CHAPTER I
INTRODUCTION

India is the homeland of Self Help Group movement. Later the movement spread to South East Asian and African countries. The NABARD conducted a series of research studies during the early eighties and found that existing systems and procedures of the banks were not well suited to meet the most immediate credit needs of the poor. It was felt that a new delivery mechanism was required to fulfil the requirements of the poorest, especially the women. During mid 1980s, formation of groups for savings and credit was initiated by MYRADA, an eminent NGO in south India. Around the same time NABARD had some exposure to similar experiences in South Asian countries; they positively responded to the suggestion of MYRADA that SHGs could bring financial services to the poor.\(^1\) This led to the beginning of the linkage of SHGs with the banks by the NABARD and SHGs became intermediaries in linking borrowers with the banks. The combined efforts of the governments at various levels, banks and NGOs have made SHG-Bank linkage programme in India as the largest micro finance programme in the world\(^2\).

The strategic intent is to provide effective credit delivery system to the poor in order to promote entrepreneurial impulses in them to the effect that their (poor turning into entrepreneurs) value chain contributes to sustainable rural development. Poverty can be reduced by providing credit along with the inputs such as skill development, training and other support facilities to the poor. This will lead to

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\(^1\) Fernandez. (2009). Background note for Task force on NRLM. Hyderabad: APMAS.

entrepreneurial activities thus paving the way for self-employment. This is likely to generate income base, which in turn would empower the people. The surplus income generated from the self sustaining activities would facilitate the holistic development of the rural poor.

The income generating activity or self employment should not affect the environment; the activity should be a sustainable one even after the slow withdrawal of the facilitative support extended by the intermediaries such as voluntary agencies or financial institutions. The logic is that the guidelines and/or assistance provided by them in the initial phase empower the beneficiaries (poor turned into entrepreneurs) with the capacity to run/continue their income generating project/activity frame.

1.1 Statement of the problem

Poverty eradication is the major task of the Government. The Government of India, through the Ministry of Rural development, has implemented a number of poverty reduction programmes to bring rapid growth to the economy. These programmes have reduced poverty to a considerable extent. The table 1.1 highlights the poverty levels in India from 1973 to 2004.

Table 1.1 Estimate of poverty from 1973 to 2004 (All India)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of people below poverty line</th>
<th>No. of persons below poverty line (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1973</td>
<td>56.44</td>
<td>49.01</td>
</tr>
<tr>
<td>1983</td>
<td>45.65</td>
<td>40.79</td>
</tr>
<tr>
<td>1993</td>
<td>37.27</td>
<td>32.36</td>
</tr>
<tr>
<td>2004</td>
<td>28.30</td>
<td>25.70</td>
</tr>
</tbody>
</table>

The Table 1.1 shows that the poverty level in 2004-05 is reduced by 50 per cent compared to the poverty level during 1973-74. But in absolute terms, still a large number of people are in poor state. It remains as a major problem confronting rural development. Even after sixty years of independence, a quarter of population remains below poverty line. The level of poverty reduction during the last three decades is less than one million per year. At this rate, it will take 300 years to eliminate poverty in the country (Steering committee, Planning Commission, GOI 2007)

According to World Bank norm of one dollar a day, 42 per cent (296 million) of population were below poverty line in 1981. The number of people living on less than US $ 1 per day in India is significantly greater than the entire population of the United States. But if $ 1.25 per day is adopted as the yardstick, percentage of people living below poverty line decreased from 60 per cent in 1981 to 42 per cent in 2005. However, in absolute terms, population below poverty line (PBPL) has increased from 421 million in 1981 to 456 million in 2005. This shows that though there is a considerable decrease in the number of people who are living below one dollar a day, a large number of people are living just above this line. Both the figures (the number of people living below US $ 1 per day and US $1.25 per day) indicate that our country has made a progress against poverty, with poverty declining at the rate of one per cent every year since 1980s.

Table 1.2 Estimate of poverty from 1973 to 2004 (Tamil Nadu)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of people below poverty line</th>
<th>No. of persons below poverty line (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1973</td>
<td>57.43</td>
<td>49.40</td>
</tr>
<tr>
<td>1983</td>
<td>53.99</td>
<td>46.96</td>
</tr>
<tr>
<td>1993</td>
<td>32.48</td>
<td>39.77</td>
</tr>
<tr>
<td>2004</td>
<td>22.85</td>
<td>22.20</td>
</tr>
</tbody>
</table>


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Millennium Development Goal (MDG) fixes a target of reducing poverty by 50 per cent between 1990 and 2015.\textsuperscript{6} India has to reduce below poverty line population from 37.5 per cent in 1990 to 18.75 per cent in 2015. As per Planning Commission report, the GOI reached the level of 27.50 per cent in 2004-05 in reducing poverty after implementing several poverty alleviation and development programmes.\textsuperscript{7} Tendulkar Committee has reported that 37.2 per cent of Indian people live below poverty\textsuperscript{8} and the GOI has accepted the recommendations of the committee for poverty line for 2004-05.\textsuperscript{9}

Millennium Development Goals aim at reducing poverty, improving health and education, empowerment of women, protecting environment and enhancing other aspects of human welfare. In India, the goals of millennium declaration were followed even before the adoption by the United Nations General Assembly, in the form of policy framework and number of schemes for rural development. The movement towards sustainable rural development will lead to the achievement of MDG. Such achievement is possible through the modern tool to combat poverty and ensure rural development, commonly known as micro finance through SHGs. Apart from savings and credit; SHGs were also able to address social issues like health, education, sanitation, drinking water, alcoholism etc\textsuperscript{10}.

