Chapter-2
Performance Evaluation of Microfinance
(A Brief Review of Literature)

2.1. Introduction:

Microfinance, as a provision of alternative financial service to the poor, especially for women and deprived section in our country and as well as in other developing countries have able drawn attention from the policy makers to the service pursuers, owing to its magic performance and achievement in providing financial and other services. Microfinance services are delivered among the needy borrowers by various methodologies or system and those service providing approaches/methodologies are called ‘Models’ of microfinance and among its various models, the ‘SHG Models’ which are India’s home grown Models are becomes the only dominating model in our country. The poor, especially rural poor and women are getting the benefits of microfinance services by forming SHG and that enable them to have savings, access to credit facility in needs, augment family income and other services, as a result their economic conditions are strengthen and they are gradually including towards formal financial system i.e., from ‘financial exclusion to financial inclusion’, which would not have been possible otherwise, in such easy way under microfinance. In this chapter attempt has been made to review the available literatures of the past research work relevance to the present study and to its objectives. The studies available on the Performance of SHG Models of Microfinance and on some related dimensions of performance have been reviewed.
And related literature have been gathered and presented objective-wise under the following broad headings and sub-headings as suitable:

a. **Microfinance Performance: Unfolding Magnitude and Trend under SHG Models, Social finance etc.**

b. **Microfinance Performance: Unfolding Loaning and Re-payment Performance, Savings, Income Generation, Financial Inclusion and Women Empowerment, Poverty Eradication etc. through SHGs.**

c. **Problems of Sustainability associated with SHGs and with its members and Programmes.**

**Microfinance Performance: Unfolding Magnitude and Trend under SHG Models, Social finance etc.**

- **2.2. Microfinance- Finance for the Poor:**

  Naithani, (2001) who critically examined in his study about how microfinance is helping, for all round development of the poor and expressed some authors have also advocated for extending this concept to other areas like basic education, health, infrastructure development etc. to help poor in three ways, firstly to help in overcoming their economic problems; secondly, to empower the vulnerable section of the society and lastly it can be instrumental in ensuring better human development.

  Khanka, (2010) in his elaborative study on Microfinance from ‘Evolution to Revolution’ expressed that, poor in India so far been suffering from the financial exclusion of formal financial institutions due to the lack of collateral, high transaction cost, small size of loan etc. and as against these backdrops, the concept of microfinance, based on Prof. Yunus of Grameen Bank, Bangladesh, has been
evolved as a means of financial inclusion of the poor based on the philosophy of ‘credit without collateral’. By now, microfinance has been adopted as an effective intervention of financial inclusion and poverty alleviation in over 40 countries in the world.

Panda, (2010) in his study reveals that, microfinance in the sense of small loans to the poor is of ancient origin, not only in India but also in the entire world. Traders and moneylenders in India have traditionally provided credit to the rural poor, usually at exorbitant rates of interest along with undesirable and illegal practices like bonded labour. But today’s microfinance involves lending to the poor at reasonable interest rates from Government and private institutional sources.

Mahajan, (2009) in his study critically examined that, when the scope of microfinance is increased to cover the combination of savings, credit and insurance services, then a MFI can make a sustainable contribution to poverty alleviation and this is departure from earlier thinking that only credit is what the poor needs. But rural and urban poor are lack of the skill set or inclination to become self-employed and for them; the most important financial service needed is savings and later credit, which is usually initially used for consumption needs. Only after a certain stages of income credit can be used for ‘productive’ purposes.

Some MFIs have been engaged in working with hard core poor that are not bankable with a view to bring them to a level where they can pursue their livelihood activities with confidence and be able to access services from mainstream institutions. While SKS microfinance was an early entrant in this initiative, Bandhan, Ujjivan and Equitas are active in this space. While Bandhan has a large programme covering more than 50,000 beneficiaries with support from Axis Bank, the others have a smaller scale. These programmes select extremely
poor families and provide them initial support for food security and livelihood assets and training, so that the income level improves (Srinivasan G., 2013).

Arun, Hulme, Matin, & Rutherford, (2009) viewed that, the development of microfinance sector is based on the assumption that the poor possess the capacity to implement income-generating economic activities but are limited by lack of access to and inadequate provision of savings, credit and insurance facilities. Again, the developments in microfinancial services have been based on a proto type delivery model that is considered the best answer to capture financial need of the poor in various socio-economic and institutional systems.

Giving more importance to the savings aspect of microfinance, Rutherford, (2009) mentioned that, although their incomes may be tiny or irregular, there are many times when poor people need sums of money that are bigger than what they have in hand. The need for these ‘usefully large lump sums’ arises from life-cycle events such as birth, education, marriage and death, from emergency situations and from the discovery of opportunities to make investments in assets or business. The only reliable and sustainable way that they can obtain these sums is to build them, somehow or other, from their savings. So poor people have to save and financial services for the poor are there to help them find ways to do so.

Recognizing various benefits of microfinance, Rabinson, (2009) in his study apprently mentioned that, microfinance matters because it increases the options and the self confidence of poor household by helping them to expand their enterprises and add others, to decrease risks, to smooth consumption, to obtained higher returns on investment, to improve management and increase their productivity and incomes, to store their excess liquidity safely and obtain returns on their savings, to escape or decrease exploitation by the locally powerful, and conduct their business with dignity. As such the quality of their lives improve,
children are sent to school and child labour decreases. In addition, the economically active poor who are able to expand their economic activities often create jobs for others; among those who gain employment in this way are some of the extremely poor.

Gupta, (2007) in his study mentioned, SHG approach proved as a realistic alternative among poor to borrow money instead of informal market at an interest rate much higher than market rates. For this the spirit of co-operation should be instilled in SHGs. It is also apparent that Indian economy can’t wait, without improving the economic conditions of poor. Banking with the poor is a profitable business opportunity for both the poor and the financial institutions in India.

2.3. Performance of Microfinance:

Asian Development Bank in a study recognized the performance of microfinance and mentioned as the pioneer microfinance organisations such as the Grameen Bank of Bangladesh have exemplified with their remarkable success in the field of microfinance and the better performance of disbursement of micro loans and recovery rate which have attracted the attentions of many in the world. During the mid of 2000, the three of the largest microfinance institutions ASA, BRAC and the Grameen Bank, reported more than 6 million active members, cumulative loan disbursements of US $ 4.5 billion and mobilisation of more than US $ 19 million savings (Bank, 2000).

Most, but not all, microfinance programmes focus on women and women have shown to repay their loans more often and to direct a higher share of enterprise proceeds to their families. Worldwide, the Microcredit Summit Campaign reports that 80% of microfinance clients are female. However, the percentage of female clients varies considerably in variation with region, with the highest percentages in
Asia, followed by Africa and Latin America, with the fewest women served by MFIs in the Middle East and North Africa (Karlan & Goldberg, 2007).

In recent years, numerous successful experiences in the field of microfinance have contributed to spreading the idea that the improvement of living standards of the poorest can be realised not just through small loans for production requirements, but also through a wide range of financial services. Thus, modern microfinance has begun to offer more sophisticated products compared with simple microcredit in response to the more complex needs of the new target clients (Trezza).

Microcredit is now almost unanimously considered as a financial technique, since it needs a very modest volume of resources, is able to contribute in a significant way to the development of those economic activities that benefit from it. The key of such success mostly depends on its main technical features. Thus, microcredit shows its maximum effectiveness in those cases where the beneficiaries have adequate technical skills in the production of marketable goods and services, but lack of the financial means for their commercialization and distribution (Vento, The Main Features of Microcredit).

Since, the 1980s microfinance has become important component of development, poverty reduction and economic regeneration strategies around the world. By the early twenty-first century ten of millions of people in more than 100 countries were accessing services from and semi-formal microfinance institutions. It has become a vast global industry involving large numbers of governments, banks, aid agencies, non-government organisation, cooperative and consultancy firms and directly employing hundreds of thousands of branch-level staffs (Arun & Hulme, 2009).
2.4. Performance of Microfinance in India:

**Basu, (2009)** found in her study found that, the failure of the formal banking system of our country, leads to an alternative approach of financing to the poor and to reach them with microfinance facilities. Some authors has brought those matters in to light as though the Indian banking system become inclusive but it failed to cover the rural poor. According to the RFAS,2003 (Rural finance Access Survey), a some of 59 percent of the rural household don’t have a deposit account and 79 percent of rural household have no access to credit from a formal source and bank branches of rural areas serves the needs of the richer-borrowers.

**Jindal, (2009)** in this study pointed out that, the MFI sector in India is highly heterogeneous and only a few of the MFIs have significant outreach with substantial volumes of credit, these MFIs are already regulated as NBFCs, but the remaining MFIs that constitute the bulk are generally very small and operate on small geographical area. A move to regulate these MFIs presently is likely to curb their growth and throttle their slender development initiatives. The imperative needs is thus more for developmental framework rather than a regulatory framework.

The Indian microfinance sector presents a strong growth story and its growth performance was impressively sustained through the liquidity crunch and continued at an increased rate in the second half of 2009. As of March 2009, the MFIs in India reported a client base of 22.6 million with an outstanding portfolio of more than $2 billion. Over the past five years, the sector has delivered a CAGR of 86% in the numbers of borrowers and 96% in protfolio outstanding (Capital, 2010).

**Parhi, (2009)** conducted a case study on Bandhan and expressed that, Bandhan believes that a consumption loan will only trasiently augment the purchasing power and will not serve the purpose of poverty reduction. Poor women take loans for
purchasing food, clothes or repaying loans. What required is the initiation of a forum whereby the poor are equipped to generate income for themselves. Once the extra income is generated, it will automatically meet the consumption needs of the clients and Bandhan lends out for income generation purposes.

The small beginning of linking only 500 SHGs to banks’ in 1992, had grown to over 0.5 million SHGs by March 2002 and further to 8 million SHGs by March, 2012. Together the 8 million SHGs of the poor maintain a balance of over ₹ 6,550 crore in the savings Bank accounts with the Banks. Over 4.4 million SHGs are regularly availing credit facilities from the Banks and during 2011-12 alone, over 1.15 million Groups availed loans amounting to ₹ 16535 crore from banks and together 404 million Groups have loans to the extent of ₹ 36340 crore outstanding against them with the financing banks as on 31.03.12, (NABARD, 2012).


