur district of Uttar Pradesh where SHGs women formed self help groups with small saving. Later on when these savings grew and women were able to take loans to meet several pressing needs they do not approach the money lenders. When the self help groups deposit in the bank reaches a certain target, than it is possible to get a bigger amount of loan. These higher amount can be used to start various small scale ventures to increase income. So, SHGs has been the kindling spirit of entrepreneurship.

According to **Shriharan (1997)** these traditional grass root groups, which are based on the principles of need and collection action, provide
self-reliance. The SHGs bring out the capacity of women in moulding the community in right perspective and explore the initiative of women in taking up entrepreneurial venture. The SHGs empowers women and train them to take active part in the socio-economic progress of the nation and make them sensitized, self-made and self disciplined. The SHGs have inculcated great confidence in the minds of rural women in their day-to-day life.

Murgan and Dharmalingam (2000) add empowerment of women through Self Help Groups would lead to benefits not only to the individual women and women groups but also for the family and community as a whole through collective action for development. Empowering is not just for meeting their economic needs but also through more holistic social development. The SHG phenomenon has certainly brought about group consciousness among women. It helps her to share the financial responsibility with her husband. Hence it is not exaggeration to say that SHGs are a means of women’s empowerment. Her sense of belonging boosts herself confidence and gives her a sense of public participation.

The Ninth Five Year Plan laid vigorous emphasis on economic development of women. The plan document while emphasizing an economic empowerment of women envisaged (i) to organize women in
Self Help Groups and thus mark the beginning of a major process of empowering women (ii) to equip women with necessary skills in the modern upcoming shades which could keep them gainfully engaged besides making them economically independent and self-reliant, (iii) to create access to credit through setting up of a development bank for women entrepreneurs in tiny and small sectors.

Sarangi (2003) conducted a study in Orissa on Self Help Groups. The experiment conveyed that self help group moulds women as a responsible citizen of the country achieving social and economic status. In all stages of economic and social activities, involvement of women had added significance to them. Women led SHGs in many parts of the country have achieved success in bringing the women to the mainstream of decision making. Women lead self help groups in village of Orissa state have successfully demonstrated how to mobilize and manage themselves, appraise credit needs, maintain linkage with banks and enforce financial self discipline.

Chiranjeekulu (2003) conducted a study on “Empowering Women through Self Help Groups in Andhra Pradesh”. The organization of women self help groups really taken the shape of a movement in the district. Indeed it is a conscious path chosen by women to shape their own destiny. It proved that these women have developed abundant self
confidence and self esteem through SHG. These women, through SHG have been empowered to tackle even gender issue and also to enhance their livelihood opportunities. Women in rural area lived in virtual isolation, unable to access even the most basic services. But, with the formation of Women's Self Help Groups, these women are now achieving social and physical mobility. It is recognized that while the empowerment of women is a process that will not happen automatically, SHG is a suitable means for the development of women. The impacts of SHG’s on socio-economic status of women were found significant. The formation of Self Help Group and micro financing will enhance their socio-economic position in the society.

Mohindro and Sancharani (2004) conducted a study on Micro Finance and Self Help Groups in Manipur. They found from their study that the SHG may now be groomed to the group entrepreneurship in the rural area. Much has been said of entrepreneurship development in the country and talked of various concern experienced by indigenous entrepreneurs in the North East. The SHGs may thus provide a hopeful base for group entrepreneurship in the small open economy of Manipur. Distorted and costly economic relation between production units and banking institutions has been a hurdle in the way of commercial performance. Now, by and large, with an initiative of NABARD, actualized through agencies, a good linkage has been established. Mutual
standard setting of the SHGs may find better expression with assured flow of finance under the new dispensation. They become alert to tackle advantage of “profits opportunities” that develop in the market from time to time, of course much remains to be done to enrich institutional character of SHGs. In other words, the small entrepreneurs are given a new opportunity of re-organising their talents under a systematic guiding framework and subsequently groom themselves to be bigger entrepreneurs. As such, the emergence of SHG in Manipur may now be seen as an instrument of larger entrepreneurial activities, particularly of women in the state. A new picture of professionalization is perhaps a welcome sign and what is possibly required at the moment is a dynamic policy support and sound public intervention for macro economic strength and stability. It is in this context the importance of Self Help Group has become a new foundation of group entrepreneurship.

Selvi and Krishnan (2004) carried out a study on “Role Performance of SHG Leaders”, revealed that majority of the SHG leaders performed the seven roles, viz., ensuring the participation of all in every meeting, ensuring regular group savings by members, convincing the members for conducting of meeting at regular intervals, work for improvement of literacy of the group members, creating awareness of present social position, disseminating information received during training sessions to SHG members and motivating the members towards
collective thinking and action. These seven roles were necessarily performed in order to obtain desired development of SHGs.