Extension of micro finance to people, especially women, coupled with supporting activities like training, raw materials supply and marketing of products leads to the establishment of micro enterprises in rural areas. These micro enterprises generate income to the family resulting in poverty reduction and set the path for development. Women gain self-confidence to venture on enterprising activities

\textsuperscript{10} Sa-Dhan (2009) Enhancing Resource flow to the Microfinance Sector, New Delhi: Sa-Dhan
leading to social, economic and political empowerment. With their increased knowledge and awareness, they become partners for developmental activities. When people join together as a group and receive required financial assistance, a mass development takes place with considerable reduction in poverty. The resulting empowerment leads to socio-economic development in a holistic and sustainable manner. Rural development is possible with active participation of people in group activity. The groups should collectively mobilize internal and external resources and invest in entrepreneurial activities which will generate surplus to break the vicious cycle of poverty leading to sustainable rural development.

The review of extant literature on micro-finance reveals that the existing studies highlight the impact of SHG and microfinance on economic improvements in households, capacity building, empowerment and problems and constraints of microfinance. Integrated studies highlighting the harmonious impact SHGs, NGOs and Micro Finance on the socio-economic aspects of rural households are, however, rare to come across. So, there is a need to study how micro finance through self help groups plays a pivotal role in sustainable rural development and also the enabling role played by NGOs in this regard. In other words, there is a need to study the impact and effectiveness of micro finance in an integrated manner on poverty, living standard of the family, empowerment, problems and constraints, role of voluntary agencies and ultimately sustainable rural development. With these issues, the main focus of this study is to determine whether micro finance is an effective instrument in bringing out sustainable rural development and if so, to what extent. To investigate the above issues, the following research questions are raised in the study. Unlike the previous studies, the present integrated study addresses the issues relating to the effectiveness of micro finance through self help groups and the role of NGOs in sustainable rural development.
1) Are rural women aware of the concepts of groups, micro finance?

2) What are the effects of micro finance on income and living standards of women?

3) Does micro finance influence and improve knowledge and awareness of rural women especially on education, nutrition, health and environment?

4) Does micro finance enable empowerment process?

5) What are the problems that rural women face in the context of micro finance and micro enterprises?

6) What are the effects of micro finance on the managerial abilities of women?

7) Whether micro finance empowered and improved the managerial abilities of the leaders of the SHGs?

8) What are the roles played by voluntary agencies and Non governmental Organisations in micro finance induced sustainable rural development?

1.2 Self Help Groups in India

The NABARD, with the help of Reserve Bank of India, commenced the pilot project in 1992 in promoting and financing 500 SHGs across India.\(^\text{11}\) The strategy involved was forming small and cohesive groups of the poor below the poverty line and encouraging them to pool their saving and making the pooled savings available to the group members as internal loans with low interest.

With a small beginning in 1992, growth of SHG movement has liberated millions of families in villages from the clutches of money lenders. SHGs have been accepted as an effective means to provide the banking service to the unbankable people\(^{12}\) and the role of microfinance is very important in rural development and poverty eradication.\(^{13}\) The SHGs have become the common vehicle of development process, all the programmes envisage growth or development in India converging towards microfinance and it is considered to be the largest microfinance programme in terms of outreach in the world. Many countries are keen to replicate this model.\(^{14}\)

Table 1.3 shows the growth of SHG India.

### Table 1.3 Cumulative progress of SHG Assistance by the Banks in India

<table>
<thead>
<tr>
<th>Year</th>
<th>SHGs having account with the Banks</th>
<th>Bank loans outstanding with SHGs as on March 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount (INR. in millions)</td>
</tr>
<tr>
<td>2006-07</td>
<td>4160584</td>
<td>35127.10</td>
</tr>
<tr>
<td>2007-08</td>
<td>5009794</td>
<td>37853.90</td>
</tr>
<tr>
<td>2008-09</td>
<td>6121147</td>
<td>55456.20</td>
</tr>
</tbody>
</table>

*Source: Status of Microfinance in India 2008-09, NABARD, 2009.*

As on 31 March 2009, total 6,121,147 SHGs were having saving bank accounts with the banks and total savings amounts to INR 55456.20 millions as against 50,09,794 SHGs having savings of INR. 37853.90 millions as on 31 March 2008, thereby having growth rate of 22.2 per cent and 46.5 per cent respectively. More than 86 million poor households were associated with banking agencies under SHG-Bank Linkage Programme.\(^{15}\) The SHG model has now been replicated by the

\(^{12}\) APMAS. (2007). SHG Federations in India. Hyderabad: APMAS


Indian Government for distributing credit under poverty alleviation programmes and is stated to be the largest microfinance programme in the world.\textsuperscript{16}