The progress of SHG-BLP in India from 1999-2008 under SHG models are shown and a linear trend line was found and that indicates that there is steady increase in the number of credit linked SHGs over a period of 10 years and the value of R^2 is 0.9155, which represents a good performance (Shodhganga).

The SHG Bank Linkage Programme (SHG-BLP) continues to be the leading model in India and to make the approach and design of SHG-BLP more flexible, guidelines were issued by NABARD on March 27, 2012 suggesting some client friendly product level changes in tune with the changing needs of customers under SHGs, such as allowing voluntary savings by members with surplus funds, which
could be maintained separately or used for intra-group lending; providing need-based access to funds and longer tenure of credit from banks through the introduction of cash credit system to avoid the need for frequent documentation and also delays in the renewal of loans to SHGs (RBI, 2012).

Jha, (2002) in his study expressed about the success of microcredit in Bangladesh from the lesson of successful microfinance model in Bangladesh, which is the example for any country and can accept the lesson to learn and efforts to tackle the twin problems of massive poverty and unemployment.

2.5. Performance of Microfinance in North-East and in Assam:

Sharma, (2011) conducted a study on Micro Finance in the North East, reveal that, the institutions like ‘Sanchays’ in Assam ‘Murups’ in Manipur are well known and bearing the capacity to loan even lakh of rupees within minutes, thus evidencing about the existence of microfinance in the NER since its inceptions, but not in the form propagated by Md. Yunus or NABARD. Again, RGVN has been playing very active role in NER, since 1990 the year of establishment, for its innovative returnable grants scheme for helping NGOs dealing specially in livelihood of the poor. By 2010 the numbers of such organizations soot up to seven hundred in NER.

Shamim & Khan, (2010) in their study explained that, microfinance has come to include a broader range of services in rural area; they are usually small farmers and others who are engaged in small income generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Despite witnessing numbers of problems those are faced by SHGs to develop the system of micro financing in India, even there is tremendous scope for the development of micro financing. Though India has made certain in-road in the field of microfinance, there are some vital issues that need to be addressed like setting up a
supervisory body like National Centre for Excellence in Microfinance, streamline legal framework to remove the infirmities, documentation, stamp duty, records and books of account, grading of SHGs etc.

Due to various topography and other bottlenecks the microfinance service began lately in North-East Region (NER) than from the rest of the country. The loans received by the NER currently account for only 2 percent of the total amount of loans received in India. In financial year 2009-10, the total loans disbursed in the NER were only ` 28716.99 lakh, 68 percent of which was in Assam. Tripura accounted for 22 percent, and no other state received above 5 percent (Srinivasan N., 2010).

Moulick, (2008) mentioned how microfinance as informal credit intervene for lack of access to formal financial institution has led to the emergence of informal system based on local socio-economic structures and needs. These includes tradional institutions, such as Marup (Manipur), Sanchoi Samities (Assam), Village Development Board (Nagaland), Village Darbar (Meghalaya) and Kebong (Arunachal Pradesh), all deeply rooted in regional culture. There are some other institutions such as Namghars and Pujaghars, Singlups and Maharis in Assam,, Manipur and Meghalaya, respectively.

Rao, (2009) in its report mentioned that, microfinance has emerged as an important sector in many countries for providing financial services such as savings, credit, insurance and remittance services to the poor. The study was made in collaboration of NABARD and APMAS, on 109 SHGs from 9 blocks of 4 district of Assam. It revealed that, the SBLP yielded social and economic benefits to a high percentage and more than 80 percent SHGs have experienced increase in income, and more than 50 percent experiences increase in expenditure on food, education and health; and about 75 percent experienced decline in family debts, interest burden and
dependence on money lenders; more than 80 percent have positive experience about women leadership development.

Das, D. made a study in Nalbari and Baksa district and expressed that, banking infrastructure is particularly poor compared to the other district in Assam and there are about 100 MFIs in north eastern region, but very few branches of MFIs operate in Nalbari and Baksa. There is still a significant credit gap in rural lower Assam and substantial for the expansion of formal microfinance institutions in these areas, as shown by the huge clients base and loan portfolios of the informal institutions. The absence of MFIs in these areas is surprising, where the large number of MFIs are competing for clients in Upper Assam. The results of the study suggest that there is strong reason for MFIs to enter the market in lower Assam as well.

Yadav, Saikia, & Deka, (2013) made a study in Tinkhon Block of Dibrugarh district mentioned that, the rural economy of Assam is greatly influenced with the revenue earned by different SHGs run by the women, as SHGs provide place the unemployed women for self-sufficiency and self-employment.

Deb Nath (a) & Nath, (2013) in their study in Barpeta district of Assam, cited that, microfinance is a driving force of rural development, and same have been seen among the women of Barpeta district, which deals in microfinance under SHG models. The result depicts that, the SHGs are facing some problems owing to small loan size, lack of training, SHG management/monitoring etc. good sides is that, women of the district are more creative and hardworking, though presently they are engaged in traditional activities, but special care about innovative business ideas will materialized and can make the involved members more beneficial.
2.6. Microfinance Performance under SHG Models in India and in Assam:

It is considered that microfinance movement is the most sustainable and effective tool for poor and disadvantaged sections to access institutional credit through different models. There is a huge scope to improve the businesses of rural banking branches in one hand and the several non-financial sectors such as intermediary institutions, NGOs and SHGs, on the other hand can generate more income for their sustainability and alleviation of poverty of the massive poor (Mishra & Thanvi, 2004).

Satish, (2009) made a study pointing out about the models of microfinance and mentioned that, a significant features of microfinance innovations in India is that through all variations of microfinance models and technologies are in exisatnce, the most widespeads with regard to depth and outreach are the linkage models. He also mentioned about SHG-bank linkage models, Bank Partnership model, Banking Correspondents, Service Company model etc. The basic features here is that financial resources are being sourced from regular banking chennels as well as members’ savings. NABARD’s SHG-bank linkage programme and other linkage programmes with MFIs have shown the path forward for accessing mainstream finance exclusively from the formal banking sector for microfinance.

Dasgupta, Namboodiri, & Shivani, (2001) in their study traced the development of the microfinance programme in India through SHGs model. According to their study, the SHGs system was initiated in India by the Non-Government Organisations (NGOs). From then the new group approaches such as Self-help group (SHG) has became the slogan in the country.

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**Srinivasan & Satish, (2001)** undertaken a study in four states, regional rural banks as well as commercial banks and both the models of linkages, such as directly to SHGs as well as indirectly through NGOs were studied. The study results revealed that the transaction cost of lending to SHGs might be slightly more than the normal lending for the first loan. But in case of subsequent loans it was observed that reduction in transaction cost was nearly 48.5 percent. In case where lending is done through the NGOs, transaction cost reduction is by 90 percent as compared to normal lending by bank branches. The risk cost was also reduced between 0.03 percent to 0.27 percent in case of lending to SHGs, whereas it was as high as 8.06 percent in normal lending. The models of profitability worked out reveal that even without a portfolio of high value advances rural branches can turnaround if a substantial portion of their lending is through the SHGs route. The reduction in transaction cost to the borrowers is also substantial. The study observes that the linkage between banks and SHGs worked out to the advantage of both the players.

**Sundaram, (2007)** mentioned that, the SHG-bank linkage programme spearheaded by NABARD combines the strength of the formal credit system and the flexibility of the informal credit system. The programme has emerged as the single largest microfinance programme in the world. The SHG concept gained prominence in several developing countries. The SHGs have produced positive results in empowering the poor through credit. There are about 1000 microfinance institutions in India. The SHGs provide a forum for the collective voice of the poor against common oppression and exploitation and women and SHGs have become a
movement in India. Women have developed abundant self-confidence and self-esteem through SHG movement.

**Nagayya & Nageswara Rao, (2010)** made a study on various microfinance models, like SHG model, SHG Federation model, Grameen model, JLG model, Cooperative model etc. and mention SHG Model is the main model in India and more than 90 percent of SHG members are female only. Again, among the three SHG Models, Model-II is working well in India and as per NABARD report, the cumulative picture of all India SHG-Bank linkage programme shown on March, 2006, model-I accounted for 20.1% of SHGs credit linked, and 14.4% of amount advanced as loan by banks; model-II accounted for 73.5% of SHGs, and 80.2% of amount; and model-III accounted for 6.4% of SHGs, and 4.9% of amount of loans.

So, model-II is followed mostly in many parts of the country, where SHGs are promoted by NGOs/Govt. agencies and financed directly by banks. Model-I is practiced in north-eastern region, karnataka etc. model-III is extensively used in Kerala, though model-II is followed to a greater degree. In Andhra Pradesh and Tamil Nadu, model-II is followed almost exclusively; with very little presence of the other two models.

In SHG small investment rules of ASOMI, it is mention that, we have huge productive labour and resources, but lack of capital they are not utilized. And microfinance through SHG are doing excellent job in our country. There are three SHG-Credit linkage models and all the models are functional in Assam. Model-I where SHGs are formed and promoted directly by Banks, model-II SHGs are promoted by NGOs/Govt. agencies, but financed by banks and model-III where SHG are promoted and financed by NGOs/MFIs, for example- ASOMI of ASSAM (Atma Sahayak Gut- SHG Small Investment Rules).
Ghate, (2009) in his book mentioned about microfinance models performance in providing benefits to the members. It has also mentioned, the SBLP is a home-grown model and unique to India, at least on the scale at which it is carried out. The major advantage of the SHG model is the empowerment and participation, which has engendered in millions of rural women, currently 31 million of which, half are below the poverty line. It also has the advantage that it can spread much faster, taking advantage of India’s huge network of bank branches and potentially of primary Agricultural Cooperative Societies (PACSs). The main disadvantage is that the average loan size goes up much more slowly than in the MFI model because it is tied to savings performance and the loan cycles are much longer i.e., in average 2.5 years as opposed to the usual one year under the MFI model.

Srinivasan N. , (Sustainability of SHGs), (2009) in his study found that, as financial services delivery model, the Self Help Group approach is unique; it has emerged as a clearly superior model compared to the Grameen bank or MFI models. By emphasizing savings before credit it takes care of both the legs of basic financial services. People’s participation is fully ensured with autonomy for the groups of poor in credit decisions. Linkage to bank branches enables groups to access loans as also keep their savings safely. The banks are far more comfortable in financing the poor through this mode as they find the risk and transaction costs to be low.

Gariyali & Vettivel, (2003) conclude in their study about the SHG movement in Tamil Nadu, that SHGs in the state have changed the mindset of men towards women and that they are becoming a platform that all government programmes want to use them, which is a measure of their success.

