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Mass Scale Microfinance Intervention for Growth of Tribal Economy - Role of Co-operative in Kandhamal District

- P.K. Mohapatra*

Abstract

The Boudh Central Co-operative Bank, operating in Kandhamal district having 51% tribal population and 71% of the geographical area covered with jungles, was not complying with minimum share capital requirement for the last 20 years. Its various mass scale microfinance interventions with a proper strategy and planning have made a visible impact in the economy of the district which also has helped the CCB to increase its resources, lending, profitability, operational efficiency, recompliance with Section 11 of Banking Regulation Act and license by RBI.

The mass scale interventions in the areas of Joint Liability Groups, technology transfer in potato and groundnut, graduating the SHGs to micro-enterprises with tie up with companies like ITC with quality and volume assurance in a sustainable manner, micro-insurance in a massive scale, using the Farmers Clubs, SHGs and JLGs for identification, propagation and mass scale social mobilisation were a few interventions successfully grounded in the district with real financial benefits percolating to the people.

With proper planning, co-ordination and guidance, it is possible to change the landscape of tribal economy, making the co-operatives responsible and the focal point for technology transfer, farmers' counselling, credit and large-scale social mobilisation.

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1. Introduction

Kandhamal district is located in the central part of Odisha with a few distinctive features. Tribal population constitutes 51% of the total population of the district and jungles cover 71% of the total geographical area. The economy has more semblances to the tribal prototype than any other district of Odisha.

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2. Tribal economy

The conventional anthropological characteristic of a tribal economy depicts it as being self-sufficient, unstructured, non-specialised, unorganised and in the primary stage of production. The industrialisation is far removed and marketing interventions are exploitative rather than distributive. Kandhamal with lower land availability for cultivation owing to large areas under forest cover depends on external world for food security. The exploitation of the tribes for market is rampant and there are no apparent solutions for increasing production and productivity.

The co-operatives (Large-sized Adibasi Multipurpose Co-operative Society) were established in the mid 70s with the objective of acting as a single window to provide package of services that were best suited to address the various problems faced by tribal. Though the initiative was started with noble intentions, they seem to have lost their way in the midst of corruption, rapid economic growth and fear of assuming responsibility due to numerous bureaucratic controls and restrictions. The weak financial position due to mismanagement and linkage with other government programmes has put numerous hurdles in their bid to perform for the growth of tribal economy.

3. The potential

The potential of co-operatives to boost tribal economy through microfinance approach is immense within a short span of 2-3 years. The outlook can be changed provided no hurdles or roadblocks are put in their way by the management and government. Boudh Central Cooperative Bank (BCCB) operating in Kandhamal district was not complying with section 11 of Banking Regulation Act 1949 (provision relating minimum capital standard) for over 20 years (until the year 2007-08) and presently has been granted license by RBI (during the year 2009-10). This amazing turnaround is worthy of analysis and replication and a few microfinance products developed by BCCB have been largely responsible for their success.

4. Microfinance

Microfinance through co-operatives in Kandhamal was not confined to the traditional concept of financing Self-Help Groups (SHGs). Various microfinance products, such as financing Joint Liability Groups (JLGs), agarbati financing, micro-insurance coupled with non-credit support through improved agricultural practices, supply of seeds, training, processing and marketing of cash crops like potato and groundnut, increased contact with officials and non-officials, introduced in a mass scale in the last two years has not only transformed the tribal economy but has also given financial and operational strength to the CCB to achieve the turnaround and obtain licence from the RBI.

5. Joint liability group

The introduction of inappropriate microfinance product was proving to be a financial burden for the CCB. Dependence on NGOs and absence of proper monitoring resulted in SHGs becoming a loss making proposition for the CCB. In the absence of proper systems and procedures, fixing of accountability, the staff have allowed a few NGOs to exploit the situation. With liquidity constraints as a result of not complying section 11 of BR Act, it was imperative for the CCB to explore products with low investment, better recovery performance and potential to cover large number of people. It was also necessary that introduction and maintenance cost remained comparatively low. The bank was not aware of Joint Liability Group (JLG) product. Since all successful developmental programmes are impulsive, the introduction of JLG by CCB was also out of compulsion than by any careful research and analysis. In hindsight, it proved to be a successful strategy as Kandhamal with 70% of area under forest cover and limited scope for industry was a fertile ground for financing through JLGs.

Identification of the problem

The stagnation in crop production/ productivity in Kandhamal were attributed to factors such as cultivation of land by people other than the landholders, rich people or people in service offering their land on oral lease to farmers who did not have access to credit or finance. Fragmentations of land holdings, records in ancestral name, division of family, cultivation of cash crops like watermelon near riverbank, cultivation in forest and Government land by farmers for ages rendered them ineligible for finance from formal sources. The banks visualised the problem with no solution in sight. The cultivable area was limited and excessive dependence on paddy crop was not taking the BCCB forward. The traditional products had outlived their time and place. It was estimated that around 40% of the cultivable land were either given on lease or farmers had no legal rights to be eligible for crop loan. The low return from paddy did not make the cultivation remunerative for the absentee farmers to cultivate through hired labour. The problem peculiar to the LAMPCS was that around 25% of farmers cultivated in forestland and in river bed for which there was no recorded patta in their name. They were not able to approach the formal banking channel to seek out loan products, such as KCC or crop loan in the absence of legal document. SHGs had ameliorated their problem to some extent but the target group and objective were different and proved to be a deterrent.

During July 2007, the following analysis was put forth in the Branch Manager's conference. The crop loan was not picking up because of culture of paper transaction without any tangible cash flow. The vicious cycle of low recovery and lending had engulfed all the operations of the bank as well as the LAMPCS. The CCB was not complying with Section 11 of BR Act for the last 20 years. There was no knowledge of JLG by the CCB. A JLG can be defined as an informal group comprising 4-10 members for the purpose of availing bank loan.

Criteria for selection of JLG members/ size of JLG

The two associated problems were:

i) Tenant farmers and small farmers not having clear land title; and
ii) The Group members need not be defaulter.

Initial hurdle

The idea was noble and the concept was known. Necessity is the mother of invention and CCB proved it. The CCB was having liquidity problems and therefore converted all Kisan Credit Card (KCC) into JLG to avail refinance. The branch manager instead of getting individual details modified the proforma and collected combined application. NGOs were involved to take part and share a portion of the cash flow.

The process

The training programme was arranged for the staff. The initial doubts / apprehensions were clarified with a message: Let us experiment or we fail. 'If it fails, it will fail everywhere'. It was a challenge to the LAMPCS. The financing of JLGs began and a five member group was provided Rs.10,000 as loan. Since these farmers had never taken loan from any financial institution, initially they were very anxious and excited to avail credit. During a few interactions, it was found that people were happy in getting a loan and remained indifferent to the quantum. Monthly repayment was also observed in a few cases. These were followed up with a series of trainings/ sensitisation programmes to refine the process and establishment of proper systems and procedures.

The outcome

As on date, 1200 JLGs have been formed with a total loan disbursement of Rs.2.00 crore from a base of zero. The details of group activities of the BCCB are given below:

During the period of two years, 5,000 members had availed loans through JLG/ TFG starting from zero bases. Despite low quantum of loan, the share of Group loans in the LAMPCS had increased from 2.67% of total loans issued in 2006-07 to 14.58% in 2009-10.

Rs. lakh

Type of Group	Year	No. Of Groups	No. Of Members	Amount disbursed	Collection	Outstanding
JLG	2007-08	51	285	9.83	2.56	7.27
	2008-09	59	280	12.99	5.54	14.72
	2009-10	523	3018	200	56.23	117.95
TFG	2007-08					
	2008-09	20	160	6.82	1.35	5.47
	2009-10	25	300	20.23	5.25	14.67
JLG+TFG total		678	4043	249.87	70.93	160.08
SHGs	2007-08	6	70	2.21	1.59	4.95
	2008-09	35	375	18.56	7.95	15.56
	2009-10	60	700	23.54	9.23	19.65

The future

There are miles to go for the LAMPCS before it can rest and bask in its laurels of improved performance. It has plans to form 2,500 JLGs during 2010-11 with an ambitious financial target of Rs.5 crore and to sensitise and change the mind-set of the JLG farmers through training.

Individual benefits

The impact of JLGs in the family income of a farmer or a daily labourer was Rs.9,000 for groundnut cultivation in an ½ acre land and the benefits accrued are indicted below:

Particulars	Unit	Amount
Area cultivated (Groundnut)	Acre	0.50
Cost of cultivation including own labour	Rs. lakh	0.03
Yield	Qtl/acre	8.00
Price per quintal	Rs. lakh	0.03
Total income	Rs. lakh	0.12
Profit	Rs. lakh	0.09

The income was possible because of availability of timely credit, quality seeds and fertilisers at the doorstep of farmers and marketing through Public-Private Partnership (PPP) mode. The quantum of credit had also increased due to good recovery, training and motivational campaign for JLGs. Around 10% of total credit flow had been routed through JLG mode by the LAMPCS. The income had been distributed without any carrying cost to the Government or any other institutions. Around 5,000 poorest families had received Rs.5,000 to Rs.9,000 as additional income, which constituted of the average annual income of such family.

6. Potato financing

The co-operatives were expected to provide credit support and other support services in the form of quality inputs and technology at the doorstep of farmers so that production and productivity were ensured. A new initiative of augmenting potato production and productivity through appropriate technology transfer, extension services, inputs supply and marketing linkages by BCCB in a tribal dominated Kandhamal was successful to a large extent.

The use of less fertiliser, local seeds for years and primitive types of cultivation were some of the reasons for the low productivity and low uptake of credit. The productivity of paddy was 6 quintal per acre that created a low demand for credit. Minimal income from the paddy did not allow the farmer to avail higher level of credit. The local variety of potato and groundnut as cash crop did not require much credit support. The scope for diversification to improved variety of potato and groundnut was immense.

Until 2008, BCCB was not able to comply with the minimum share capital norms and was financially weak to take any measures for diversification of financing to high value crops like potato. Historically, it covered very few farmers for financing paddy, which virtually required no credit. This resulted in few farmers who had availed loan to become defaulters. The BCCB and LAMPCS received fresh capital infusion as part of the reform process to revive the cooperatives. The debt waiver also helped in realising many bad loans. Still BCCB was not able to plan for additional credit flow to agriculture. The reason being that the total real demand for paddy cultivation was negligible and there was no knowledge as well as plan to diversify to remunerative and high value crops, such as potato and groundnut.

Inherent strengths and weaknesses of co-operatives

The co-operatives have been looked down upon as an organisation which can be used for personal and political gain and an instrument for exploitation by the people's representatives and officials. The potato programme in 1,000 acres requiring 6,000 quintal [1 quintal = 100 kilograms] seeds at a seed cost of Rs.1.80 crore and total financing of Rs.5 crore was too risky a proposition. The Government department refused to supply seeds to the BCCB unless advance was paid. To ensure timely supply of seeds, the BCCB entered into agreement with the Seed Company and supplied the huge quantity of potato seeds. The supply of quality seeds created demand for fertilisers, pesticides and capacity building. All these were co-ordinated and provided by BCCB. The net result was increase in productivity from average 7 - 8 quintal per acre to 70 to 80 quintal per acre and enhanced the belief of the tribal people to produce such large quantum from limited land resources.

The hurdles

The BCCB had never entered into such a business proposition. It was comfortable with incremental cash disbursement after adjusting the old dues. It had never disbursed loan unless kharif loan was repaid and the potato-planting season in Kandhamal is

September and October. The management was not sure about the productivity and the political and media fall out if things went wrong. The conventional comfort of blaming the Government for quality seed supply and other problems has made them risk averse. The LAMPCS and bank were apprehensive that tribal farmers might use seed potato for consumption purpose because of tradition of free distribution through Integrated Tribal Development Agencies (ITDA), Soil and Water Conservation Department and NGOs. The massive training programme for agricultural practices also was another bottleneck for introduction of technology for higher productivity. The practices of putting all the blame on MD of LAMPCS for loss in seed sales by the Auditors even for genuine reasons also acted as a demotivating factor to procure seeds and sale/ distribute.

The process

Through constant persuasion, the staff were motivated. A few NGOs also were roped in only to give helping hand in the distribution and scouting of farmers. The indent was collected from the LAMPCS in a conservative manner but care was taken so that sufficient impact would be visible. The centralised indent were given to reputed farmers of Punjab who ensured and assured that farmers would get minimum productivity return at the worst adverse climate and technology transfer situations. The distribution of seeds to 3,000 farmers through 24 LAMPCS under the direct supervision of BCCB was a totally new experience to the staff. The training and luxuriant growth of potato plants slowly gave way to hope and smiles all around. The bumper production established a permanent relationship between the LAMPCS and the farmers.

The result

For the first time in Kandhamal such huge quantities of potato were produced. The fall in prices did not deter the enthusiasm of the farmers and efforts were made to establish one or two cold storage facilities. The high level of production had encouraged three entrepreneurs to plan to establish 3 cold storages.

The future

The bumper production and selective advertisement by the BCCB in mass media as a successful intervention had attracted entrepreneurs. Two more cold storages would be established in the backward tribal district of Odisha which will create further motivation. The potato for processing purpose also has attracted the attention of a few entrepreneurs. The transformation of the tribal economy through microfinance was swift, painless and can be termed as sustainable.

Individual benefits

The impact of potato financing on family income was analysed. A small farmer was provided with Rs.15,000/ for potato cultivation in ½ acre of land and the benefits accrued is indicted below:

Particulars	Unit	Amount in Rs.lakh
Acre cultivated (Potato)	Acre	0.5
Cost of cultivation including own labour	Rs. lakh	0.15
Yield per acre	Qtl/acre	70
Price per quintal	Rs. lakh	0.008
Total income	Rs. lakh	0.28
Profit	Rs. lakh	0.13

The generation of the above income was possible due to the availability of sizeable credit to the farmers (average credit per farmer being less than Rs.5,000), quality seeds and fertilisers at the doorstep of farmers and attendant capacity building. The quantum of credit had increased due to good recovery, training and motivation campaign for crops. The income had been distributed without any carrying cost to the Government or the other institutions and 5,400 poorest of the family had received Rs.5,000 to Rs.25,000 as additional income, which was considered 25-50% of the average annual income of such family.

7. Agarbati - strategic micro-enterprises model for effective functioning of SHG

The introduction of Agarbati production in Kandhamal was another unique happening. With help from stakeholders of SHGs - ORMAS, ITC, BCCB and NABARD the production level in the district moved from nil to a level of 4 MT per month with tie up with ITC for procurement and marketing.

The need

The need in a tribal and riot-prone district was to increase the employment opportunities through development of skills suitable and acceptable to varied people. The initiative of MAA BARALA DEVI Agarbati Producers Group and its success within a short span of two years, amidst communal holocaust, lay in ensuring income to the members continuously, production volume throughout the year, internal quality system to satisfy the standard prescribed by ITC and Parimal Industries, containing external control to the minimum, use of technology and innovations to remain competitive.

A small approach

The new initiative with a difference in approach was taken up by the Agarbati Producers Group to take advantage of the locally available raw materials like Jhuna and to sell in the brand name "Kandhamal". Due to the limited experience and scope in marketing for the jhuna brand Agarbati, the producers group decided to produce products for the open market so that the sheer volume of produce would attract big players. A proper strategy was chalked out which formed the core of the approach that fetched success later on.

Women belonging to wage earning groups, the wife of lowly paid service and business class, teachers and the women who wished to spend their spare time productively, women willing to earn extra income to supplement family and household income, women with grown up daughters were selected for training and production. They adopted the profession in true spirit. This change in involvement of target group led to quality and continuous production.

The availability of suitable agencies to provide finance for skill training, the capacity building of producers group to undertake the massive work of supply and distribution of raw materials, procurement of finished products, payment and distribution, the support of the bank for opening of large number of accounts for payment of the wages and other dues and finance at critical juncture to the producers group were some of the challenges to the young producers group. NABARD, DSMS and BCCB with their comprehensive experience of community based productive efforts provided all the structured financial and managerial support. With the belief that the employability in the form of self and wage employment was the surest way to improve the economic standard of the people, the producers group planned the entire efforts in a phased manner.

Promotion of literacy about agarbati

There was a need for all members, media and district officials to understand basics of agarbati making, finance and working of the federation. Through democratic election of office bearers with proper bye-laws in a massive gathering created the positive awareness in the district. Demand for more wages, transparency in the operations, difficulties and benefits were explained to the members, media and stakeholders. The linkages to various stakeholders were provided and a confidence building process started in all the agarbati clusters.

Proper organisation and management

To improve the Organisation and Management of the activity, the process of purchase, procurement and distribution of raw materials, the procurement of finished product, the grading, packaging and marketing and payment to the producers were well defined and executed in a transparent manner. No purchase or payment was made by cash. The deviations were strictly monitored and individual responsibility fixed. The system was allowed to run its course for a few months and gradually the benefits of proper organisation and management of the activity showed result and the level of acceptability increased.

Leadership development

The emphasis of the producers group was devising of a suitable exit product for the external controllers to contain their interference to the minimum. The inclination of officials to control all the activities was suitably demonstrated as impediments in the long run. The transfer of supportive officials and temporary setbacks were learning lessons for producers group and further emphasis was on institution and leadership building. The natural leaders were allowed to function independently through proper training, exposure visits and accompanying the officials to various places for meetings, seminars and workshops. The potential leaders were encouraged in order to decentralise the base of production and marketing to other locations with focus on leadership skills, group dynamics and handling group conflicts.

Exposure cum learning visits

The basic objectives to organise exposure visits to the companies supplying raw materials and procuring finished products were to gather knowledge about quality specifications and improve negotiations, persuasions and bargaining skills by the leaders as well as potential leaders. The selection of quality raw materials, the various trade tricks played by the traders, the impact of volume business to minimise transport cost, the electronic transfer of fund and supply of raw materials through transport system, were some of the issues that were learned and appreciated by the leaders. As a result, healthy communication channels were established among the members.

Information empowerment

The transfer of information at each stage to the members about every aspect helped to eradicate minor irritants surfacing at the cluster level, district level and inter personal level. The likely foul play by cluster leaders in weighing, recording despite payment through bank account was minimised through periodical discussion with federation leaders. The costing of the product at different levels and the actions required to increase the margins of the producers were transferred to the members, which helped in improvement in the quality and volume of the produce. The information empowered the members to make qualitative demand with self-responsibility assigned to them.

Technological interventions

The production also catered to the highest quality standard level of ITC and also to the low level requirements of the district. The identification of members at different assimilation level in various clusters, and designing the suitable training programme for higher qualitative products were done continuously to increase production and productivity. There were technological interventions in the form of introduction of higher efficient tools and methods adopted in other places of the country.

Bank linkages

The failure of successful programmes revealed the absence of transparency, finance and the ability of the members to raise resources when the government grants dried out. The prominence given to bank linkage to the activity had helped in removing the stated irritants. The co-operation of Boudh District Central Co-operative Bank ensured finance at the right time to the federation, timely passing the sale proceeds to individual accounts at different places and payment to the suppliers. The system had helped to disseminate data on the production at individual, cluster and district level, and efforts required to increase volume and quality for better productivity in financial terms.

Expansion of activity through creation of loyal cadres

The activity had established its presence through sheer numbers and distribution of income over a large geographical area. The leaders and trainers were emotionally attached to the activity. The identification of potential clusters, members, consultation with local NGOs/ prominent individuals/ co-operative society for support, arrangement for supply of raw materials, storage and training at suitable place, motivating the members for training, collection of the produce, bank linkages, etc. were the activities carried out by the leaders and trainers with paltry remuneration. The constant interaction with the cluster leaders till the system of production and marketing stabilised was the key to the success of the activity.

Promotion of other activities through agarbati

Through central focus on Agarbati, efforts had been made to expand the activity to other related areas so that enough interest was created in the activity. There was a constant endeavour to provide quality and necessary training and exposure to leaders. Further, with regular income reflecting in the account of the members, the BCCB had extended need based loan and insurance to the members, which had created further motivation. The production of bamboo sticks locally had been tried through training and linkages. The ITC was requested to train the stabilised producers on its specifications and standards so as to minimise the percentage of rejection.

Evaluation, Impact and follow up

The district level Project Monitoring and Implementation Committee is the framework to review the programme and suggest measures for corrections. The progress of the activity is given in the table below:

Most of the family members were earning Rs.700 to Rs.800 per month on an average after the stabilisation of skills. There were also members earning Rs.4,000

Slink	Particulars	2008-09	2009-10	Total
1	No. of members	312	191	503
2	No. of members trained	300	191	491
3	Raw materials purchased (in kg)	2000	14483	16483
4	Finished products collected (in kg)	815	6765	7580
5	Finished products sold to ITC (in kg)		3290	3290
6	Finished products sold to other agencies (in kg)		1792	1792
7	No. of bank accounts opened	201	190	391
8	Average income per member (in Rs.)	650	800	
9	Monthly average production. (In qtl)	30	40	

per month with the support of other family members. The programme had provided employment with dignity to destitute women staying in short stay home, deaf and dumb boys, handicap women, life convicts women in jails, old age women and other neglected women of the society without moving from their households. Follow up action planned was to increase the production from the present level of 4 MT to 20 MT per month, meet the specifications of ITC, expand horizontally and improve quality and standards. The right participatory approach was the basic tenet for the success of the mass employment programme with proper linkages.

8. Micro-insurance through co-operatives

Micro-insurance addresses the universal insurance through forward and backward linkages with community as the focal point. The concept has universal appeal and the analysis at grass root level reveals the acceptability of the concept by co-operatives.

The difficulty

There was a need for micro-insurance in Kandhamal especially after the holocaust of communal riot, particularly personal accident insurance that covered riot also. The question of how quickly and what medium was the need of the hour. The backward linkage of awareness creation, training and product design was a long drawn process and the immediate need was to cover all in the pattern of co-operative or SHG movement. The BCCB *combined the co-operative and the SHG movement* for the benefit of the people of Kandhamal.

The strategy

The first strategy was to link the rural elite to the concept of universal insurance as it helped in wealth creation at individual, community, rural elite and private and Government sector level. The second strategy was to prove how the gains in the tribal economy through use of micro-insurance could form part of the poverty reduction strategy.

Viability and market

The CCB observed that initially it was necessary to introduce product, which had mass appeal even without insisting on its viability. Even with the volume of business generated, it was not a viable proposition and would not appeal to stakeholders such as NGOs, insurance companies and district administration. The strategy was to appeal to the sentiments of the rural elite and the district administration to support the movement and the role of co-operatives was vital and crucial in grounding the concept. As happening in the initial stages of micro credit, the concept of micro-insurance as a viable product would not appeal to the various parties though presently micro credit constitutes 10-15% of the outstanding business of NGOs and rural branches of banks. The growth pattern of micro credit was initially slow whereas micro-insurance requires accelerated ramping up within a short span of time to capture the interest of the parties involved.

Prioritisation of insurance demand in Kandhamal (risks, products, pricing and priority)

The prioritisation of insurance demand of Kandhamal was analysed and the following table will reveal the need for building a comprehensive security for the poor of the district.

Location Type	Priority I	Priority 2	Priority 3	Priority 4
Rural areas	Life	Accident	Health	Livestock
Tribal areas	Health	Life	Not identified	Not Identified
Riot-prone rural areas	Accident	Life	Business Assets	Not Identified
Kandhamal	Accident	Health	Livestock	Life
Kandhamal characterises the rural areas, tribal areas and riot-prone in rural areas which was different from the riot-prone areas of urban areas.				

Despite the robust growth of micro credit, the rate of savings in the district was one of the lowest Rs.3,990 per person. The chances of possibility of savings more for emergencies were low and therefore have to be supplemented by micro-insurance for emergencies as per the priorities identified above. The market with suitable **product design, compensation and business volume** was enormous for accident and health and limited for livestock, life and business assets. In brief, life insurance products were easier for the companies and come last in the priority list of the people of Kandhamal. Non-life insurance in the form of accident, health, livestock and crops were the most priority areas in the district, which may not appeal to the insurers, insurance agents and the mediums. These risks were nonviable to cover and not marketable if done on a small scale and require higher volumes of business.

Business potential

The business potential for accident risk (accident by roads, snake bite, riots, etc., and the sum payable includes death as well as loss of limbs) was calculated taking the volume into consideration. Total population of the district was 6.48 lakh and people between age group of 10-70 eligible as per IRDA guidelines around 6 lakh. Premium was calculated at Rs.20 for insured sum of Rs.50,000. The total volume business for the insurance company was 6 lakh x Rs.20 = Rs.120 lakh. The BCCB negotiated with ICCI Lombard, TATA-AIG, SBI Life Insurance and New India Insurance for the designing and pricing of the product. Companies offered their product from Rs.540 to Rs.25. In hard bargain and negotiation, ICICI LOMBARD Kolkata agreed to a product of Rs.50, 000 for a premium of Rs.25. The New India Assurance Ltd., agreed to introduce a product for Rs.11 leaving the commission part to the discretion of Boudh Central Co-operative Bank.

The medium (social mobilisation for personal accident insurance)

In the month of June 2008, co-operatives with debt-waiver around the corner and financing for kharif about to start found itself as the best medium and opportune time to broad base accident insurance of all the people of Kandhamal. The proposal of New India Assurance was approved by the Board of BCCB Ltd. and necessary instructions were issued to LAMPCs. Secondly, to cover 6 lakh population requires massive social mobilisation, efforts and co-ordination. The CCB till date had covered 1 lakh population because of non-cooperative attitude of the insurance companies in settlement of claims and has switched to ICICI Lombard for better service from the year 2010.

The future

The insurance can take the shape of a movement in Kandhamal. The LAMPCS particularly the board of directors were apprised of the importance of accident insurance in riot-prone Kandhamal. The NGOs had been roped in to provide support to the LAMPCS for social mobilisation. The members of Zilla Parishad had been apprised to propagate the concept and enrolled themselves as an example for others.

Support

The greatest problem of insurance was its maintainability, renewal, settlement of claim and absence of a culture of insurance. The social service done by the LAMPCS was immense and it took precious time of the staff. The CCB believes that it can achieve the universal accident insurance in Kandhamal, as the response from the people was positive and action oriented.

The community insurance versus companies

In a riot-prone and tribal district, the insurance product presently could not be bought by them but had to be sold to them compulsorily, the premium had to be lowest in comparison to any products in the market and the company acceptable. The insurance products for the banks were to be seen as three financial pillars of a sound and principal financial management- savings, credit and insurance. The insurance companies had the rural and social target and need the help of rural financial institutions like BCCB to achieve their target.