1.3 \hspace{1em}SHGs in Tamil Nadu

The Government of Tamil Nadu realized that SHG is an effective tool for delivering credit to the rural poor for their economic and social development. SHG movement has emerged as a powerful and vibrant movement illuminating the lives of poor women across the state. In Tamil Nadu, 337744 \hspace{1em}Self Help Groups were formed exclusively for women up to 31.3.2007 for improving the economic empowerment of women in the State.\textsuperscript{17}

\begin{table}[h!]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
As on & No. of SHGs formed & Loan sanctioned groups & Amount of loan (INR. In millions) \\
\hline
31.3.2005 & 199116 & 148628 & 11647.90 \\
31.3.2006 & 243319 & 216496 & 17652.40 \\
31.3.2007 & 337744 & 273098 & 23377.90 \\
31.3.2008 & 365709 & 311798 & 26730.00 \\
31.3.2009 & 391311 & 360160 & 53379.60 \\
31.3.2010 & 441311 & 402046 & 81296.10 \\
\hline
\end{tabular}
\caption{Growth of SHGs in Tamil Nadu}
\end{table}

\textit{Source: SLBC report, Tamil Nadu.}

Up to 31.3.2007, a cumulative total of 337744 SHGs had been formed under Mahalir Thittam in Tamil Nadu and INR 23377.09 millions of micro finance loans disbursed to 273098 SHGs. Up to 31.03.2010, 441311 SHGs were formed in Tamil Nadu. Table 1.5 provides the SHG status of Tamil Nadu as on 31.03.2007 and 31.03.2010.

\textsuperscript{16}Sa-Dhan. (2009). Responsive Growth, Bharat Microfinance Report, New Delhi: Sa-Dhan
\textsuperscript{17}GoTN. (2008). Policy Note of the Department of Rural Development, 2007-08.
Table 1.5 Status of SHGs in Tamil Nadu as on 31.03.2007 and 31.03.2010

<table>
<thead>
<tr>
<th>Details</th>
<th>As on 31.3.2007</th>
<th>As on 31.3.2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total No. of SHGs</td>
<td>337744</td>
<td>441311</td>
</tr>
<tr>
<td>Total No. of Group members</td>
<td>5.43</td>
<td>6.99</td>
</tr>
<tr>
<td>Credit linked groups</td>
<td>273098</td>
<td>402046</td>
</tr>
<tr>
<td>Loan disbursed (INR millions)</td>
<td>23377.90</td>
<td>81296.10</td>
</tr>
</tbody>
</table>

Source: Policy note of Rural Development, Govt. of Tamil Nadu.2007-08 & 2010-11.

The following is the pictorial presentation of the SHGs across the state of Tamil Nadu. The numbers in the picture indicates the number of SHGs in the districts.

![SPATIAL DISTRIBUTION OF WOMEN SELF HELP GROUPS FORMED BY TNCDW](image)

Figure 1.1 Geographical distribution of SHGs in Tamil Nadu as on 31.03.2007
1.3.1 Tamil Nadu Women’s Development Project (Mahalir Thittam)

The Government of Tamil Nadu spearheaded the Self Help Group (SHG) concept in the country by forming SHGs in Dharmapuri district with the assistance of International Fund for Agricultural Development (IFAD) as early as September 1989 and latter extended to other parts of the state in phased manner. The focus was on the formation of SHGs of poor women, to improve their economic position. The success of the project led to the announcement of Mahalir Thittam in 1996 extending the coverage to the entire State in a phased manner. This project is based on a long-term partnership among three agencies—the State government, NGOs and NABARD/other banks and financing institutions. This project is participatory, people-centered and process-oriented and intends to promote social empowerment of poor and disadvantaged women through equal status at household, community and village level, increased status in democratic institutions and helping them to overcome social, cultural and religious barriers. Further this project supports economic improvement through financial self-reliance of women, greater access to financial resources and reduced vulnerability to crisis situations like famine and floods. Tamil Nadu Corporation for Development of Women Limited was established in the year 1983 with the prime objective of socio-economic development and empowerment of rural women. Tamil Nadu Corporation for Development of Women implements Mahalir Thittam in partnership with Non-Governmental Organisations (NGOs) who form, train and monitor the SHGs in the state. The Corporation also implements IFAD assisted Post Tsunami Sustainable Livelihoods Programme and Swarnajayanti Gram Swarozgar Yojana (SGSY), a major anti-poverty programme meant for self employment of rural poor.

In Tamil Nadu, NGOs are encouraged to help in the formation of SHGs, provide training to their members and monitor SHGs. The Tamil Nadu Corporation
for Development of Women (TNCDW) approved 469 NGOs for this purpose up to March 31.3.2010.¹⁸

There are 30 revenue districts in Tamil Nadu as on 31.3.2007 and 337744 Self Help Groups are in the State. Vellore district, known for its leather industry and agriculture, is one of the industrially backward districts. Very few studies were attempted in general about the district and in particular, studies related to effectiveness of micro finance in Vellore district are almost non-existent. As far as the state scenario is concerned, only limited studies have been conducted. Maximum number of studies has been conducted in the state of Andhra Pradesh. The socio-economic conditions of Vellore district are similar to those of the neighbouring districts such as Kancheepuram, Thiruvannamalai, Dharmapuri and Krishnagiri. So outcome of the study of Vellore district might be useful for policy implications to other districts in the zone.