Thekkekara, Impact of SGSY on SHG: Bank Linkage, (2009) mentioned that, the success of the SHG model has inspired much confidence around the world as a
community driven programme involving the rural poor to strengthen their vulnerable condition.

**Manickam, (2009)** in his study mentioned about Pandyan Grama Bank SHG Linkage Model, Pandyan Grama Bank, a regional rural bank, was established by Indian Overseas Bank on 9 March 1977 under the RRB Act 1976. The main purpose of establishing the bank was to cater to the financial needs of the rural people in its command area to augment their income, enabling them to come out of the clutches of money lenders and to lead a reasonable, standard life. The bank is operating in six southern district of Tamil Nadu which are industrially backward. The bank has a network of 165 branches of which 111 are located in rural areas and 50 in semi-urban centres. SHGs are linked after stabilization for six months in savings, meetings, records keeping, effective groups savings utilization and recovery thereon and linkage are extended in the ratio of 1:1 to the size of accumulated savings in first stage and thereafter in the ratio of 1:2, up to 1:4 or to the actual requirement for the activity undertaken by the group. The group members are also covered under Life Insurance Corporation of India’s group insurance scheme, Janashree Bima Yojana. Children of the members are benefited with scholarships for their education as part of the insurance scheme.

**Ramchandran, (2009)** write about the Prathama Bank farmer’s club model and this model has amply demonstrated that, where-ever good NGOs are not available, community-based organizations are capable of promoting and strengthening SHGs provided the right environment is created by the banks. The model has demystified the pro-gender slant of SHG-bank linkage by promoting and linking more men’s SHGs and also prove that word-of-mouth publicity, cheap and simple, is more effective in retention, growth and responsiveness of customers in a service sector like banking. All cadres of bank staff, as also farmers’ club volunteers and
SHG volunteers, are provided training under SHG-bank linkage programme so as to involve and utilize all human resources available for success of the scheme. This active combination of bank’s human resources with sincere and missionary efforts of volunteers has resulted in a synergic and cascading effect of forming more than 13170 SHGs and bank credit linkage of 9120 SHGs as on 30 Sept. 2005.

Barik & Vannan, (2001) in their study expressed that, the project of linking SHGs with Banks has gained momentum in India from 1992. They also reported that three board models have emerged, model-I: Bank SHG, Member found 14 percent, model-II: bank (facilitating agency) SHG-members formed 70 percent and model-III: Bank-NGO-MFI-SHG-members formed 16 percent of SHGs linked during 1999-2000.

Mohanty, (2009) made a study on ‘Bidar DCCB-PACS Model’ and found that, Bidar DCCB initiative was the first major break through in the cooperative sector in taking steps for formation of groups and linkage. The model has proved that cooperative can effectively include the poor in their business and development activities and also proved that credit can be provided to the poor not as a charity but on commercial lines. It has shown that generating demand for banking through SHGs can spur not only economic but also social empowerment in rural areas.

Santhanam, (2009) in his study has shown an innovative approach using Anganwadi Workers (AWs) as promoters of SHGs by the Chandrapur District Central Cooperative Bank (CDCCB) Ltd. in Maharastra. The success of microfinance in Chandrapur district can be attributed primarily to the social intermediation carried out by AWs and without this the phenomenal repayment of SHGs would not be possible. In other words, the poor require the support of those whom they can trust and in this respect the services of the AWs have proved to be beneficial as they are local and recognised persons. Therefore, using AWs for
promotion of SHGs has become a ‘model’ for the CDCCB-ZP partnership in development. This model has aptly demonstrated that AWs have the needed skills in organizing rural women into groups and nurture them to function as SHGs, provided the AWs are given the right type of motivation. SHG-bank linkage was first introduced in CDCCB in Dec. 2001 and up to Oct. 2005 the bank has credit linked 7018 SHGs and had a stock of over 12200 SHGs, it was estimated that AWs were responsible for about 60 percent of the SHGs promoted and credit-linked with bank.

Mohapatra & Karmakar, (2009) in their study mentioned about innovative credit delivery systems and those interesting innovations have been vexed out in different states and regions with the SHG concept to meet the specific requirements of the people. These innovations have been the result of need-based interventions and reflect the flexibilities possible in the SHG Models of credit delivery. Rythu Mitra Groups is an example formed in Andhra Pradesh to meet the credit technology, market etc. for the need of the small, marginal and tenant farmers.

Karmakar, (2009) in his study on ‘Microfinance Revisited’ mentioned about the need for SHG federations especially in areas where mature SHGs have graduated from micro-savings to micro-deposits to micro-credit to micro-enterprises over a span of years. The Kalanjiam Model of Development of Humane Action (DHAN) Foundation is a fine example of such SHG federation providing value-added services and training for SHG members to develop into micro-enterprises eventually. Again mentioned that, in SHG-bank linkage patterns Model-I linked up to 20% SHGs including RRBs, Commercial Banks, DCCBs and PACS, Model-II account to 74% SHGs includes State govt. in AP, Rajasthan, MP and Model-III accounts for the rest.
Singh, (2009) in a study about microfinance service delivery models in India mentioned that, those services are mainly provided by two models viz., SHG-bank linkage model and MFI-bank model. The SHG-bank linkage model has emerged as the more dominant model due to its adoption by state-owned formal financial institutions. The MFI-bank model too is gaining importance due to the massive support it gets from banks and foreign funding agencies.

Feroze & Chauhan, (2011) in their study also mentioned about the SHG Models and stated as all the models are functional in India i.e., Model-I, Model-II and Model-III, and among these models, model-II, where SHGs are financed directly by banks, but Govt. agencies viz., DRDA or NGOs etc. act as facilitators. About 75 percent of NABARD’s microfinance till March, 2002 used this model of linkage.

Traditionally, those people who benefit from microfinance are citizens of developing countries who struggle to provide for themselves, known as ‘the poorest of the poor’. Within this category, women are of particular significance since they constitute the group that is most affected by financial exclusion in many developing countries. Moreover, numerous studies have shown that women are generally more capable of paying back microcredit than men and manage to invest the funds received in more profitable enterprises (Torre).

Srivastava & Agarwal, (2007) in their study mentioned that, microcredit is a financial innovation which was conceptualised in developing countries and as per RBI sources, there are three models of micro-credit disbursement viz., model-I, directly associated to the SHG without intervention of any NGO, at present this model has 16% share in total micro-credit disbursement. Model-II, directly associated for loans to the SHG with the facilitation by NGO and other formal agencies. This model is the most commonly used model with 75% share and model-
III, where the NGOs directly associated which occupies almost 9% share in the total credit disbursement.

Gaonkar, (2010) mentioned her study about NABARD role in the development of SHGs in our country as chief promoters and the significant growth of SHGs in the country over last decade is on account of high priority given by NABARD and Government. The important indicators of SHG Bank Linkage are described in the models as SHG formed and financed by Bank under model-I, SHGs formed by NGOs and directly financed by Bank under model-II and SHG financed by banks through NGOs as financial intermediaries under model-III.

In India, majority of micro credit activity is under the ‘Banking model’ (NABARD’s Bank-SHG Linkage i.e., SHG model-II) and 10-15% of the activity is through ‘MFI model’ (i.e., under model-III). High repayment rate has encourage banks to institutionalize SHGs under the bank-SHG linkage model. According to RBI Guidelines, banks may give loans to SHGs up to ` 5 lakh without insisting on collateral safety (Bhagowati, 2013).

Namboodiri & Shiyani, (2001) found that, the SHGs promoted by the NGOs had a better saving performance compared to that of SHPI (Self-help Groups Promotional Institution). However, the repayment performance of the SHGs promoted by the SHPI was superior to that of NGOs.

Subbiah & Navaneeth, (2006) mentioned that, there are three models under the SHG-Bank linkage programme, about 72% of the SHGs are formed by NGOs/government agencies and they like to financed by banks. They also stated, the programme has been advantageous not only to members of SHG but also to the banks.
Shankar, (2006) conducted a study on the efficient credit models of microfinance in Tamil Nadu and mentioned that the most popular model for the dispensation of micro-credit in India is the group-lending model. As per Sa-dhan report, group loans accounts for 93% of the microfinance in India.

Hariom & Kumar, (2012) made a study; whose objective was to study the model-wise growth of microfinance in India. The findings of the study reveals that SHG Model-I in which SHGs directly manage and financed by Banks and Model III in which MFIs financed by Banking or funding Agencies for on-lending to SHGs, both have increasing trend in savings, loan disbursement and bank loans outstanding to SHGs in absolute terms, but in growth perspective, these shows different pictures, sometime amount growth rate more than the number of accounts and in another side the growth rate in the number of accounts more than the amount growth rate in the same year. So, the NABARD and the RBI which are the apex financial institution in India, both are make efforts for making the consistency in the growth rate and try to minimize the decline rate through making better policy regarding encouraging voluntary agencies, bankers, and socially spirited individuals, other formal and informal entities and also government functionaries to promote and nurture SHGs.

In India as well in NER, microfinance is basically delivered to the rural poor in three different models. SHG-Bank linkage model (Model 1) involves the SHGs are formed and financed directly by the banks. One of the distinctive features of the SHG- Bank Linkage Programme has been very high on-time recovery and as on June 2005, the recovery was 90% in commercial banks, 87% in RRBs and 86% in cooperative banks. Under Model-I and Model-II, the NGOs or MFIs charge the same rates of interest. SHGs receive collateral free loan from banks at commercial rates of interest, presently varies from 8% to 13% p.a. on reducing balance (Roy).
The SHG Models are promoted by Indian government and it involves groups of roughly 10-20 women, who save amongst themselves and distribute their pooled savings as credit amongst the group. These groups are commonly linked to commercial banks for getting loans and group is responsible for repaying the bank loan, *(Kline, 2012).*

The Indian Microfinance sector is a museum of several approaches found across the world. Indian microfinance has lapped up the Grameen blueprint; it has replicated some aspects of the Indonesian and the Bolivian model. In addition to the imported artifacts of microfinance, we also have the home-grown Self-help group model, *(Srinivasan & Sriram, 2003).*

Three models have emerged in the SHG-Bank linkage programme (i.e., Model-I, II & III). There are, however, no significant variations in the annual growth rate of household income across SBLP models, though there are some variations in the base level of income from the lowest of `29019 in model-III to the highest of `36142 in model-II and that in case of model- I `34789 (NCAER, 2008), thus, this explains why model-II becomes the predominant and most popular SBLP model in India. The average level of savings per household reported as `6714, `5984 and `2948 under model-I, II and III respectively, changes in Assets per household reported as `3233, `4923 and `4133 and average loan per household in post SHG reported as `14282, `14922 and `14202 respectively under model-I, II and III (NCAER, 2008). Again, as per NCAER (2008) survey, 92.0% of households reported that the social empowerment of women has increased over a period after joining SHGs. The percentage of households reporting improvement in such empowerment was highest in Maharashtra 95.4%, followed by Orissa 94.4%, Karnataka 93.6%, Andhra Pradesh 91.5%, Uttar Pradesh 90.3% and Assam 86.5%.
This percentage was highest in Model-III (95.1%), followed by Model-II (91.7%) and Model-I (91.4%), (Ghosh M., 2012).