Financial inclusion

Considering and analysing the needs and aspirations of the tribal people, **the micro-insurance requires a long term and a well thought out practical strategy**. The following actions are preferred to broad base the concept and cover large population in tribal districts of Odisha and India.

i. **Social mobilisation**
Social mobilisation on a large scale is the prime requisite to make any scheme successful. The CCB may move from the pilot phasing stage to universal inclusive phase and direct their strategy and energy accordingly.

ii. **External factors**
The procedure of renewal, claim settlement and the ability of NABARD/ Odisha State Co-operative Banks and District Central Co-operative Banks to influence the companies to simplify the procedures etc. are also required to be taken into account. The requirement of beneficiaries filling an insurance form has been dispensed with and a single signature in an attendance type form is sufficient for the acceptance of the insurance company. A simple declaration by persons of repute of the area and banks regarding the proof of accidental death is sufficient for settlement of the claim.

iii. Product design and pricing

The initiatives regarding design of the product and pricing may be done by co-operatives taking into account of the area specific needs and degree of social mobilisation possible matrix. It is possible to go for universal accident insurance, health insurance in special areas; "WADI" area farmers, VDP villages, watershed areas can be enrolled in health insurance and life insurance through enlightened SHGs.

iv. Distribution channels for acceptance, settlements, renewal

The LAMPCs with their close connection with the tribals are the best medium for accident insurance and health insurance of low premium category. NGOs that are specifically undertaking projects of at least 3 years duration and cover population of more than 1000 may also be a channel for health insurance in "WADI", watershed, Handloom clusters, etc.

v. Maintenance of database

The maintenance of proper database is the sine-qua-non for the success of micro-insurance. The database for all the individuals insured, renewed, death, additions etc., require a database which will also help in design, pricing and bargaining of a particular insurance product.

vi. Competition

Once the faith is established, competition should be encouraged among the companies. It is because of ICICI LOMBARD and their concrete proposal for volume insurance and experience of similar insurance in Vidyasagar CCB Ltd., in Midnapore district of West Bengal, New India Assurance was willing to insure at a low premium of Rs.11 for an insured sum of Rs.50,000.

vii. Experience of micro-credit

The documentation and various studies of micro credit on viability, replicability, as a business proposition for co-operatives, the graduating of micro-credit into micro-insurance are some of the few experiences that are relevant for micro-insurance also. The debate will take the micro-insurance into a greater height through strategic support.

9. Other mass scale products

For the first time, large-scale financing of pumpsets numbering more than 800 through LAMPCS in co-ordination with agriculture department and companies has been another effort of the BCCB to reach out to tribal people and improve their economy. The formation of farmers clubs, farmers club federation, capacity building of large-scale farmers and SHG members on varied technology and capacity building was also the efforts of BCCB to improve the tribal economy by broad-basing the concept of micro-credit intervention.

10. Lessons drawn

A. The challenges

The tribal economy is unique and to be addressed based on local experience and expertise. The scope for diversification was immense in Kandhamal district. The non-compliance to the minimum share capital norms and weak to take any measures for diversification of financing to high value crops, inexperience to plan for higher credit in aggregate terms and per farmer terms and risk aversion were some of the challenges.

B. Knowledge gap

i. The staff were completely ignorant about cultural practices of improved variety.
ii. There was paucity of technical staff who can provide minimum technical support.
iii. The co-operatives were not capable to meet the multifaceted demand of the farmers.
iv. The co-operatives because of low recovery and low lending had limited social mobilisation experience in their area of operation.

C. The first step

The CCB used the mode of farmers club, JLGs and NGOs to identify the real cultivators. In one year the CCB had opened 115 Farmers Club and 1200 JLGs. The clubs were used to identify the farmers for specific crop with identified qualification in a simple proforma.

D. Crop specific strategy

The quantum jump of credit was dependent on crop specific strategy. The seed requirement for potato in 1,000 ac was 6,000 quintal and the cost was Rs.1.80 crore. The potato financing strategy revealed that the present system alone was not capable enough to meet the ever-increasing demands/ problems of the farmers in the absence of clear-cut policy and transparency to address the specific needs of the individual farmers. The constraints identified were within the capability of the co-operatives to solve and achieve the main objective of more credit flow and more income to the farmers. The constraints were: timely supply of seeds, fertilisers, pesticides, pumpsets, diesel and kerosene, release of subsidy, conduct of training and procurement of produce, action against the errant officer and proper research and feedback system in the district.

E. The second stage - taking responsibility

The responsibility was to identify a proper genuine seed supplier who could supply quality seeds outside the government set up. The second responsibility was to supply inputs in the form of irrigation pumpsets, fertilisers and pesticides. The most important aspect was once the seeds are supplied: demand for the farmers induces input as a matter of right than on the mercy of LAMPCS. The farmers also expected that the LAMPCS would provide technology support and counselling for various pesticides attack and marketing of the produce. This demand also forced the LAMPCS to take the help of unwilling department devising various methods of complaints, threats and incentives.

F. The third stage - enjoying responsibility and taking pride

The sudden change in the attitude of the farmers and the Staff to potato cultivation were visible as the potato field started becoming reality. Healthy plant growth, comparison with earlier plantation and the new variety, exuberant growth brought happiness in the minds of the farmers. Constraints were all forgotten and positive attitude and atmosphere was created.

11. Conclusion

i. The LAMPCS can be the focal point for technology transfer, farmers counselling, credit and awareness creation in tribal dominated district.

ii. The co-operative banks and the LAMPCS can survey the area through farmer's clubs, JLGs, NGOs for the limited purpose of specific changes in cropping pattern and credit enhancement.

iii. The credit flow can be mapped based on crop specific strategy in an integrated manner.

iv. Round-the-year farmers counselling centre may be established at least one in each LAMPCS.

v. The practice of sequential training may be introduced.

vi. The co-ordinating job with various agencies - government departments, private companies, marketing federations and suppliers - can be done by each LAMPCS.

vii. The transparency of the operation of the LAMPCS and the various constraints may be communicated to the farmers on a continuous basis.

Performance and Impact of Self-Help Groups in Punjab - Past Experiences and the Roadmap Ahead

- Sanjay Kumar*

The origin of SHGs was from the Grameen Bank of Bangladesh, by Mohammad Yunus in 1983. The first official interest in group lending in India took shape during 1986-87 when NABARD supported and funded research project on saving and credit management of SHGs of MYRADA.

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Abstract

The present study was conducted to study the growth, performance and impact of SHGs in Punjab. The study was carried out in Hoshiarpur district of Punjab by taking a sample of 30 SHGs and out of these two members were selected from each group thus making the total sample size 60. The SHGs in Punjab were formed by NABARD sponsored SHG-Bank linkage programme and Swaranjyanti Gram Swarozgar Yojna (SGSY) implemented by District Rural Development Agency (DRDA) in Punjab. The number of groups up to March 2006 under SHG bank linkage programme were 4,561 while under SGSY there were 4,108 groups. Majority of the groups were contributing Rs 50 or 100 per member monthly and large proportion of groups had up to 15 members in the group. Commercial banks were the largest funding agency and they were giving loans to the groups at the interest rate of 7-12% per annum. All members had started saving in the post-SHG situation. After joining the SHG, the average income of the member households increased to Rs.54,474 from Rs.30,962, average value of assets became Rs.34,302 from Rs.20,345 and average borrowing increased to Rs.27,665 from Rs.8,999 in the Pre-SHG situation. The problems faced by SHGs included harassment/repeated visits during opening of bank account, marketing problems, lack of training and competition from MNCs. To increase the network of SHGs in Punjab, there is need for increase the margins available to NGOs, identification of economically viable activities according to the availability of raw material and demand of products in the area, increase in the amount of loan to the groups at lower interest rates

and the facility to members to sell their products in exhibitions or during Kisan Melas as they provide a good market for such products, which otherwise have a low demand.

1. Introduction

India, being a developing nation, has approximately 26.1% of its total population of 102.7 crore below the poverty line (Census, 2001). These poor people have skill, labour and zeal to work but typically lack capital. For providing credit to poor people and farmers, the government enabled rapid expansion of bank branches in India and their number increased from 5,269 in 1969 to 82,408 in till March, 2009 (RBI Statistics, 2009). But many states still have high poverty levels and are still under banked e.g. average population served per branch in West Bengal, Uttar Pradesh and Bihar was 19,000, 20,000 and 21,000 as compared to 9,000 in Punjab (Singh and Sagar, 2004). According to a survey conducted by NCAER in 2003, 44% of the households still borrowed from the informal sources of credit (Basu, 2005). The situation was worse in case of farm households. A study conducted by NSSO in 2003 revealed that 64% of farm households in India and 70% of farm households in Punjab had taken loan from non-institutional sources. The commission agents exploit the farmers and burden of loan and interest is passed on to the subsequent generation. Grover *et al* (2003) found that acute indebtedness to moneylenders was the main cause of suicide among the farming community in Punjab. On the other hand, high pre-credit requirements like complicated rules and regulations, high transaction cost in small scale rural lending and absence of collateral security kept the common man away from the fold of financial institutions. Sidhu and Gill (2006) found that transaction cost varies between 2.6 to 8.5% of the total loan in various states. Similarly, Vatta (2002) found that average number of days taken for processing of loans is six days for formal institutions as compared to 0.36 days for informal institutions. Moreover, the officials took bribe from these small scale borrowers as Basu (2005) in his study showed that bribe taken for loans ranged between 10.1% for banks to 42% in case of schemes run by government. To overcome these problems, an alternative mechanism for meeting the credit needs of rural poor by forming self-help groups (SHGs) has been evolved.

The origin of SHGs was from the Grameen Bank of Bangladesh, which was started by Mohammad Yunus in 1983 to bridge the gap between formal and informal system. The first official interest in group lending in India took shape during 1986-87 when National Bank for Agriculture and Rural Development (NABARD) supported and funded research project on saving and credit management of self-help groups of Mysore Resettlement and Developmental Agency (MYRADA). Accepting the recommendations in April 1996, RBI advised the banks that lending to SHGs should be considered as an additional segment under priority sector advances. The SHGs thus have become a regular component of Indian Financial System since 1996. Self-help group is a group of 10-20 people from a homogeneous class typically having common problems.

The members of self-help group observe discipline and voluntarily accept savings on a regular basis and make small interest bearing loans to their members (NABARD, 2004). In India, two major SHG networks have access to institutional credit. One is the NABARD sponsored SHG bank linkage programme and the second is the Swaranjyanti Gram Swarozgar Yojna (SGSY) initiated by the Ministry of Rural Development on April 1, 1999 by combining various programmes like IRDP, TRYSEM, DWCRA, SITRA and GKY. The NABARD sponsored programme has grown much faster than the SGSY programme, with 46.16 lakh groups under its purview and outstanding bank loan till March, 2009 of Rs.16,818 crore. On the other hand SGSY had 15.05 lakh groups under its purview and outstanding bank loan till March, 2009 of Rs.5,861 crore (NABARD, 2009). There has been skewed growth of SHGs across the country. Punjab has been classified as high volume and low penetration state (less than 25%) on the basis of credit for SHGs and percent of poor families receiving finance through SHG channel (Dasgupta 2005). It is believed that involvement of poor families through SHGs had significantly contributed in improving their economic status through increase in household savings, income and assets endowments. The present study was therefore undertaken to study the performance of self-help groups in Punjab and to assess the impact of these SHGs on various economic parameters of the member households.

II. Methodology

In Punjab, formation of SHGs started by the year 1999 under both the NABARD and SGSY schemes. The Hoshiarpur district of the state was selected randomly for the present study. A detailed list of SHGs being financed under SHG-Bank linkage programme and under SGSY schemes was collected from district level offices of NABARD and District Rural Development Authority (DRDA). Amongst these groups a random sample of 30 self-help groups were selected (15 groups from each scheme). From these groups, two members from each group were selected randomly making the total sample size of 60. To evaluate the impact of SHGs on various economic parameters, data were collected at two points of time i.e., for the year preceding the formation of SHG (pre-SHG) and for the year 2005-06 (post-SHG).

III. Functioning /performance of self-help groups

Saving of the members/SHGs, frequency of group meetings and amount of borrowings are some of the factors determining the performance/functioning of SHGs which are described in following sub-sections.

1. Saving pattern of self-help groups

Amount of saving contributed by different members was found to be either Rs.50

or 100 per month. On an overall basis, almost 47% contributed Rs.50 per month and 53% were contributing Rs. 100 per month (Table 1). But in case of SGSY groups, higher proportion of the members (about 60%) contributed Rs.50 as compared to the NABARD sponsored groups. This may be due to the poor economic condition of the SGSY members. Majority of the groups (about 70%) were found to save Rs. 500-1,500 per month while a few (about 7%) had saving less than Rs.500. This amount depends upon the amount of saving per member and number of members per group as 67% of the sampled groups had less than 15 members and 47% saved Rs.50 per month. The average monthly saving was Rs. 889 in case of SGSY formed groups and Rs. 1,409 in case of NABARD sponsored groups. Total saving of the most of the SHGs (about 57%) was found to vary between Rs. 30,000-60,000 and on the overall basis, the average saving per SHG was Rs.57,397.

Table 1: Saving pattern of respondent members and sample SHGs, Punjab, 2005-06 *(Rs.)*

Saving (Rs.)	NABARD	SGSY	Overall
Monthly saving per member			
50	50 (33.33)	50 (60.00)	50 (46.67)
100	100 (66.67)	100 (40.00)	100 (53.33)
Average amount of saving per sample SHG per month			
0-500	500 (6.67)	500 (6.67)	500 (6.67)
500-1000	830 (33.33)	727 (60.00)	764 (46.67)
1000-1500	1450 (13.33)	1260 (33.33)	1314 (23.33)
1500-2000	1942 (46.67)	-	1992 (23.33)
Average	1409 (100.00)	889 (100.00)	1150 (100.00)
Average amount of saving of sample SHGs since their inception			
10000-30000	22400 (6.66)	25600 (13.33)	24800 (10.00)
30000-60000	42569 (53.33)	44735 (60.00)	42924 (56.67)
60000 - 1 lakh	77000 (13.33)	65267 (26.67)	68933 (20.00)
>1lakh	125763 (26.68)	-	123453 (13.33)
Average	67347 (100.00)	45942 (100.00)	57397 (100.00)

Note: Figures in parentheses indicate% of total members in each category

2. Group meetings

Meeting on monthly basis was observed to be the most common phenomenon among the SHGs as 73.33 of the groups held monthly meeting (Table 2). In case of SGSY groups about 40% had fortnightly meeting as majority of them contributed the average monthly saving in two installments. Compulsory attendance was the pre-requisite for smooth functioning of the group. Most of the groups (about 67%) had more than 90% attendance in meetings. This showed that members were quite regular in attending the meetings as only about 3% of the groups had less than 70% attendance.

Table 2: Distribution of sample SHGs according to frequency of meeting as revealed by members, Punjab, 2005-06 *(Per cent)*

Particulars	NABARD	SGSY	Overall
Number of members per SHG			
Up to 15	40.00	86.67	66.67
>15	60.00	13.33	33.33
Frequency of meeting			
Fortnightly	13.33	29.41	26.67
Monthly	86.67	70.59	73.33
Attendance of members in the meeting			
>90 per cent	60.00	73.33	66.67
70-90 per cent	33.33	26.67	30.00
<70 per cent	6.67	-	3.33

3. Borrowing pattern of the self-help groups

Commercial banks, cooperatives and Regional Rural Banks (RRBs) were the financing agencies involved in providing funds to the SHGs in the study area (Table 3). Amongst these, commercial banks were the most popular ones as their share was about 76% of total lending amount. This was probably due to the higher number of branches of commercial banks in the rural areas as well as more manpower available with them. These agencies provided credit to the groups by making cash-credit limits, which were in proportion to the savings maintained by the group with the bank. Analysis of the Table further reveals that groups under SGSY scheme were given more loans in proportion to their saving as about 87% of the groups had more than Rs.2 lakh of cash credit limit and average amount of loan disbursed was Rs.2,29,512. The government provides loans to these groups so that each member of the group can start an economic / income-generating activity. Moreover, the loan amount also contains a subsidy component. So, the amount was higher as each member was given loan according to his share and moreover the loan amount was fixed for different activities based on per unit cost of the activity. But, this was not so, in the case of SHGs formed by NABARD where every member was not supposed to start an economic / income generating activity. The cash credit limits of these groups were low as only about 20% had borrowing more than one lakh and about 53% had credit limit between Rs. 20 to 50 thousands. The average amount of loan disbursed was Rs.73,332 in case of NABARD sponsored groups. It was evident from the table that most of the sampled groups (about 63%) borrowed at interest rate between 10-12% annually while about 23% had borrowed the amount at 7-10% annually. It was reported that most of the SHGs (about 60%) charged very high interest rate of 24% per annum while 23% charged the same rate for inter-group loans as was being charged by the bank.

Table 3: Borrowing pattern of sample SHGs, Punjab, 2005-06 *(Per Cent)*

Particulars	NABARD	SGSY	Overall
Borrowing by SHGs from institutional sources			
Commercial banks	84.40	73.50	76.20
Cooperatives	15.60	-	4.00
RRBs	-	26.50	19.80
Total borrowings from financial institutions (Rupees per SHG)			
10000-50000	43499 (53.33)	45000 (13.33)	43799 (36.67)
50000-100000	79250 (26.67)	-	79250 (10.00)
100000-200000	145000 (20.00)	-	14500 (10.00)
>200000	-	229512 (86.67)	242692 (43.33)
Average	73332 (100.00)	229512 (100.00)	144832 (100.00)
Interest rate charged by banks (Per cent)			
7-10	40.00	6.67	23.34
10-12	53.33	73.33	63.33
12-15	6.67	20.00	13.33
Interest rate charged for inter loaning activities (Per cent)			
12	26.67	20.00	23.33
18	20.00	13.33	16.67
24	53.33	66.67	60.00

Note: Figures in parentheses indicate per cent of total members in each category.

IV Socio-economic characteristics of the members of self-help groups

The socio-economic analysis of the member households is a prerequisite before assessing any impact of SHGs on these households as it highlights the age-group, educational status and occupational pattern which have the definite bearing upon the impact of SHGs on these households. The age wise distribution of sampled members revealed that most of the members (about 83%) were less than 45 years of age. This age was considered to be most productive and risk taking periods in the person's life. The average age of members was 39 years (Table 4). An analysis of educational status of respondents revealed that 56% of the sample members were either illiterate or studied upto middle school only. The situation was worse in case of SGSY formed groups where this proportion was about 80%. The table further revealed that most of the landless households had adopted the SHGs in Punjab as about 54% of sampled respondents were landless. The proportion was still higher for SGSY families as about 80% of sampled members were landless. Most of the farm families were small or marginal in nature as only about 2% of respondents had more than 3 acres of land. On the overall basis, the average size of land holding was only 0.7 acres. Similarly, Nanda (2004) in his study on SHGs had found that 31% of the household members of the SHGs were landless agricultural labourers and 54% were small and marginal farmers.

Table 4: Socio-economic characteristics of the members of SHGs, Punjab, 2005-06 *(Per cent)*

Particulars	NABARD	SGSY	Overall
Age (Years)			
26-35	40.00	36.67	38.33
36-45	43.33	46.67	45.00
46-55	13.33	16.66	15.00
>55	3.33	-	1.67
Average age (yrs.)	39	40	39.5
Education level			
Illiterate	10.00	20.00	15.00
Up to 5th	6.67	23.33	15.00
Up to middle	16.67	36.67	26.67
10th	60.00	20.00	40.00
10+2	6.67	-	3.33
Owned land holding per household (acres)			
Landless	26.67	80.00	53.33
<1	10.00	20.00	15.00
1-3	60.00	-	30.00
>3	3.33	-	1.67
Average size (acres)	1.28	0.07	0.70

V. Impact of self-help groups on economic aspects of sample households

An attempt has been made in this section to understand the economic benefits that accrued to the members due to their involvement with the self-help groups based on availability of thrift and credit. Major economic indicators like income, saving, borrowings, occupation and assets were studied in this section. The impact was ascertained through the quantitative change in these parameters in the pre and post-SHG situation and presented in the following sub sections:

1. Impact on the level and composition of household income

The average annual income in the post-SHG situation worked out to be Rs.54,474 as compared to Rs.30,966 in pre-SHG situation, showing about 76% increase after the formation of SHGs (Table 5). The proportion was still higher for the NABARD sponsored groups, which showed increase in income by 84% as compared to about 55% for SGSY groups. The reason behind this difference was that in case of SGSY groups the increase was due to income from the activity by the member alone as they were still involved in the traditional activities in which the family members had been involved for the last many years; however in case of NABARD sponsored groups the income increase was the combined result of increased income of the respondent member combine d with increase in the income of other members of the household as the

Table 5: Distribution of sample households according to the average annual household income, Punjab, 2005-06 (*Rupees)*

Income (Rs.)	NABARD	SGSY	Overall
Pre SHG situation			
10000-25000	22362 (30.00)	19866 (100.00)	20442 (65.00)
25000-50000	35718 (36.67)	-	35718 (18.33)
50000-75000	62181 (30.00)	-	62181 (15.00)
75000 - 1 lakh	-	-	-
>1 lakh	108000 (8.33)	-	108000 (1.67)
Average	42059 (100.00)	19866 (100.00)	30962 (100.00)
Post SHG situation			
10000-25000	-	23200 (30.00)	23200 (15.00)
25000-50000	43449 (26.67)	30519 (66.67)	36394 (46.67)
50000-75000	60037 (26.67)	-	60037 (13.33)
75000 -1 lakh	85530 (23.33)	87600 (3.33)	85851 (13.33)
>1 lakh	131542 (23.33)	-	131542 (11.67)
Average	78246 (100.00)	30703 (100.00)	54474 (100.00)

Note: Figures in parentheses indicate per cent of total members in each category.

money taken as credit enabled other economic activities. Moreover, the respondents of groups formed by NABARD were financially better than SGSY respondents and they utilised the loans more for production purposes as compared to SGSY groups which were using the subsidy portion for consumption only. The results were comparable to the study by Dahiya and Pandey (2002) who had reported that annual income per SHG member increased by 95% after joining the group in Solan district of Himachal Pradesh. The table further revealed that most of the respondents (about 65%) had the annual household income in the range of Rs.10,000 to 25,000 with an average household income of Rs.20,442 in the pre-SHG situation, while, in the post-SHG situation most of the respondents (about 47%) had the annual income in the range of Rs.25,000 to Rs.50,000 with an average income of Rs.36,394. The proportion was higher in case of SGSY families as about 67% of the respondents were having income in this range in post-SHG situation as compared to pre-SHG situation where all the households had the annual income of less than Rs.25,000. In post-SHG situation, about 11% respondent households had income above Rs.one lakh as compared to only 2% in pre-SHG situation. In the higher income groups in case of NABARD sponsored groups about 50% of household had the annual income in the range between Rs.50,000-1,00,000 in post-SHG situation. It revealed that relatively better off households had improved upon their resource management and realised higher income than in case of lower income groups.

In pre-SHG situation, about 50% of the households' income was contributed by earning as labourer followed by about 33% through salary either from government or private sector (Table 6). In case of SGSY groups, about 62% of total household income was contributed by the labour class. Post-SHG situation revealed decrease in share of income as labourer to 29%. The share of income from economic activity increased to 16.2% in post-SHG situation from 3.2% in pre-SHG situation. The share

Table 6: Source wise composition of household income for sample households, Punjab, 2005-06 *(Rs.)*

Particulars	NABARD	SGSY	Overall
Pre SHG situation			
Service	17497 (41.60)	4966 (25.00)	10341 (33.40)
Labour	16235 (38.60)	12337 (62.10)	15574 (50.30)
Crop production	2944 (7.00)	-	1084 (3.50)
Dairy	2860 (6.80)	1093 (5.50)	1920 (6.20)
Economic activity	1094 (2.60)	775 (3.90)	991 (3.20)
Business	-	-	-
Other	1429 (3.40)	695 (3.50)	1052 (3.40)
Average	42059 (100.00)	19866 (100.00)	30962 (100.00)
Post SHG Situation			
Service	32394 (41.40)	6202 (20.20)	16288 (29.90)
Labour	13849 (17.70)	12189 (39.70)	15961 (29.30)
Crop production	3678 (4.70)	-	1198 (2.20)
Dairy	8764 (11.20)	1719 (5.60)	4848 (8.90)
Economic activity	9389 (12.00)	5834 (19.00)	8825 (16.20)
Business	7042 (9.00)	1382 (4.50)	3268 (6.00)
Other	3130 (4.00)	3377 (11.00)	4080 (7.50)
Average	78246 (100.00)	30703 (100.00)	54474 (100.00)

Note : Figures in parentheses indicate per cent of total income.

of dairy sector and business performed by members had gone up to 8.9 and 6% respectively in post-SHG situation. This revealed that member households had increased the number of activities especially allied to agriculture and in non-farm sector after getting access to credit through SHGs.

2. Impact on savings

Almost all the members were saving in post-SHG situation as compared to only 20% in the pre-SHG situation (Table 7). The average annual saving by the members increased to Rs.1,690 in the post-SHG situation showing almost 5.5 times increase in savings after joining the group. It shows the cultivation of thrift habit among the members after joining the SHGs. None of the sampled members in case of SGSY groups saved any amount of money in pre-SHG situation but after joining SHGs due to mandatory saving in group they had started saving. The SGSY member households were saving Rs.938 per annum in post-SHG situation. Banerjee (2002) and Rao (2002) had found that the amount of annual savings by the members had almost doubled in the post-SHG situation. In the post-SHG situation, about 68% of the members were saving up to Rs.2,000 as compared to about 18% in pre-SHG situation. Only 13%

Table 7: Distribution of sample households according to annual average saving, Punjab, 2005-06 *(Rupees)*

Saving (Rs.)	NABARD	SGSY	Overall
Pre SHG situation			
0-1000	650 (16.67)	-	650 (8.33)
1000-2000	1343 (20.00)	-	1343 (10.00)
2000-3000	-	-	-
3000-4000	-	-	-
>4000	4200 (3.33)	-	4200 (1.70)
Average	520 (40.00)	-	520 (20.00)
Post SHG situation			
0-1000	600 (6.66)	613 (63.34)	607 (35.00)
1000-2000	1505 (33.34)	1230 (33.33)	1367 (33.34)
2000-3000	2455 (36.67)	-	2455 (18.33)
3000-4000	3150 (31.33)	-	3150 (8.33)
>4000	5843 (10.00)	4200 (3.33)	5432 (5.00)
Average	2445 (100.00)	938 (100.00)	1690 (100.00)

Note : Figures in parentheses indicate per cent of total members in each category.

of the sample households were saving more than Rs 3,000 per annum. The proportion was still higher for NABARD sponsored groups as about 23% of the members were falling in the group as compared to only 3% for SGSY groups. This may be due to the fact that after joining the SHG, the increase in income was higher in case of members of the NABARD sponsored groups resulting in higher level of savings as compared to SGSY groups.

3. Impact on asset position

The household assets consists of houses, farm houses, animals, sheds, milch and working animals and productive assets such as tractor, farm equipment, shop, cartload, auto rickshaw, taxi, tools etc. and the consumer durables consisting of television, refrigerator, two wheeler, etc. The impact of SHGs was more evident in creation of new assets in non-farming sector. Therefore, the impact of SHGs was observed on the value of animals, productive assets and consumer durables. Table 8 revealed that there was about 69% increase in the overall average asset value of member households from the pre-SHG level of Rs.20,345. The assets of sample households increased due to more access to credit facilities through SHGs, which increased the purchasing power. Similarly, Puhazhendi and Satayasai (2001) studied the impact of formation of self-help groups in 11 states of the country and revealed that the average value of assets registered an increase of 72% from Rs.6,843 in pre-SHG situation. The table further showed that in pre-SHG situation, animals were the largest asset for the poor families as their share in total value of assets was 52% followed by about 36% for consumer durables while the productive assets had only 12% share.