The following is a brief description of the district chosen for the study

1.4 Vellore District

Vellore district lies between 12 15’ and 13 15’ of the Northern Latitude and 78 20’ and 79 50’ of the Eastern Longitude and is one of the biggest districts in Tamil Nadu. Its total geographical area is 5920 Sq. Km. There are 8 taluks, 20 blocks and 763 village Panchayats and 842 Revenue villages in Vellore district. Area under forest in this district is 27.2% (16 million ha.) of the total geographical area. Paddy, Groundnut, Sugarcane are the major crops. All villages in the district have access to electricity and are connected by roads. The total population of the district as per 2001 Census is 3,477,317 and it is the ninth most populous district in Tamil Nadu. The distribution of population in Vellore District indicates that it is a rural based district since 62 per cent of its population lives in rural areas.

There are nine Municipalities and twenty blocks in the district. Table 1.6 provides the break up of the Urban and Rural population (Recently Vellore has been upgraded as Municipal Corporation, so the number of Municipalities and number of villages may be reduced.)

**Table 1.6 Population of Vellore district**

<table>
<thead>
<tr>
<th>Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>17,41,083</td>
</tr>
<tr>
<td>Female</td>
<td>17,36,234</td>
</tr>
<tr>
<td>Total</td>
<td>34,77,317</td>
</tr>
<tr>
<td>Rural Population</td>
<td>21,69,319</td>
</tr>
<tr>
<td>Urban Population</td>
<td>13,07,998</td>
</tr>
<tr>
<td>Literate</td>
<td>22,03,352</td>
</tr>
<tr>
<td>No of rural families</td>
<td>5,94,028</td>
</tr>
<tr>
<td>No of BPL families</td>
<td>2,00,925</td>
</tr>
<tr>
<td>BPL population</td>
<td>8,10,725</td>
</tr>
</tbody>
</table>

*Source: Census 2001, GOI.*

There are 5,94,028 rural families in Vellore district of which 2,00,925 families live below poverty line, which is 33 percent. It may be said that one third of the families in the district is poverty stricken. This district has a wide network of banks. There are 199 branches of 31 commercial banks and 34 branches of District Central Cooperative Bank.

The Human Development Index (HDI) for the State is estimated at 0.657 by the Planning Commission of Tamil Nadu. This value ranges from 0.584 to 0.757 at the district level and the HDI value for the Vellore district is 0.658. The Gender Development Index (GDI) for the district is 0.655 and the GDI value for the Tamil Nadu is 0.654. (GDI value ranges from 0.582 to 0.766 at the district level) In HDI and GDI values the Vellore district ranks eleventh position in the state. The HDI and GDI value of the Vellore district is nearly equal to the state average and the table 1.7 depicts the status of Vellore district.
Table 1.7 HDI and GDI values of Vellore district

<table>
<thead>
<tr>
<th></th>
<th>HDI value</th>
<th>GDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>0.571</td>
<td>0.553</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>0.657</td>
<td>0.654</td>
</tr>
<tr>
<td>Vellore</td>
<td>0.658</td>
<td>0.655</td>
</tr>
</tbody>
</table>


1.4.1 SHGs in Vellore District

There are 11625 SHGs in Vellore District and the cumulative loan sanctioned is INR.439.70 million in this district as on 31.3.2007.

Table 1.8 Growth of SHGs in Vellore district

<table>
<thead>
<tr>
<th>As on</th>
<th>No. of SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.03.2005</td>
<td>5514</td>
</tr>
<tr>
<td>31.03.2006</td>
<td>7192</td>
</tr>
<tr>
<td>31.03.2007</td>
<td>11625</td>
</tr>
<tr>
<td>31.03.2008</td>
<td>12994</td>
</tr>
<tr>
<td>31.03.2009</td>
<td>14148</td>
</tr>
<tr>
<td>31.03.2010</td>
<td>16448</td>
</tr>
</tbody>
</table>


There are 195148 members in the 11625 Self Help Groups and the average group size is 17 members as on 31.03.007. The SHGs in the District covered only 11.23 per cent of the women population in the district. The number of SHGs increased to 16448 covering 262390 women and the average group size is 16 members as on 31.03.2010.19

Cumulative loan disbursed to 8231 SHGs was INR 439.70 millions and average group loan was INR Fifty three thousands whereas the state average as on 31.3.2007 is INR eighty five thousands. Average lending per group in Vellore district is less than the state average.