2.5 Indicators for development

Indicators of women's development are the measurable changes that occur in the position and status of women. Identifying the indicators of the empowerment process is a complex task. Much depends on who is examining this subject, and at what point of time. It would however be fair to say that women who are engaged in the process of development themselves are in the best position to decide such indicators. In such case, the indicators would be based on the actual life experiences of the women. Some examples of the indicators of women's development are change in women self perception from negative to positive, increase in self-esteem and self confidence, clear increase in level of women's knowledge, education, skills and overall awareness of her rights, a positive change in her capacity to take decisions independently and the development of her ability to speak out and to defend herself against the violation of her human rights.

2.6 Group cohesion

The argument presented by Reddy (2000) that man is not only a rational being but also a social being is true. It is impossible to think of human life without group life, as our relations with other people occur
within a group. The group ranging in size from two persons to an indefinite number is the central unit of society. In its widest sense, the word “Group” is used to designate a collection of items namely a group of animals, group of birds and human being.

According to finding of a study conducted by Thara Bhai, Karuppih and Geetha, (2004) group cohesiveness and group integration among the members is a positive impact of SHG. The saving habit and credit management have created self reliance in women as they have their own resources base. As thrift is a group activity it encourages mutual dependency among the members. So, the cohesion in the group had a positive binding, their economic independence has elevated their level to involve them in the development activities. The members enjoy a decent role in the decision making process. Economic independence of women on their husband and other male members has reduced to a large extend because of the SHG. The active participation of the group members shows their capacity building and asking help of the government for social, economic and physical development at any cost. This indicates that the valuable classes in the society are being benefited by these SHGs. So, the SHGs show how unity is strength.

According to Suguna (2001) there is continued inequality and vulnerability of women in all sectors i.e., economic, social, political,
education, health care, nutrition and legal. As women are oppressed in all spheres of life, they need to be empowered in all walks of life. Active participation in all spheres specially in economic would help in enhancing process of decision making and it will also give women the desired self respect and social dignity. Team works are created to enable the members to reap economic benefits of mutual help, solidarity and joint responsibility toward self and sustainable development. So, SHGs encourage women to take active part in the socio-economic progress of our nation.

2.7 Micro finance and micro credit

Micro finance can be defined as the extension of small loans to poor and needy people. Hulme and Mosely (1996) defined microfinance as small scale financial services provided to the people who work in agriculture, fisheries and herding, who operate small or microenterprises both in urban and rural. Thus, in short, from all these definitions, it is clear that micro-finance is to alleviate poverty by raising the income levels of the poor and also by raising their living standard through supply of easy credit.

Micro credit as a system has fairly new approach. This is the concept of economic development of women through the formation and nurturing of SHGs of the target population. Governments have been
conscious of developing and enabling policy environment in which the concern of women are reflected, articulated and redressed by government. To assist large numbers of weaker sections, meeting the credit needs of the poor women, mostly in informal sector, banks have introduced novel approaches such as formation of SHGs of weaker sections especially of women and inculcating in them the habit of regular saving among them for productive and also non-productive purposes and thereby creating awareness for regular repayments.

Sarma (2008) found that microfinance is a good means for the empowerment of rural poor women in India. However initially, help of some genuine NGO is highly required as a catalyst agent for helping rural women with a high potential for upward social mobility.

Ramesh (2004) in a study conducted in Shadnagarmandal of Mahboobnagar District in Andhra Pradesh found that access and availability of micro-credit through SHGs has not only resulted in higher incomes of women but also developed better leadership skills, awareness regarding health and education aspects, communication skills and improved financial literacy among women.

Purusotham (2004) also reported that micro credit intervention benefited many women entrepreneurs it terms of women shifting from wage employment to self employment, repayment of old debts, sending
of girl children to school etc. And also this study showed that the groups were considered as a viable alternative for women to take up entrepreneurial activities with the help of micro-credit.

Prof. Muhammad Yunus explains the role of micro credit in facilitating women potential as “women have plans for themselves, for their children, for their home and for their meal”. Micro credit is a tool for socio economic development and it is the extension of very small loans to the entrepreneurs who are living in poverty. Micro credits are enough for innovative and hard working micro entrepreneurs to start small business.

According to Mahajan (2005) micro-finance and microcredit are often used interchangeable but microfinance is broader than microcredit. Microcredit works on a set of principles that differs from normal credit. The declaration of the year 2005 as the “UN Year of Microcredit” further confirmed the significant of microcredit. The declaration envisage to reach 100 million poor families, specially women with credit for self employment and other financial and business services by the year 2005.

The empirical studies on the relationship between micro-credit and women welfare have shown mix results. Pitt and Khandker (1996) projected that credit are an effective means for empowering women. Rahman (1999) brought the rather uncanny face of Gramin programme.
Pearson (2000) emphasized that microcredit programmes focus on resources and policies targeted at women but in terms of the ways in which credit might successfully allow to provide appropriate resources to the poor household.