Table 8: Assets position of the sample households, Punjab 2005-06 *(Rupees)*

Particulars	NABARD	SGSY	Overall
Pre SHG situation			
Animals	11762 (42.70)	9408 (71.55)	10584 (52.00)
Others productive assets	4181 (15.18)	660 (5.02)	2390 (11.75)
Consumer durables	11599 (42.11)	3143 (23.90)	7371 (36.23)
Total	27542 (100.00)	13149 (100.00)	20345 (100.00)
Post SHG situation			
Animals	19903 (43.18)	10232 (50.74)	15068 (43.93)
Others productive assets	10008 (20.91)	5639 (27.18)	7823 (22.81)
Consumer durables	17950 (37.50)	4873 (23.50)	11411 (33.26)
Total	47861 (100.00)	20744 (100.00)	34302 (100.00)

Note : Figures in parentheses indicate per cent of total assets.

But, in post-SHG situation, the share of productive assets increased to about 23%. The absolute value of other assets had also increased but their share had decreased overtime. This shows that with access to credit and increased income the share of productive assets increased mainly due to the start of economic activities by the member households.

4. *Impact on employment generation and occupational pattern*

Table 9 shows that annual employment available to group members increased by about 75% to 183 man days in post-SHG situation. Similarly, Banerjee (2002) in the study on self-help groups in four districts of Tamil Naidu had found that the annual employment available to group members increased by 85% i.e., 172 man days in post situation by undertaking supplementary activities such as animal husbandry, poultry and non-farm activities like petty shops, kirana shops etc. The employment generated by farming sector had increased by about 11% after joining the SHGs i.e., from 59.04 mandays/annum/member to 65.63 mandays/annum/member. But the employment decreased in case of SGSY groups by 11.9% as members diversified their work from agricultural labour towards the non farm sector activities. But, in case of groups formed by NABARD employment increased by 40% i.e., from 51.78 mandays/ annum to 72.9 mandays/ annum due to increased employment in dairy sector. Similarly, the employment in non farm sector increased by 159.8% i.e., from 45.26 man days/ annum/ member in pre-SHG situation to 117.53 man days/ annum as members were spending their time on economic activities and business. In case of NABARD sponsored SHGs, employment increased to 96.06 mandays in post-SHG situation. There were very less members engaged in non-farm sector activities before joining the groups and even the members involved in economic activities were not doing the activity on commercial scale.

Table 9: Employment pattern in non-farming sector for sample members, Punjab, 2005-06 *(Mandays/annum)*

Particulars	NABARD	SGSY	Overall
Pre SHG situation			
Farming sector	51.78	66.30	59.04
Non-farming sector	13.08	77.43	45.26
Total	64.86	133.73	104.30
Post SHG situation			
Farming sector	72.90	58.36	65.63
Non-farming sector	139.00	96.06	117.53
Total	211.90	154.42	183.16

The proportion of members which were involved in the economic activities was found to increase tremendously in the post-SHG situation to about 97% as compared to about 58% in pre-SHG situation (Table 10). The members diversified the occupation towards the non farm sector as majority of them (about 72%) were involved in activities like football making, 'ban' making, embroidery, tailoring, surf powder making etc. In farm sector, majority of the members (about 18%) adopted the dairy enterprise.

Table 10: Involvement of sample members in various economic activities, Punjab, 2005-06 *(Per Cent)*

Particulars	NABARD	SGSY	Overall
Pre SHG situation			
Dairy	20.00	10.00	15.00
Tailoring	3.33	-	1.67
Embroidery	6.67	-	3.33
Business	3.33	-	1.67
Ban making	-	26.67	13.33
Khesdari	3.33	-	1.67
Har kalere	3.33	3.33	3.33
Agri. labour	10.00	26.67	18.33
No activity	50.00	33.33	41.67
Post SHG Situation			
Dairy	23.33	13.33	18.33
Tailoring	10.00	6.67	8.33
Embroidery	13.33	6.67	10.00
Business	20.00	3.33	11.67
Knitting	10.00	-	5.00
Football making	-	13.33	6.67
Ban making	-	26.67	13.33
Surf making	-	13.33	6.67
Khesdari	6.67	-	3.33
Har kalere	-	6.67	3.33
Making copies	-	6.67	3.33
Achar/squash	6.67	-	3.33
Agri. labour	3.33	3.33	3.33
No activity	6.67	-	3.33

5. *Impact on borrowing pattern*

The member households took loan from formal agencies like commercial banks, co-operatives and SHGs by inter loaning. Besides, certain informal agencies like moneylenders and commission agents were also actively involved in forwarding credit to member households. In pre-SHG situation, the average member households had borrowed an amount of Rs.8,999, which increased to Rs.27,665 in post-SHG situation thus showing an increase of 207% (Table 11) showing that access to credit had increased after joining SHGs. In pre-SHG situation, about 61% of the total loan was forwarded by informal agencies and formal institutions delivered only 39%. The situation was worse in case of SGSY formed groups where 80% of the total loan was forwarded by informal agencies due to inability of poor people to approach the formal financial institutions.

Table 11: Agency wise borrowings for sample households, Punjab, 2005-06 *(Rupees)*

Particulars	NABARD	SGSY	Overall
Pre SHG situation			
Informal agencies	8899 (58.17)	2150 (79.60)	5525 (61.40)
Formal agencies	6399 (41.83)	550 (20.40)	3474 (38.60)
Total	15298 (100.00)	2700 (100.00)	8999 (100.00)
Post SHG situation			
Informal agencies	5167 (13.26)	2267 (13.85)	3716 (13.40)
Formal agencies	33799 (86.74)	14099 (86.15)	23949 (86.60)
Total	38966 (100.00)	16366 (100.00	27665 (100.00)

Note: Figures in parentheses indicate proportion of total loan in each category.

In post-SHG situation, about 87% of the money was borrowed from formal agencies with drastic reduction in the share of money lenders to only 13% of total credit disbursed. This may be due to the reason that after joining SHGs, loans were easily available for consumption as well as productive purposes at lower interest rates as compared to money lenders. Moreover, the loan to SGSY members also had subsidy portion which is non-returnable. Thus, the informal agencies had been largely replaced by formal sources after introduction of SHGs.

VI. Problems faced by self-help groups' member households

The basic aim of the launch of self-help groups programme is to help the poor to get access to credit, but the members still faced certain problems during banking operations and while starting the economic activity. The present section has been designed to study the major problems being faced by the member households. The major problems faced by SHGs comprised of harassment during opening of bank account, marketing problems, lack of training and competition from formal enterprises.

About 30% of the respondents reported that branch heads of the banks were not cooperating with them and were reluctant to provide loan or increasing cash credit limit even if the group fulfilled the eligibility criterion (Table 12). The proportion of respondents revealing the problem was higher in case of SGSY groups (about 37%) as compared to NABARD sponsored groups. Banks were not releasing the full loan amount even after claiming subsidy from the rural development agency in case of SGSY groups. The same problem was revealed by Mandal (2005) in his study of SGSY groups. About 40% of the members reported that there were too many formalities during opening of the bank account. The major problem was the requirement of 'power of attorney' to group leader without which they were not able to operate the account. It was difficult for all members, particularly the women members of the group, to go to court for signing the power of attorney due to their busy schedule in household work and the distance to be traveled to get to the court . Majority of the members (about 73%) reported that interest rates charged by banks and during inter loaning process was quite high and they found it difficult to repay as the income generated from these micro level enterprises was not sufficient. This problem was also discussed by Shylendra (2006) in his study where he pointed out that microfinance sector was not able to provide financial services at the same cost as provided by formal financial institutions. About 52% of respondents reported that there was lack of training facilities. The training was given at far away places and it was not possible for the members, particularly the women, to attend the training programmes due to engagement in household work and child care responsibilities. Moreover, the training was not according to the need of trainees i.e., not practical oriented. The training was given for activities, which were not viable on commercial scale. The promoting agencies like NABARD and DRDA did not provide any guidance in the identification of viable economic activities and in the marketing of produce. This was the main reason that group activity was limited to only a very few groups. The problem of training in case of groups formed by DRDA was also discussed by Kumaran (2002) in his study. Majority of the members (about 80%) reported the problem of marketing of their produce due to which the members were not starting any economic activity and the members

Table 12: Problems faced by members of SHG, Punjab, 2005-06 *(Percent multiple response)*

Income (Rs.)	NABARD	SGSY	Overall
Non-cooperation from banks	20.00	36.67	30.00
Too many formalities	40.00	40.00	40.00
High rate of interest	73.33	66.67	73.33
Lack of adequate training facilities	53.33	50.00	55.00
Problem of marketing	80.00	80.00	80.00
Competition in the market due to high quality products	26.67	50.00	38.33

who had started activity were facing problems while selling their products as they had to go to Kisan Melas, fairs and other far away places to sell their produce. The members producing pickles and surf powder faced much more difficulties in selling their produce. About 38% of the members reported that imported items and products of branded companies were preferred by the people and the people did not prefer their products due to low standard. This problem was mostly confronted by the members involved in activities like squash, surf and 'ban' making. In case of 'ban' making, change of lifestyle had also reduced the demand of the product.

VII Policy suggestions and future road map

The SHGs number increased substantially in the country but their distribution was skewed at state level as well as at district level. This may be due to the more efforts put in by the state government, skewed distribution of NGOs, local cultures and practices and existence of institutions involved in social intermediation. At the district level, the presence of NGOs and active support of promoting agencies and the demonstration effect, were the main reasons of skewness. To overcome this problem NGOs can play a lead role. As the NGOs were main guiding force in this movement so the number of good NGOs in lesser served states be increased, established NGOs be asked to set up branches in SHG backward districts, to cover the risk the NGOs should be funded on assured basis, incubate the microfinance institutions in SHG-backward districts under the guidance of established MFI's. The promoting agencies like NABARD and DRDA should put in some extra effort in the development of SHGs in the SHG backward areas.

The low number of NGOs in states was a matter of concern as they played major role in SHG movement. The main reason behind this was the lesser margin available to NGOs, which was only 3% per annum of the loan advanced. As the loan amount was not substantial it was seen that margin was not compatible to the efforts put by NGOs in the cost of promotion, initial training, documentation, etc. So, the government should plan either to increase the margin or give the financial help to NGOs in the state to made microfinance economically viable for them.

The lack of training and identification of economically viable activities has been identified as a major problem. Moreover, group activity was limited to very few groups as majority of members were doing the activity individually. The SHGs promoting agencies should first of all identify economically viable activities according to the availability of raw material and demand of products in the area and training programmes should be undertaken to support such activities. On an average, the loan disbursed per member in case of SHGs came out to be only Rs.10,000 per member for an average of 15 member group. This was a very meager amount to start micro-enterprise or to even to extend existing businesses. The government should rethink in this aspect and increase the amount of loan to groups. Dasgupta (2005) in his study also suggested that loan amount per member has to be increased so that members may not face any difficulty in initiating different economic activities. The study highlighted that the financing banks were charging between 10-15% interest rate per annum from SHGs and the groups were charging between 12-24% from members. To promote the SHGs in the country, the government should lower the interest charged from these groups. The SHGs products were non-branded and it was a hindrance in promoting group products. Further, larger corporates had entered into marketing of basic household commodities like pickles, spices etc. Due to economies of scale their products are cheaper as compared to products manufactured by SHGs. This trend has exposed the SHGs to competition which is beyond their capacities and has in a sense denied them opportunities to become economically viable and sustainable. Moreover, the tastes and preferences have changed in recent times and this has affected demand for some SHGs products. So, the promoting agencies may think about the adoption of models such as women cooperatives who had successfully marketed their products under the brand names like 'SASA' and "LIZZAT'. The members should sell their products in exhibitions or Kisan Melas as they provide a good market for such low demand products. The other option may be the formation of group at block level that will sell only the products produced by the groups.

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Role of Swaranjayanti Gram Swarozgar Yojana (SGSY) in Socio-Economic Development of Rural Punjab

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One of the major aspects of the SGSY programme has been the self-help group approach for development, and it aims at providing micro-credit to the poor enabling them generating income raising activities.

Abstract

Study revealed that economic self-independence and promotion of saving were the major purposes of the respondents while forming self-help groups (SHGs). Football making, dairy, tailoring etc. were the major activities started by the beneficiaries of the SGSY programme in the area under study. About half of the respondents faced problems in loan sanctioning procedure. VLWs, BDO officials and other concerned personnel were found the major recipients of bribe. Majority of the respondents had more access to the credit facility after joining the SHGs. Dependence on money lenders was reduced to 29% from 91% which indicates towards the positive role of SHGs in rural areas. Majority of them started saving between Rs.200-800 per month. Half of the sampled respondents were able to create assets under SGSY. However 1/4th of the respondents diverted the loan to some other purposes. Some of the problems such as excessive stress due to dual responsibility, too many formalities in the banking procedure, marketing problems and lack of training were felt by the respondents, yet beneficiaries of SGSY programme indicated toward economic and social betterment after joining the self-help groups.

Introduction

In the last six decades Indian government have been making efforts for the socio-economic betterment of the weaker

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and marginalised sections of the society in the form of development programmes with ever changing strategies and shifts in these programmes (Tandon, 2009; Census, 2001;). The focus of these development programmes changed from the overall rural development to agriculture development and from target group to self-help group approach (Bhai et al, 2004; Singh, 2001; Arora, 1990). To achieve the self-help group targets, all the existing rural development programmes were merged in 1999-2000 and a new programme named Swaranjayanti Gram Swarozgar Yojana (SGSY) was started by Indian Government and this programme is in operation from the last more than nine years. One of the major aspects of this programme has been the self-help group approach for development, which is largely based on the model of Mohammad Yunus of Bangladesh. It aims at providing micro-credit to the poor enabling them generating income raising activities.

The SGSY is different from earlier programmes, in terms of the strategy and for its implementation. Under the SGSY, assistance is given to the poor families living below the poverty line in rural areas for taking up self-employment (Ahirrao, 2009; Geetha et al, 2008; Thakuria, 2006; Mahajan and Kumar, 2004; Selvarajan and Elango, 2004; Sinha, 2002). In this paper a modest effort is made to assess the role of Swaranjayanti Gram Swarozgar Yojana (SGSY) in socio-economic development with the following objectives:

1. To study the socio-economic profile of beneficiaries of SGSY programme.
2. To assess the contribution of various economic activities undertaken by SGSY programme in the socio-economic development of the beneficiaries.
3. To identify the factors for success/failure.
4. To suggest suitable improvements in SGSY programme.

This paper is based on the study conducted in Jalandhar district of Punjab. From all the nine blocks of the Jalandhar district, two blocks namely Adampur and Jalandhar East were selected to represent the whole district. A sample of 30 groups was selected from the available lists. Fifteen groups each were taken from the selected blocks. Four active members of each group were selected for interview and thus, total sample of respondents was 120. The data was collected personally with the help of a structured and pre-tested interview schedule, and suitable statistical tools were used to draw the conclusions. Socio-economic characteristics of the respondents indicated that majority of the respondents (92.50%) belonged to 30-50 years of age, hailed from Sikh religion and from Scheduled Caste. As regards the education of the respondents, results indicate that 57.50% were matriculate and 20% of the respondents were illiterate. Majority of the respondents were having income less than Rs 50,000. Most of the respondents were living in nuclear family system, labour was the main family occupation of majority of the respondents, either agricultural labour or industrial labour.

Findings of the study

Adoption of the activities: Efforts were made to know about the activities adopted by the respondents after joining the self-help group. Table 1 shows maximum numbers of respondents (35.83%) were engaged in football making and 16.67% were engaged in dairy or cattle rearing. Among the other economic activities data indicate that 5% of the respondents were engaged in tailoring, 4% each in candle making and karyana shop, 3% in soap and surf making. 2% of the respondents were engaged in LIC scheme running for the SHG members. Only one respondent constituting 0.83% was running the beauty parlour. A significant proportion of the respondents (27%) were not involved in any economic activity only they contributed to the mandatory savings done by the group. These people joined the group just to take the advantages of loan provided to the SHGs, after taking loan they did not start any economic activity for which the loan has to be given, instead of it they spent the money on other purposes. Main economic activities undertaken by the SHGs in the study area were football making and dairy.

Table 1: Economic activities adopted by the beneficiaries of SGSY

Type of entrepreneurships	Frequency	Percentage
Candle making	5	4.17
Dairy	20	16.67
Football making	43	35.83
Beauty parlour	1	0.83
Karayana shop	5	4.17
Involvement in insurance (LIC)	3	2.50
Tailoring	6	5.00
Soap and surf making	4	3.33
No activity	33	27.50
Total	120	100

Income from the activity: What is the earning of the beneficiaries of SHGs? This question was probed and the response in this regard is presented in Table 2 which shows that majority (42%) of the respondents were earning between Rs.500 to 1,000 per month while about 1/5th of the respondents were earning Rs.500 per month from the activity started under SGSY, further 8.33% told their monthly income as Rs.1,000 to 1,500 per month and a few of the respondents showed even higher earning i.e., between Rs.1,500 to 3,000. On the other side 1/4th of the respondents did not show any earning from the activity. These respondents were mainly those who spent the loan taken under SGSY programme for other purposes and did not start any economic activity, but only contributed to the mandatory savings done by the group. On the whole, data indicate that majority of the respondents were earning Rs.500 to 1,000. Average income of the respondents was Rs.554 per month.

Table 2: Monthly income from the activity

Income	Frequency	Percentage
Only savings (no activity started)	33	27.50
Up to 500	22	18.30
500-1000	51	42.53
1000-1500	10	8.33
1500-2000	2	1.66
2000-2500	1	0.83
2500-3000	1	0.83
Total	120	100

Savings: Promoting savings among the beneficiaries of the SHGs is one of the objectives of SGSY programme. These savings include mandatory and voluntary savings of the respondents. So during the course of study, efforts were made to know the savings of the respondents and data in this regard are presented in Table 3. The results indicate that 1/3rd of the respondents were saving between Rs.201 to Rs.400 while 42.5% were saving up to Rs.200 per month, 15% of the respondents maintained their savings between Rs.401 to Rs.600 while percentage in higher saving level was comparatively low i.e., 11%.

Table 3: Monthly savings of the respondents

Monthly savings	Frequency	Percentage
Up to 200	51	42.5
201-400	38	31.67
401-600	18	15.00
601-800	7	5.83
Above 800	6	5.00
Total	120	100

The average monthly saving per person came out to be Rs.369 and this saving stood at Rs.92 per month before joining the group (Table 4). On the whole it came out that the joining of SHGs proved beneficial to its beneficiaries.

Table 4: Monthly average saving of the respondents

Monthly average saving (Rs.)	Before joining the group	After joining the group	t –values
Mean ± SD	92.78±52.87	369.23±98.30	13.106*

*significant at 5% level

Impact of SHG activities on economic aspect of the beneficiaries: Efforts were made to assess the economic impact of adopted activities on the beneficiaries of SGSY programme and data in this regard is presented in Table 5, which indicates that 83.33% of the respondents held that they have access to the credit facility through micro-credit under SHGs. Before joining the SHG respondents were depending on other sources for credit mostly on non-institutional. Respondents experienced relief in terms of less interest rate on loans. Dependence on moneylenders was reduced substantially after joining the SHG by the respondents. During field work the respondents told that the relief from the economic dependence on others has given them a sense of confidence. Similarly, economic independence from the family members, relatives, etc., was also found to be encouraging as 43.33% of the respondents were feeling economically independent. Another important issue of the study was to find out if any saving was being done by the respondents or not and data in this regard showed that majority (67.50%) of the respondents were found in the position of saving after joining the SHG. The results of the study indicate

Table 5: Economic impact of SGSY on its beneficiaries

(Multiple Responses)

Economic impact	Before joining the group	After joining the group	Z-values
Access to the credit facility	15 (12.50)	100 (83.33)	10.98*
Dependence on money lenders	110 (91.67)	35 (29.17)	9.90*
Economically independent	15 (12.50)	52 (43.33)	5.32*
Savings	22 (18.33)	81 (67.50)	7.69*
Indebtedness	85 (70.83)	40 (33.33)	5.81*
Asset creation	17 (14.17)	63 (52.50)	6.30*

*5% level of significance

that there was enough reduction in the percentage of the respondents showing prevalence of indebtedness i.e., from 70.83% to 33.33%. More than fifty% of the respondents opined that they were able to create assets under SGSY which were quiet durable in nature, mean they can have economic benefits from created assets even after quitting the group. Sivamurugan (2008), Rajapriya (2008) Meher (2007) and Hirevenkanagoudar et al (2006) have also arrived at almost similar conclusion in their work.

Impact of SHG activities on social aspect of the beneficiaries: While probing the other issues it was considered important to assess the social impact of the various activities started under SGSY programme. The results are discussed in Table 6 which indicates that 65.00% of the respondents felt more socially recognised after joining the SHGs. On the issue of recognition respondents told that now many people know about them and their activity and show more interest for interaction with them.

More than 50% of the women respondents opined that now they were free to take decisions in various issues in family. Major decisions reported by the respondents were, education of the children, family needs, attending social functions and involvement in religious activities, etc. After joining the group, participation of the women in social services like raising funds for girl's marriages, setting family disputes, to encourage the people send their children school etc. increased.

Study further shows that participation of women in organised action like campaigns against female foeticide, dowry, drug addiction and domestic violence on women increased considerably. Majority of the respondents felt that they were self independent and the major reason for self independence was due to their savings coming out of their economic activity started with the other women as a self-help group. Moreover 70% of the respondents opined that now they were in a position to send their children to school.

Table 6: Social impact of SGSY on its beneficiaries

(Multiple Responses)

Social impact	Before joining the group	After joining the group	Z-values
Social recognition	30 (25.00)	78 (65.00)	6.22*
Participation of women in family decisions	35 (29.17)	64 (53.33)	3.80*
Participation in social services	12 (10.00)	40 (33.33)	4.38*
Active participation in organised actions/activities	6 (5.00)	75 (62.50)	9.42*
Self dependence	38 (31.67)	80 (66.66)	6.47*
Better schooling of the children	33 (27.50)	83 (69.17)	6.46*
Better inter-personal relationships	45 (37.50)	94 (78.33)	6.41*
Institutional participation	20 (16.67)	64 (53.33)	5.95*
Awareness regarding new govt. schemes	25 (20.83)	111 (92.50)	11.20*
Good standard of living	20 (16.67)	51 (42.50)	4.38*

*5% level of significance

The joining of SHG is not confined to the self of respondents rather the inter-personal relations of the beneficiaries showed encouraging results as 78.33% of the respondents felt betterment in their interpersonal relations with group mates and other concerned. After joining the SHG involvement of women in social institutions increased, they were either contesting Panchayat elections or actively participating in election campaigns, made Mahila Mandals in the village etc. The increased self confidence made their involvement possible in social institutions.

They were more aware about the new developmental schemes. A large number of women now had knowledge about the other developmental programmes such as LIC scheme for the poor, NREGA etc. Their standard of living was better after joining the SHGs, as there was improvement in their houses, sanitation conditions etc., and better access to medical facility. This is largely attributed to the change in their economic position after joining the SHGs. Shylendra (2008), Pazhani (2008) and Ramachandran and Seilan (2005) have also draw almost similar conclusions.

Impact of SHG activities on psychological aspect of the beneficiaries: Data regarding the psychological impact of SHG activities on its beneficiaries is given in the Table 7 and results show that majority of the respondents held that they were in a position to communicate in a better way within the group and with others and can manage their work effectively. This is largely attributed to the increased interaction with VLWs and other concerned officials, raw material agencies and market places. After joining the SHG one half of the respondents were more firm in taking decisions related to investments, family matters, education of children. Risks and uncertainties affect the decision of the people in adopting innovations or starting new enterprise. People with high risk bearing capacity are eager to adopt or start new enterprise while people with low risk bearing capacity are more skeptical in taking new enterprise. The results show that after joining the self-help group more than half of the respondents felt that now they can take risks.

Table 7: Psychological impact of SGSY on its beneficiaries

(Multiple Responses)

Psychological changes	Before joining the group	After joining the group	Z-values
Communication skills	30 (25.00)	80 (66.67)	6.47*
Managerial skills	25 (20.83)	79 (65.83)	7.03*
High confidence level	16 (13.33)	86 (71.67)	9.14*
Decision making	24 (20.00)	61 (50.83)	4.99*
Risk bearing capacity	18 (15.00)	66 (55.00)	6.49*

*5% level of significance

Problems faced by the beneficiaries: Data given in the Table 8 show that majority of the respondents, i.e., 93.33% had some kind of problem, *viz.,* in sanction of loan, running the SHG, marketing problem, etc.

Table 8: Respondents faced problems in functioning of SHGs

Problem perceived	Frequency	Percentage
Yes	112	93.33
No	8	6.67
Total	120	100

Only 7% of the respondents said they had no problem.

Further an effort was made to identify the type of problems beneficiaries were facing and the results are given in Table 9. Results show that majority of the respondents were having stress and tension because of dual responsibility of group as well as home. They have to play the dual role, one as a homemaker and other in the group, they were facing problems in maintaining balance between these two roles. Majority of the respondents complained about the misutilisation of funds given by the government. VLWs, BDO officials and panchayats all together utilise this money for their own purposes, in this way these officials were exploiting the members of SHGs. Conflict among the group members and misunderstanding were some other problems of the groups. Further 1/3rd of the respondents complained about the lack of training programmes and they lack required skills in starting the activity.

Table 9: Type of problems faced by the beneficiaries

(Multiple Responses)

Problem	Frequency	Percentage
Lack of training programmes	40	35.71
Improper utilisation of funds	79	70.54
Formulation of group	46	41.07
Inequality in issuing loans	41	36.61
Repayment of loan	24	21.43
Establishing the activity	47	41.96
Running the SHGs	32	28.57
Excessive stress and tension in women	92	82.14
Lack of guidance and support from supporting agency	30	26.79
Misunderstanding among group members	64	57.14
Pressure from the family to go for a loan	43	38.39
Lack of support from family members	29	25.89
Poor output from the group activity	23	20.54
Marketing problems	22	19.64
High interest rate	19	16.96
Non-cooperation of banks	21	18.75
Too many formalities	50	44.64

Formulation of the groups also emerged as major problem, 42% of the respondents said that village sarpanch and other local leaders create problems in starting the Self-help group in village, further it was very difficult to convince the women to join the group, families of the women were not supporting. 38% of the respondents said that their families pressurise them for taking loan for family needs and when the beneficiaries were taking loan for consumption purposes rather than starting the economic activity, it affects the repayment of the loan. To run the SHGs smoothly was another problem faced by the presidents of the SHGs as the group members were creating troubles, members were not paying the loan in time and they (Presidents) felt that members were not cooperating with them. Establishing the economic activity under SGSY was emerging as one of the difficult task for majority of the respondents under the study area. 27% of the respondents had problem with promoting agencies, as they did not guide them properly. It was attributed by the 37% of the respondents that there was biasness in issuing the loan to the group members, members and presidents close to the VLWs got maximum benefits.