Table 1.9 Block wise details of SHGs as on 31.03.2007

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Block</th>
<th>No of SHGs</th>
<th>Percentage of SHGs</th>
<th>Selected/Not selected</th>
<th>No of SHGs selected for the study</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Alangayam</td>
<td>402</td>
<td>3.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Anicut</td>
<td>674</td>
<td>5.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Arakonam</td>
<td>773</td>
<td>6.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Arcot</td>
<td>204</td>
<td>1.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Gudiyattam</td>
<td>624</td>
<td>5.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Jolarpet</td>
<td>380</td>
<td>3.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>K.V.Kuppam</td>
<td>277</td>
<td>2.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Kandili</td>
<td>1039</td>
<td>8.94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Kaniyambadi</td>
<td>350</td>
<td>3.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Katpadi</td>
<td>168</td>
<td>1.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Kaveripakkam</td>
<td>761</td>
<td>6.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Madhanur</td>
<td>725</td>
<td>6.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Natarampalli</td>
<td>559</td>
<td>4.81</td>
<td>Selected</td>
<td>45</td>
</tr>
<tr>
<td>14</td>
<td>Nemili</td>
<td>580</td>
<td>4.99</td>
<td>Selected</td>
<td>45</td>
</tr>
<tr>
<td>15</td>
<td>Pernambut</td>
<td>455</td>
<td>3.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Sholingur</td>
<td>468</td>
<td>4.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Thimiri</td>
<td>345</td>
<td>2.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Tirupattur</td>
<td>1472</td>
<td>12.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Vellore</td>
<td>1261</td>
<td>10.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Walajahpet</td>
<td>108</td>
<td>0.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>11625</strong></td>
<td><strong>100.00</strong></td>
<td></td>
<td><strong>90</strong></td>
</tr>
</tbody>
</table>

While analyzing the block wise details of SHGs, it is observed that Walajapet block is having the lowest number of SHGs (108) and Tirupattur block has the highest number of SHGs (1472). Three blocks viz. Kandili, Vellore and Tirupattur dominate the list with more than 1000 groups. Percentage analysis indicates Walajapet has less than 1% of SHGs and Tirupattur has 12.66% of SHGs in this district. Table 1.9 shows the block wise details of SHGs in Vellore District as on 31.03.2007.

The figure 1.2 shows the blocks in Vellore district

![Figure 1.2 Map of Vellore district](image_url)

1.5 Objectives of the study

The present study is undertaken with the following specific objectives:

- To study the awareness of members on micro finance through SHG in Vellore district.
➢ To identify improvements in the living standards, empowerment, capacity building and managerial abilities of the rural women in Vellore district.

➢ To identify the problems and constraints faced by women during the course of micro finance in Vellore district and to find out the procedures followed in resolving the problems faced by the rural women in Vellore district.

➢ To assess the role of Voluntary Agencies and Non Governmental Organisations in micro finance.

➢ To assess the attitude of group leaders in Vellore district towards the managerial impact of micro finance.

1.5.1 Sub-objectives

Sub-objectives were formulated for each of the objectives for analysis in detail.

1. The following sub-themes were evolved to address the issues relating to examine the awareness of micro finance.

   a) To understand members’ awareness about the constitution of the self help groups.

   b) To examine the awareness level of accounts maintenance and book keeping in the groups.

   c) To evaluate the level of awareness about managerial aspects of groups.

   d) To assess members’ awareness level on the banking procedures and concepts.

2. The following sub-objectives were arrived at to identify the improvements in the living standards of the rural women.
a) To study improvement in income, consumption and expenditure pattern in the families of rural women.

b) To assess the impact of micro finance on economic empowerment of rural women.

c) To assess the impact of micro finance on social empowerment of rural women.

d) To assess the impact of micro finance on political empowerment of rural women.

e) To assess improvement in capacity of building, knowledge and awareness of women.

f) To evaluate impact on the managerial abilities of women.

3. The following sub-objectives are arrived to identify the problems and constraints faced by women during the course of micro finance and identifying the practices in overcoming the problems.

a) To examine the problems and constraints faced by women.

b) To understand the practices followed by women in overcoming the problems.

4. To evaluate the role of voluntary agencies and Non Governmental Organisations in micro finance.

5. Following two sub-objectives are considered to assess the attitude of group leaders towards the managerial aspects of micro finance.

a) To identify the general impact of micro finance.

b) To identify the improvements in managerial skills of rural women as result of micro finance.

Based upon the above stated objective and sub objectives, the following hypotheses form the core of the study.
1.5.2  Hypotheses

1.5.2.1  Awareness of Micro finance and SHG

The study aims at evaluating the awareness of the respondents in Vellore district, on four dimensions viz. group constitution, awareness of bookkeeping, managerial aspects of group and awareness of banking procedures with the following hypotheses.

H1: There is no significant difference between the respondents of the two blocks regarding awareness of micro finance and SHGs.

H2: There is no significant relationship between age and awareness of microfinance through SHG.

H3: There is no significant relationship between the educational status and awareness of micro finance.

H4: There is no significant relationship between the years of membership in SHG and awareness of micro finance and SHGs.

H5 There is no significant relationship between the loan amount and awareness of micro finance and SHGs.

1.5.2.2  Changes in income and consumption pattern

The study is focusing on the economic transformation in the households brought out by micro finance in terms of changes in monthly income, expenditure and consumption pattern. The following hypotheses were formulated to assess the economic transformation in the respondents’ households as a result of microfinance.

H6: There is no significant increase in income as a result of participating in microfinance.
H7: There is no significant increase in expenditure as a result of participating in microfinance.

H8: There is no significant change in the consumption pattern as a result of microfinance.

1.5.2.3 Empowerment

The following hypotheses were formulated to evaluate empowerment of the respondents in Vellore district:

H9: There is no significant relationship between the age and empowerment.

H10: There is no significant relationship between the educational status of the respondents and empowerment.

H11: There is no significant relationship between the period of membership and empowerment.

H12: There is no significant relationship between the loan amount and empowerment.