NABARD has recently acknowledged SHG’s inadequate outreach in many regions in recent years, delays in opening of saving accounts and disbursement of loans and non-approval of repeat loans even when first loans are repaid on time. This has motivated NABARD to prepare a strategy to revitalize the SHG movement leading with the induction of SHG-II model, with the primary function to the promotion of savings-led credit product (Deepti, 2012).

If we analyse the entire microfinance system which are in existence at present at different parts of the world, especially in developing countries like Bangladesh, Indonesia, Mexico, India etc. we can broadly identify two modles of microfinance i.e., commercial approach and community-based participatory approach. Community-based participatory approach lays emphasis on forming small groups to solve common problems and mainly covers the marginilised people of the society. These groups are known by various names viz., Self-help Groups, Joint Liability Groups, Common Interest Groups, Solidarity Groups etc. In India, SHG approach is the main group-based microfinance system, (LOGOTRI, 2006) (Feroze & Chauhan, 2011).

SHG-Bank Linkage Models has been developed in India to provide microfinance with the help of vast rural network of the formal financial sector. In these models, the informal SHGs are credit linked with the formal financial institutions. It shows that the microfinance programme in India is dominated by Model-II. It is found that up to March 2006, 20.1 percent of the total credit linked SHGs are formed under Model-I; and those groups were provided 14.4 percent of the total bank loans disbursed under the programme. About 74 percent of the total SHGs are formed under Model-II and groups were provided 80.7 percent of the total loans. Share of
Model-III is relatively small and 4.9 percent of the total loan fall under this model (Shodhganga).

Microfinance services are provided in India through a variety of delivery models ranging from very popular Self-help groups, and Co-operative and adopted model like Grameen methodology etc. But, at present there are two main models of microfinance delivery in India: SBLP and MFIs model and SBLP (under SHG Models) is the only dominating model in India and extensive progress have been recorded in client reach, availing loans, savings etc. (Batra & Sumanjit, 2011).

Kropp & Suran, (2002) mentioned in their study that, three different models of promoting credit linkages have been found feasible and applied in India with special emphasis on forming new SHGs. Model-I: SHGs formed and financed by banks (16% of total SHGs); Model-II: SHGs formed by NGOs and formal agencies, but directly financed by banks (75% of all SHGs financed); Model III: SHGs financed by banks using NGOs and other agencies as financial intermediaries (only 9% of total). And out of the 461,478 SHGs (on March, 2002) only 16% were facilitated by bank branches exclusively (Model-I without any NGO being involved) and 75% were linked with banks by initiatives of their promoting/establishing/ nurturing NGOs or the Government, while only 9% of the SHGs were having established financial transactions with NGO financial intermediaries directly (Model-III). Some representatives from NGOs maintain that their groups are the most stable and sustainable ones.

Rao G. B., (2009) made a study in four districts of Assam viz., Cachar, Kokrajhar, Sivsagar and Sonitpur on the quality and sustainability of SHGs revealed that, sample groups earned a good amount of income total of ` 21, 27,906 since their inception, the average being about ` 20,000. Out of total income of ` 21, 27,906, the groups in Sonitpur earned 64%, i.e. ` 13, 61,099, the groups in Cachar earned
only 3.4%, i.e., 72,948 and groups in Kokrajhar and Sivasagar earned about 16% each. Among the different promoters’ groups, the groups promoted by self/community/DRDA (Model-II) earned over 68.7% of total income, the NGO (Model-III) groups earned 27.7% and under banks (Model-I) groups 3.6%. The main source of groups’ income is interest earned on internal and external loans and second most important source of income is profit earned from group activities. These two sources together accounted for over 91% of the total income. Out of total 109 sample groups, 88 groups reported interest income. Except in Cachar, over 80% of groups in each district reported interest income. In Cachar, only 50% of groups reported interest income.

Sarmah & Das, (2012) in their study remark about the income of SHG members after joining SHGs, as that before joining of SHG 15.6% respondent were no income and none of the respondent had income more than ₹ 2000. But after joining SHG there is no respondent without any income and 6% of the respondents crossed their income level above ₹ 2000, and 138 respondents out of 250 representing 55.2 percent have monthly income of ₹ 1001-2000 after joining of SHG.

Tankha, (2002) in his study mentioned that, the SHG-bank Linkage Programme has its origins in a GTZ-sponsored project in Indonesia. Launched in 1992 in India, early results achieved by SHGs promoted by NGOs such as MYRADA, prompted NABARD to offer refinance to banks for collateral-free loans to groups, progressively up to four times the level of the group’s savings deposits. The programme encompasses three broad models of linkage:

Model I: In this model the bank itself promotes and nurtures the self-help groups until they reach maturity. It accounted for 16% of cumulative bank loan, Model II: Here groups are formed and supported by NGOs or government agencies. The dominant model, it accounted for 75% of cumulative loans of banks. Model III: In
this model NGOs act as both facilitators and MF intermediaries and it account for 9% of loans by March 2002, under these models.

**Veeraskhkarappa, Shylendra, & Guha, (2009)** in their comparative study on Karnataka and Gujarat expressed that, SHGs of Karnataka are mostly formed under SHG Model-I i.e., 53.54% followed by Model-II upto 29.85%. But in Gujarat 69.98% SHGs are formed under Model-II, followed by Model-III upto 23.07% by March, 2005. The similar result are seen in credit disbursement as in Karnataka more than half of the credit are disbursed under Model-I in 2005, but in Gujarat more than half (57.69%) of loan are disbursed under Model-II in 2005 and there was a rising performance of Model-III.

**Uppal, (2011)** expressed that; three models are in use for linking SHGs with bank for better credit facility and financial inclusion. Again, the performance of each model varies in terms of service out-reach, as under Model-I, 4.49 lakh SHGs were linked and `1637 crore bank loans were disbursed, under Model-II, 16.46 lakh SHGs linked and `9200 crore were disbursed and under Model-III, 14.3 lakh SHGs and an amount of `561 crore were disbursed as bank loan by March, 2006. Of the three models under the SBLP (Model-II), the SHGs promoted by NGOs/Government agencies and financed by banks have emerged as the most dominant model in the case of India.

**Arora & Meenu, (2012)** in their study disclosed SHG models wise performance from 2007-08 to 2009-10 and as performance under Model-II recorded as 50.09 lakh SHGs had a saving balance of `3785.39 crore in 2007-08 which were increased to 69.53 lakh SHGs and amount of savings to `6198.71 crore by March, 2010. Same as regard to the bank loans outstanding was to 36.25 lakh SHGs was `16999.91 crore reached to 48.51 lakh SHGs and bank loan increased amounted to `28038.28 crore from 2007-08 to 2009-10. Under Model-III, 1109 lakh SHG were
linked and amount of outstanding loan was ` 2748.84 crore in 2007-08 increased to 1513 lakh SHGs and outstanding loan amounted increased to ` 10147.54 crore by March, 2010, thus recorded worthy progress during the period of study.

Das L. , (2012) in her study highlighted about SHG Bank linkage Programme which started in 1992 has grown exponentially over two decades and around 74.62 lakh SHGs are linked to different Banks up to 2011. Of these nearly 65 per cent have direct credit link with bank. Out of these 74.62 lakh SHGs 60.98 lakh are women SHGs. Though savings of number of SHGs with the bank is increasing over the years the growth rate of SHGs in percentage terms is declining from 22.21 in 2009 to 7.3 in 2011. Again it is observed from the data (NABARD) that, with regard to amount of saving with banks percentage of women SHGs has increased from 1.46 percent in 2009-10 to 17.8 percent in 2011. But as regards to the growth in amount of loan disbursement to SHGs, the data shows a continuous declining trend from 40.8 percent in 2008-09 to 18.1 percent in 2009-10 and 1.6 percent in 2010-11. Whereas, percentage growth in loan outstanding is gradually declining from 39.4 percent in 2008-09 to 13.4 percent in 2010-11, showing a positive aspect about microfinance in India.

Schendel, (2013) made a Comparative study about results for good income aspirations in Bolangir, where Model I includes SHG membership as explanatory variable and Model II takes SHG savings as an alternative proxy for expanded economic opportunities. SHG membership and savings are highly correlated and therefore entered separately. In order to test the joint effect of economic opportunity and agency on income aspirations, it was include the interaction terms (SHG membership * control over life) and (SHG savings * control over life) in the models. From the model with SHG membership it appears that the main effect of SHG membership on aspirations is a distinctly positive one, but this positive effect
is smaller for women reporting relatively high levels of control, as witnessed by the fact that the interaction term of SHG membership and feeling of control over life is significantly negative.

The same pattern emerges from model II; women who feel more in control of their life have a weaker tendency to translate more SHG savings into higher income aspirations, while the aspirations of women who feel less in control of their life are boosted by SHG savings. A difference with Model I is that the stand-alone effect of feeling in control in 2010 is highly significant in model II, thus having a feeling of control over life positively affects good income aspirations for women even in the absence of SHG savings. In model II, also women who felt in control over their life in 2008 have higher income aspirations in 2010, like we observed in Model I, but here the effect is stronger.

Shil & Debnath, (2013) in their study mention some liking provision and purposes of rural credit co-operative and SHG Model, as rural credit Co-operative and SHG Model of microfinance are targeting the same objects of rural development and financial inclusion. The common and friendly features of Co-operative and SHG model of microfinance are reasons for such achievement as regard gathering people, especially rural people and women, involving them in economic activities, generating income, developing savings habit etc.