Findings of the study further revealed that beneficiaries of the SGSY had been facing problems in opening bank accounts; there were too many formalities in opening the account and in getting the loan sanctioned. Illiterate members were more harassed by this tedious procedure. About 1/5th of the respondents told that bank employees were not cooperating; they were rude to the members. It was attributes by the beneficiaries of SHGs under the study area that some banks were charging high interest rate than the usual interest rate for the SHGs members. Some of the respondents were having problem of poor output from economic activity due to lack of raw material, lack of required skill in particular activity and marketing problem, they had good produce but did not have the proper market to sell it. Reddy and Narasimahulu (2009), Sheela and Jayamala (2008) and Nirmala et al (2004) also arrived at similar results in their respective studies.

Conclusion and suggestions

The study has concluded that football making emerged as the major activity started under SHGs by the respondents followed by dairy, tailoring, candle making, karyana shops and soap and surf making, etc. As regard the income of the beneficiaries, 70% of the respondents were getting monthly income between Rs.500 to Rs.1, 500. Average income of the respondents was Rs.554 per month. After joining the SHGs, members started saving Rs.200 to Rs.800 per month, which seems an encouraging trend in rural areas. The average saving of the beneficiaries turned out to be Rs.369 per month. Most of the respondents informed that they had access to the credit facility after joining the SHGs, dependence on money lenders was reduced, less than half of the women respondents felt economically independent after joining the group. There was enough reduction in the percentage of the respondents showing prevalence of indebtedness, i.e., from 70.83% to 33.33%. A little above half of the respondents were able to create assets under SGSY. After joining the SHGs, respondents felt more recognised, increased participation in family decisions, social services and organised action. There was increase in their participation in social institutions and they became self-dependent and their standard of living also improved. Study further reflected that there was improvement in the communication and managerial skills of the beneficiaries. Confidence, decision-making power and risk bearing capacity of the beneficiaries were also increased after joining the group. Respondents were facing many problems regarding the group formation, getting the loan sanctioned, repayment of loan, stress and strain due to dual responsibility in women, lack of support from the family, lack of guidance from promoting agency, problems with bank employees, too many formalities in opening bank account, high interest rate, lack of training programmes and marketing problem. One fourth of the respondents manage to divert the loans for other purposes rather starting new economic activities. Beside all these problems, it came out from the study that the deserving among the target group enjoyed benefits of the SGSY programme.

On the basis of the results of the study, some suggestions are being made which may be helpful to improve the functioning of the SGSY:

1. Arrangement for market of products of SHGs may be made which may further enhance the profits of SHGs and hence may attract more number of people to join the self-help groups.

2. Though many of the respondents told that they received training but it was not proper. So, efforts should be made for providing adequate training to the beneficiaries enabling them to start new ventures.

3. Corruption prevalent in the loan sanctioning should be checked firmly.

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Impact of Micro-credit Programmes on Women Empowerment: An Empirical Study in West Bengal

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Abstract

Based on an empirical study in West Bengal, this paper attempts to examine whether women's involvement in the micro-credit programme through SHGs makes any positive change on women's empowerment that appears from the assessment on various indicators of power, autonomy and self-reliance, entitlement, participation, awareness and capacity-building. The study suggests that if women participating in the micro-credit programme through SHGs sustain for some longer period (eight years or more), such a programme might contribute to higher level of women's empowerment than all types of control groups under study.

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1 The problem

Why lend to women rather than to men? Nobel laureate Prof. Yunus (1998) is of the view that if the goals of economic development include improved standard of living, removal of poverty, access to dignified employment and reduction of inequality then it is quite natural to start with women. They constitute the majority of the poor, the under employed and the economically and socially disadvantaged. Hunger and poverty are more women's issues than male issue. Women experience hunger and poverty in much more intense ways than men. If one of the family members has to starve, it is an unwritten law that it has to be the mother. They are very close to children. When a destitute starts making some income, her dream invariably centre on her children. He also finds that traditional banks in Bangladesh are gender biased and do not want to lend money to women. Moreover, "a development

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reason to favour women", he says, "the more, I got involved, the more I realised that credit given to women brought about changes faster than when given to men" (Yunus, 1998:88).

How does credit given to women bring about changes to women? The theme of Micro-credit Summit, 1997, stressed on two issues to bring about changes to women: of reaching women and empowering them. Most of the self-help groups (SHGs) that are formed under current micro-credit initiatives are those of women. There is no doubt about the fact that, given the current systems of micro-credit, women have access to credit. However, empowerment is not dependent on mere access but on control of both the credit and the use to which that credit is put. Access does not automatically include control (Burra et.al. 2005:44). While evaluating the effect of microfinance programme on women empowerment, several studies yield mixed results. Some are in favour of the argument of the ability of microfinance to induce a process of economic, political and social empowerment whereas others, being more skeptical, point to a deterioration of women's overall well-being.

As to women's empowerment is concerned, generally the effects of the programme are largely positive (Rahman, 1986; Pitt and Khandker, 1995; Mahmud, 1994; Amin and Pebly, 1994; Huda and Mahmud, 1998; Steele et.al., 1998, Mayoux, 1998, Mahmud, 2003 Murthy et.al, 2005, Holvoet, 2005). Based on the findings from an ethnographic study and quantitative survey of Grameen Bank and Bangladesh Rural Advancement Committee (BRAC), Hashemi, Schuler and Riley (1996) argued that involvement in 'minimalist credit programme' does empower women by strengthening their economic roles, increasing their ability to contribute to their families' support. Minimalist credit programmes enabled women to negotiate gender barriers, increased their control over their own lives and improved their relative positions in the household.

Critics of minimalist credit argue that women's access to credit reinforces patriarchal norms of women's subordination, resulting to worsening of gender relationship and disempowerment (Goetz and Sen Gupta, 1996; Montgomery et.al., 1996; Rahman, 1999). Goetz and SenGupta (1996) find that a significant proportion of women's loans are directly invested by their male relatives, though women borrowers bear the liability for repayment. The phenomenon of loss of control of loan by women borrower and the intense pressure of timely repayment of loan increase tension and frustration within the family which produces new form of dominance over women by the members of family as well as microfinance institutions and that increase violence in the society (Rahman, 1999: 67).

How empowerment often is operationalised through decision making outcomes? Both sociology and economics have subfields concerned with intra household relations and within these both have theories relying on access to resources to explain differences in power and welfare outcomes within household. They extend the theories to include social norms, values and culture as intervening variable in the ability to translate resources into intra household power, particularly for women. This is associated with Sen's(1999) idea of well-being freedom in order to access women's well-being versus just relying on these access to inputs. Micro level contexts in some contexts does not support that only in improvement in women's resources lead to their improved status (Jejeebhoy and Sathar,2001;Kabeer,1997;Malhotra and Mather,1997;Mizan,1994).The allocation of authority and control within household structures by social norms and values produce unequal gender relations where men command authority and resources (Kabeer,1995:224-28). In the household affairs, working women may successfully bargain over certain aspects of household expenditure but what remains non-negotiable is men's control over asset management decisions based on land, capital and other valuable assets related to household's affairs (Pant,2000:94). Moreover, if a family builds property assets, it will have other sources of funds available to survive a crisis and thus become less dependent on strategies more harmful to women (Kantor, 2003:438). Likewise, women's welfare outcomes of a family are influenced by mobility decision since women themselves are constrained by the female seclusion norms about which families make decisions. Women's mobility levels have direct effects on women's ability to create and maintain links with people outside the family, including those who can help improve the operation of their enterprises (ibid).

How does the women's membership of SHGs lead to empowerment? Since 1970, worldwide, policy makers and academicians started thinking as to how development programmes could be linked to poor women. There has been considerable rethinking on the impact and potential of self-help groups (SHGs) on rural poverty and empowerment of women since the Grameen bank first pioneered the concept in 1979. Professor Mohammad Yunus, Nobel laureate in peace, came up with this idea of providing small loans to the neighborhood poor households, particularly poor women households, those unable to provide collateral. The problem of women's access to credit was given emphasis at the first International Women's Conference in Mexico in 1975, which resulted in the establishment of the Women's World Banking network. In 1985, during the second International Women Conference in Nairobi, there was a mushrooming of government and non-government income generating programmes for women, most of which included savings and credit.

The existing literature suggests that the concept of formation of SHGs and linking to banks would raise incomes and broaden financial markets by providing credits to small scale entrepreneurs and thereby reduce poverty (Aghion and Morduch, 2000). It would also lead to women's empowerment since Microfinance Programmes have mostly targeted women as clients (Littlefield, Morduch and Hashemi, 2003; Cheston and Kuhn, 2002).

The acceptance of gender equality in the Constitution of independent India provided women with a basis for a new identity, as full citizens of the republic and a source of their rights to equality, dignity and justice in other spheres of life (Gupta and Chattopadhyay, 2004: 111). Since the inception of the Fifth Five year Plan (1974-79) in India, women's interest have been highlighted into national policy (WCD, 2001). The SHG model was introduced as the core strategy to achieve empowerment in the Ninth plan (1997-2002) with the objective to organise women into SHG and thus mark the beginning of a major process of empowering women (Planning Commission, 1997).

Based on an empirical study of West Bengal, this paper thus attempts to examine whether women's involvement in the micro-credit programme through SHGs makes any positive change under different criteria - power, autonomy and self-reliance, entitlement, participation and awareness and capacity-building- on women's empowerment. The underlying hypothesis is: (i) the average level of empowerment of women participating in the micro-credit programme is higher for both NGO and non-NGO led programme than that of women participating in the micro-credit programme among all control groups; and (ii) no perceptible difference is observed at the level of empowerment between NGO and non-NGO led micro-credit programme under women SHGs (core group).

2. Survey design

The study is based on the data obtained from field survey (Primary source) from rural West Bengal. Final field survey is conducted on 370 households. More importantly, out of total households (370 households) selected for final survey, there are one core (policy) group (120 households) who were randomly selected from women SHGs participating under micro-credit programme on SHG-NGO and SHG-Non-NGO models for eight years or more, and three types of control groups[1]. The procedure of selecting households under core group and three control groups is in the following lines.

We conducted our field survey in Howrah, Hooghly, North 24 Paraganas and Nadia districts of West Bengal, the area of our study, under two stages-preliminary stage and final stage. We undertook pilot survey at preliminary stage mainly for two reasons. i) As per the secondary data (SIPRD, 2000 & 2001; Sarker, 2001), the micro-credit programme is observed to be operative under two broad categories - SHG-NGO and SHG-non -NGO models- in West Bengal. Each category is further classified in three models[2]. But in practice, NGO as Microfinance Institution and NGO as financial intermediaries do not exist separately while we conducted our survey. They are clubbed into a single category in our study area: NGO as financial intermediaries which is operative as one of the models of NABARD (NABARD, 2001-02). ii) To study the impact assessment of women borrowers' group(core/policy group)participating under SHG-NGO and SHG-non -NGO models of micro-credit programme of this study, we consider those SHGs which exist in the programme for eight years or more at a stretch. But in practice, most SHGs which appeared in the secondary source were defunct while we conducted our survey. However, to select samples for final survey for core and control groups, we had to depend on pilot survey in some specific rural blocks having high concentration of SHGs under four districts- Howrah, Hooghly, North 24 Paraganas and Nadia - of West Bengal.

The selection of households for each group (core or control groups) for final survey is made on sequential sampling method. First, based on the procedure of SRSWOR, sample of SHGs for each group is made from population of SHGs obtained from pilot survey, and then households for each group are also randomly selected (SRSWOR) from sample SHGs from the same group. But, it is worthwhile to mention that the selection of SHGs for each group is made on the principle that the population of the same group for each model should be at least double of the sample.

As regards the selection of households for core group is concerned, at the first stage, some SHGs have been randomly selected from all SHGs which appear from our pilot survey and that are participating under micro-credit programme for eight years or more related to the respective micro-credit agency/ organisation. 15 SHGs have been randomly selected for each model from out of 36 SHGs in Model 1 and 33 SHGs in Model 2 under SHG-NGO category. Similarly, 10 SHGs for each model have been randomly selected from out of 25 SHGs in Model 3, 24 SHGs in Model 4 and 22 SHGs in Model 5 under SHG -non- NGO category of total women SHGs which appears from pilot survey Also important to mention that the variation of the number of selection of SHGs for each category (SHG-NGO/ SHG-non-NGO) is due to non availability of equal number of SHGs, which exist eight years or more, in the pilot survey. At the second stage, 30 user members for each of two models under SHG-NGO category out of 15 sample SHGs and 20 user members for each of three models under SHG-non-NGO category out of 10 sample SHGs have been randomly selected (SRSWOR).The number of household for each category (SHG-NGO/ SHG-non-NGO) selected for final survey differ from each other because the number of households that appears from pilot survey is also different for different categories. Total size of women sample borrowers (core/policy group) selected for final survey is (30*2+20*3)=120.

As regards the first control group is concerned, sequential sampling has also been used for selecting 40 men users of micro-credit who are participating in the micro-credit programme for eight years or more. At the first stage, 10 SHGs have been randomly selected from 24 men SHGs, which appears from pilot survey, who are participating in the micro-credit programme for eight years or more under Tajmahal Gram Bikash Kendra of model 2 from SHG-NGO model, where NGO acts as financial intermediaries(FI). 5 SHGs have been randomly selected separately from 13 SHGs each,(emerging from pilot survey) of model 3 and model 5 respectively from SHG

-non-NGO model. Totaling in all, 20 men SHGs have been selected from model 2 (10 SHGs), model 3 (5 SHGs) and model 5 (5 SHGs). The argument behind the exclusion of other models from the sample is that all micro-credit agencies under model 1 and model 4 are exclusively of women. At the second stage, for selecting households under first control group for final survey, 20 user (male) members' households are randomly selected from Tajmahal Gram Bikash Kendra under model 2 of SHG-NGO micro-credit programme. But for model 3 and model 5 under SHG-non-NGO led micro-credit programme 10 user (male) members' households for each model have been randomly selected from the respective male SHGs selected at the first stage. Total size of male sample borrowers who have been participating in the micro-credit programme at a stretch for eight years or more has been fixed at 40 (20+10+10).

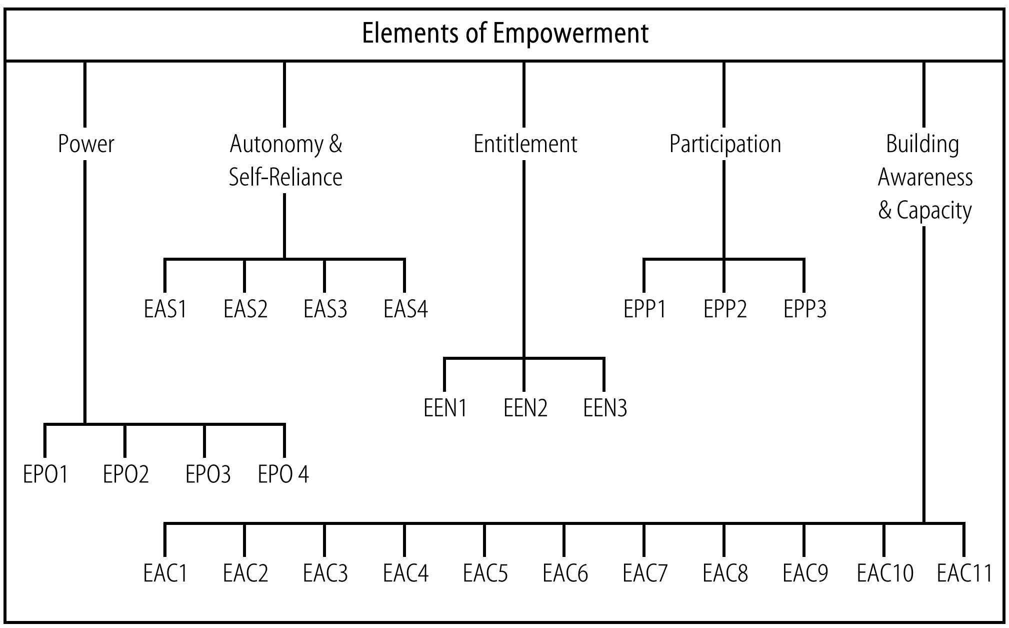
Concerning to the selection of second control group, two types of SHGs, operating under micro-credit programme for at best one year, have been taken into consideration-women SHGs and male SHGs. For selection of women borrowers' households under control group, 15 women borrowers' households from each model under SHG-NGO category, are randomly selected from each 7 SHGs operating at best one year under respective model selected at the first stage by the pilot survey, and 10 women borrowers' households from each model under SHG-non- NGO category, are randomly selected from each 5 SHGs (operating at best one year) under respective model selected at the first stage from the pilot survey. It is worthwhile to mention that the selection of SHGs of each model under the second control group is based on the criterion of close proximity (nearest in distance) of the SHGs of each model under core group. However, total female borrowers under second control group is (15*2+10*3)=60. Similarly, the selection of male borrowers under second control group is made following the same criteria used in selecting women borrowers under second control group. Owing to the lack of existence of male SHGs, operating at best one year and within close proximity (nearest in distance) of the SHGs under core group, the sample of male borrowers under second control group is less in relation to the female borrower under the same control group. Thus, as per the availability of data, 10 men borrowers' households have been randomly selected for each of Model 2, Model 3 and Model 5. The number of men SHGs for each model operating at best one year is 7 which appears from pilot survey. Total male sample under second control group is 10*3=30.

In order to select the households (120 households) for the third control group through 'propensity score matching'[3], 120 households have been selected randomly from 250 households, who are eager to join the micro-credit programme but have not yet joined the programme, from pilot survey. However, combining core group and three types of control groups (first, second and third control group) together, total sample size taken for final survey is 370 [120(core group) +40(1st control group)+90(2nd control group) +120(3rd control group)] and all samples for this study have been taken from 4 districts - Howrah, Hooghly, 24 Paraganas (North) and Nadia.

The Preliminary (pilot) survey and final surveys have been conducted between March, 2006 and August, 2007.

3. Methodology

Empowerment is a multidimensional on-going process. In view of its operationality and ability to capture the level and process of women's empowerment, five broad elements - power, autonomy and self-reliance, entitlement, participation and awareness and capacity-building - have been taken into account. A scheme representation of elements together with its various indicators for assessing empowerment of women is presented in the following Structure:



Indicators of 'power' (I) element:

1) Ability to take decision at the household level (EPO 1)
2) Ability to control resources (EPO 2)
3) Ability to control sources of power (EPO 3)
4) Ability to challenge societal power relation (EPO 4)

Indicators of 'autonomy and self-reliance' (II):

1) Freedom of action (EAS 1)
2) Possession of critical elements to effectively and efficiently undertake desired

activity (EAS 2)
3) Level of sense of self (EAS 3)
4) Absence of unsolicited influence in decision-making (EAS 4)

Indicators of 'entitlement' (III):

1) Rights to equitable share of resources i.e. 'Exchange entitlement' (EEN 1)
2) Rights to equitable share of inherited property i.e. 'Inheritance and Transfer entitlement' (EEN 2)
3) Rights to equitable access to resources (EEN 3)

Indicators of 'participation' (IV):

1) Level of influencing decision (EPP 1)
2) Level of providing material, labour, finance and management input to the project/programme (EPP 2)
3) Level of acceptance of responsibilities/ consequences of decision (EPP 3)

Indicators of 'building of awareness and capacity' (V):

1) Ability to manage productive resources (EAC 1)
2) Ability to develop alternative economic structures locally (EAC 2)
3) Ability to create alternative employment at local level (EAC 3)
4) Ability to interact effectively in public sphere (EAC 4)
5) Ability to participate in non-family group (EAC 5)
6) Action to bring gender equality (EAC 6)
7) Legal and political awareness (EAC 7)
8) Ability to organise struggle (EAC 8)
9) Ability to fight injustice (EAC 9)
10) Ability to transform institutions (family, education, religion) (EAC 10)
11) Ability to transform structures (legal, political, economic & social) (EAC 11)

Every indicator of each element has been measured by four-point scale:

1. high (4),
2. medium (3),
3. fair (2), and
4. low (1).

The criteria for evaluation related to the assessment of each indicator is in the following:

Indicators for the Assessment of the 'Power' Element

Indicators of 'Power' Element of Empowerment	Criteria for evaluation High (4)	Medium (3)	Fair (2)	Low (1)
EPO 1: Power to make decision at household level	a) Equal or more say in acquiring, using & divesting fixed assets b) Equal or more say in routine income & expenditure c) Equal or more say in selecting employment d) Equal or more say in children's education, health etc.	– b) Equal or more say in routine income & expenditure c) Equal or more say in selecting employment d) Equal or more say in children's education, health etc.	– – a) Equal or more say in children's education, health etc.	a) Very little or no say in acquiring, using & divesting fixed assets b) Very little or no say in routine income & expenditure c) Very little or no say in selecting employment d) Very little or no say in children's education, health etc.
EPO 2: Ability to control resources	Complete ownership of resources.	Equal ownership of resources.	Partial ownership of resources.	No ownership of resources.
EPO 3: Ability to control sources of power	Ability to be head of a body/ institution.	Ability to make someone head of the local body/institution.	Ability to be member of the local body	Inability to be member of the local body.
EPO 4: Ability to challenge societal power relations.	Ability to mobilise mass.	Ability to resist individually.	Ability to raise issues in local body.	Inability to raise a voice in public forum.

Indicators of the 'Autonomy & Self-Reliance'				
	Criteria for evaluation			
Indicators of 'Autonomy & Self-Reliance'	High (4)	Medium (3)	Fair (2)	Low (1)
EAS 1: Freedom of action & mobility	a) Purchase assets *without consulting* with husband /any male member b) Full freedom to purchase household chores. c) Work outside the village (*sole decision*) d) Freedom in deciding number of children they can have & adopting family planning measure e) Freedom in choosing life partner f) Visits bank, NGO office alone g) Visits health centre alone h) Visits natal home (sole decision)	a) Purchase assets *after consulting withhusband* /any male member b) Full freedom to purchase household chores. c) Work outside the village *after* consulting with husband - - f) Visit bank, NGO office (not alone) g) Visit health centre (not alone) h) Visits natal home after consulting with husband	- a) Freedom to purchase house-hold chores after consulting with husband - - h) Visits natal home *after consulting with husband*	a) Very little or no freedom to purchase assets. b) Very little or no freedom to purchase household chores c) Very little or no freedom to work outside the village. d) No freedom in deciding number of children they can have & adopting family planning measure e) No freedom in choosing life partner f) Nofreedom to visit bank, NGO office g) can't visit health centre h) No freedom to visit natal home (sole decision)
EAS 2: Possession of critical elements (human K)	a) woman's level of education – secondary or above b) woman is experienced for 7-8 years c) woman is fully trained d) health-good	a) woman's level of education – primary b) woman is experienced for 1-2 years c) woman is partially trained d) health-good	a) woman's level of education – primary b) No experience c) No training d) health-not good	a) woman is illiterate or can sign only b) No experience c) No training d) frequently sick
EAS 3: Sense of self	a) woman protests alone & if necessary informs to local P.S. b) feel the importance of education and training for women. c) feel the need of safe & protected shelter & sanitation for women d) feel the need of equal amount of food for women.	- a) feel the importance of education and training for women. b) feel the need of safe & protected shelter & sanitation for women c) feel the need of equal amount of food for women.	- - a) feel the need of safe & protected shelter and sanitation for women -	a) Very little or no ability To protest b) Very little or no feelings c) Very little or no feelings d) Very little or no feelings
EAS 4: Absence of unsolicited influences in decision making	a) None can influence woman's decision making.	a) Only husband can influence woman's decision making.	a) Any elder member of family can influence woman's decision making.	a) Anyone can influence wiman's decision making.

Indicators of 'Entitlement'

Indicators of 'Entitlement'	Criteria for evaluation: High (4)	Medium (3)	Fair (2)	Low (1)
EEN 1: Exchange Entitlement	a) women get same type of job. b) women earn more or equal by selling non-labour asset c) women earn more or equal by selling labour asset & her power of management is high/ equal d) Cost of purchasing of resources is equal or low e) Value of the product that she can sell is equal /more f) women & men get same wage g) women & men receive equal social benefit & pay equal tax	a) women get same type of job. b) women earn equal by selling non-labour asset c) women earn equal by selling labour asset but power of management is low d) Cost of purchasing of resources is equal. e) Value of the product that she can sell is low f) women get low wage g) women & men receive equal social benefit & pay more tax	a) women get inferior type of job. b) women earn equal by selling non-labour asset c) women earn low by selling labour asset & power of management is low d) Cost of purchasing of resources is equal. e) Value of the product that she can sell is low f) women get low wage g) women receive lower social benefit & pay more tax	a) women get no job. b) women earn lower by selling non-labour asset c) women earn lower by selling labour asset & power of management is low d) Cost of purchasing of resources is more. e) Value of the product that she can sell is low f) women get very low wage g) women receive lower social benefit & unable to pay taxes
EEN 2: Inheritance & Transfer Entitlement	Women & men inherit property equally & selling power of the property is equal	Women & men inherit property equally & selling power of the property is lower for women	Women & men inherit property but not equally & selling power of the property is low	Women & men inherit property power of the property is nil not equally but selling
EEN 3: Access to resources	a) Equal access to immovable property b) Equal access to durable & movable property c) Equal financial access d) Equal access to personal health care	- Equal access to durable & movable property Equal financial access Equal access to personal health care	- - - Equal access to personal health care	Nil Nil Nil Nil

Indicators of 'Participation'				
Criteria for evaluation				
Indicators of 'Participation'	High (4)	Medium (3)	Fair (2)	Low (1)
EPP 1: Level of influencing decision in a project	women influence decision at the stage of 'conception', 'implementation' & 'operation'	women influence decision at any two stage of project life	women influence decision at any one stage of project life	women never influence decision
EEN 2: Level of providing material, labour, finance & management to the project/ programme	women provide all four inputs.	women provide material, labour & finance	women provide material+ labour or finance+ labour	women provide labour but not adequately
EEN 3: Level of acceptance of responsibility/ consequences of decision	always follow the decision held in the meeting & accordingly perform their duty	women sometimes follow the decision	women follow the decision in a few cases only	women have no responsibility

Indicators of 'Building Awareness & Capacity'				
Criteria for evaluation				
Indicators of 'Building Awareness & Capacity'	High (4)	Medium (3)	Fair (2)	Low (1)
EAC 1: Ability to manage productive resources	women themselves use resources for the desired purpose	Sometimes women use & sometimes men use but women supervise it	Only men use the productive resources, women supervise it but power of supervision low	women never use & never supervise it
EAC 2: Ability to develop alternative economic structure locally	women form cooperative at the village level & it runs successfully	women have formed cooperative but they don't always get cheap inputs or marketing facility	women form cooperative at the village level but it does not run successfully	No formation of cooperative by women
EEAC 3: Ability to create alternative employment at local level	Create at least 3 alternative employment	Create at least 2 alternative employment	Create at least 1 alternative employment	Create no alternative employment
EAC 4: Ability to interact effectively in public sphere	Ability to interact effectively in most of the public spheres	Ability to interact effectively in a few public spheres	Ability to interact effectively only in local club/SHG	Inability to interact effectively in any public sphere

For the sake of simplicity, all indicator of each element of empowerment in the exercise have been treated as having equal weights, though in practice, the weights tend to differ across indicators. There are four indicators of 'Power' (EPO), four indicators of 'Autonomy and Self-reliance' (EAS), three indicators of 'Entitlement' (EEN), three indicators of 'Participation' (EPP) and eleven indicators of 'Awareness and Capacity Building' (EAC). An individual who scores "high" on all indicators of "power" element, has a total score of 16 (4 multiplied by 4), while that who scores "low" on all indicators of 'power' element, has a total score of 4 (1 multiplied by 4). But the average score (simple arithmetic mean) for the former is 4 (total score divided by total indicators of power), while the latter is 1 ((total score divided by total indicators of power). The average score of a particular element of empowerment represents its level i.e., the highest level an individual may score from 'power' is 4, the lowest score being 1. Similarly, the mean (A.M.) of all elements' level indicate the empowerment value of the selected women. However, the highest empowerment level for an individual woman is 4, whereas the lowest is 1.