1.5.2.4 Capacity building

Capacity building makes women to move from marginality to centrality in decision making process. In order to achieve poverty alleviation through income generation with micro finance, women need training, awareness, confidence, skills and favourable business environment. The following hypotheses were analysed to study the effect of microfinance on capacity building among the respondents in Vellore district.

H13: There is no significant relationship between the respondents of the blocks in capacity building.
H14: There is no significant relationship between age and capacity building of the respondents.

H15: There is no significant relationship between educational status of the respondents and capacity building.

H16: There is no significant relationship between period of membership in group and capacity building.

H17: There is no significant relationship between the loan amount and capacity building.

1.5.2.5 Managerial skills development

Managerial abilities such as leadership, communication, decision making, entrepreneurial skills, human resources management, marketing, team management and financial management are essential to manage the group and income generating activities. The following hypotheses were tested to evaluate improvements in managerial abilities of the respondents in Vellore district.

H18: There is no significant relationship between residence in blocks and improvement in managerial ability of women as a result of participation in microfinance.

H19: There is no significant relationship between age and improvement in managerial ability of women as a result of participation in microfinance.

H20: There is no significant relationship between educational status and improvement in managerial ability of women.

H21: There is no significant relationship between period of membership in the group and improvement in managerial ability of women.

H22: There is no significant relationship between the loan amount and managerial ability of women as a result of participation in microfinance.
1.5.2.6 Problems and constraints.

In addition to the study of problems and constraints, the following hypotheses were tested.

H23: There is no significant difference between the respondents of the blocks in respect of problems and constraints.

H24: There is no significant difference between the period of membership and problems and constraints

1.5.2.7 Role of NGOs

Following hypotheses were tested when the role of NGOs in microfinance in Vellore district was evaluated

H25: There is no significant relationship between residence in a block and the awareness of the respondents on role of NGOs as a result of participation in microfinance.

H26: There is no significant relationship between age and awareness about the role of NGOs.

H27: There is no significant relationship between educational status and awareness about the role of NGOs as a result of participation in microfinance.

H28: There is no significant relationship between period of membership in the group and awareness about the role of NGOs as a result of participation in microfinance.

H29: There is no significant relationship between the loan amount and awareness about the role of NGOs
1.5.2.8 Attitude of leaders

Following hypotheses were tested while assessing the attitude of group leaders in Vellore district towards the managerial impact of micro finance.

H30: There is no significant difference between the leader respondents of the blocks in managerial skills development.

H31: There is no significant difference between blocks regarding the usefulness of training programmes.

H32: There is no significant difference between blocks regarding the drop out of members from SHGs.

1.6 Research Methodology

This study is both descriptive and diagnostic one. The research questions are crystallized very clearly and the variables are identified from the earlier research studies, and hence fall in the classification of descriptive as well as diagnostic designs.

1.6.1 Primary data

This study is primarily based on empirical investigation. Most of the data were collected from primary source through direct contact with the women who formed Self Help Groups.

1.6.2 Secondary data

The secondary data were collected from a number of reports-published and unpublished by the rural development agencies, state and central government departments, agencies and local bodies and also from number of offices at the district level, such as that of the District Collector, DRDA, Mahalir Thittam, Lead Bank, and NABARD.
1.6.3 Sample Design

The sample design took a three step process adopting multi-stage sampling method. It involves selection of district, blocks and respondents. Following sections summarise the process.

1.6.3.1 Selection of District

There are 30 revenue districts in Tamil Nadu as on 31.3.2007 and 337744 Self Help Groups are functioning in the State. Vellore district, even though known for its leather industry and agriculture, is one of the industrially backward districts in the state. Very few studies were attempted in general about the district and in particular, studies related to effectiveness of micro finance in Vellore district are almost non-existent. Vellore district has 11625 SHGs as on 31.03.07, which is nearer to the state average of 11258 SHGs per district. As far as the state scenario is concerned, only limited studies have been conducted. Maximum number of studies has been conducted in the state of Andhra Pradesh. The socio-economic conditions of Vellore district are similar to those of the neighbouring districts such as Kancheepuram, Thiruvannamalai, Dharmapuri and Krishnagiri. So the study outcome of Vellore district might be useful for policy implications to other districts in the zone also.

In Vellore district, drought is common and the entire district’s agriculture depends on rainfall only. There is only one river flowing through the district which is not perennial, remains dry throughout the year. During the period of drought, migration of labourers from this district to Karnataka and Andhra Pradesh is common. Moreover growth of leather industries and the consequent pollution have affected ground water in the district. This has adversely affected agriculture. So the declining agriculture is a major reason for the poor rural employment in Vellore district. However, the agriculture labourers were, to some extent, absorbed in the small scale industries. But such absorption was restricted to urban and semi urban areas only.
Because of this, poor people migrate to adjoining states, especially Karnataka and Andhra Pradesh for wage employment. Realising the gravity of the situation, Government of Tamil Nadu has taken a lot of measures to improve the livelihood of rural poor. In this context, SHGs play vital role in creating employment opportunities in the district, paving the way for sustainable rural development.

1.6.3.2 Selection of blocks

There are 11625 Self Help Groups in Vellore district. The district has 20 blocks. The average percentage of SHGs per block comes to five. Of these blocks, two blocks have numbers of Self Help Groups nearly equal to 5 percent. These two blocks, viz., Nemili and Natrampalli are situated at the opposite ends of the Vellore district.