Deb Nath & Shil, (2012) mentioned that, SHG model stand first among all other models considering its performance especially in clients reach, income generation, women empowerment, shrinking poverty, thus leading towards Human Development. The model also bring effects on education, health and family planning and improving standard of living and life expectancy, the three major factors to strengthen HDI.
Sarania, Mazumdar, & Dey, (2012) reveals that, since the introduction of financial sector reforms in 1991 the banks are using three linkage models to finance SHGs, known as Model-I, Model-II and Model-III. The SHG-Bank linkage programme has started picking up significantly in the NER states during 2010. The micro credit and services of microfinance has tried to bring out the poor especially women, from below poverty line and fight against the poverty through deploying the financial and non-financial services.

**Microfinance Performance: Unfolding Loaning and Re-payment Performance, Savings, Income Generation, Financial Inclusion and Women Empowerment, Poverty Eradication and on other related issues of SHGs.**

2.7 Performance on the Developmental Parameters:

An SHG is a small localised group, groomed by SHPI (self-help-Group promoting institution) and in its growth process includes an SHPI or nurturing intermadiaries and Banks. SHGs as clients facilitate wider outreach, lower transaction costs and lower risk costs. Empowerment and confidence building of the poor and especially, poor women is a major out-come. NABARD has been playing the role of propogator and facilitator, it also initiating the credit-rating of MFIs by accereditated agencies, meeting 75 percent of the cost as grant. Thier report indicate that microfinance practicing households are spent more on education then others, there conditions improved from kuchha to pucca housing, share of consumption of loans declined from 50% to 25%; employment increased by 18% (Singh S., 2009).

SHGs are playing a very active role in the process of financial inclusion and it is clear from the facts that there are 61 lakh saving linked SHGs and 42 lakh credit-linkaged SHGs as on March 31, 2009. The SHG models with bank lending to groups of women without collateral has become an accepted part of rural finance (Kapoor, 2010).
Dave, (2009) emphasized on the importance of savings provision of SHGs which actually enabled multifarious advantages right from minimising adverse clients selection to generating a force for strengthening the group and enabling the poor to emerge as disciplined clients for the banking system. Apart from maintenance of proper books of SHGs it also important to have individual pass-book of clients, showing their balance of savings and loans and all member should have the knowledge of microfinance and that should not be limited to a few office bearers.

Savings is considered as one of the important components of SHG-Bank Linkage programme, where the slogan is ‘savings first-credit later’ unlike other programmes where emphasis is put on credit only. A disciplined savings habit boost the confidence of SHG members and lead to better performance of SHGs. Amount of savings per member during a given period varies widely from ‘5 to ‘150 per month (Kumar B. , 2005) (Datta & Raman, 2001) (Kundu, Suhag, Pandey, & Jain, 2001).

The emergence and rapid multiplication of Self-help Groups based on micro credit is a phenomenon that is gaining increasing importance in the development scenario. SHGs are being viewed by governments and NGOs as a strategy for both women’s empowerment as well as poverty reduction, (Feroze & Chauhan, Microfinance in India, 2011).

Reddy C. S., (2009) traced on his study on SHG federations, have to be evolve as a model, since its promotes sustainability of the SHGs and provides the much needed institutional base for women to realise their dreams and aspirations. It has achieve significant scale and considerable acceptance among all the major stakeholders having great potentiality for the SHG federation model to address issues of poverty. The present estimates suggest that there are more than 6000 SHGs federation. Considering 30 percent of India’s poor to be covered under the
SHG programme, there will be more than 500000 SHGs in the country. If there is one SHG federation for every 25 SHGs, the number of SHG federation that may develop over next 5-10 years would be 200000.

**Purkayastya, (2004)** conducted a study in Assam and found that the high recovery rate has encouraged many banks to provide microcredit through SHGs which has helped the microcredit movement in the state.

Availability of easy and timely credit brings with it opportunities for undertaking different new activities as well as enhanced opportunities within the sphere of activities already in continuation and this opens the possibility of increment in income and employment generation (**Feroze and Chauhan, 2011**).

**Sharma Borah, (2008, 09, 10)** in her study in Goalpara district of Assam on Women Empowerment by SHG found sea change in the mindset of women of eightees and nintees and women of today, as economic power in concern the rural development programmes like SGSY, has motivated the women members as regards decision making, social strenghts etc. Due to lack of education, they have to depend on others for various official and accounting works and that needs proper monitoring.

**Thekkekara, (2009)** made an impact study of SGSY on SHGs found that, subsidy has made the programme less effective. It also shows that, fund flow to promoting agencies has to be more smooth if the programme is to be successful. He further suggested, the programme be delinked from the BPL list and that subsidies be withdrawn and selection of poor must be made by people-friendly Participatory Rural Appraisal (PRA) techniques.

Many researchers in various part of the developing world have tried to work out impact of SHGs or borrowers on Savings, income and employment of rural poor. It
is observed that SHG-bank linkage programme with better access to credit lead to increase income to the SHG members. A number of studies reported that the asset holding as well as income of members have increased significantly in post-SHG situation compared to pre-SHG situation in India as well as in other parts of the world. (Nirmala, 2006) (Feroze & Chauhan, 2011).

Tiwari, (2010) in her study opined that, as an exemplary SHG of rural Bihar ‘Jeevika’, which reflect the potentiality of rural women’s called the Didi- in driving the social and economic shifts. The change entails first the empowerment of the poorest women both economic and social development and the bigger threat to the success of SHGs in Bihar is the economically better off from lower castes joining the group while the poorest are left-out. This could jeopardise the group dynamics and creates a divisive structure with skewed power relation.

Puhazhendi & Satyasai, (2000) made an impact study under the guidance of NABARD in 11 states in the country, have revealed that 59 percent of the households reporting increase in assets, with the average value of assets per household increasing by 72 percent. Almost all members developed saving habit after joining this programme and the annual number of savings registration have increased three times. Moreover, annual borrowings of SHG members increased by 95 percent. The net income per household increased by an average of 33 percent, with about 43 percent of the incremental income generated coming from non farm sector activities followed by farm (28 percent) and off-farm (29 percent) activities.

Puhazhendi & Badatya, (2002) conducted a study commissioned by NABARD in three different states indicating the economic and social impact of the SHGs-bank linkage programme and revealed that 45 percent of the sampled households reported of an increase in the value of the assets by 30 percent after becoming the members of the group. About 23 percent of SHGs reported an increase in savings
rate over a period of time. Mean annual savings of members of SHGs increased by 96 percent over the pre-linkage period. The study also report of a positive impact of the programme on employment and poverty status of the members that out of those below poverty line in the pre-SHG situation have been moved above poverty line by 15 percent.

Bhagwati, (2006) stated that, the micro-credit advanced through the mechanism of self help groups linked to bank credit is associated with higher level of loan recoveries and that three linkage models have facilitated socio-economic empowerment of weaker sections including women flok.

Lalitha, (2011) in her study reveal that, reducing poverty and hunger are the fundamental challenges facing by developing countries and despite many efforts, around 350 million people are still living less than one dollar a day, 72% of India’s poor are living in rural areas, depending primarily on agriculture and natural resources for survival. But SHG movement has taken off on a huge scale in Indian villages and has become the approach of numerous rural development projects of Indian Government and Banks. With 500 SHGs in 1992 to more than 68 lakh SHGs linked to banking system over the last 18 years and signaling rapid growth.

Pant, (2012) in his study critically examined that, since, Independence, efforts of the Government to curb poverty and provide employment guarantee. Some succeeded; other taught us lessons with their failure. Out of the lot of such projects, the ‘Livelihood Improvement Project for the Himalayas’ (LIPH), which has brought several changes on the ground by empowering the locals. Launched by the central Government in 2004, this project receives financial support from the International Fund for Agricultural Development (IFAD) an active organization devoted to eliminating poverty from the world. The area of operation includes the most remote and underdeveloped districts in the state of Meghalaya and
Uttarakhand. The Government involved the NGO workers with active participation and created 4,000 community based organization and SHGs in Uttarakhand and each group is essentially linked with bank and involving them in various income generating activities, like dairy, chicken-farm, shops, vegetable production etc.

Chatterjee & Dar, (2011) in their study said that, Public Cooperation Scheme is one of the popular and important schemes of CAPART (Council for Advancement of People’s Action and Rural Technology), by virtue of its multi-dimensional approach. The schemes involved in community in designing, planning, implementation, monitoring, evaluation and maintenance of assets created under the project. It focuses on the different disadvantaged sections of the rural community, with a view to promote and strengthen SHGs, to build their skills through training and to facilitate production of goods as well as their marketability.

Krishna Reddy, (2012) in his study found that, the income levels of the beneficiaries engaged in SHGs of Guntur District has been exceptionally increased and also developed the spirit of self-employment among them. The performances of both types of SHGs are alike and there is no significant difference among them, again the number of respondents earning below ` 100000 p.a. have also come-down. But, some variations as regards income performance have been reported in different blocks of the districts. The SHGs of the district are in need of care and management to develop the confidence level among the members and old aged people which are presently out of the service of SHG need to bring under the umbrella of SHG.

Subramanyam, (2012) in his study revealed that, out of the sample respondents, only about one tenth of the sample respondents have expanded their economic activities after joining SHGs, while nearly two thirds of the samples have no occupation before joining SHGs. As regards possession of own house, it is found
that majority of the tailors, clothes business women, petty business women and half of the fish vending business women have no own house, while entire dairy business women, majority of the grocery shop business women, fancy shop business women, vegetables vending business women, petty business women and half of the fish vending business women have own house. The analysis of monthly income of the sample respondents shows that majority of the sample women are earning a monthly income ranging from ` 5,000/- to ` 10,000/-. And the study concluded that, SHG – Bank linkages is a successful step in providing access to finance to the rural needy people. The process has enabled a large number of people to engage in various income generating activities to challenge poverty. The programme, indeed, help in improving 367 the household conditions of the sample respondents as well as their knowledge and awareness level about various issues.

Sumathy, (2013) in her study on financial inclusion expressed that, our formal financial sectors is yet to meet the desired goal, but the SHG system of microfinance plays an important role, helps the poor people by means of income generating activities and gradually linked them to banks, thus leading towards financial inclusion.