4. Results and discussion

Five important elements namely - power, autonomy and self-reliance, entitlement, participation and awareness and capacity-building have been adopted to measure the

Table 1.1: Level of 'Power' Element

	Female borrower group					Control group				
	NGO-led		non-NGO-led							
Indicators of 'power'	model 1	model 2	model 3	model 4	model 5	model 1	model 2	model 3	model 4	model 5
EPO 1	2.83	2.93	2.80	2.60	2.60	1.35 [1.01]	2.20 (1.85) [1.70]	1.60 (1.90) [1.75]	1.60 [1.40]	1.65 (1.70) [1.55]
EPO 2	2.8	2.43	2.30	2.10	1.95	1.40 [1.13]	1.20 (1.45) [1.20]	1.30 (1.50) [1.19]	1.40 [1.10]	1.30 (1.20) [1.05]
EPO 3	2.93	2.87	3.55	2.45	2.80	1.85 [1.25]	2.00 (2.05) [1.70]	1.85 (2.10) [1.55]	2.00 [1.50]	1.75 (1.40) [1.20]
EPO 4	2.6	2.57	2.65	2.15	2.35	1.15 [1.05]	1.90 (1.40) [1.30]	1.25 (1.50) [1.05]	1.40 [1.15]	1.35 (1.20) [1.00]
Average Level	2.79	2.70	2.80	2.33	2.43	1.40 [1.11]	1.83 (1.69) [1.48]	1.50 (1.75) [1.39]	1.60 [1.29]	1.51 (1.38) [1.20]

The figure in () represents the figure corresponding to control group 1 (male borrower group)
The figure without bracket represents the figure corresponding to control group 2 (those who have joined at best 1 year).
The figure in [ ] bracket represents the figure corresponding to control group 3
(those who have not joined at all but have the potential to join the micro-credit programme).
Source: sample survey.

level of women's empowerment of this study. As mentioned in the methodology chapter, every indicator corresponding to each element has been measured by four point scale with equal weight. The range of empowerment level lies between 4 (the highest level of empowerment) and 1 (the lowest level of empowerment).

We first attempt to measure the level of empowerment based on each element of women's empowerment. Power is the key element of empowerment because it is the ability, actual and potential, to exercise command and control over resources and ideology (Pant, 2000:93). Out of highest average score 5, the average score received by all female borrower groups in all models - NGO and non -NGO -ranges between 2.33 and 2.80 (Table1.1). It implies that all female borrower groups (core group) receive the level of power which is either little less than their median or somewhat higher than their median level, although in most cases average score is higher than their median level (Table 1.1). This result is not far from unity for entitlement element of empowerment (Table 1.3), although the performance of scores is the highest for participation element of empowerment (Table 1.4), and much better for autonomy and self-reliance (Table 1.2). However, for one element of empowerment (process of building awareness and capacity building), the average level of scores is lower than their median level for four models out of five, despite the fact that

Table 1.2: Level of 'Autonomy and Self-Reliance'

	Female borrower group					Control group				
	NGO-led		non-NGO-led							
Indicators of 'autonomy & self-reliance'	model 1	model 2	model 3	model 4	model 5	model 1	model 2	model 3	model 4	model 5
EAS 1	2.83	2.87	2.85	2.85	2.65	1.50 [1.15]	2.30 (1.45) [1.50]	1.70 (2.30) [1.55]	1.90 [1.50]	1.70 (1.70) [1.45]
EAS 2	2.83	2.83	3.04	2.65	2.40	1.95 [1.67]	1.60 (2.30) [1.90]	1.75 (2.10) [1.30]	2.10 [1.70]	2.25 (1.80) [1.55]
EAS 3	3.03	3.03	3.25	2.90	2.90	2.10 [1.70]	2.30 (2.20) [1.45]	2.20 (2.80) [1.80]	2.60 [1.20]	2.55 (2.60) [1.50]
EAS 4	2.77	3.03	2.70	2.60	2.60	1.35 [1.20]	2.10 (1.75) [1.35]	1.55 (1.90) [1.30]	1.60 [1.20]	1.65 (1.70) [1.50]
Average Level	2.87	2.94	2.96	2.75	2.64	1.70 [1.43]	2.10 (1.93) [1.55]	1.80 (2.30) [1.49]	2.05 [1.58]	2.04 (1.95) [1.56]

The figure in () represents the figure corresponding to control group 1 (male borrower group).
The figure without bracket represents the figure corresponding to control group 2 (those who have joined at best 1 year).
The figure in [ ] bracket represents the figure corresponding to control group 3
(those who have not joined at all but have the potential to join the micro-credit programme).
Source: sample survey

Table 1.3: Level of 'Entitlement' Element

	Female borrower group					Control group				
	NGO-led		non-NGO-led							
Indicators of 'entitlement'	model 1	model 2	model 3	model 4	model 5	model 1	model 2	model 3	model 4	model 5
EEN 1	3.30	3.20	3.35	3.05	2.60	1.30 [1.09]	1.50 (1.85) [1.30]	1.50 (1.80) [1.25]	1.70 [1.30]	1.55 (2.20) [1.75]
EEN 2	1.13	1.30	1.05	1.05	1.00	1.00 [1.00]	1.00 (1.00) [1.00]	1.00 (1.00) [1.00]	1.10 [1.05]	1.05 (1.30) [1.00]
EEN 3	3.23	3.33	3.10	3.20	2.80	1.30 [1.15]	1.50 (1.85) [1.40]	1.40 (2.00) [1.25]	1.50 [1.20]	1.30 (2.30) [1.15]
Average Level	2.55	2.61	2.50	2.43	2.13	1.20 [1.08]	1.33 (1.57) [1.23]	1.30 (1.60) [1.17]	1.43 [1.18]	1.30 (1.93) [1.30]

The figure in () represents the figure corresponding to control group 1 (male borrower group).
The figure without bracket represents the figure corresponding to control group 2 (those who have joined at best 1 year).
The figure in [ ] bracket represents the figure corresponding to control group 3
(those who have not joined at all but have the potential to join the micro-credit programme).
Source: sample survey

Table 1.4: Level of 'Participation' Element

	Female borrower group					Control group				
	NGO-led		non-NGO-led							
Indicators of 'participation'	model 1	model 2	model 3	model 4	model 5	model 1	model 2	model 3	model 4	model 5
EPP 1	3.40	3.27	3.50	3.25	3.15	1.30 [1.10]	1.20 (1.55) [1.25]	1.30 (1.90) [1.35]	1.30 [1.20]	1.35 (1.30) [1.25]
EPP 2	3.63	3.37	3.20	3.60	3.05	1.40 [1.25]	1.60 (1.00) [1.15]	1.45 (1.80) [1.20]	1.50 [1.35]	1.30 (1.70) [1.20]
EPP 3	3.30	3.57	3.45	3.55	3.05	1.35 [1.10]	1.10 (1.05) [1.00]	1.20 (1.70) [1.30]	1.10 [1.00]	1.20 (1.60) [1.30]
Average Level	3.44	3.40	3.38	3.47	3.12	1.35 [1.15]	1.30 (1.20) [1.13]	1.32 (1.80) [1.28]	1.30 [1.18]	1.28 (1.53) [1.25]

The figure in () represents the figure corresponding to control group 1 (male borrower group).
The figure without bracket represents the figure corresponding to control group 2 (those who have joined at best 1 year).
The figure in [ ] bracket represents the figure corresponding to control group 3
(those who have not joined at all but have the potential to join the micro-credit programme).
Source: sample survey

Table 1.5: Level of 'Building Awareness and Capacity (Eac)'

	Female borrower group					Control group				
	NGO-led		non-NGO-led							
Indicators of EAC element	model 1	model 2	model 3	model 4	model 5	model 1	model 2	model 3	model 4	model 5
EAC 1	2.97	2.80	2.60	2.55	2.65	1.45 [1.20]	1.50 (1.70) [1.01]	1.70 (1.70) [1.10]	1.40 [1.15]	1.35 (2.10) [1.20]
EAC 2	1.20	1.87	1.00	1.10	1.00	1.00 [1.00]	1.00 (1.00) [1.00]	1.05 (1.00) [1.00]	1.30 [1.20]	1.10 (1.10) [1.05]
EAC 3	2.23	2.40	2.35	2.40	2.05	1.05 [1.00]	1.00 (1.00) [1.00]	1.00 (1.00) [1.00]	1.20 [1.00]	1.00 (1.10) [1.00]
EAC 4	2.97	2.97	3.10	2.95	2.60	1.15 [1.00]	1.10 (1.25) [1.09]	1.05 (2.00) [1.00]	1.10 [1.00]	1.10 (2.10) [1.00]
EAC 5	2.27	2.27	2.20	2.20	2.05	1.00 [1.00]	1.20 (1.15) [1.10]	1.05 (1.10) [1.00]	1.20 [1.00]	1.10 (1.10) [1.10]
EAC 6	2.80	2.90	2.85	2.65	2.65	1.05 [1.05]	1.10 (1.20) [1.00]	1.00 (1.70) [1.00]	1.30 [1.05]	1.10 (2.00) [1.00]
EAC 7	3.20	3.30	3.20	2.90	2.55	1.85 [1.20]	1.70 (1.60) [1.10]	1.70 (2.10) [1.10]	1.40 [1.20]	1.75 (2.60) [1.07]
EAC 8	1.53	2.47	2.20	2.10	1.95	1.00 [1.00]	1.00 (1.10) [1.00]	1.00 (1.40) [1.10]	1.10 [1.05]	1.05 (1.60) [1.02]
EAC 9	2.20	2.37	1.90	1.75	1.75	1.10 [1.00]	1.00 (1.05) [1.00]	1.00 (1.50) [1.00]	1.00 [1.00]	1.00 (1.60) [1.00]
EAC 10	1.60	3.43	1.65	1.50	1.45	1.00 [1.00]	1.00 (1.10) [1.00]	1.00 (1.20) [1.00]	1.10 [1.00]	1.05 (1.30) [1.00]
EAC 11	1.70	2.40	1.15	1.45	1.30	1.05 [1.00]	1.00 (1.05) [1.00]	1.00 (1.00) [1.00]	1.20 [1.05]	1.10 (1.20) [1.00]
Average Level	2.24	2.56	2.20	2.14	2.00	1.15 [1.04]	1.15 (1.20) [1.03]	1.14 (1.40) [1.03]	1.21 [1.06]	1.15 (1.62) [1.04]

The figure in () represents the figure corresponding to control group 1 (male borrower group).
The figure without bracket represents the figure corresponding to control group 2 (those who have joined at best 1 year).
The figure in [ ] bracket represents the figure corresponding to control group 3
(those who have not joined at all but have the potential to join the micro-credit programme).
Source: sample survey

individual average scale for each model is greater than or equal to 2.0 (Table 1.5).

On the other hand, for all elements of empowerment (Table 1.1-1.5), the average level of scores is much lower than their median level for first control group (male borrower group participating in the micro-credit programme for at least eight years) ,second control group (male and female participating in the micro-credit programme for at best one year) and third control group (female have not at all participated in the micro-credit programme but have the potential to join the programme) compared with female borrower group (core group of study). No significant difference is observed regarding average level of scores among three control groups.

Combining all elements together, Table 2 shows that the level of women's empowerment under female borrower group is considerably higher (ranging between 2.50 and 2.84) than either of the first control group (male borrower groups) - ranging between 1.52 and 1.77-or of the second control groups (ranging between 1.36 and 1.54) or of the third control group (ranging between 1.16 and 1.28). Although empowerment level for male borrower group is somewhat higher than other two control groups, no discernable difference of the level of empowerment is observed among

Table 2: Level of 'Empowerment of Women'

	Female borrower group					Control group				
	NGO-led		non-NGO-led							
Elements of Empowerment	model 1	model 2	model 3	model 4	model 5	model 1	model 2	model 3	model 4	model 5
Power	2.79	2.70	2.80	2.33	2.43	1.40 [1.11]	1.83 (1.69) [1.48]	1.50 (1.75) [1.39]	1.60 [1.29]	1.51 (1.38) [1.20]
Autonomy & self-reliance	2.87	2.94	2.96	2.75	2.64	1.70 [1.43]	2.10 (1.93) [1.55]	1.80 (2.30) [1.49]	2.05 [1.58]	2.04 (1.95) [1.56]
Entitlement	2.55	2.61	2.50	2.43	2.13	1.20 [1.08]	1.33 (1.57) [1.23]	1.30 (1.60) [1.17]	1.43 [1.18]	1.30 (1.93) [1.30]
Participation	3.44	3.40	3.38	3.47	3.12	1.35 [1.15]	1.30 (1.20) [1.13]	1.32 (1.80) [1.28]	1.30 [1.18]	1.28 (1.53) [1.25]
Building awareness & capacity	2.24	2.56	2.20	2.14	2.00	1.15 (1.20) [1.04]	1.15 (1.40) [1.03]	1.14 [1.03]	1.21 (1.62) [1.06]	1.15 [1.04]
Empowerment level of women	2.78	2.84	2.77	2.60	2.50	1.36 [1.16]	1.54 (1.52) [1.28]	1.40 (1.77) [1.27]	1.52 [1.26]	1.46 (1.68) [1.27]

The figure in () represents the figure corresponding to control group 1 (male borrower group).
The figure without bracket represents the figure corresponding to control group 2 (those who have joined at best 1 year).
The figure in [ ] bracket represents the figure corresponding to control group 3
(those who have not joined at all but have the potential to join the micro-credit programme).
Source: sample survey.

three control groups. This study, however, seems to support our *hypothesis (i)* that the average level of empowerment of women participating in the micro-credit programme is higher for both NGO and non-NGO led programme than that of women participating in the micro-credit programme among all control groups. This study also lends credence to the fact that no perceptible difference is observed at the level of empowerment between NGO and non-NGO led programmes under female borrower group (core group), which seems to support our *hypothesis (ii)*.

However one of the main issues emerging out from this study is that women's own involvement and participation in the micro-credit programme contribute to the higher level of empowerment than all control groups. Male's participation does not point to any significant improvement to the women's empowerment level (first control group). Rather the patriarchal power relation in the male SHGs, which participate in the micro-credit programme for at least eight years (first control group),or both male and female SHGs participating in the micro-credit programme for at best one year (second control group), or both male and females who have not at all participated in the micro-credit programme but have the potential to join the programme (third control group), does not seem to provide equal space for women in the process of women's empowerment. Studies have also revealed that consumer's choice is irrelevant to women under patriarchal power structure; neither as producer nor as consumer does women have the freedom of choice allotted to a women (Bell, 1977); even in public patriarchy, the appropriation particularly of women's labour is a more collective level (Walby, 1990); women's subordinated position is represented by patriarchal power (Batliwala, 1993).

However, there are instances that considerable improvement in women's empowerment has made by women's participation in decision making and has shown an impressive curtailment in male monopoly of assets in AWARE (Action for Welfare and Awakening in Rural Environment) villages (Narasimham,1999). Narasimham's (1999) study also supports that women's participation in the micro-credit programme for some longer duration (core group) has more positive impact on women's empowerment.

5. Conclusions and policy implications

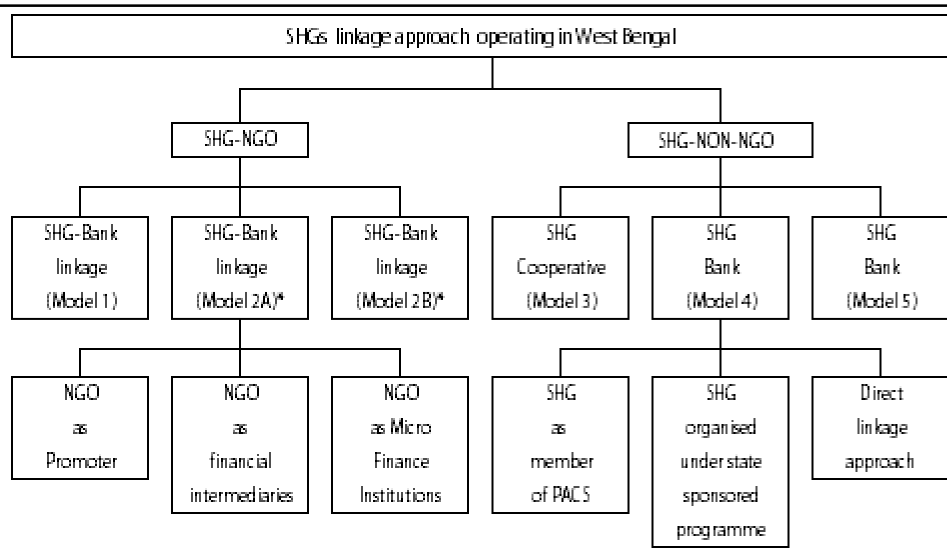
This study, however, lends credence to the fact that women's active involvement in micro-credit programme through SHGs supported by various agencies - SHG-NGO/ SHG-non -NGO - has resulted in attitudinal and visible changes among women and has increased their ability to deal with their problems, particularly, in respect of household's asset management, own mobility, health status of children and the member of households. Such a programme has also helped them to gain some access and control over their own income, if not equally with their male counterpart. However, women's micro-credit programme through SHGs, supported by various agencies, needs to be expanded under comprehensive community development programme in all areas of West Bengal, not only as one of the most important means of empowering women and augmenting their households' income and assets but also for utilising women's knowledge and skills as full partners in the developmental process.

As the empowerment strategies of empowerment encompass individual, inter-personal and institutional level of practice (a multilevel process), large and dynamic NGOs and institutional organisations should involve in executing training for women's skill development, expansion of their education, building women's perception of self-worth of members within the household and in the public sphere. Such an effort might help women to assert their independent rights to make choices and control resources, both which will assist in challenging and eliminating their subordination.

Notes

1 First control group has 60 households selected randomly from male SHGs participating under micro-credit programme on SHG-NGO and SHG-Non-NGO models for eight years or more; second control group has 60 households selected randomly from those women SHGs from both SHG-NGO and SHG-Non-NGO models which have participated in the micro-credit programme for at best one year; third control group has 120 households selected through 'propensity score matching' technique from the households who are eager to join the micro-credit programme but have not yet joined the programme.

2. Broadly, there are mainly two different models which have emerged under the SHG-linkage approach operating microfinance activities in West Bengal. Each of the two



* While we undertook pilot survey at preliminary stage in order to examine whether all models exist in practice, we found NGO as Microfinance Institution and NGO as financial intermediaries do not exist separately. Therefore, Model 2A and Model 2B have been clubbed together into a single category termed as Model 2 (NGO as Financial Intermediaries)

different models is further classified into three linkage approaches in the following (as per Secondary Data).

3. The propensity score is a conditional probability that an individual is assigned to the treatment group (Rosenbaum and Rubin, 1983).Generally, it is estimated by using logistic regression (i.e. logit model) with the covariates collected from the participants as X and the participant's status on the treatment variable as Y (Rosenbaum, 1987). The covariates in the logit model are non-treatment variables such as the participant's background characteristics. The estimated propensity score abstracts the information of these covariates.

The true propensity score (***P***) is the conditional probability that an individual belongs to the treatment group (Rosenbaum & Rubin, 1983). It is functionally related to the covariates (***X***, in a vector format), noted as the logit model of $\ln(\frac{p}{1-p}) = \beta X$ indicating the natural logarithm of the odds (i.e., the ratio of ***P*** to 1-***P***) is a linear combination of covariates, ***X***. The propensity score estimated by a function of $\hat{P} = (1 + e^{-\hat{\beta}X})^{-1}$, summarises the distribution information of all potential covariates (Rosenbaum & Rubin, 1984).

Using estimated propensity scores, a participant from the treatment group can be matched with a participant from the control group so that treatment group and control group can be balanced. This approach can significantly reduce bias in observational study (Rosenbaum, 1987, 2004; Rosenbaum and Rubin, 1985; Rubin and Thomas, 1992)

The aim of matching is to find the closest comparison group from a sample of non-participants to the sample of programme participants. 'Closest' is measured in terms of observable characteristics.

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Impact of Bank-SHG Linkage Programme in Empowering Rural Women in Nalbari District of Assam: A Case Study

- Susahanta K Kashyap* and Sambita Sarma Kashyap**

Microfinance has emerged so as to provide financial assistance including credit to the low-income households who have no sustainable access to the formal banking system, and their micro-enterprises to break out from poverty and unemployment.

Abstract

In the context of planned economic development, eradication of poverty and unemployment draw a lot of attention and has emerged as a major area of concern on the part of the Government of India. Besides several antipoverty and employment generation programmes, the Government of India have made concerted efforts to provide the poor with access to credit. Microfinance has emerged so as to provide financial assistance including credit to the low-income households who have no sustainable access to the formal banking system, and their micro-enterprises to break out from poverty and unemployment. Microfinance through SHG methodology is routed through Self-Help Groups (SHGs).

Like other parts of the country, in Assam also the programme of linking Self-Help Groups (SHGs) of the rural poor with the banking system was started in 1992. Over the years, a number of SHGs have been formed and linked to bank, of which majority were women's SHGs. In this context, the present study is an attempt to analyse the impact of Bank-SHG linkage programme in empowering rural women both economically and socially. Thematic concern of the paper will have its focus on a field study conducted in Nalbari district of Assam.

1. Introduction

Poverty and unemployment are two most inexorable problems of Indian economy. The economists of the world have no two opinions that the backbone of any economy cannot

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be built without resorting to poverty alleviation and employment generation schemes. In the planned economic development, eradication of poverty and unemployment has drawn a lot of attention and has emerged as a major area of concern on the part of the government. Besides several antipoverty and employment generation programmes, the Government of India in collaboration with the RBI has made concerted effort to provide access to credit needs of the poor. Microfinance has emerged as one of the powerful tools to provide financial assistance including credit to the low-income households, who have no sustainable access to the formal banking system, and their micro-enterprises to break out from the vicious circle of poverty and unemployment. Microfinance is routed through Self-Help Groups (SHGs).

The programme of formation and linking of Self-Help Groups of the rural poor with the banking system was launched in 1992 as a flagship programme by the National Bank for Agriculture and Rural Development (NABARD). Over the years, the SHG-Bank linkage programme has emerged as a major microfinance in the country and perhaps largest in the world. In all 498 banks, including 50 Commercial Banks, 96 RRBs and 352 Co-operative Banks are actively involved in the operation of this programme (Economic Survey, GOI, 2007-08). The microfinance programme besides directly benefiting the members of the SHGs, also help in reducing transaction costs both to the poor and banks, doorstep 'saving and credit' facility for poor and exploitation of the untapped business potential of the rural areas. According to Economic Survey 2007-2008, "as on 31st December 2007, bank loan of Rs. 20,114 crore availed of by 30.51 lakh SHGs. The average bank loan availed of per SHG and per family amounted to Rs. 65,924 and Rs. 4,708 respectively. The outreach of the programme has enabled as estimated 427 lakh poor households to gain access to microfinance from the formal banking system".

2. Bank-SHGs linkage programme in Assam: a brief view

SHGs are voluntary associations of women or men residing in a given area, formed democratically and without any political association. According to NABARD, SHG is a homogeneous group of rural poor voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group to be lending to the members for meeting their productive and emergent credit needs. Generally, SHGs are organised by government and non-government organisations. In Assam, the formation of SHG and thereby linkage to Bank, the main microfinance model by which formal banking system reaches the micro entrepreneurs, was started in 1992. However, the programme has gathered momentum from the year 2001-02 onwards. By the end of March 2008, 2,57,863 SHGs have been bank linked in the state out of which 1,15,716 SHGs were credit linked. Table 1 shows the cumulative position of bank SHGs linked in the state.

Table 1: SHGs financed by Banks

Year	Total bank linked SHGs		eposit linked		Credit linked	
	No.	Amount	No.	Amount	No.	Amount
2004-05	122304	20975.75	79592	3409.05	42712	17566.70
2005-06	269917	48274.77	175565	9846.77	94352	38392.36
2006-07	230902	58040.52	121474	5261.61	109428	52778.91
2007-08	257863	57417.70	142147	6044.72	115716	51372.98
2008-09	305132	77365.49	166740	7485.51	138392	69879.98
2009-10	374745	92724.79	210890	9123.46	163855	83601.33

Source: Reports of State Level Bankers Committee, SBI, Guwahati Head Office (July 2010).

The banks have been very active for the past few years in the region and we do find that the growth rate of SHGs credit linked to banks remained much higher than the national average for the past several years. However, unlike the rest of the country, where the commercial banks have been very active, the RRBs have been playing a leading role in Assam. "Assam Gramin Vikas Bank", the RRB from Assam, which is the largest bank in terms of branches in the region, has been most aggressive in this segment. Interestingly, these banks are showing keen interest in the involvement of NGOs in case of disbursing loans to people rather than handling it directly.

Bank-SHG linkage under SGSY

Swarnajayanti Gram Swarozgar Yojana (SGSY), a credit cum subsidy programme, was launched with effect from 1st April 1999. SGSY is conceived as a holistic programme of micro enterprises covering all aspects of self-employment, viz., organisation of the rural poor into Self-help Groups (SHGs) and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing. Under SGSY, the financial assistance is received in the form of subsidy from Government and credit from Bank. Up to the year 2007-08, 1.52 lakh SHGs have been formed out of which 1 lakh are women SHGs, and only 54,790 SHGs were given loans by banks. Cumulative progress of SHG-Bank linkage programme under SGSY is shown in Table 2.

Table 2: SHG-Bank linkage under SGSY

Year	Total credit linked SHGs		Credit linked SHGs under SGSY	
	Number	Amount	Number	Amount
2004-05	42712	17566.70	20388	11273.74
2005-06	94352	38392.36	48235	25024.66
2006-07	109428	52778.91	54735	36549.70
2007-08	115716	51372.98	54790	31006.57
2008-09	138392	69879.98	69144	45898.98
2009-10	163855	83601.33	84678	55161.36

Source: Reports of State Level Bankers Committee, SBI, Guwahati Head Office (July 2010).

3. Objectives of the study

The prime objective of the study is to analyse the impact of microfinance in empowering rural women in Assam. More specifically, this objective could be broken into following points:

1. to analyse the impact of SHG-Bank linkage programme in promoting micro enterprises among rural women in Assam; and

2. to study the effectiveness of this programme in empowering rural women both socially and economically.