<table>
<thead>
<tr>
<th>Block</th>
<th>Number of Self Help Groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nemili</td>
<td>580</td>
<td>4.99%</td>
</tr>
<tr>
<td>Natrampalli</td>
<td>559</td>
<td>4.81%</td>
</tr>
</tbody>
</table>

Only these two blocks have number of Self Help Groups nearly equal to the mean value, hence these two blocks were selected for the study.

Figure 1.3 Shows the blocks selected for the study

![Vellore District Map](image)

*Figure 1.3 Map of Vellore district indicating study area*
Nemili block occupies 298.30 Sq. km. in the district. Its population is 141813 and covers 4.07 per cent population of the Vellore district. 60 per cent of the population in Nemili block is literate. There are 31588 rural families, of which BPL families are 11020. Thus, it can be concluded that 35 per cent of its families live below poverty line.

Area of Natrampalli Block is 229.36 Sq. km. Its population is 94301 as per 2001 census and constitutes 2.71 per cent of Vellore district’s population. 56 per cent of its population is literate. There are 20927 rural families in the block of which 7534 families live below poverty line and it can be said that 36 per cent of rural families are poverty stricken and 31 per cent of population lives below poverty line. So both the blocks taken for study have similar features of BPL families and poverty.

Table 1.10 Salient features of the study area

<table>
<thead>
<tr>
<th>Block</th>
<th>No of SHG</th>
<th>Percentage to total SHGs in the district</th>
<th>Percentage of families below poverty line</th>
<th>Percentage of population below poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natrampalli</td>
<td>559</td>
<td>4.99</td>
<td>36</td>
<td>31</td>
</tr>
<tr>
<td>Nemili</td>
<td>580</td>
<td>4.81</td>
<td>35</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: Census 2001, GOI.

1.6.3.3 Selection of respondents

To select the respondents for this study 45 Self Help Groups were identified from each block and 5 members from each of the SHG were selected randomly for issuing the questionnaire for the members and the leader/animator of the chosen groups were issued the questionnaire for leaders/animators. Seven members representing each SHG constituted the respondents for the study. A total of 450 respondents for the member category and 180 respondents for the leader category were selected finally and the total number of respondents for the study is 630.
1.6.3.4 Method of contact

In the multistage sampling procedure employed, probability sampling has been applied up to a certain stage. In subsequent stages, non-probability sampling has been followed. Calder, Philips and Tybout (1981) suggested that because strict statistical sampling often is not feasible, other procedures might be invoked to enhance the representative character of individuals in the research. Furthermore, using non-probability sampling on a relatively homogenous population reduces the potential for random errors (Sproles and Kendal, 1986; Bakewell and Mitchell, 2004). Population within a village often exhibits relatively homogenous pattern of socio-cultural profiles. Sometimes the economic profiles are also very similar. Mehta, Lalwani and Han (2000) put forward the idea that when the convenience sampling method is used, a researcher could randomize data collection to the extent of place and time of collection. For example, data may be collected from the same place at different times of the day, i.e., morning, afternoon and evening.

Convenience sampling has been used to select the respondents from the villages. This method of selection has been preferred over a completely random sampling in order to avoid any complications arising from non-availability of individuals.

The survey method with interview schedule of data collection has been used since it was best suited for research design. In addition, personal contact with the interview schedule could overcome the issue of low literacy levels in the rural areas and help in obtaining responses that are more reliable by clarifying the meaning of the questions whenever needed.

1.6.3.5 Pilot study

Questionnaires were prepared based on the issues and gaps in the studies carried out by the earlier researchers in India relating to Micro finance, Self Help Groups, their impact and problems and constraints and the role of NGOs. Pilot studies
were conducted to ensure the reliability and validity of the research instruments. The following studies were useful to frame the questionnaires:

Study on the reasons for joining in SHGs in Andhra Pradesh (Lakshmamma 2005), studies of group formation in Tamil Nadu (Chandramani 2005), utilization of micro finance loan amount by the SHG members in Tamil Nadu (Maniraju 2005), awareness of development and welfare programmes by the SHG members (Gangaiah 2001), homogenous background of SHG members in Andhra Pradesh (Kokila 2001), awareness of the concepts of SHG in Andhra Pradesh (APMAS 2005), impact of SHG on increase in income, creation of assets and empowerment (Sarkar 2001), Impact of SHGs (Puhazhendi and Badyata 2002), empowerment process as a result of SHG in Andhra Pradesh and Karnataka (Rao 2004), empowerment, food, clothing and housing as a result of SHG in Andhra Pradesh (Indira and Rao 2005), effect of microfinance on social and economic empowerment in Andhra Pradesh, Orissa and Jarkhand (Kabeer 2005), effect of microfinance empowerment in Haryana (Umasankar 2006) impact of SHG in Andhra Pradesh (Suguna 2006), measurement of empowerment (Bhowmick 2006; Narayanan 2006), participation of socially and economically backward in gramasaba meetings (Narayanan 2006), studies on effect of DWACRA groups on employment, income decision making and mobility in Andhra Pradesh (Rani and Reddy 2005), impact of microfinance on the living conditions and empowerment of women in Tamil Nadu (Sitadevi 2005), effect of micro finance and SHG on reduction in poverty, increase in employment and diversification in new non-traditional activities (Murthy et al.2005), positive changes in environment, sanitation, child education and public speaking by the SHGs (Gopalakrishnan 1998), social action against dowry, alcoholism and other social issues in Kerala by the women members of SHGs (Jaya 2000), SHG and increase in women’s strength and self confidence (Snehalatha 2001), studies on SHG and leadership in Tamil Nadu (Lalitha and Nagarajan 2004), study on impact of
decision making in Tamil Nadu (Holvote 2005) and Capacity building of SHGs (Thangamani and Sudha 2005; Rajagopal 2007).