Srinivasan N., (2009) in its report mentioned about the saving positions of SHGs accrossed the country, the number of SHGs that were having a savings account with the banking system had increased from 4.16 million in 2007 to 5.01 million in 2008 and further to 5.99 million in 2009. This impressive increase of about 20 and 25 percent in the number of saving groups over a one year period indicates that there is till a lot of momentum in the programme. Up to March, 2008 the average amount of Savings, Loans disbursed and Loans outstanding was ` 7556; ` 72076 and ` 46884 per SHGs and outstanding loan to saving ratio was 6.2. As regard
financial inclusion though SLBCs declared several district as 100% financially included, but actual inclusion is not to that extent in all the districts and most of the accounts that have been opened as a part of financial inclusion drive have remained inoperative due to various reasons. In Ganjam district, 65 percent of those desiring to have an account were able to open an account while in Hoogly district of West Bengal it was 51.2 percent. Srikakulam in AP, Gandhinagar in Gujrat and Rajsamand in Rajasthan have included 70; 71 and 91 percent of those desirous of inclusion. However, those who opened an account, significant proportion did not or could not transact on the same. While in Rajsamand 52 percent had no transactions in their account, in Hoogly 25 percent of no-frill accounts owners did not visit the bank branch. Srikakulm reported 97 percent as having no transactions while Gandhinagar reported 33 percent only as having transaction. In Himachal Pradesh financial inclusion initiatives seem to have had a better outcome with 98 percent of the sample surveyed having been included and 38 out of 72 blocks achieving 99 percent inclusion.

**Basu & Srivastava, (2005)** in their study mentioned that, Indian microfinance has continued growing rapidly towards the main objective of financial inclusion, extending outreach to a growing share of poor households and to the approximately 80 percent of the population, which has yet to be reached directly by the banks. The world Bank-NCAER Rural Financial Access Survey for Andhra Pradesh and Uttar Pradesh found that only 21 percent of rural households have access to formal sector credit, although as much as 41 percent had a deposit account in a formal institution.

**Shylendra, (2007)** cited that, the overall performance of the SHGs intervention of the Sadguru Water and Development Foundation (SWDF) in India and identifies possible ways to take it forward for promoting savings and credit activities. The

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23 SLBCs (State Level Bankers Committees).
study also stated, the SHGs have become an important instrument in the delivery of microfinance services like savings and credit for the poor.

**Suran, (2009)** found that, approaches like SHGs and JLGs have demonstrated that traditional collateral-free lending should not be viewed as security-free lending. In fact, it has confirmed that social collateral is a better substitute; but the key to establishing strong social collateral should not be forgotten. As this study suggested, four basic tenets of a good credit delivery technology are a good information-gathering system, a monitoring mechanism, an incentive system and an enforcement system.

**Karmakar & Mohapatra, (2009)** made a study on 'Credit Plus' Approach for Tribal Development and mentioned about ‘Wadi Model’ which has been found very effective in creating sustainable livelihoods for tribal families and to support similar deserving tribal families in other parts of the country, NABARD created a dedicated fund called the Tribal Development fund. The objective of the fund is to spread the message of the Wadi model of tribal development.

Microfinance sector has grown at an unprecedented pace over the last many years and has matured as an industry and is prominently placed as an effective tool to achieve financial inclusion of the poor (**Ghosh, 2012**).

The Human Rights are not equally exercise to the poor as of rich people, as its somehow related economic conditions of the masses, the bitter truth. Until economic conditions of poor are improve they will be remain deprived from their rights and as such the Grameen bank pioneer Md. Yunus said ‘micro-credit should the human rights of poor’. As only access to credit facility can improve the overall development and can aware to poor people towards their human rights, (**Debnath & Shil, 2012**).
Majumdar & Gupta, (2013) made a study on financial inclusion in Hooghly district of West Bengal, and come-up with some interesting findings as thier survey found 11.51% of the surveyed household were muslims and the extent of financial exclusion among them was very high at 56.39%. It also revealed that, lots of initiatives are to be taken to financially include people belonging to the schedule caste (SC) and schedule tribe (ST) categories and people with low education and income level. Again, the people belonging to the minority communities, under-priviledge castes, agricultural labourers, daily workers and persons with low education and monthly income are the most excluded.

A central thread running throughout the microfinance industry, narrative right from its establishment in Bangladesh is that it promotes the empowerment of women. On awarding the 2006 Nobel Peace Prize to Muhammad Yunus, the Nobel Prize Committee noted that ‘Micro-credit’ has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and political democracy can not achieve their full potential unless the female half of humanity participate on an equal footing with the male (Bateman, 2010).

Financial inclusion is in the top priority for policymakers today to achieve inclusive growth and that cannot happen without ensuring banking services at affordable costs to the weaker sections of society who do not have any access to the formal financial system. Unless we are able to meet the credit needs of our people, we can never hope to grow in a sustainable way. Despite multiple agencies giving credit to the rural sector, the critical gap in rural credit still exists resulting in the exploitation of the rural masses by moneylenders (Das, 2012).

It is also observed that microfinance models in India, despite having few weakness, shown a number of positive points such as operational simplicities, better
accessibilities, wider outreaches, focus on women empowerment, wide range of credit services, non credit services and so on. Thus, microfinance models of India do offer a few lessens to take problems of mass poverty and unemployment problem and thereby to reach the goal of financial inclusion in the country (Singha, 2014), further, microfinance remains a potent tool for financial inclusion and development and it may not be panacea, but it has brought a sea change in lives of many, (Singha, 2013).

Bhuvan, (2007) in his study about microfinance providers on SHGs of Karnataka have found significant increases in the incomes, assets creations, savings etc. as reported the highest impact was found in Chitraadurga district where the income before the involvment of the NGO’s was `19,863 and after the involvement income rose to `42,775. In Belgaum district, the ‘t’ values were found to be higher signifying higher impact on the SHG members assets position. Significant impact have recorded in employment generation of the SHGs among the districts of Karnataka after starting of SHG movement. In Savings Dharwad district had the highest percentage change which amounts to about 213%. The investment pattern of SHGs are also developed and are investing in poultry, dairy, sheep rearing, make up choulees and handicrafts. Further Chitradurga district was found to be statistically significant in the expenses towards health and education.

Puhazhendhi & Jayraman, (1999) reported that, the SHG members taking up more than one activity increased from about 30% during pre group formation situation. They undertook supplementary activities such as animal husbandry, poultry etc. and non-farming activities like petty shop, kirana shop, flower selling business etc.

Deb Nath & Shil, (2013) in their study said that, microfinance is also able to brings change and empowerment among the tribal women of Gobardhana block.
of Barpeta district by giving access to credit, income generating sources, savings and awareness towards children health, family and involvement in family affairs, decision making have increased considerably and interest and empowerment towards politics have also increased.

Microfinance in India is making steady and satisfactory progress and NABARD has set a goal of covering 10 million poor, i.e., one third of the country’s total poor population through one million SHGs by the year 2003 and has successfully achieved that, *(Sundaram S. I., 2005).*

**Dwarakanath, (2001)** reported that the DWCRA programme helped the rural women to earn an additional monthly income ranging from `250 to `2000 depending on entrepreneurial activities taken up by them.

**Ganesh, (2005)** mentioned in a study that in Aloka district of Maharashtra an SHG formed under SGSY in record time of one and half years, all the families belonging to BPL status have uplifted to “Owner of Brick Kiln” status. Their net profit per 1000 bricks amount to `550 to `650 approximately and their turnover has increased to more than `3.5 lakh.

Microfinance programs not only give women and men access to savings and credit, but reach millions of people worldwide by bringing them together regularly in organised groups. These programs can contribute significantly to gender equality and women’s empowerment. Microfinance programs contribute to women’s ability to earn an income, initiating a series of virtuous spirals of economic empowerment, increased well-being for women and their families, and wider social and political empowerment *(Eye on microfinance: Sustainable Microfinance for Women's Empowerment, Report on International Mutual Learning Workshop hosted by CMF, Chennai, funded by Levi Strauss Foundation, Sept. 2006).*
As regard empowerment of women, *Mukhim, (2014)* opined that, our government policies should be such as to facilitate easy credit for women farmers and entrepreneurs. Economic empowerment is important because only women who earn their own income can challenge social and gender relations and bring in gender equality.

Economic empowerment is the key to all kind of empowerment, it attributes women’s subordination to lack of economic power. It focuses improving women’s control over material resources and strengthening women’s economic security. It is realised that a women become empowered if and only if she makes herself economically empowered first. Pandit Nehru said, ‘*Freedom depends on economic conditions even more than political. If a women is not economically free and self-earning, she will have to depend on her husband or on someone else and dependents are never free*’. It is believed that when women are provided credit and they take up income generating activities, their income is expected to increase and household position improves (*Singh B. K., 2006*).

*Gogoi, (2013)* reveal that, SHGs are playing vital role in empowering rural women of the villages and enhance the equality of status of women as participants, decision-makers, also help in removing social limitations of women such as superstition and dormant role in decision making. The SHGs are playing as a catalytic agent in the field of economic empowerment of rural women.

*Priyadarshini, (2014)* revealed that, microfinance can be a means for providing employment and generating income, particularly for women and in Indian scenario of social enterprises confirm that women are better represented them. Banking licence to Bandhan is a recognisation to the social entrepreneur and will help to provide the full-fledged banking services to the poor people.
Keshava, Mehta, & Gill, (2010) in their study mentioned that, members of Self Help Groups must start some economic activities for additional income to sustain the financial Strength of the group. The study revealed that about 37 per cent members had either started new economic activities or expanded ongoing economic affairs after joining the groups. Average monthly income obtained from new activities was ` 2600, while that from expansion of ongoing activities was ` 2857. The members of the groups deposited on an average ` 90/- per member per month in the groups’ savings. There was continuity in saving behaviour which resulted in the average total saving of ` 118527/- per group. The members of these groups took an average of ` 48600/- as loan per year from group savings. Loans were taken both for production and consumption purposes.

Francis, (2013) in its study said that, SHGs and micro-credit should be seen as one of the effective instrument for solving the present unemployment problems as well as for promoting socio economic development. Microfinance programme for women are promoted not only as a strategy for poverty alleviation but for women’s empowerment as well.

Debnath & Shil, (2012) in it’s study mentioned that, mere democracy can not bring empowerment among the women, but the microfinance services is more imperative towards women empowerment. As microfinance become a driving force of society, especially for women, towards economic empowerments, poverty alleviation and social development. Thus, empowerment will naturally come to women cluster of our society, once we able to secceed in providing income generating avenues to them, as microfinance doing.