4. Profile of the study area

Assam is situated in the North Eastern part of India. In terms of population, Assam is the largest state in the Northeastern region. Assam can be divided into 7 major regions as Upper Assam, Lower Assam, North Lakhimpur and Dhemaji, North Bank, Central Assam, the Hills Districts, and Cachar. Again, the Upper Assam region is relatively richer region than other parts, as plenty of resource is concentrated in this region, and so the demand for Microfinance is relatively less. The lower Assam part is the poorest region in the State. The study area, Nalbari district, falls under this region. More than 98% of the district is under rural area. Agriculture is the main occupation of the rural people of the District. No heavy or large-scale industry has so far been set up in the district; however, there are various types of indigenous industries. Due to lack of industrial development, the scope of employment in this sector is limited. In such a situation, the SHG-Bank linkage programme can play a major role for self employment of the rural poor. In Nalbari district a number of NGOs namely Pancharatna Gramya Vikash Mancha, Lotus Progressive Centre, AASHA, Gramya Vikash Mancha etc. are working on formation of SHGs and their linkage to Banks. More than 2,500 SHGs have been formed so far by these leading NGOs and about 1,500 have been linked to the Banks under NABARD's SHG- Bank linkage programme. Besides, under Swarnajayanti Gram Swarozgar Yojana (SGSY) about 5,152 SHGs were formed up to 2007-08. Amongst them 3,858 were women SHGs and only some of them have under taken economic activities.

5. Data sources and methodology

The study is confined to Nalbari District (undivided) of Assam and is mainly based on primary data collected from field survey. There are a number of SHGs formed by both government and non-government organisation in rural areas of Nalbari district. In our study, 20 women SHGs comprising 360 members have been selected as sample from different areas of the Nalbari district by the method of purposive sampling so that required data can be collected from both very poor and progressive SHGs, SHGs formed under government schemes and by NGOs, and women from different categories. Moreover in selection of SHGs, preferences was given to only those SHGs which have received bank loan more than 5 years back or less than 5 years but not less than three years back. Out of 20 selected SHGs, 15 SHGs were formed by NGOs and 5 were formed under SGSY scheme comprising 265 and 95 members respectively. Multiple methodologies, viz., schedule, personal interviews and Focused Group Discussion (FGD) methods were used to collect the required information from the members of the SHGs. Simple statistical techniques are used for analysis and presentation of data.

6. Analysis of field survey

It is observed that SHGs have members in between 15 to 20 and members of each group save a regular amount of Rs. 50 to Rs. 200 per month. Moreover, in the selected sample, two types of SHGs have been found, viz., SHGs which have undertaken economic activities as group, and SHGs in which only some members have undertaken economic activity individually. In the later one, the groups circulate the saved money along with bank loan to the needy members, who are willing to take entrepreneurial activities, at a specified interest rate that is higher than bank interest rate.

6.1 Activity-wise distribution of SHG members

Among the selected 20 SHGs, only 12 SHGs (constituting 204 members) have undertaken economic activities as group and in remaining 8 SHGs (constituting 156 members), only some of their members are taking entrepreneurial activities individually. Keeping in view of the objectives of the study, 360 members of 20 SHGs were stratified into three groups, viz., 'agriculture and allied activities', 'non-agricultural activities' and the third group as 'non-economic activity group' for those who are not taking any economic activities till date. Agriculture and allied activities

Table 3: Activity-wise distribution of members

Sl. No.	Types of activity	SHGs undertaking activities as group (From 12 SHGs)		No. of members taking activities individually (From 8 SHGs)	Total no. of members
		No. of SHGs	No. of Members		
1	Agriculture and allied activities	7	126	54	180 (50 %)
2	Non-agricultural activities	5	78	52	130 (36.11%)
3	Non-economic activities	-	-	50	50 (13.89 %)
	Total	12	204	156	360

Source: Field study

include dairy firm, poultry, piggery; bee-keeping, green vegetable sales, fishery, etc. Weaving and handloom, flower making, grocery, beauty parlors, etc., are included in the non-agricultural activities group. Out of 360 members, 180, i.e., 50% of them came under agricultural and allied activities, 130, i.e., 36.11% of them fell under the non-agricultural activities, and only 50 (13.89%) members among them are not taking any economic activities. It is observed that in non-agricultural activities, women's participation is very high in weaving and handloom sectors. Moreover, women also started entering into household industries like livestock, piggery, and goat rearing, etc. Table 3 shows the activity-wise distribution of SHGs and members respectively.

6.2. Age-wise classification of the SHG members

The age of the members of the SHGs is between 18-50 years. The distributions of the members are classified in to three age groups as 18 to 30 years, 30 to 40 years and 40 to 50 years. The age-wise distributions of members according to agricultural and allied activities, non-agricultural activities and non-economic activities are shown in Table 4.

Table 4: Age-wise classification of members

Age Group	Agricultural and allied activities	Non-Agricultural Activities	Non-Economic Activities	Total
18 - 30	48 (13.33 %)	68 (18.89%)	-	116(32.22%)
30 - 40	55 (15.28%)	35 (9.72 %)	20(5.5%)	110(30.55%)
40 - 50	77 (21.39 %)	27 (7.5 %)	30(8.33%)	134(37.22%)
Total	180 (50%)	130 (36.11%)	50 (13.89%)	360

Source: Field study

From the table it is seen that majority of the members from the two group belong to the age group 40 to 50 years, i.e., tendency of forming SHG is high among aged women. However, highest numbers of women taking non-economic activities belong to this age group. Again, most of them (42.78%) are involved in agricultural and allied activities.

It is also observed that the women of low age group, i.e., 18-30 are involved in non-agricultural activities and highest number among them is concentrated in beauty parlor and weaving. This may be because of the fact that there is no competition from male in this field. Again, in the age group 30-40, involvement of women in agricultural and non-agricultural activities are found almost equal, i.e., 27% and 30%.

6.3 Reason for formation of SHG/objectives of being a part of SHG

To find out the reason for formation of SHG, the FGD method was applied to members of each SHGs. Table 5 shows the reason for formation of SHG. Almost all the selected SHG members (91%) mentioned that to earn money they have formed SHG and so Rank 1 is given for this reason. 84% members replied that they have formed SHG to get loan at lower rate of interest and Rank 2 is given for this reason. Moreover, 66% and 14% members replied on "empowerment" and on "social status/ solve village problem" so Rank 3 and 4 were given to the reasons "empowered economically and socially" and "to gain social status/solve the village problems", respectively.

Table 5: Reason for SHG formation

Sl. No	Reasons	No. of SHG / beneficiaries	Rank
1	Earning money/increase income	18 /330(91%)	1
2	Low rate of interest on loan	16 /305(84%)	2
3	Empowerment	12 /240(66%)	3
4	Social status/solve village problems	10 /50(14%)	4

Source: Field survey

6.4 Average income of the members of the group after formation of SHGs

Almost all the members of the group informed that before SHG formation their income was nil. However, after formation of SHG, some of the members are earning a good amount of money and some of them a little. The average monthly incomes of the members are shown in Table 6. It is observed from table that the women micro entrepreneurs who are involved in nontraditional business activities are earning highest income, i.e., Rs.2,000 and above and income level is low of the women who are involved in agricultural and allied activities. It is noted that though monthly income of the 50 members are NIL, however they are also earning a good amount of money every year which is acquired from loan interest for their saving amount.

Table 6: Average income of the SHG members

Average monthly income	No. of Members	Percentage
NIL	50	13.89
Rs.500 - Rs.1000	148	41.11
Rs.1000 - Rs.2000	107	29.72
Rs.2000 and above	55	15.28
Total	360	100%

Source: Field survey

6.5 Changes after formation of SHG

To study the changes in living condition of the SHG members after formation of SHG, the variables such as income level, confidence level, economic empowerment, living standard, etc., were seemed necessary to evaluate their comparative status before and after SHG formation. Almost all the members, i.e., 83.33% replied that their income levels increased after microfinance. 80.55% members replied that their confidence level increased after microfinance. 77.77% members mentioned that their living standard has improved and 66.66% replied they become

Table 7: Changes after formation of SHG

Variable	Raised / improved	Not raised/ same as before SHG	No responses
Income level	300 (83.33%)	21 (5.83%)	39 (10.83%)
Confidence level	290 (80.55%)	40 (11.11%)	30 (8.33%)
Economic empowerment	240 (66.66%)	75 (20.83%)	45 (12.5%)
Living standard	280 (77.78%)	50 (13.89%)	30 (8.33%)

Source: Field study

economically empowered after formation of SHGs. Almost all the women beneficiaries enjoyed 'increased income level' and 'confidence level' and only 7% and 5% women beneficiaries are not enjoying economic empowerment and improved living standard respectively.

6.6 Support required for improved functioning of SHG

Majority of the beneficiaries need training and post training follow up for smooth running of their micro enterprises. They also aspire to avail subsidy on loan granted by the government. Since (almost) 50% beneficiaries were uneducated and illiterate, they demand literacy programme in rural areas. Moreover, most of the micro entrepreneurs require more loan/fund to expand their business.

6.7 Saving habit

All the members informed that their saving habit has improved after formation of SHGs. They are now able to save Rs.50 to Rs.200 per month. In times of need, the members borrow money from the group's account at specified interest that is higher than bank interest. The saving amounts also increase faster owing to the accumulation of income from interest. This habit helps the members to escape from the clutches of moneylenders. Moreover, some SHG lends money to people outside the group too at a much higher rate of interest.

6.8 Recovery of bank loan

Generally, the amounts of loan received by SHGs are varying from Rs.10,000 to Rs. 1 lakh. It is observed that recovery of bank loan is the first priority of the SHGs. They regularly repay their monthly installment, even before due date.

Most of the SHGs in which only some members have undertaken economic activity individually, mentioned that monthly installment of bank loan accrued from the interest rate and savings amount increases faster owing to the accumulation of income from interest rate.

However, recovery of loan is not up to the mark in case of SHGs whose members are suffering losses in business.

6.9 Social empowerment

In traditional rural Assamese society, women were confined to four walls of houses performing household activities. They were restricted from going out of the house and not permitted to attend any social function, religious ceremonies, political meetings etc. They have been facing intolerable physiological, social, economic, political and cultural problems. The SHG movement encouraged rural women to enter into business. Most of the SHGs members have participated in both regional and national level exhibitions.

All the SHGs informed that they organised a meeting every week regularly and discussed various matter for improvement of the group. Moreover, every year, they organised a general meeting and select president and secretary democratically for the next year. In selection of president and secretary, they always prefer educated members because they have to operate and maintain the saving and individual passbooks, cashbook, etc. However, all the members of the group take active part in group activities.

Thus, they have come out of four walls of houses and involved themselves in socio-economic activities. In their own words, "we had never visited a bank prior to becoming members of SHGs". They naturally feel empowered - planning ahead, applying for loans, transacting business, lending money and so on.

6.10 Problems faced by SHG members

Apart from some common problems like scarcity of raw materials, dual responsibility as entrepreneur and housewife, lack of awareness about the schemes of government, lack of confidence, poor production standards, overdependence on government support and subsidies, failure in market assessments, etc., the other problems faced by the rural micro entrepreneurs are discussed below. Table 8 shows the problems faced by SHG Members.

The main problem faced by the SHG is the shortage of finance to start economic activities. To start any entrepreneurial venture, large amount of money is required. However, bank provides only smaller amounts as loan, which is not sufficient to start any business for all the members the group. Therefore, they distribute the loan amount among needy members who are willing to take entrepreneurial activities at higher interest rate than that of bank interest they have to pay. This problem is mainly faced by those SHGs, which do not start activities as group.

All the respondents reported that they are facing gender related problems, which arise specially in dealing with various organisations like banks, government departments and other financial institutions. They also informed that these organisations do not encourage women to take up non-traditional activities.

All respondents expressed that excessive formality in government departments is the major problem faced by them. They also feel that government officials, banks officers do not take them seriously because they are women. Some of them have expressed that due to high-level of corruption in the government department, it is not easy to get financial assistance and subsidies.

All the members of SHGs, those are formed by NGO, demand subsidy on bank loan. They reported that some of the SHGs formed under government schemes, which exist only by name are enjoying subsidies without doing any business. They also reported that some of the SHGs formed by own family members have used the micro-credit on own family business.

Majority of them also informed that weak market and marketing linkage are the major problem faced by the micro entrepreneurs. Marketing is in fact a problem for them. Moreover, lack of marketing skill deprives the SHGs members from earning more profit. Since they have no direct marketing linkage, most of them are supplying their products regularly to intermediaries. Sometimes the products are collected by another entrepreneur having linkage with market. As a result, original micro entrepreneur do not get proper remuneration for their products.

Table 8: Problems faced by SHGs members

Sl. No.	Problems	Responses by members (in Percentage)
1	Raw materials	91%
2	Transport facility	86%
3	Marketing	93%
4	Low Investment, Low Price & Low Profit	89%
5	Delay in sanctioning loan	81%
6	Low literacy	84%
7	Dual responsibility as house wife and entrepreneur	72%
8	Low risk bearing capacity	85%
9	Societal Norms & Cultures	92%
10	Patriarchy among the group members	73%
11	Lack of awareness about the New Schemes of Government	92%
12	Gender related problems arise from promotional organisations e.g., DIC, Bank & other financial institutions	83%
13	Exclusive formalities in govt. departments	88%

Source: Field study

Again, competition is another problem, which is mentioned by almost 75% members of SHGs. They reported that they were facing tough competition from mass produced goods. The products of micro entrepreneurs are unable to withstand the stiff competition, because they do not have organisational set-up to pump in a lot of money for advertisement. Since buyers are quality conscious, they go for brand name.

Majority of the women have shown desire for undertaking nontraditional activities but they lack proper training and motivation.

Women are more often governed by the society's normative perspective of do's and don'ts, should and shouldn't must and must not's. These often become compulsive. For this reason, it becomes difficult for women to continue their SHG mission when they move out of their parental home to that of their in laws/ husbands.

Finally, some married women have reported problems they face as an entrepreneur. They mentioned that though their husbands are supporting them, their in laws do not want her to go for business because of conservative outlook of their in laws. These generally relate to their dilemma in balancing their attention between the family and work. Sometimes they feel overburdened with their enterprise and household works. The dual responsibility puts a lot of stress on the women micro entrepreneurs.

Some of them reported that their home' come first to them and considered SHG as secondary to their home and family. Due to overload with domestic work, they are not able to give time to their SHG.

Some other major findings of the study

- The performance of the SHGs which are formed under SGSY schemes, was found to be poor as compared to those which are formed by NGOs.
- It is observed that the group leader sometimes become dominating and insulting to other members of the group. This changes their mindset of working in a group.
- The SHGs, which are working as group earning higher income and profit as compared to those whose members worked individually.
- The SHG members who are taking entrepreneurial activity individually in non-agricultural field are earning highest profits.
- The aims of the members of the SHGs, formed under government schemes, are only to enjoy subsidy.
- The uneducated members are found more dedicated and hard working.

7. Recommendations:

To foster the growth and development of SHG-Bank linkage programme, the following recommendations have been made.

- Assam and the entire Northeastern area are famous for its rich tradition, indigenous culture and technology. It is endowed with various tribes each of which has own culture and technology. Therefore, there is enough potentiality in developing indigenous industries in the North East. Generally, tribal women especially Bodo, Kachari, Miching, Dimasa, Karbi, Naga, etc., have skills in traditional handloom, handicraft and bamboo based products. Again, in the North-East, indigenous medicines or indigenous system of health care has been practised by some non-institutional physicians both men and women especially in hilly areas. They prepare medicines from locally available plants and herbs, different types of animal products like milk, bones and oxidised form of minerals like gold, iron, silver, etc., after proper purification and detoxification. Some of the medicines have unbelievable power in curing chronic diseases. It is to be mentioned that in North-East India more than 5,000 species of plants are found to grow in the plains and hill areas most of which have medicinal values. Through the development of SHGs among these people of hilly areas of North-East, there is a tremendous potential for the development of indigenous medicinal farms.

Therefore, more emphasis should be given to form SHG among these people so that the different types of indigenous industries can be developed and harnessed for the purpose of income and employment generation. NABARD and other financial institutions may play an important role in this regard.

- North-East India is a paradise for tourists. Assam, one of the constituent states of the region, an embodiment of the natural beauty and grace, a true representative of the region, has been at the centre stage of tourist attraction. Ranging from wetlands, plains, plateaus and hilly terrain to very high altitude mountains, network of rivers with the snow fed Brahamaputra it becomes the richest of all, out of 12 biodiversity areas of the country (Hazarika, P 2009). In addition, 5 national parks including Kaziranga and with 17 wildlife sanctuaries, Assam has become the centre of attraction at both national and international levels. However, the surroundings of most the forest areas are inhabited by economically backward communities. Community based Ecotourism can create opportunities for providing economic security to the forest dependent people apart from adding to the state exchequer. In this regard, formation of SHG among the forest dependent communities and developing the concept of Ecotourism, i.e., active involvement of local communities and profitably engage them in different related activities, can be a good source of revenue generation.

- Majority of the people in northeastern states are living in remote areas. These people are unaware and remain untouched by poverty alleviation and employment generation programmes of the government. The government and non-government agencies should launch awareness/ publicity campaigns about schemes available for women and poor people especially for this area. Attractive publicity material such as posters, charts can be designed in simple manner so that they will be able to understand it easily.

- In Assam and North-East banks are generally located in urban and semi urban areas. Banks should open more branches in rural areas so that the SHGs can have direct contact with the Banks.

- There should be constant monitoring of the activities and performance of the groups. Subsidy on bank loans should be granted according to performance of the groups so that genuine SHGs are encouraged to come forward rather than subsidy seekers.

- Again, networking among SHGs can be considered very important in this era of globalisation. Each SHG should be provided opportunities to share their experiences with others and exchange their views how the problems have been handled successfully.

- It is the need of the hour to generate awareness amongst the government officials, policy-makers and politicians about the benefits of microfinance to the rural poor. Seminar, media, exposure trips could be some methods to bring about a change in perception.

- The microfinance institutions and banks should provide individual loans of larger amounts to the already well-established micro entrepreneurs. They should simplify the procedure of granting loans to them.

- Most of the members formed SHG only for availing loan and subsidy. This habit must be avoided.

- The Government and NGOs can play an important role for training of SHG groups/members. The promoting organisations should set up entrepreneurship development institutions in rural and remot areas. Moreover, post training follow-up, guidance and monitoring should be more effective to overcome the problems of women micro entrepreneurs.

- It is observed that majority of entrepreneurs need support for starting the enterprise. Most of them feel that they are overloaded with domestic role. They reported that home come first to them, enterprise is next consideration. It may be suggested that there is a strong need to motivate the family members of the women micro entrepreneurs to help them in domestic work.

- It is observed that in case of many SHGs, the credit needs seem to be fulfilled. However to more into the next stage, they require livelihood support services. The apex organisation as well as the government should encourage the sector support organisations including NGOs to take up this important livelihood support role. An important component of this supporting should be focused on the marketing aspect of the different goods and services produced by these SHGs.

Conclusion

Undoubtedly, the SHG movement opened the doors for common women to explore and experience life anew. The members are now able to take a decision collectively whenever necessary. Prior to that, they were never part of any decision making process inside or outside family bounds. Moreover, loans obtained from microfinance institutions have enabled the members to start their business in almost each and every field which they did not undertake previously and thereby helped them to enjoy better socio-economic status, improved standard of living, enhanced leadership quality, with regular income and participation in public affairs. Thus, through the formation of SHGs, rural women have been empowered, to some extent, through various changes at individual, family and village level.

In spite of all these positive endeavors, the question arises about the sustainability of the SHGs in India. The emerging realities of globalisation and liberal business environment are creating complexities of life space combined with the challenging competition in business environment. Though the micro entrepreneurship is increasing day by day, there are fears that micro entrepreneurs especially who are involved in traditional business may be wiped out owing to presence and pressure of big enterprises, both domestic and foreign. Since majority of the members of the SHGs is involved in marketing and production of traditional items, a purposeful planning and programming is essential to enhance the share of these items in global market. The supporting organisations should make sufficient arrangement in this direction in addition to their role in increasing the number of SHGs so that existing SHGs can progress in the global environment. Moreover, in India, the nature of competition vary drastically from market to market. It has highly price sensitive as well as quality sensitive markets. It is therefore necessary for the micro entrepreneurs as well as for promoting organisations to study the competitive situation with reference to chosen market segments so that the SHGs as well as micro-entrepreneurs can sustain their activities in this area of globalisation.

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Poverty Reduction through Microfinance: A Study of SHG-Bank Linkage Model

- Ramu Maurya*

Abstract

At the global level, microfinance is perceived to be a remedy for the poverty problem through creation of assets. But credit markets, where the borrowers have no collateral, are not functioning very well, because acquiring information about credit market and borrower's projects are very costly and not perfect. Imperfect information leads to credit market failure. The present paper tries to raise the problem of acquiring information and the theory behind the SHG. The paper, also, elaborates the skewness of SHG and loan spread among the regions of India. The study tries to show that credit spread and poverty are negatively correlated, and, increasing the credit access equally among all regions, can address the problem of poverty and also ensure women empowerment. In future, the success of microfinance will depend on successful redesigning of micro-credit programme.

Increasing the credit access equally among all regions, can address the problem of poverty and also ensure women empowerment. In future, the success of microfinance will depend on successful redesigning of micro-credit programme.

I Introduction

Distribution of resources among the people is not equal, which leads to poverty. But, its intensity varies from country to country and region to region. However, the reason for such acute poverty seems to be the poor policy formulation and implementation of such policies where there is a case of co-ordination failure between the Centre and the State. In India, till 1970s, there was no special formula for development of local units. This meant that India always had poverty stricken people in large numbers. It is perceived that if capital supply constraint can be broken, the problem will be solved. In all

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developing countries like India, the supply constraints are similar in nature as the commercial banks can often fail to reach the poor customers. From the point of view of the poor people, he does not have proper information and hence lacks access to banks. Even if he has the information, the huge collaterals demanded by banks can put these poor men off. From the banks' perspective, they lack the assurance of timely repayment of loans. So, the end result is that the poor men are deprived of the credit they desperately need (Beatriz Armendariz, 2002).

The poor have never been able to find their way out of this vicious cycle of poverty. Against this backdrop, towards the end of twentieth century, an economist from one of the poorest countries of the world, Bangladesh, projected a ray of hope for the poor. His humble beginning with the launching of an experiment at the village called Jobra has brought in a revolution in the traditional thinking in the terms of financial services for the poor (Suryanarayana, 2009).

In recent times, there has been a huge proliferation of literature, both theoretical and empirical, on microfinance. The theoretical literature has demonstrated that different aspects of group formation and function, such as self selection, socio-economic cohesion among members within the group, peer monitoring, social penalties/ sanctions,etc., help in overcoming the problems like screening credit worthy borrowers, monitoring use of credit and enforcing repayments that are generally absent in the rural financial markets in typical agrarian economies (Sharma, 2009). The econometric studies have, however, yielded mixed and sometimes contrasting results. For example, Wydick (1999) found that in Guatemala (i) peer monitoring and groups' willingness to apply internal pressure significantly affected group's performance through a moderate effect on mitigating moral hazard problems and a stronger effect on facilitating intra-group insurance; and (ii) the previously existing social ties within the group members had no significant effect on borrowing group behavior. In contrast, Zeller (1998) found in Madagascar groups that intra-group risk pooling and social cohesion among members led to better repayment performance.

The empirical studies on the impact of microfinance on intended beneficiaries have broadly been of two types. One group of studies shows that microfinance programmes are reasonably effective in reaching poor households. In their seminal study of microfinance programmes and household decision making, Reji (2009) finds a significant improvement in living standard of neighborhood members through microfinance programme. Socio-economic impact on members is also significant because, more than 75% women members were taking part in decision making such as credit and saving decision, income generation activities, acquisition of new goods, children's education, marriage of children, selection of job, etc. Reji also finds that such programmes improve confidence level of women. Mawa (2008) finds that empirical studies give strong supporting that , although micro-credit has had a positive effective on national development, it has failed to reach the poorest of the poor. Extremely poor are excluded from micro-credit programs by peer screening or in other words group members are not willing to take an extremely poor person into their group for fear that the loans will not be repaid. Now, the challenge is to encourage good practice in microfinance operations and increase the outreach to the poor on a sustainable basis.

Other evidence shows that microfinance programmes fail to reach relatively poor households. Islam (2008) observed that microfinance programme operating in rural Bangladesh has no significant effect on women's poverty eradication. There are many obstacles which reduce the accessibility of microfinance programme. So, Islam finds that the contribution of Grameen Bank in enhancing efficiency of the rural poor women is less than satisfactory and there is much room for improvement in its (GBs) efficiency-enhancing efforts. Along with this argument, Armendarizde Aghion and Morduch (2005) assert that the poorest households face several key constraints that restrict their collaboration with microfinance programme. Demand side constraints include social isolation, strict religious or cultural rules that stifle initiative, single-parent households with child care and other work responsibilities, costly interest rates on loans, and individuals' lack of confidence in public setting. Supply side constraints (credit rationing) stem from lenders' performance for large loans and less risky clients, geographic and infrastructure challenges reaching the poorest localities, quick repayment schemes that do not suit poor borrowers, and peer group dominance by wealthy community members. The benefits for rural poor women are very limited because the criteria necessary to qualify for the lease finance are difficult to satisfy, observed by Lucy Ssendi and R. Anderson(2009). So, Ssendi and R. Anderson conclude that micro-credit facilities may have some benefits for poor rural women, but the impact is not as great or as permanent as has been claimed. Project such as SELF do improve the daily struggles of rural poor women but that other measures are needed to alleviate poverty. Microfinance, by itself, is not sufficient.

II Objective

The main objectives of the study are:

1. To know what is the basic theory behind SHG?
2. To know why traditional banking institutions do not go to the poor people?
3. To observe the relationship between micro-credit expansion and poverty reduction.
4. To observe emerging challenges in microfinance sector in India.
5. To suggest the future path ahead for the development of microfinance sector in India.

Need for intervention in credit markets

In developing countries like India, where the credit market is not so well developed, moneylenders have exploited the poor borrowers. Borrowers are typically poor and have few other options to get capital, while interest rates are typically well above those found in the formal banking system. Getting rid from clutches of moneylender are not so easy because it could actually make matters worse for villagers if the moneylenders provide valuable and unique services (Beatriz Armendariz & Morduch, 2007). Then the question is how and when can credit market interventions be justified? Literature focuses on the two features of markets - their efficiency and their effects on the distribution of resources.

Inefficiency of information is crucial point. Consider a borrower and a lender. The borrower has a project but no money to finance it; she must then turn to lender. Here, the problem is, lender does not know about borrower and her project. So, the tension involves both sides. This type of information problem creates inefficiencies and microfinance can be seen as one attempt to overcome them. The informational problems arise at three distinct stages. First, prior to extending a loan, the lender may have little if any reliable information about the quality of borrower. Second, once the loan has been granted, the lender does not entirely know how the borrower will use the resource. Third, once investment returns has been realised, the lender may not be able to verify the magnitude of the returns (Beatriz Armendarized & Morduch, 2007). This is the reason why formal credit institutions did not go to the village economy.

Lack of good information, banks do not know who is a risky and who is a safe borrower and interest rate becomes so high that worthy borrowers are driven out of the credit market. If we assume, risky and safe, both types of borrowers participate in the credit market, interest rate will be higher than normal interest rate. Basic micro economic theory suggests that increasing the supply of capital will alleviate credit constraint and reduce interest rate to that level which will be sustainable for poor borrowers. But, when local markets are imperfectly competitive and information is costly to acquire, the prediction will not be so simple.