2.8 Role of Banks/Financial Institutions and SHPI

The banks and financial institutions help in the allocation of funds in different sectors of the economy. The financial institutions help in correcting the regional imbalance by providing financial assistance to entrepreneurs setting up industries in backward areas. The commercial banks, cooperative banks, regional banks and state financial cooperations are playing a key role in the development and growth of small and tiny industries in the country.

Gupta (1993) emphasized that organisations like MYRADA and NABARD made microfinance and SHG an undividable part of the total process of Indian rural development. NABARD launched projects to provide microcredit to SHGs by bank linkage in 1991-92. SHG is the basis “for action and change”. Bastelair (2000) mentioned that SHG, an institution, plays an important role in the credit requirement of the members, imparting banking habits and overall development through group approach. NGOs like People’s Rural Education Movement (PREM), Professional Assistance for Development Action (PRADAN),
Association of Sarva Sena Farms (ASSEFA) has done excellent work in the field of micro finance.

Harper (2002) stated that some SHPI performed as financial intermediaries between SHG and some performed as non financial function. They perform a number of educational and advocacy roles and many also promote new member SHGs and help them borrow from banks. According to him an ideal SHPI would have the following features i.e., promote SHG at low cost and in a short time, should be autonomous, should repay their loan in time, should be kept good records and member friendly and should be easy for bank to deal with.

Shankar Chatterjee (2002) has carried out a study on networking SGSY, banks and SHGs in Uttar Pradesh. The study brought out some of the important issues of implementing of SGSY in the district. The aim and objective of SGSY is to bring the assisted poor families above the poverty line by providing them income generating assets through a mix of bank credit and government subsidies. The study revealed that due to banking rules and regulations poor persons were suffering. So, the study recommends that there should be flexibility of banking rules so that the poor people are benefited.

APMAS (Mahila Abhiyuddhi Society, Andhra Pradesh), (2003) conducted a study on “SHG-Bank Linkage in Andhra Pradesh”,

collecting a sample of 400 bank linked SHGs. The study clearly indicated that the repayment rates were high and that the bank linkage made difference in the lives of the SHG members. However the study also pointed out certain issue that requires alternation. These include adequacy of loan size, timeliness of credit and also the need for branch manager or the promoter undertaking a rating before the SHG linked with bank.

**Fisher and Sriram (2002)** studied the promotional strategies of SHG by MYRADA, PRADAN, and DHAN. PRADAN follows four stages of group formation, MYRADA focuses on six features in group formation. Capacity building is the critical elements of MYRADA’s strategy. When the SHG stabilized its operation, the promoting agencies and institutions tries to link the SHG to the bank or microfinance organization (MFO) to create a sustain group. The SHPI cannot guide a particular SHG for a long time. They take the approach of forming federation of SHGs-a formal organization which looks after the primary SHG. Irrespective of the SHPI mode of promotion, the financial development stage of SHG passes through four stages (i) saving (ii) inter lending (iii) bank linkage and (iv) sustainability. The SHG evolution involves the following stages - group formation, group stabilization, microcredit and microenterprise development.
According to Reddy and Manak (2005) SHG federation has key benefits to SHG movement as a result of their greater scale and formally registered under Mutually Aided Cooperative Society (MACS), Act, 1995, which gives an advantage for recognition by banks. But it has a drawback of being formal group of informal common interest groups which gives rise to internal crisis. To bridge the gap of this internal constraint, the SHPI/NGO should provide good quality assistance. NGO represent major forces for social change which provides directs and indirect services to million of people throughout the world. According to Dicken and Groza (2004) NGO needs to develop community based programmes that connect with the local community in terms of employment, funding, volunteer activities and services to empower the poor.

As per the findings of Ghate (2006) the capacity building of the poor member requires various inputs from the SHPI. The empowerment and participation of the poor member depends on the effort of the SHPI. The real technical capacity building challenges develop book keeping and accountancy capabilities at the SHG level. The incentives are not long term or sustainable source task, but it is also a marketing task. Refinance scheme of NABARD encourage RRBs, cooperative banks and commercial banks to play an important role in SHG promotion.
According to the study conducted by Thorat (2007) the banks are the most important stake holders in the SHG movement. From January 2006, banks are permitted to utilize the services of NGOs, MFIs and other civil society organization as intermediaries in providing financial and banking services through branchless banking like business correspondent. State government can play a proactive role in facilitating financial inclusion. In order to facilitate the credit, the RBI has set up Lead Bank Scheme (LBS) which looks after the branch expansion, formation of District Consultative Committee (DCC) and State Level Bankers Committee (SBLC) and aims plugging the gaps and development of credit plan.

As per the conclusion made by Anitha (2003) the economic and industrial development of a country largely depend upon the funding system by its banks and financial institutions. The banks /financial institutions and SHPI played key role in the development and growth of the Self Help Groups movement which ultimately leads to the economic and entrepreneurship development of the country as a whole.
References


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