Debnath, (2012) mentioned that, privation of exposure, women cluster of our society were ignored, their potentiality and credentials never note-of for productive utilization, thus, their qualities remain unveiled. The SHG
movement of microfinance, bring an exception and has able to reach all over the world for her easy factors of financing, where women occupied the major share, as such, the entrepreneurial and other potentialities of this neglected cluster, become a case of concern. Same instance is in the Gobardhana Block, where woman’s shows their potentialities of excellence in various economic activities, especially in weaving and farming. But, to have desired result, women clients of microfinance are in need of due care and attention like training, management etc.

Dutta & Phukan, (2013) carried a study on SHGs of Dhemaji Development Block of Assam and found that, the SHGs are tools to promote rural savings and gainful employment and through this, rural poverty is reduced considerbly. Therefore women members are economically independent and their contribution to household income is also increased.

Doley, Doley, & Saikia, (2013) expressed in their study, Self-help Groups are playing a major role in removing poverty in the rural India today. The group-based models of SHGs are widely practiced for rural development, poverty alleviation and empowerment of women. SHG concept is a strategy for social development place emphasis on self-reliance, aims to mobilize people, to give them voice and build people’s organisations that will overcome barrier to participation and empowerment.

2.8. Microfinance in Eradication of Poverty:

India represent a dichotomy in development as it ranked nineteenth in world industrial production and twelfth in total gross national production, yet it has a large population that is extremely poor. The United Nations Human Development Index based on three indicators-life expectancy, educational attainment and real GDP in
Purchasing power parity terms, ranked India 134th among 174 countries and in terms of real GDP per capita, it ranked 141th, (Ahuja, 2004).

Solie & Ajisafe, (2003) expressed the importance of microcredit programmes and poverty alleviation strategies have become a major concern of most successive Government in many developing countries through the initiative of different poverty alienation programmes and policies towards the provision of credit to small and medium scale enterprises.

Hamry, (2000) in his study point out ‘Micro-credit’ as the best approach to entrepreneurship development and poverty alleviation both in rural and urban sectors. The credit approach helps in the development of micro entrepreneurs in any economy and that add to growth and development process.

Rankin, (2001) in his study mention the importance of microcredit programmes for poverty alleviation world wide, and Nepal government has initiated the programme as a governmental strategy for rural development and insisted rural development banks and NGOs to extend loans to those, who are not bankable according to operational criteria of banks such as collaterals and incomes of the clients.

Manimekani & Rajaeswari, (2002) have emphasized on the shift of agricultural activities to non-agricultural activities to cope up with the changing structure and pattern of employment. More stress has been given to push up the women SHGs in the areas where poverty persists and to do an overall development of the community along with the local economy of that area.

Karmakar, (2009) in his study revealed, microfinance refers to the entire range of financial services to over-come poverty. As per RBI guideline Banks were to ensure 40 percent of total credit for priority sector, with 18 percent for agriculture and the commercialisation of agriculture with increasing emphasis on cash crops,
has given breed of money lenders. The proliferation of non-banking finance companies, providing loan services in rural areas and they describe as ‘blade’ companies by the rural poor.

Reddy, (2010) suggested in his study, The RRBs should adopt innovative methods to make themselves economically viable and at the same time not compromising with outreach to the rural people and priority sectors in less developed regions. It also suggested to reduced the number of bank branches to make individual banks economically viable and reach to many villages through setting up of mobile banks/bank agents/representatives.

Khandker, (2001) in his study expressed about the importance of microfinance as it is the provision of loans along with other services in the rural markets and its impact at empowering poor people have become sole instrument amongst a large number of poverty alleviation strategies for policy makers.

Somkuwar, (2011) in his study mentioned that, the most pressing challenge before the country today is to eradicate rural poverty. A recent study by Oxford Poverty and Human Development Initiative present a distressing scenario. The magnitude of poverty in eight Indian states namely Madhya Pradesh, Chhattisgarh, Jharkhand, Uttar Pradesh, Bihar, Rajasthan, Orissa, and West Bengal has been measured higher than the most chronically affected poor nations of sub Saharan Africa. Rural India is witnessing a lot of economic interventions for improving livelihood of the poor. The National Rural Livelihood Mission (NRLM) promises to address the needs of 6.5 crore poor rural households and proposes to bring substantial changes in the lives of the rural people. The Mission further seeks to improve livelihood options by strengthening SHGs.

Yunus & Jolis, (2007) in their popular book ‘Baker to the Poor’ share experience in working with Grameen Bank. Yunus, believe deeply and firmly that, we can
create a poverty free world, if we want that, then, this conclusion was not as a product of a pious dream, but as a concrete result of experience gained in working with Grameen Bank. For him it is not microcredit alone which will end poverty and credit is one door through which people can escape from poverty.

Vyas, (2009) in his study critically examined that, poverty is characterized by vulnerability, powerlessness and dependency, as well as lack of income. Collective organisation and wealth, the capital fund and the benefits of a significant economic and social structure, both address the psychological consequences of being poor and help to challenge the wider structure of society and microfinance services through SEWA bank performance well in this regard.

Khosla & Gandhi, (2006) in their study highlighted the achievement of Bangladesh in the field of microfinance. In Bangladesh, almost 15 million families now benefited from micro-loans and other financial microfinance products such as micro-savings and micro-insurance. A total of 40% of the overall reduction of rural poverty in recent years is now attributed to microfinance. Some of the other studies also suggests that the microfinance has been more effective on the poorest than on the poor.

Deb, (2012) in its study on microfinance and poverty alleviation on RGVN-Csp promramme mention, microfinance is now evolved as a need-based policy and programme to cater to the target groups which were so far was somehow neglected whether intentionally or inadvertently i.e., women, poor, rural, deprived, etc. This is mainly based on the concern of all developing countries for empowerment of these sections and thereby alleviation of poverty and it has been proved beyond doubt that access to credit is a major input in upgrading downtrodden.

Microcredit has been able to bring a dignity and integrity to the fight against extreme poverty that, in the past, the different types of support to the poor were
unable to do. The positive performance of microfinance programmes have allowed sustainable actions over time, capable of setting in motion worthwhile processes over and above single financial activities (Torre).

The effective implementation of microfinance can be a means not only to alleviate poverty and empower women but also be available economic and financial product for financial inclusion (Dadhich, 2001).

Reddy & Gupta, (2006) in their study on Credit management in SHGs under South Asia Poverty Alleviation Programme (SAPAP) revealed that, of the credit disbursed 34%, 22% and 22% of the total credit to small business, animal husbandry and agriculture respectively. Under animal husbandry, members take loan to purchase milch animals, sheep and goats, under agriculture members take crop loan to purchase, plough and bullock carts. The other major purposes include domestic consumption (i.e., 13%) and clearing of old debts (i.e., 7%) and share of health and education is only 3%. Thus, members in the sample groups have taken credit mainly (i.e., 78%) for productive/income generating activities.

Problems of Sustainability associated with SHGs and with its members and Programmes.

2.9. Problems with Microfinance, SHGs Sustainability and its Programmes:

Sriram, (2010) exposed in his study, how microfinance become a earning or commercial vehicle, rather of helping poor, express that, the commercial model of microfinance in india with its minimalist and standardised model of landing, would grow in to bubble and run in to trouble. Many microfinance commercial organisations have entered the market in search of profits and are competing to lend the poor. In the process they have put the ‘understanding’ of the need of the poor aside and have started chasing target and numbers. For these institutions the
poor are not seen as human beings having individual identities and needs. Instead, they are seen as data points that add-up in their profit statement. The anxiety for growth is dictated by the fact that the investor in the market based models are impatient look for high returns and then exist.

**Bujar Baruah, (2012)** conducted a study on Impact of Microfinance, on poverty on a selected group of SHG in Nalbari District of Assam, revealed that, the amount of loan extended to the members are too small to remove the poverty and the loan amount they obtained are mainly utilized for consumption purposes. As such poor capital investment and employment opportunity were found. The study also discloses that, still the members of the SHGs go either to the moneylenders or to the banks for higher amount of loan. A large segment of the SHGs are close down and that is more in case of SHGs formed under NABARD sponsored SHG-Bank linkage programme under SGSY, as these were formed with the motive to have subsidized credit and when they found they would not get any more subsidized credit, they closed the SHGs.

**Sebstad & Chen, (1996), Copestake, Bhaltora, & Johnson, (2001) and Mosley, (2001)** are the authors made very important studies pointing-out the other sides of various microfinance programme as most of the programmers and researchers agreed that the new paradigm of microfinance programmes can increase household incomes only in particular circumstances. But its impact on poor clients remain controversial. The negative impact of the microfinance programmes has also been evaluated by several studies and emphasized that the non-uniform distribution of benefits, the fluctuating income impacts in terms of magnitude and durability, and moreover, a sizeable proportion of clients find that their post-credit incomes stagnate or fall after entering in to the programmes.
As Noble Laureate Amrtya Sen views it, “Microfinance is like all finance. It needs to be regulated”. But that’s exactly where India is faltering. Though RBI is given the responsibility of regulating the sector, the way it is expected to function still remains in the dark; more so for the provision that talks about delegation of powers (Patra, 2011).

Northeast is the most financially excluded region in the country as the banking and financial infrastructure in the region is very weak, with Northeast lagging in almost all critical banking outreach indicators. In June 2009, average population per commercial bank branch for northeast was as high as 21,000, 40% higher than the national average of 15,000 and Manipur with the highest 33,000 population per commercial banks. The region also offers low investment opportunity which is reflected by low credit-deposit ratio. In March 2009, the C-D ratio of Northeast, as per sanctioned amount, was 35.8%, a figure less than half the country’s average of 72.6%. Again number of deposit accounts as a percent of the population was only 32%, with Manipur and Nagaland as lowest as 16% and 18% respectively and that of Southern region is 66%. These indicators clearly show the extent of financial exclusion in the region and the gap could not be amply filled by the MFIs too, as microfinance in the region has not strongly taken off yet. The SHG-Bank linkage has limited outreach, shows erratic growth and suffers from quality issues with high NPAs, (Saha, 2010).

Harper, (2002) in his study, revealed the weaknesses and strengths of different SHGs promoting institutions such as banks, NGOs and government agencies and suggested to put more strategies to those factors which are directly involved in promoting and financing the groups. Because, the main and pervasive microfinance programme in India is the SHG-Bank linkage programme whether adopted by
government or private institutes such as NGOs, donors etc. is found to be a robust financial product.