But, here, the main problem is that poor borrowers have no collateral and the challenge of microfinance is to remedy the absence of collateral and use innovative mechanisms as a substitutes. A simpler idea is to create a link to local agents with bank, i.e., the group lending. Under group lending, the function of selection, monitoring and insuring repayments are transferred from the lender to borrowers and the loans are issued based on the principle of joint liability. Thus, it enables those members without any physical collateral to access loans based on social collateral where the other members guarantee the repayment of the loan (Mathew, 2005).

Importance of savings

Economists have focused sharply on credit market problems in low-income regions, and have left problems with the savings side comparatively neglected. One reason is that it was assumed that poor households have limited demand for saving since surpluses are small given subsistence needs. The second reason for the neglect is that if has been assumed that excess funds could profitably be ploughed into one's farm or small business, so the need for a generic saving account would be minimal. The past two decades of microfinance have shown that these assumptions have limited appeal. Even very poor households want to save and they do save- but most often do it through imperfect informal means, like leaving money with a neighbour, sewing notes into one's clothing or hiding it in the house, joining rotating savings groups or handing money over to a deposit taker. These means can be costly, as they provide no hedge against inflation, and offer limited security. Having a safe, convenient, secure place to save allow poor households to manage their money better, handle large expenses like fees and religious obligations, and start building up assets that might eventually be used as collateral (Beatriz Armendariz and Morduch, 2004).

At the local level, where small enterprises exist, saving becomes more important. Expansion of local enterprises is totally dependent on how much money is saved and invested. For a poor household, deposit services are more valuable than credit. With saving, not only a household can build up assets to use as collateral, but they can also smoothen the seasonal consumption needs, finance major expenditures such as school fees, self-insure against major shocks, and self finance investment. This is the idea for savings by a household. But, saving is not easy. Experience tells us that it can often be a tough ask for a poor man to save due to his limited earnings. So mutual co-operation may be useful, which brings in the concept of SHGs. In SHG programme, some people make a group and save regularly. They inspire others in the group to do the same. It has a unique logic. This type of programme is popular for poverty eradication world wide.

Self-help group model

While many models of joint liability lending could be broadly described as "self-help group lending," the term "self-help group" (SHG) has come to mean a specific type of joint liability microfinance group in India (Gadenne et al, 2007). In India, the following criteria would broadly be adopted by NABARD for selecting SHGs:

(a) The group should be in existence for at least six months.
(b) The group should have actively promoted the saving habit.
(c) Groups could be formal (registered) or informal (unregistered).
(d) Membership of the group could be between 10-25 persons (RBI, 2009).

In group, members meet at least on a monthly basis; loans are made to the SHG as group which in turn decides internally how to split up the loan and what interest rate to charge its individual borrowers; and they are often set and promoted by an ongoing independent institution which lends money to them. In 1992, NABARD in close collaboration with MYRADA established the SHG-bank linkage programme in which banks were encouraged to lend directly to SHGs which had fulfilled certain criteria.

In the bank linkage programme, a group starts as a traditional rotating saving and credit association with members saving a regular amount each week or each month. They used these pooled resources to make small interest bearing loans to their members while gradually learning the essentials of financial intermediation including prioritisation of needs, setting terms and conditions, and record keeping. After a period of six months, if the group can show proof of mature financial behavior through well kept account books to a bank they can access bank credit at rates lower than those offered by informal sector and without any need of collateral. The regular savings are continued throughout the group's life, leading to an increasing pool of saving in the group's name and therefore access to larger bank loans as the group matures (Gadenne et al, 2007).

The theory behind SHG: what makes micro-credit work

The SHG model features the defining element of any traditional microfinance model, namely the group lending methodology which establishes joint liability of members. Group functions to give its participants an access to a pool of communal money, similarly credit cooperatives function to allow members to obtain loans from their peers. Whole group is responsible for repayment of a loan. If one member does not repays her loan, the financial institution stops lending to all the members. This enables high repayment rates, which make lending to the poor a potentially profitable activity for formal sector. This makes interest rate lower than those usually offered by informal sector. But, important issue here, is what is the reason behind the success the of joint liability model? Literature provides detailed argument. To summarise briefly, most arguments attribute the success of the joint liability model to the potential for group lending to overcome the information asymmetries which have traditionally made lending to the poor difficult. Because member belong to same community they can observe each other's types (i.e., their tendency to be either reckless or cautious in their investment behavior) and safe debtors can group together, thereby overcoming the adverse selection problem which typically leads to only risky types being provided the credit. The group responsibility for loan repayments also mitigates the ex ante moral hazard, when members with limited liability (no collateral) have an incentive to choose too risky projects because they would not bear the full cost of the failure-other members knowing their access to credit is at stake will scrutinise the feasibility of projects undertaken. Finally, strategic default on debts by hiding the real returns to investment (ex post moral hazard) is made difficult by the geographical and social proximity of members who can observe each others financial situation and threaten both economic and social sanctions on the would be free-riders.

III Present scenario of microfinance in India (SHG-bank linkage programme)

Formal financial institutions in the country have been playing a leading role in the microfinance programme for more than two decades now. They have joined hands proactively with informal delivery channels to give microfinance sector the necessary momentum. During the current year too, microfinance have registered an impressive expansion at the gross root level. But, first we will analyse the situation of scheduled commercial banks loans on the basis of loan size. Table 1 shows that the share of

Table 1: Share of SCBs credit according to size limit

(Per cent)

Size of credit limit	1996		2006	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
< Rs. 25000	91.6	14.2	45.0	3.0
Rs. 25000 to Rs. 25 lakh	8.2	24.6	54.6	36.0
Rs. 25 lakh to Rs. 10 lakh	0.2	41.1	0.4	21.2
< Rs. 10 Crore	0.0	20.1	0.0	39.8

Source: Pankaj Kumar & Ramesh Golait, RBI Occasional Paper, 2009.

small credit in total credit is shrinking. The smallest category of Rs.25,000 and below accounted for only 3% of total credit outstanding in 2006, while in 1996, this share accounted for 14.2% While the increasing share of the category above the Rs.25,000 and up to Rs.25 Lakh almost completely offset the shrinkage observed in the case of the smallest category of Rs.25,000 and below, the direction of change appears to be contrary to the objective of financial inclusion, which is to provide financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

During the past ten years, the table reveals that scheduled commercial banks' presence in the rural areas has been declining in terms of number of offices and credit disbursed. Furthermore, there has been a disconcertingly significant decline in the smallest category of credit in terms of both, number of accounts and amount outstanding. These trends indicate that the banking system is still hesitant on various grounds to purvey credit to the poor and low income groups especially in the rural areas. This type of finding left room for strong intervention of government in financial sector and shows how important is the emergence of microfinance in India.

The regional spread of the banks is given in table 2. Table shows more than three quarters of bank offices opened since 1996, have been in three regions, i.e., Southern, Northern and Western while other three regions have accounted for less than a quarter.

But, an important thing here is that these three regions (North Eastern, Eastern and Central Region) accounted more than 60% of poor population of India. This is another constraint in reaching the goal of financial inclusion and Millennium Development Goals.

Table 2: Regional spread of banks

Region	1996	2006	Change
Northern Region	10021 (15.5)	11821 (16.7)	1800 (28.5)
North-Eastern Region	1936 (3.0)	1949 (2.8)	13 (0.2)
Eastern Region	11686 (18.1)	12308 (17.4)	622 (9.8)
Central Region	13344 (20.7)	14104 (19.9)	760 (12.0)
Western Region	9938 (15.4)	10996 (15.5)	1058 (16.7)
Southern Region	17531 (27.2)	19598 (27.7)	2067 (32.7)
All India	64456 (100.0)	70776 (100.0)	6320 (100.0)

Source: Pankaj Kumar & Ramesh Golait, RBI Occasional Paper, 2009.

Present status of SHG-bank linkage programme

There is a large portion of the population in India that has continuously remained outside the formal banking system, despite a considerable expansion in the branch network. Alternative models are being used to meet the objective of financial inclusion. The SHG-bank linkage model is the dominant model in India and it is considered a promising model for reaching the poor. The SHG-bank linkage model was introduced in 1991-92 with a pilot project of linking 500 SHGs with banks (Pankaj Kumar, 2009). This figure has gone up 61,21,147 lakh by the end of March 2009. The SHGs have access credit to Rs.12,253.51 crore by the end of March 2009. Despite remarkable progress, there has been a skewed development of SHG-bank linkage programme in India. There is wide regional disparity in terms of the spread of SHG linked to banks, SHGs saving and bank loans disbursed under the programme. In March 2009, while the Southern Region accounted for 65.96% of total SHG, the share of North Eastern Region was just 2.19%. In terms of share in the total banks loans to SHGs, the region-wise difference gets further magnified. While the Southern Region accounted for 68.66% of total loans to SHG, the share of North Eastern Region was just about 1.85%. For all regions excluding Southern Region, even though the share of total SHGs linked to banks was close to 34.04%, their share in total loans to SHGs was only 31.34%, implying that adequate credit is not being routed through SHGs in these regions. Here, a more interesting point is that the Central Region which accounted 32.04% of total poor people in India gets only 5.89% of total loan to SHGs, which is too low.

In the case of women, Southern Region accounted 71.22% of total SHGs, the share of North Eastern Region is only 1.57%. In terms of share in the total bank loan to SHGs, Southern Region accounted 79.44% of total loan to SHG; the share of the North Eastern Region was just 1.25%. Clearly, there is wide disparity in distribution of SHG and bank loan at India level, but their intensity of disparity is large in women's SHG region-wise.

Table 3: Regional disparity in bank loans to SHG
(As on March 31, 2008)

Region	Total loan to SHGs with Banks		Average of loan per SHG (in Rs.)	Out of Total SHGs Exclusive Women SHG		Average loan per women's SHG (in Rs.)
	No. of SHG	Amount of loan (Rs. lakhs)		No. of SHG	Amount of loan (Rs. lakhs)	
Northern Region	42688 (2.36)	30243.24 (2.28)	70847.17	35132 (2.55)	23939.31 (2.27)	68142.04
North Eastern Region	35506 (2.19)	24641.79 (1.86)	69401.76	21658 (1.57)	13184.18 (1.25)	60874.41
Eastern Region	236789 (14.62)	123666.64 (9.33)	52226.51	182221 (13.25)	100334.51 (9.53)	55061.99
Central Region	101060 (6.24)	78140.82 (5.89)	77321.21	55329 (4.02)	36008.84 (3.42)	65081.31
Western Region	135173 (8.34)	58392.85 (4.41)	43198.6	101190 (7.36)	42929.37 (4.07)	42424.51
Southern Region	1068370 (65.95)	909766.06 (68.66)	85154.59	978998 (71.22)	836342.2 (79.44)	85432.75

Source: NABARD Report, 2008-09.

In addition to the inter-regional disparity, there is wider inter-regional disparity among the constituent states in SHG spread. The progress of SHG-bank linkage programme has not been homogeneous in any region (Table 4). In Southern Region, where the programme has been very successful, SHGs per lakh population is 1261 on March 31, 2009 as compared to 703 on March 31, 2008. It can be interpreted from the table that the number of SHGs per lakh population, nearly doubled, but spread of SHGs in Central Region is too low. In Central Region, spread of SHGs in 2009 was only 278, which is lowest in comparison to other regions. This clearly shows that the SHG movement has spread to all regions of India, though their intensity is not same as in Southern Region. However, a major concern remains, about the scale of finance except in Southern Regions. The average loan per SHG in these regions continues to be much lower than in Southern Region. Further progress in the SHG-bank linkage programme needs to focus on these regional variations in the spread of the programme.

Table 4: Spread of SHGs – Region-wise

Regions	SHGs per Lakh Population	
	As on March 31, 2008	As on March 31, 2009
Northern Region	156	235
North Eastern Region	283	623
Eastern Region	274	541
Central Region	142	278
Western Region	229	535
Southern Region	703	1261

Source: NABARD.

SHG spread and poverty ontensity

In India, SHG-bank linkage programme was started with objective of extending the outreach of banking to the poor, who mainly comprise of marginal farmers, landless labourers, artisans and craftsman and others engaged in small business such as hawking and vending (Pankaj et. al, 2009). In the light of above objective, it will be more interesting to see whether the programme has adequately made inroads in to the regions where concentration of poverty is higher. Table 5 shows the intensity of poverty and spread of SHG banking. According to NSSO data, during the 2004-05, all India poverty ratios stood at 27.6% While the Northern (15.7%), North Eastern (19.2%), Southern (19.8%) and Western Region (25.8%) had lower than the all India poverty ratio, Central (35.0%) and Eastern Region (36.2%) had higher poverty ratios than the all India level. In present time, the spread of SHG-bank linkage programme is not consistent with extent of poverty. In Eastern and Central Region, the proportion of total poor in India is significantly higher than the proportion of SHG link to bank and the proportion of loan disbursed to SHG in these regions. While both the regions account for about 61.1% of total poor in India, they accounted for only 24.25% of all SHG linked to bank in India. Further their share in total loans to SHGs formed only 17.3%. On the other hand, Southern Region which accounted for 16.68% of total poor in India has about 63.27% of all SHGs linked to banks and much higher 74% of total loans to SHGs. There is, therefore, a need to intensify the spread of the programme in states where the poverty is higher.

Table 5: SHG Spread and Poverty Intensity

Regions	Share of Total Poor	Share of Total SHGs	Share of Total Loans to SHGs	Poverty Ratios (%)
Northern Region	7.41	2.74	2.16	15.7
North Eastern Region	2.58	2.37	1.68	19.2
Eastern Region	28.98	18.32	11.81	36.2
Central Region	32.04	5.93	5.51	35.0
Western Region	13.59	7.36	4.78	25.8
Southern Region	16.68	63.27	74.04	19.8
ALL India	100	100	100	27.6

Source: Own computed use of NABARD and NSSO data.

Notes: H_0 : The loan access to SHG and poverty ratio is inversely correlated.
H_1 : The loan access to SHG and poverty ratio is not inversely correlated.
Z - score value = 0.7806

At 5% level of confidence, the value of $Z=\pm1.96$. The calculated value being less than this, the null hypothesis (H_0) is accepted. Thus, it may be said that increasing access of credit is effective tool of poverty reduction.

Loans to SHGs linked to banks in India account for only 1.5% of the total credit outstanding of scheduled commercial banks. Banking linkage programme compared to the overall credit disbursed by banks, it cannot be expected to have any significant impact on poverty reduction at a macro level. Another bit of concern is that although negative but very low coefficient of correlation(-0.206) between loan access to SHG and poverty reduction. This clearly means there are other factors at play. One such problem could be the usage of such loan or is the case that repayment needs are too heavy for the poor. This brings us to the conclusion that we need to focus on the grassroots issues for better results through microfinance. More emphasis needs to be laid onto increasing the educational endowments of people and better and efficient disbursement of loans to the places where it is required more.

IV Challenges

Regional imbalances: the first challenge is the skewed distribution of SHGs across states. About 74% of the total SHG credit linkages in the country are concentrated in the Southern States. However in the States which have a larger share of the poor, the coverage is comparatively low. The skewed distribution is attributed to:

1. The support extended by some the state governments to the programme.
2. Skewed distribution of NGO.
3. Local culture and practices.

From credit to enterprise: The second challenge is that having formed SHGs and having linked them to banks, how can they be induced to graduate into matured levels of enterprise, how they can be induced to factor in livelihood diversification, how can they increase their access to the supply chain, linkage to the capital market and to appropriate/production and processing technologies. A spin off of these challenges is to address the investment capital requirements of matured SHGs, which have met their consumption needs and are now on the threshold of taking off into "enterprise" stage. The SHG-bank linkage programme needs to introspect whether it is sufficient for SHGs to only meet the financial needs of their members, or whether there is also a further obligation on their part to meet the non-financial requirements necessary for setting up business and enterprises. I think, they must be meeting both.

Quality of SHG: The third challenge is to how to ensure the quality of SHGs in an environment of exponential growth. Due to the fast growth of SHG-bank linkage programme, the quality of SHG has come under stress. This is reflected particularly in indicators such as the poor maintenance of books and accounts, etc. The factors responsible are:

- Inadequate long-term incentives to NGOs for nurturing them on a sustainable basis.
- Diminishing skill sets on part of the SHG members in managing their groups. A significant financial investment and technical support is required for meeting this challenge.

Emergence of federations: The emergence of SHG-Federations is another issue. On the one hand, such federations represent the aggregation on collective bargaining power, economies of scale, and are for addressing social and economic issues; on the other hand, there is evidence to show that every additional tier, in addition to increasing costs, tends to weaken the primaries. There is need to study the best practices in the area and evolve a policy by learning from them.

Role of state governments: there is need to debate in defining the role of the state governments vis-à-vis a linkage programme. On the one hand, the programme would not have achieved its outreach and scale, but for the proactive involvement of the state governments; on the other hand, many state governments have been overzealous to achieve scale and access without a critical assessment of the manpower and skill sets available with them for forming, nurturing groups and handholding and maintaining them over time.

The Future Agenda

Successful microfinance can be defined by three main characteristics: sustainability, outreach and impact. *Sustainability* refers to the ability of a programme to continue over time, preferably without ongoing subsidies. *Outreach* refers to the number of clients reached and targeting of the poor. *Impact* refers to the ability of a programme to assist poor households and individuals to overcome state of poverty which can be taken as the ultimate objective of microfinance provision. Future development of this sector depends on these issues.

There should be proper monitoring to fund utilisation by SHG. Most funds go in the form of non-income generating activities. So, until such type of mechanism will be developed, which promote income generating activities and other services with proper training and technical support, the issue of poverty eradication can not be addressed. Providing credit is not the only condition for development but other services are also necessary.

Another issue is concerning the outreach of credit services to the poor through *Business Correspondent* (BC). BC has come up as a concept and has been defined by Reserve Bank of India to include kirana shop owners, fair price shop owners, public call office(PCO) operators, retired teachers, panchayat officials, rural unemployed youth, owners of medical shops, agents of insurance companies, farmers' club members, SHG, post office as business correspondent workers. For the viability of this model, a range of services such as suitable small savings, micro-credit, micro-insurance, small value remittances, etc., will be provided by business correspondents. But, the problem is that if the BC activists become biased against the selection of beneficiary whose earnings are low, then the poor will be left excluded again and would be out of the credit market. The fault in payment of future debt often happens in low income families who have less income from the income generating activities.

Hence, the BC model needs to be thoroughly revised on these issues, if not, then the problem of mass poverty would remain with the same intensity.

Other issue related to service charges imposed by banks and collected by BCs. It may be possible that collected service charges are more than charged by banks. Then, the model will not be viable as the total cost of capital would be more than what is charged by bank. This type of problem may happen if proper monitoring and guidance is not taken banks.

Hence, the development and sustainability of microfinance sector in India will depend on how correctly we estimate the emerging problems in this sector and address them. Development of proper mechanisms for monitoring and technical guidance to its clients can help to achieve the goal of poverty eradication and financial inclusion.

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Microfinance, Women Empowerment and Banking Habit: Perspectives on Kerala

- Dhanya. M.B* and P. Sivakumar**

Abstract

The subject of microfinance is considered as a significant and emerging trend in the present scenario for the empowerment of women. Microfinance programmes are promoted as an important strategy for women's empowerment. Microfinance builds mutual trust and confidence between bankers and rural poor to encourage banking in a segment of population where formal financial institutions usually find difficult to reach. The present paper examines the success of self-help groups in improving banking habits for better access to government infrastructure through the development programmes. The study envisaged investigation in four Grama panchayats, two each in Kasargode and Thiruvananthapuram districts of Kerala state. The survey shows the partial positive impact of the development programme of Kudumbashree, a microfinancial institution for improving the banking habits of the rural poor.

Microfinance builds mutual trust and confidence between bankers and rural poor to encourage banking in a segment of population where formal financial institutions usually find difficult to reach.

Introduction

The banking habits of the beneficiaries are considered to be an effective indicator of financial autonomy. Studies reveal that SHG-Bank linkage programme has, apart from giving access to the poor from the formal banking system, impacts on socio economic empowerment of the poor particularly women (NABARD 2004-05). Access to available credit is an important factor in the economic wellbeing of rural people. According to the World Bank Report (1995), in most developing countries the bottom 75% of the population has no access to the formal financial system, only 25% of the economically active population has accessibility. The reasons for low accessibility

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of rural people are due to high transaction costs, problem of documentation, lack of appropriate collateral availability with the poor, and lack of exposure to banking system in operation. Self-help Groups have become appropriate community based organisations that hold key for participatory development, with an element of alternative rural credit delivery system (Puhazhendi V, 1999). Capital constraint is the issue that impedes financial service providers from expanding financial services to areas with low levels of access. The decrease in rural bank branches, a fall in rural to total bank credit, a decline in lending to small borrowers and informal sector etc have been identified as the key indices that reflect the increasingly skewed distribution of bank credit (EPWRF, 2005).[1]

Access to finance will empower the vulnerable groups by giving them an opportunity to have a bank account, to save and invest thereby facilitating them to break the chain of poverty. But India is lagging behind in this respect so it has become the matter of concern. While small businesses have enormous potential to boost the regions economy, it is difficult to sustain with the high interest rate from the formal financial institutions. Most formal financial institutions only target those at the upper layer of society. There is need to bring "financial inclusion" to those at the bottom to build Micro-enterprises for building the opportunities for the majority initiative. According to C. Rangarajan there are six approaches in the system of Financial Inclusion, they are, as follows. First, credit to the farmer households is one of the important elements of financial inclusion among them providing credit to the marginal and sub marginal farmers as well as other small borrowers is crucial to the need of he hour. Second, rural branches must go beyond providing credit and extend a helping hand in terms of advice on a wide variety of matters relating to agriculture. Third, in district where population per branch is much higher than the national average, commercial banks may be encouraged to open the branches. Fourth, there is need for the simplification of the procedures in relation to granting of loans to small borrowers. Fifth, the further strengthening the SHG-bank linkage programme (BLP), as it has proved to be an effective way of providing credit to very small borrowers. Sixth, the business facilitator and correspondent model needs to be effectively implemented. Thus financial inclusion serves the interest of both the banking sector as to extend services to all sections of society and the rural people who need convenient and flexible financial services. As a complementary to this, microfinance can work as a powerful tool to fight unemployment became the effective approach of financial inclusion. With the new philosophy and policies pertaining to micro-credit, microfinance institutions such as self-help groups have emerged and spread within India.

1. Indian experience of SHG-bank linkage

SHG-bank linkage programme was started in India in 1992. It was rather slow in the twentieth century and started momentum from 2001 onwards. Handholding approach toward empowerment by NABARD, financial institutions, NGOs and state governments working on microfinance activities generated the progress in the SHG-bank linkage programme. The SHG-bank linkage growth remains uneven across India. In southern region, the growth was progressive it is shown in Table 1.

In southern region, the movement was facilitated by the state and region specific strategies developed by NABARD in consultation with banks, NGOs and state governments which has resulted in progress. NABARD gives support to partner agencies which include Commercial Banks, Regional Rural Banks, Co-operative Banks, and government organisations, etc., which have effectively taken up the role of promoting SHGs. NABARD provides loans in the form of revolving fund assistance (RFA) on a very selective basis to the institution which undertakes financial intermediation. The RFA is used for on lending to SHGs or individuals or the amount is to be repaid along with the service charges with in a stipulated period of five to six years. NABARD has been following a three pronged strategy of capacity building of partners, providing promotional grant assistance to NGOs and collaboration with government agencies like Kudumbashree and department of Rural Development which have also promoted a large number of SHGs under various programmes.

Table 1: Growth in credit linkage of SHGs-regional spread

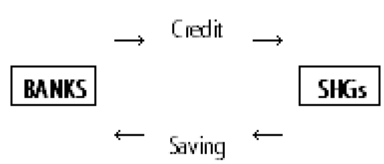
Region/state	Number of SHGs credit linked			
	2000-01	Cumulative	2006-07	Cumulative
Northern Region	4221	9012	48921	182018
North-eastern region	160	477	29237	91754
Eastern region	11057	22252	131530	525881
Central region	8631	28851	64814	332729
Western region	6911	15543	104193	270447
Southern region	109218	187690	307713	1522144
All India	140198	263825	686408	2924973

Source: NABARD Annual Report, 2007

1.1 Models of SHG-bank linkage

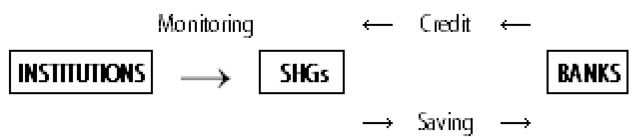
On the basis of modes of formation, nurturing and credit linkage, SHGs are basically categorised into three models by NABARD, mentioned as follows:

1. SHGs formed and financed by Banks: Involves a partnership between banks and SHGs where the banks have direct contact with the borrowers, and train the members on record keeping, thrift, managing credit and monitoring the working of the groups.

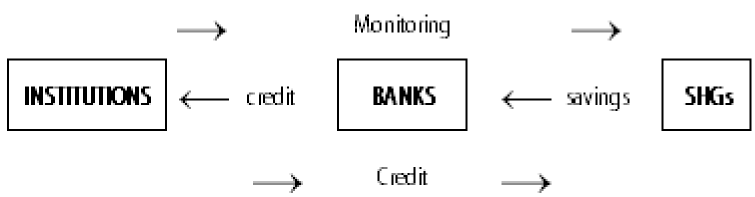


2. SHGs formed by formal agencies other than banks, but directly financed by banks: The SHG-bank linkage model involves third party promoting institutions

helping a group of 15 to 20 individuals through a period where they are linked to a bank. In this model formal institutions other than Banks in the field of microfinance, act as facilitator. Banks gives loans directly to these SHGs.



3. SHG's financed by banks through other agencies as financial intermediaries: SHGs could also borrow directly from commercial sources and then on lend to clients, shifting credit risk to SHGs. In areas where the formal banking system faces constraints, the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This in turn is used by the NGOs for lending to the SHGs.



In Kerala, micro-credit adopts three types of linkage facilities, in the first linkage model the SHGs (NHGs, ADS, and CDS) and commercial banks of the state are involved and second model NABARD perform the supportive role for the SHG-bank linkage. In the third model NGO acts as the financial intermediary for the second model.

1.2 Reasons for the spread of the SHG-bank linkages

The reasons for the spread of the SHG-bank linkages are many. The important ones are pointed out below (NABARD, 2004-05):

1. Institutional credit failed to serve the rural poor effectively with its extra precautionary attitudes on lending to rural poor.
2. Rural poor left with no option, immediately accepted the formal financial system through SHG-bank linkage programme.
3. Rural poor earns more than consumption during a certain period of the year and in the rest they consume more than they earn. If the surplus during the glut could be saved then it could help in the dearth season.
4. People with homogeneous socio economic factors at the particular locality can fight a problem common to all with a handholding support system. SHG movement provided the support for this.

2. Role of banks for empowering women

Role of banks in social investment is a crucial aspect in an area. Banks and such other financial institution should work in tandem with organisations like Kudumbashree[2] in creating collective awareness about thrift mobilisation and savings. Setting up of women development cells at each region for the maintenance of data base on women entrepreneurs and related areas will help both government and financial institutions to decide the priority areas. Banks should devise out the strategies for increasing the credit flow to women and also to promote savings and investments so as to facilitate and coordinating the implementation of strategies. Capacity building of women entrepreneurs is essential for improving the efficacy of credit use.