In addition the following studies were also found useful to frame the questionnaire: Study on micro credit and SHG (Gurumoothy 2000), studies on SHG (Sinha 2005), studies on SHGs in Tamil Nadu (Gariyali 2007), impact of SHG – Bank linkage (NCAER 2008), requirement of managerial skills to run SHGs (Harper 2002), study on trainings among SHG members ( Manjula 2005), studies on problems faced by the SHGs (Sundari and Geetha 2000), study on problems of SHGs in Tamil Nadu (Usha and Meenakshi 2005), problems in SHG led microfinance (Ghate 2007), and role of NGOs in microfinance and sustainable rural development (Siva Subramanian 1999; Paul and Paul 2003; Panda 2003; Suar, Hota and Sinha 2006; Sharma 2007; Ghate 2007 and Malapur 2008).

Two questionnaires were used for primary data collection; one questionnaire was used to collect the data from the members of the group and another questionnaire was used to elicit information/data from the leaders and animators of the group. The questionnaire for members comprised questions relating to demographic aspects, awareness of micro finance, effectiveness of micro finance in life of women, empowerment aspects, problems faced by them and their opinion about role of NGOs. Questionnaire for leaders and animators comprised questions on personal aspects, effectiveness of micro finance and managerial aspects. Both the questionnaires contained closed and open ended questions and the questionnaires were prepared in English and translated into Tamil which was used to secure information systematically from the respondents. The questionnaire was again translated into English by another independent scholar to ensure consistency of the variables as suggested by Lundstrom, Lee and White (1998).
The draft questionnaire was referred to experts in the fields of management, economics, commerce, rural development, banking and micro finance and their comments on the draft questionnaire were incorporated and the contents and quality of questionnaire were tuned up. The draft questionnaire was pre-tested with several respondents in a pilot study.

The respondents were explained about the objectives and importance of the study. A few respondents suggested some changes in the questionnaire for the sake of simplicity and clarity and the pilot study was useful to revise the questionnaire by way of additions, deletions and modification to questions. The final version of the questionnaire was developed for administration in the main study.

1.6.3.6 Research instrument design

The questionnaire schedule designed for collecting requisite data from members consists of three parts.

A. Personal profile.
B. Reasons for joining, loan amount etc.
C. Awareness, improvements in income, empowerment, capacity building, managerial abilities, problems and constraints and role of NGOs, and some general questions.

The questionnaire schedule designed for collecting requisite data from leaders consists of two sections.

A. Personal factors.
B. Impact of microfinance, managerial skill development and questions relating to trainings and drop outs.
These aspects have been tested for reliability using Cronbach’s Alpha coefficient. The normally recommended alpha level for a preliminary research is 0.7 (Nunnally 1978) and this norm has been used in this study too. The study was conducted during the period 2007-09.

1.6.3.7 Over-view of analyses

The primary data collected was tabulated and various analyses were carried out to test the hypotheses and models specified in the study. Analysis of variance (ANOVA) and discriminant analysis were utilized in addition to frequency distribution, weighted average and percentage analysis.

1.7 Relevance of the study

This study will be useful to bankers, policy makers and planners in revamping the micro finance delivery system. This study will be useful to rural development practitioners, NGOs, government departments and all other stakeholders in sustainable rural development. The present study will be a value addition to the updated literature in the field of micro finance. It opens up avenues for further research in the areas of empowerment of women, problems and constraints in micro finance, role of NGOs, managerial aspects of micro finance and micro enterprises, sustainable livelihood practices through micro finance, achievement of MDG through micro finance, HRD aspects of micro finance through SHGs and micro finance and SGSY etc.,

1.8 Chapter Scheme

This thesis consists of six chapters in line with the objectives of the study.
Chapter 1

This chapter gives an overall view about the growth of SHGs and micro finance and explains the objectives and the methodology of the study.

Chapter 2

This chapter presents a literature review on micro finance, Self Help Groups, Non-Governmental Organisations and sustainable rural development.

Chapter 3

This chapter briefly describes the personal profile of respondents.

Chapter 4

This chapter analyses the data collected from the members and examines their awareness of SHG and micro finance, empowerment, capacity building and managerial development brought about by micro finance and the problems and constraints faced by women. The chapter also evaluates the role of NGOs in sustainable rural development.

Chapter 5

This chapter analyses the attitude of leaders of SHGs regarding the impact of micro finance on managerial aspects.

Chapter 6

This chapter narrates the findings and conclusions and suggests suitable recommendations.

Appendix

Appendix consists of statistics of SHGs in Tamil Nadu and Vellore and copies of the questionnaires (English and Tamil).