Scheiner & Janina, (2002) in their study mentioned, the self-sustainabilty refers to the long-term ability to meet goals and in case of financial institutions and for firms, this requires private profitablity such as return on equity, net of subsidy which exceeds the private opportunity cost of resources.

Sundaram, (2007) expressed that, SHGs too are facing some problems and the poor in the rural areas are not fully aware of the concept of SHG. The loan portfolio is generally dominated by consumption loan, thus struggle to repay the loan and rise in income is just too modest. Studies shows that, the scheme is not helping the poorest of the poor and conferring benefits on the better-off sections. Moreover, there is regional imbalance in respect of growth of MFIs as of the total SHGs credit linked, Andhra Pradesh accounted for 30 percent.

Ghate, (2009) in his book in chapter-4, mentioned about the problems associated with the SHG model for its inherent features. In the Guntur survey of Spandana borrowers, two-thirds of whom were also SHG members, inadequate loan size was the most frequently cited problem in borrowing from SHGs, followed by the long waiting period for loans. In contrast, timelines of loans was cited most frequently as an advantage under MFI model.

Kashyap, (2009) in his study mentioned that, microfinance programmes across the country have shown convincingly that the poor are both prompt and reliable in repaying loans. Loans taken under these programmes have helped individual women members increase their incomes somewhat, but the micro-enterprises started by them are hardly ever sustainable in covering the running costs and generating a bit of surplus. Many practitioners have realized that credit alone is not enough to tap the economic potential of the micro-enterprise sector.
Meissner, Ramakrishna, & Haberberger, (2009) in their study mentioned that, the SHG-bank linkage programme in India today is the largest and fastest growing microfinance programme in the world. As of March, 2005, more than 1.6 million SHGs accessed credit from banks. The programme has managed to involve participation of diverse stakeholders consisting of 48 commercial banks, 196 RRBs and 316 cooperative banks. As the programme is continuously expanding its outreach, which is a very desirable feature, the expanding outreach has thrown up certain critical challenges. Quality book-keeping in the SHGs is one important challenge.

Kamdar & Gupta, (2009) mentioned in their study about some problems issue for the absence of information and a financial supply chain capable of addressing the challenge of ‘last mile outreach’ to service the diverse need of financial products for the under banked is one of the principal challenges to achieve financial inclusion. Technology today provides the means to connect to this unbanked segment and weave them into the mainstream.

According to Joseph Stiglitz (2001 Nobel Prize winner in Economic Sciences) “Microfinance, in some parts of India, was India’s subprime”. He was perhaps referring to the incidents that had occurred in Andhra Pradesh where 30 farmers had committed suicide within a span of 45 days in 2010, after a few MFIs used coercive recovery tactics. But was the state government’s reply to the situation appropriate? With no consulting with stakeholders, the Government of Andhra Predesh issued the Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Act, 2010, effectively shutting down all private sector operations in the State. As a result; MFIs in Andhra Pradesh, which disbursed ` 50 billion in the first half of 2011, could manage to disburse only ` 85 million in the second half—a spine-chilling drop of 98.3%. Again, in some states, the number of
microfinance loans exceed the number of poor households. So, are all those loans actually given to the poor people? Despite being considered as a critical aspect for higher financial inclusions and the country’s overall growth, Indian microfinance industry is currently running around like a headless chicken in the absence of definitive laws and dedicated regulator, (Patra, 2011).

The financial system of India today, encompasses a host of institutions including 75,170 branches of commercial banks, 15,612 branches of 82 RRBs, 14,000 or so cooperative bank branches, 95,626 outlets of primary Agricultural Credit Cooperative Societies, NBFCs mutual fund companies etc. yet the problem of exclusion from access to formal financial services is so acute that despite the penetrative outreach of the financial system, 50% of the country is unbanked (Report on Trend and Progress of Banking in India, 2010) and thus demands for an informal sources of finance (Joshi, 2011).

Lyman, (2011) in his study critically examined the reasons behind the threat of Indian microfinance sector and mentioned, though much-too much is hoped for from the Indian Microfinance Bill. But this is nothing new in the global channals of microfinance. For more than a decade stakeholders across the spectrum in countries around the world have pinned hopes on ‘just the right microfinance regulation’ solving problems only indirectly affected by regulatory policy. In India, no kind of regulation will miraculously rebuild the repayment culture among the of Andha Pradesh or mitigate over-indebtedness there.

Long been discussed as an innovation to address poverty issues, microfinance is now being viewed as the next big investment opportunity. The language of microfinance has undergone a fundamental change in the two decades of its evolution. Most of the early microfinance in India happened through donor and philanthropic funds, which were channeled to not-for-profit organizations. As the
activities scaled up, microfinance moved to a commercial format (Sriram, 2010, June-12).

The search for a balance between sustainability objectives of MFIs and the pursuit of social aims represents a trade-off in microfinance. This contrast is inspired by two different theoretical approaches, namely the financial service Approach and poverty Lending Approach, on the basis of which microfinance is seen either as a method of diversifying the offer of financial services to financially excluded individuals, or as an instrument to support the development of the poorest sectors of the population (Vento).

Access to commercially priced credit can have a positive effect on the welfare of low-income households. Credit can finance new equipment purchases or enable new business opportunities. It can provide better housing or help parents feed, educate, and clothe their children. In addition, it can help households and business recover from disaster. However, to provide regular access to credit, MFIs must be able to sustain their operations independently and grow to meet demand. For that, MFIs must charge an interest rate that covers their costs and risks and generates profits. These rates are high compared to banks-sometimes by a large margin. This comparatively high cost of microloans has led to questions about whether MFIs are overcharging and over-indebting the poor (Goldberg & Pallandini, 2010).

In 1984 Robert Vogel called savings “the forgotten half of rural finance”. For more than 20 years Dale W. Adams, his colleagues at Ohio State University, and others have argued that there is large demand for financial savings in rural areas of developing countries and that savings is more crucial for microfinance clients than credit. Yet savings remains forgotten in much of institutional microfinance, rural and urban (Robinson, 2001).
Kumar L., (2013) in her study critically examined the women empowerment issue, the study was on the impact of microfinance on women empowerment through a case study in Tamil Nadu. It was found the even though women have experienced an increase in income and consumption, they have very little control over resources, assets and do not participate equally in major household decisions. However, they have significant influence on the choices that their children make. The research finds that the real bottlenecks are the hierarchical nature of society, the lack of entrepreneurial talent and risk-taking ability in those women.

Kumaran, (1997) mentioned in his study that, passively in Self-Help Group is mainly on account of irregularity in payment of savings and employment of loans, non-adherence to norms set by the group and lack of mutual trust and confidence among members. Regular defaulting by some members resulted in dissoluation of same SHGs.

Paul & John P, (2010) made a study on the popular delivery vehicles of microfinance in India by doing a comparative analysis of the SHG-Bank Linkage (SBL) and Micro-Finance Institutions (MFI) models. The financial cost of borrowing was found to be much higher in the MFI model with an average effective interest rate (EIR) of 44.92 percent p.a. while the SHG loans had a more bearable average EIR of 21.56 percent p.a. They also mentioned that, for the sustainability of SHGs more micro-credit should be given, which become the major problems of sustainability.

Sentil & Sekar, (2004) outlines some of the acute problems with SHGs as political interference, lack of timely credit facilities, lack of adequate credit, lack of adequate women oriented schemes and delay in operation of development programmes were the major constraints perceived by the SHG members.

Joseph & Easwaran, (2006) identified the perceived constrains in the functioning of SHGs and found that lack of government attention was first and foremost
problem i.e., 39%. High rate of interest was felt by 33.43% of members, followed by insufficiency of loan for income generation, inability to repay the loans etc.

2.10. Development Perspective of Microfinance (the future of Microfinance):

Dasgupta, (2009) made an advance study for further development of microfinance industry and said, “in these days of information technology and financial reforms, taking banking services to the door-steps of the poor is need of the hour, rather then more rural branches”. On the issue of interest rates, it says the poor should not be burden by usurious rate of interest. This, however, does not mean they should be only asked to pay a cheritable rate of interest but require access to hassle-free, collateral-less and demand based credit at the appropriate times.

Charitonenko & Rahman, (2002) in their report mentioned that, microfinance industry has begun to change significantly in recent years. But, the outreach of the industry remains well below its potential in the Asia and Pacific region. If the full potential of microfinance for poverty reduction is to be realised, it is essential to expand its outreach substantially.

A new idea has emerged in the field of microfinance to promote the use of microfinance services as tools which can channel human efforts in meeting their needs through the use of new environment-friendly activities. The concept that have emerged in the microfinance sector include a triple bottom line of Profit, People and Planet, defined around the objectives of maintaining financial viability while advancing the social interest of the stakeholders and protecting the environment; and green microfinance which integrates the principles of environmental sustainability in all its operations and promotes environmentally sound practices. Green microfinance is a fast-growing phenomenon, which has been drawing increased attention from the microfinance community in the past few years (Dutta & Upadhyaya, 2013).
2.11. Conclusion:

To sum up, the reviews surveyed on the studies of the distinguished scholars focus on various aspect, of performance evaluation of microfinance under SHG models, under the headings and sub-headings in this chapter, mentionably, performance in various countries of the world, performance in India and Assam, performance on the flow of microfinance under SHG models as regard covering poor people, SHG formed, loans disbursed, loans outstanding, savings etc. are found more positive but with mixed results and outcomes. And variations have also been found in the literatures on the performance according to the nature of models (i.e., SHG model-I, II & III) across the country, but it is mostly dominated by SHG model-II in our country.

Again, the performance of SHG models on the developmental parameters is also found with improvement and with growth perspective, though not-yet reached to the mark. But performance under the SHG models in extending microfinance services are positively impacted on the chosen parameters of this study, those are namely on Loaning performance, Loan re-payment performance, Income generation activities performance, Income generation performance, Savings performance, Financial inclusion performance, women empowerment performance etc. in our country and that have been revealed and established from the available literature.

Further, the impressive performance of microfinance especially under SHG models is not even free from meeting problems and limitations, (though SHG models become the only dominating model in India) of the SHGs and of its members in our country. The problems of inadequate loan, untimely payment of credit, access to finance, management of groups, records keeping of groups etc. remain stand as
bottlenecks towards the performance and development of microfinance sector. Thus, the reviews established about the importance of SHG models of microfinance and its performance on the various aspects of development especially for the poor, deprived and women of our country.

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