2.1. Informal banks of the poor women

Kudumbashree has introduced a better alternative for conventional banking system to the poor. Income generation is one of the main responsibilities of every Kudumbashree NHG. The collective thrift savings of the members of a self-help group (NHG/ADS/CDS) is the corner stone of each informal bank. Thrift and credit operations of the NHGs, ADSs and CDSs carry immense potentials to grow in to a strong network of informal banks. In each NHG, an income generating volunteer identifies all potential agencies and organisations engaged in promotion of self-employment activities. She will also interact with NABARD and commercial banks, in connection with mobilisation of finance. Thrift and credit societies organised by the Kudumbashree are fastly growing and are informal banks of the poor women at their doorstep. Most of the thrift societies are now capable of providing assistance for income generating activities. An informal bank can provide collateral free loans with the terms and conditions decided by the group, the eligibility of a member to get assistance depends on the repayment capacity of that group. The SHG behind the informal bank is free to fix market driven rates of interest for advances. The simple accounting procedure which will be developed by NABARD has been taken in to account for the informal banks under Kudumbashree. When the informal banks under CDS will reach maturity they will be linked with banks under linkage programme with a refinance from NABARD. NABARD has already developed a 15 point evaluation formula (Annexure 1) to gauge the maturity of SHG.

3. Linkage banking - kudumbashree

The linkage banking programme was launched during 2002-03 after proper grading of the NHGs as per the norms of NABARD. During 2002-03, and up to 31st October 2006, 99,688 were graded and 78,680 NHGs were linked with banks. A sum of Rs.40,636 lakhs has been made available to the NHGs as loan. Linkage banking programme are expected to benefit Banks from the new market and at the same time

SHGs can avail larger and cheaper resources. Loan linked micro-housing scheme was launched with the support of the scheme. Linkage of the NHGs with linkage banking programme of NABARD, provide loans to all houseless families of the state, providing sanitary latrines in every household of the state. Also preparation and implementation of special programme packages for the development of scheduled castes and scheduled tribes are also the objectives of the mission. Bank linkage details, district-wise as on 2007 January is shown in Table 2.

Table 2: District wise details of linkage banking*

Sl No	District	Cumulative		2006-2007	
		NHGs linked	Amount (Rs Lakhs)	NHGs linked	Amount (Rs Lakhs)
1	Thiruvananthapuram	8983	3508.79	997	425.11
2	Kollam	7526	5117.08	1713	1315.18
3	Pathanamthitta	2429	2409.87	273	449.95
4	Alappuzha	9241	4702.88	247	303.99
5	Kottayam	3366	2172.27	457	575.22
6	Idukki	3927	2807.00	462	400.6
7	Eranakulam	5873	2156.96	1010	521.25
8	Thrissur	5269	2566.04	97	126.61
9	Palakkad	9824	3655.55	1607	525.07
10	Malapuram	4360	1745.65	213	217.17
11	Kozhikode	5377	2790.63	596	553.63
12	Wayanad	5950	4070.78	102	907.54
13	Kannur	4106	1932.38	178	407.56
14	Kasargode	2449	1000.75	180	137.84
	Total	78680	40636.69	8132	6866.72

Source: Kudumbashree Government of Kerala. *As on 31-01-2007

The status report of NHGs and thrift and credit in table below indicates the progress of coverage of the programme. Recent district wise status report of Kudumbashree has shown in Table 3.

From the Tables 2 and 3, it may be seen that financial coverage or outreach of women through thrift and bank accessibility increased as a result of active involvement of the beneficiaries in the Kudumbashree programmes. The financial empowerment of women achieved through thrift and bank accessibility may improve their status in their own families and society. Naturally, their confidence will increase through financial empowerment. The success of Kudumbashree members in taking part in financial matters emulated other members of society to follow suit. NABARD has supported promotion of SHGs and their linkages with bank in a big way. Strengthening the existing credit delivery system through the existing branches of public sector banks assume significance in this context to meet the financial service requirements. There is an imperative and clear need for increased involvement of women in income generating activities for their economic empowerment and the decision makers must place a much greater emphasis on the means to increase their income and assets by enacting measures that open up their access to finance, information and market. Finance that serves the majority of poor women can act as links to share in economic growth and the means to use social services. There is also need to bring in new paradigm by assuming new productive role for governments and financial intermediaries so as to enable them to work together to build an efficient financial system that serves the majority of the population especially poor women. The services to be offered should be flexible enough to meet their varied requirements in time and also on cost basis.

Table 3: Status Report of NHGs and Thrift & Credit under Kudumbashree*

District	No. of GPs	No. of NHG	No. of ADS	Families Covered	Families Started Thrift	Thrift (Rs.)	Loan (Rs.)
Thiruvananthapuram	78	16744	1259	344225	341807	956242072	2105278878
Kollam	71	12163	1214	223550	223550	670675500	1488810077
Pathanamthitta	54	6447	730	136670	136405	327632000	603642523
Alappuzha	73	13245	1113	260592	260592	756129158	1724422132
Kottayam	75	10916	1153	220635	220609	534745569	1027567284
Idukki	52	9160	750	166607	166094	585814371	1464853768
Eranakulam	88	12998	1352	217430	217421	642370775	2062614492
Thrissur	92	15619	1350	283955	283955	866426339	3235712785
Palakkad	91	19848	1435	337539	337539	981074696	2627815553
Malapuram	102	14249	1845	321957	321957	772699191	1215523897
Kozhikode	78	14394	1309	296677	293924	1011138135	2535422917
Wayanad	25	7316	434	120248	120248	318664638	1005784350
Kannur	81	10973	1264	216275	216275	651397195	2166560511
Kasargode	39	5561	646	118694	119118	346218198	1371418287
Total	999	169633	15854	3265054	3259494	9421227837	24635427454
Urban (58 ULBs)		13329	1096	347971	347971	555276879	639794031
Tribal NHGs(9 Dist)		2347		40630	38266	57549343	122198761
Grand Total		185309	16950	3653655	3645731	10034054059	25397420246
Urban (58 ULBs)		13329	1096	347766	347766	548074160	630872504
Tribal NHGs(9 Dist)		2347		40572	38198	57058265	123331600
Grand Total		200985	18046	4041993	4031695	10639186484	26151624350

* As on March 2008
Source: Kudumbashree, Government of Kerala

4. Case Study - Kerala

For the purpose of the present study, 300 rural women Kudumbashree beneficiaries from 34 SHGs functioning in Four Grama Panchayats of Kasargode and Thiruvananthapuram districts (two each) of Kerala state have been selected. Samples are taken from the Grama Panchayats of Karakulam & Venganoor from Thiruvananthapuram and Madikkai and Karindalam from Kasargode districts. Thirty four Kudumbashree units which were working with comparative efficiency and working from 2004 onwards were selected for the study. The sample self-help groups have taken up different occupations like honey bee production, worm compost, tailoring, poultry farming, canteen, bakery, coconut oil production, etc.

The financial activity for starting up these enterprises originated from the thrift mobilisation through which the members availed loan facilities. The activities started by women used various sources of funds as subsidies, bank loan and revolving fund. The financial support is provided as back end subsidy that will be adjusted on complete repayment of the loan component from the financial institutions.

4.1 Thrift

The basic concept of microfinancing is to promote thrift in NHGs and help them to raise bulk loans from thrift. This is the first step to micro-credit. Most of the SHGs made it the convention to deposit the thrift with the group on monthly basis. Each member of one group saves Rs. 10 per month or according to their ability, the amount changes. The amount of thrift was uniform among members and all the members paid it regularly. The group itself gives loan to the members. In the sample thrift of different group ranges from 3,000 to the maximum of 20,000, as shown in the Table 4. It includes amount of money in hand, amount the group lend to members as well as outsiders. Bank loans were not part of thrift but the bank loan amount decided to be sanctioned to the group were based on the thrift of an SHG.

Table 4: Thrift of SHG

Thrift(RS)	No of SHG	Percentage
<5000	21	61.76
5000-10000	10	29.41
10000<	3	8.83
Total	34	100

Source: survey data

4.2 Economic impact

The economic impact of the scheme is important because empowerment process encompasses several mutually reinforcing processes but begins with and is supported by economic independence.

Table 5: Distribution of beneficiaries by annual income

Annual income	Total(Beneficiaries)
Less than 6000	151 (50.3)
6001-12000	141 (47)
12001-18000	2 (.7)
18000-24000	-
24000-30000	6 (2)
Total	300 (100)

Source: Survey data

From the Table 5 it is found that 50.3% of the women beneficiaries had an annual income of less than 6,000. Nearly 47% had income in the range of Rs.6,001 to Rs.12,000. And only 2% of the women had income in the range of Rs.24,000-30,000. This shows that most of the women were acquiring very low incomes through the Kudumbashree unit. But, it also shows slight economic improvement since most of the women started earning money through the unit. In many cases, women are looking at Kudumbashree as secondary occupation as they participate in multiple jobs.

4.3 Saving

Saving (other than thrift) among the group is in bank, gold, or chit fund etc. They save from the little income generated from the activities. Most of them save in gold when they get money together from the thrift. In the sample population, 62% (186 beneficiaries) did not have any type of saving. Rest 38 % (114) has saving either in gold, bank or chit fund. Table 6 shows that 114 members are saving by investing in different modes.

Table 6: Savings of beneficiaries

	Kasargode	Thiruvananthapuram	Total
Bank	24	15	39
Gold	11	6	17
Chit fund	30	28	58
Total Saving	65	49	114
No saving	85	101	186

Source: survey data

With regard to savings of beneficiaries, the table shows that more saving is on chit fund, 39 members on Banks and 17 members on gold. It is observed that formalities and time consumption are the main reasons that they are adopting saving in chitty than bank. In case of saving, married women expressed low level of control over the saving, and about 52% those who save said that they were not able to decide autonomously how to utilise funds. It is decided by husband, parents or male member of the family. This shows the patriarchal subordination against women.

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4.4 Bank Linkage

The accessibility to banks in an area is a vital point in ensuring easy flow of financial resources. Table 7 shows that there are 6 banks under different categories in Venganoor Panchayat of Thiruvananthapuram district and 5 in Karakulam Panchayat. Where as, the number of banks in Karindalam and Madikkai panchayats are high (7 each). This is to ensure the easy flow of funds in backward districts like Kasargode.

Table 7: Banks available in each Panchanyat

	Name of Panchayat	State bank of India and associates	Nationalised commercial banks	Scheduled commercial banks	Gramin banks	NABARD	Land mortgage bank branches	District co-operative bank branches	Service co-operative banks & credit societies	Urban co-operative bank	State cooperative	Kerala agricultural & rural devt bank	ATM centre
1	Madikkai	1	1	-	1	-	-	-	4	-	-	-	-
2	Kinanoor Karindalam	-	2	1	1	-	-	-	3	-	-	-	-
3	Venganoor	-	3	-	-	-	-	2	1	-	-	-	2
4	Karakulam	-	2	-	-	-	-	-	3	-	-	-	-

Source: Department of Economics & Statistics, Panchayat level statistics 2006, Kasargode.

The enterprises started by women used various sources of funds as subsidies, bank loan and revolving fund. Opening of account is the first step for linkage of the SHG with the bank. When an SHG approaches bank for loan, the financing bank looks back for the performance of the group and its regularity in conduct of meeting, attendance in meeting, monthly contribution, maintenance of records, enthusiasm among members, etc. The banks adopt an approach for grading of the borrowing SHG as per the format given in Annexure 1. On the basis of such grading and rating an SHG is being considered for grant of revolving fund assistance. Later, they gained the confidence to operate with the Banks in terms of deposits and withdrawals and also for availing bank loans. The entire sample SHGs have been promoted and linked by the banks by opening accounts with the Bank. Thus access to banking facilities was facilitated through Kudumbashree. Banking facilities is one of the major components for financial inclusion which in turn paves way for economic empowerment. But in actual practice the operation of bank account is limited with secretary or president of that SHGs. Awareness about banking dealings is explained in Table 8.

Table 8: Access to Banking Facilities among beneficiaries

	Number of beneficiaries who have accessibility	Number of beneficiaries do not have accessibility	Total
Main functionaries of SHGs	68	-	68
Ordinary Beneficiaries	87	145	232
Total	155	145	300
Source: Survey data			

It is observed that most of the women members including secretary and president are reluctant to deal with bank prior to their joining, later they become capable of dealing with the Banks. While considering the main functionaries before and after joining in Kudumbashree programme, only 13 members had accessibility in bank before joining in Kudumbashree programme. It is a significant point for the comparison because the main functionaries acquired access to bank only after joining in Kudumbashree. Thus, it is reported that the main functionaries of SHGs i.e., secretary and president have more accessibility to the banking facilities than the members. Among the total sample, 145 beneficiaries in the sample are not aware about the dealings of the bank. In some cases, male members from the families of the beneficiaries also accompanied with them for bank transaction. 29% of the ordinary beneficiaries and 22.2% of the main functionaries of SHGs have accessibility to bank is an important achievement among the rural women. Here, one important point is that access to savings and thrift involvement of the beneficiaries does not mean that they have access in banking facilities since they cannot do banking dealings without others' help.

4.5 Problem of default

The problem of default is an important issue among beneficiaries. It will also affect the sustainability of the SHGs. Irregularity is found both in case of remittance of thrift and repayment of loan. From the sample, 89 beneficiaries (29%) of the members defaulted in thrift and loan repayment. Researcher observed that extremely low income was the main reason for default and along with that enterprise loss was again an important problem. The degree of misutilisation is more among the beneficiaries; women take loan for the need of their husband or repaying their existing debts for the purpose of consumption needs, medical expenses, repayment of other loans, etc., 48% (144 members) reported that their husbands have sole control over the proceeds of the loan. Only 30 members (10%) have total control over the loan amount. 42% have control over the loan amount with their husband or any other male member of the family.

5. Conclusion

Access to credit is an important factor for the starting up of enterprise; it is availed through the thrift and credit societies and also through bank linkage. Apart from the fear of approaching bank due to its formalities and little control of loan money, the rural women feel to be lacking self efficacy. But, after joining in an SHG, they have improved and changed their perceptions about banking institutions. Most of the transactions of loan and remittance are done by the president or secretary since their efficiency increases much better than before joining the programme. So the partial benefit through the bank linkage can be observed.

Notes

1. During the social banking era the share of rural branches in total banking branches has increased significantly. But it has declined through the 1990s and since. Data analysed by the Economic and Political Weekly Research Foundation (EPWRF) (2005), shows that the number of rural branches of scheduled commercial banks has fallen from 32,981 in March 1996 to 31,999 in September 2004. Rural branches as percentage of total branches fell from 56.5% in March 1990 to 47.6% in September 2004. The share of total credit to total bank credit declined from 15.4% in March 1990 to 9.9% in September 2004.
2. Kudumbashree, the state poverty eradication mission is launched by government of Kerala since 1999 with the active support of government of India and National Bank for Rural and Agricultural Development (NABARD) to address the problem of poverty and female unemployment. To facilitate collective action, Kudumbashree focuses on formation and capacity building of three tired community based organisations (CBOs) for poor women. Under this programme neighbourhood groups (NHGs) are formed at the grass root level, which are further co-ordinated at the ward level and panchayat/municipality level as Area Development Society (ADS) and Community Development Society (CDS) respectively. It is often argued that formation of women self-help groups (SHGs) through micro-credit programmes not only takes care of female unemployment problem, but also acts as an instrument for empowering women.

Annexure 1

The 15-point index rating criteria for the linkage-banking programme for the evaluation of the NHGs are:

1. Composition
2. Age of the group
3. Weekly group meetings
4. Attendance
5. Minutes
6. Participation in group discussion
7. Savings (frequency)
8. Savings and loan recovery
9. Style of functioning and group decisions
10. Sanction and disbursement in of loans
11. Interest on loans
12. Utilisation of savings on loaning
13. Recovery of loans
14. Books of accounts
15. Bye laws/group rules

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Financing through Joint Liability Groups - Case Studies in Select States

- S L Kumbhare, Anne Koshy and Rashmi Darad*

Abstract

Despite the increasing credit flow to the agricultural sector in the recent past at the aggregate level, the number of agricultural loan accounts with the banking sector has not been keeping pace. This symptom coupled with the increasing average loan size per loan account, possibly points to inadequate credit access to small, marginal and tenant farmers who constitute a majority of the farmers in the country. In order to contain the increasing transaction costs while dealing with larger number of small value accounts, the group mode of financing has been focussed by NABARD and policy and operational guidelines for financing of Joint Liability Groups (JLGs) of farmers especially the tenant and oral lessee farmers as well as sharecroppers have been issued by NABARD. Banks should position JLG financing as a good business proposition in view of the simplified documentation, group dynamics, good repayment culture and prospects of credit enhancement to quality clients. Continued and hassle-free access to credit coupled with support from the state government and other extension and promotional agencies in terms of forward and backward linkages will facilitate graduation of these target groups. Specialised JLGs of farmers in potential areas would start contributing positively to the agriculture value chain and thereby enhance agriculture production and productivity besides ensuring food security to the vulnerable sections. Banks may support this national initiative in right earnest for facilitating credit flow to target farmers through the JLG mode in the ensuing cropping season.

Banks may support to enhance agriculture production and productivity in right earnest for facilitating credit flow to target farmers through the JLG mode in the ensuing cropping season.

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Views expressed in the paper are those of the authors and do not necessarily represent the views of the organisation to which they belong.

Introduction

A study on Doubling of Credit Programme from 2004-05 to 2006-07 states that, "at all India level, institutional credit flow through the scheduled commercial banks increased from Rs.25,255.93 crore as at the end of June 2003 to Rs.1,15,265.86 crore as at the end of June 2007, registering a compound annual growth rate (CAGR) of 47%. During the same period, the number of accounts increased from 70.07 lakh to 155.37 lakh and registered an annual CAGR of 22.15%. Similarly, average loan per account increased from Rs.36,040 to Rs.74,189 during the period 2004-07 (NABARD, 2009)". Thus the growth in credit flow between 2003 and 2007 resulted in both credit widening (increased accounts) as well as credit deepening (increased loan per account) (NABARD, 2009). While the overall scenario looks promising, the same report highlights the poor number of marginal and tenant farmers, share croppers and oral lessees financed during the same period. Co-operatives and RRBs expressed their inability to identify such beneficiaries mainly due to lack of evidence / proof of lease and adequate security. Moreover, some of these small/ marginal farmers do not have a clear title of the land, rendering them ineligible for credit from banks. Even the small farmers who have clear title over their land are deprived of bank credit due to their inadequate security, their inhibitions to approach the banks and many a time due to bankers' apathy towards such micro borrowers. Land owned/ cultivated by small/ marginal/ lessee farmers suffer from low productivity as they are deprived of the use of proper inputs (HYV) and appropriate technologies due to non-availability of timely and adequate credit. This has in the long run resulted into low private sector capital formation. It is therefore not out of context to say that banks' (including co-operative and regional rural banks) exposure to small marginal tenant farmers and oral lessees is poor.

NABARD's efforts in initiating a pilot project on SHG-bank linkage (SHG-BL) in 1992 had enabled the banking system to enhance their outreach and build a quality credit portfolio with unbanked segments of rural India. But there still remains a need for designing flexible banking products for different class and segment of borrowers. RBI in its monetary policy statements has also articulated the need for rural bankers to develop products and innovative delivery mechanism so as to effectively and efficiently reach the rural segments using unconventional approaches. In response to these needs, NABARD initiated a pilot project on Joint Liability Group (JLG) as a possible solution to targeting mid-segment clients with flexible and affirmative credit systems. There was evidence from the SHG-bank linkage programme that peer education, peer pressure and peer monitoring systems serve as good substitutes to conventional collaterals. These approaches also serve as a mechanism for externalising, many of the routine and mundane functions of the rural bank branch. Added to this internal learning was the well-documented experience of Bank of Agriculture and Agricultural Cooperatives (BAAC), Thailand that had made pioneering efforts in reaching out to over five million farm families in their country, using the JLG mechanism which Constitutes 92% of the agrarian families in Thailand that have sustainable access to credit services from BAAC (Suran 2008). With this fore knowledge, the Pilot Project formulated by NABARD attempted to develop an effective credit product for the mid segment client, which reduces risk and transaction costs for the banker and also introduces a greater degree of flexibility for the credit user to determine his/her needs and priorities. In essence, it is about "**hassle-free credit for agriculture and other rural enterprises**".

To address these issues of access to credit and to contain transaction cost for borrowers as well as lenders, it was envisaged that the group mechanism of financing will be useful and accordingly, guidelines were issued by NABARD in 2006 on JLGs. The concept of JLG envisaged to: (i) resolve the issue of the security for the loans being granted by the bank as the Joint Liability Agreement and peer pressure in the group serves as security for repayment of bank loan; availability of farm inputs on time to the small farmers as the credit is available to them at reasonable cost; (ii) group activity may culminate into mutual trust which may lead to benefits of scale in farm operations like purchase of inputs, processing, marketing, etc., (iii) access to use of appropriate farm technologies; and (iv) increase in farm production, productivity leading to higher food production and positive impact on GDP.

The JLG concept evolved by NABARD is thus designed to address the credit needs of small and marginal farmers (SF/MF) who are unable to access bank credit due to their low financial position and their inability to access collateralised loans partly on account of fragmented or no land holding. JLGs thus ensure adequate and timely credit with technical and marketing support to SF/MF, tenants and rural poor (associated with rural NFS activities) to realise higher income levels rather than mere access to credit.

As indicated above, the JLG concept was crystallised in 2006 and the scheme features and operational guidelines were issued by NABARD in September 2006. Banks' finance to JLGs increased to a great extent but progress was mainly seen in a few states like Kerala, Tamil Nadu, Andhra Pradesh, Orissa, Bihar, and a few other states. One of the main issues that needed to be studied was the pace and implementation of the programme in few states and lack of progress in other states. Consequently, a series of studies and visits were conducted by the Innovations Department, NABARD.

Approach to studies on JLGs

A series of studies were conducted between 2006 and 2009[1] on the experiences of different agencies promoting JLGs in various States. The studies were more in the nature of impressionistic assessments and were based on information gathered from field and the discussions held with various stakeholders like banks, JLG promoting agencies and the members of JLGs.

This paper documents some of the case studies in the states like Andhra Pradesh, Kerala, Maharashtra and Tamil Nadu. The case studies in select states, answer some of the questions relating to, Why the JLG were formed? Who formed the JLGs? How the issues relating to credit plus were addressed? How long the hand holding support was needed by JLGs[2]? Whether the basics of group approach continued in terms of savings[3] and group meeting with JLGs? Whether the recovery of loans was as per expectations? All studies do not answer all questions, but each study looks into some of them.

I. Kuttanad Vikasana Samiti (KVS), Kerala

KVS is working as an NGO with paddy cultivators in Kuttanad area of Kerala. Kuttanad, known as the rice bowl of Kerala is a marshy delta in the southern part of Kerala, lying below the sea level up to a depth of 2.5 meters. The area remains waterlogged for most part of the year on account of floods during the monsoon months and saline water intrusion during the summer months make farming risky and difficult. Paddy being the main crop, constant dewatering is necessary in the context of the peculiar topography of Kuttanad.

KVS started functioning under the SHG-BLP from 1997 and so far they have promoted 786 SHGs. SHG members who undertake different activities could access financial assistance from banks, limited to their savings. About 45% of the farmers are landless in Kuttanad and had difficulty in getting finance from banks to cultivate their leased land[4]. Activity based JLGs, culled out from the matured SHGs, were conceived as a solution to these problems.

State Bank of Travancore credit linked 38 JLGs of paddy cultivators in 2006. Thus landless labourers were brought within the fold of formal banking system. The JLG farmers holding small sized farms could take additional land on lease for cultivation. The JLG concept gave an opportunity for many agricultural labourers to become farmers.

KVS has promoted 295 different types of JLGs in the agriculture and allied sector. These included JLGs of (i) Paddy cultivators (267), (ii) Rabbit rearing farmers (3) (iii) Dairy farmers (13), (iv) Haritah- vegetable cultivation (10), (v) Fish farmers (2).

The JLGs have a name for proper identification and operate a joint account in the bank. Model bye-laws have been prepared by KVS for the benefit of the JLGs. Monthly meetings are compulsory. Savings, though not compulsory, are encouraged.

The benefits of financing through JLGs which reduced the transaction costs for banks resulted in State Bank of Travancore coming out with credit products like Annapoorna - Microfinance scheme for undertaking paddy cultivation. SBT finances JLGs only on the basis of the recommendations of an NGO. Recovery rate was around 90%.

Thus the (i) JLGs were activity specific and were culled out from the matured SHGs. The JLG members were members of the SHG as well as the JLG, (ii) The bank was willing to finance for cultivation on leased in land through JLGs only on the recommendation of the NGO, and (iii) The NGO was active and was in a position to hold dialogue with the bank for credit linkage as well as with the state government and the central government for solving the issues of the farmers.

II. Gandhi Smarak Gram Seva Kendram (GSGSK)

The NGO, well known in Kerala as GSGSK, was established in the year 1958 as non profit, non political organisation. GSGSK works in 71 gram panchayats, 17 block panchayats and 5 municipalities. The GSGSK launched its microfinance services in 1998 and has promoted 4,298 SHGs of which 2,649 were credit linked. It also works as a Microfinance Organisation and extends loans to the JLGs by taking bulk finance from banks.

To help the SHG members to undertake income generating activities, NGO promoted 996 JLGs in farm as well as non-farm sectors.

Under the farm sector, JLGs were formed for paddy cultivation, cattle rearing/ dairy farming, fruits and vegetable production (harita samruddi), homestead poultry farming and fish farming in fresh water, offshore fishing and fish-processing (matsya samruddi) and production of bio pesticides and other inputs for organic farming.

In the non-farm sector, JLGs in umbrella making, transport industry, jewel making, note book manufacturing, for coir development, kora grass articles (naturally occurring wild grass for articles like floor mats, door mats, etc) have been formed.

The NGO thus through its various sub centres was promoting JLGs both in the farm and non-farm sectors. JLGs were culled out of SHGs for activity specific purpose. While the banks linked 332 JLGs, the GSGSK also gave loan to 190 JLGs. The rate of interest charged by GSGSK was around 14%. The unmet credit demand of the JLG members for higher quantum of loan was met by GSGSK through its own lending programme.

III Kely Farmers' Club - Pattanakad, Kerala

The Kely Farmers' Club, initially a sports club, transformed itself to farmers' club in 2006. The Kely Farmers' Club has promoted 105 SHGs and 46 activity based JLGs. The Kely Farmers' Club was sanctioned Rs.3.45 lakh grant from NABARD for establishment of an office and for promoting JLGs and training of the members and credit linking of the JLGs to banks. The Club arranges skill based training and other support to the JLG members at a cost. The JLGs were extended Rs 66.98 lakh loan by State Bank of Travancore.

Default by even one member of the JLG results in the other members of the group defaulting to the bank. There was a default to the bank by one of the JLGs. In the event of a default, principal was repaid by the non-defaulting members while interest was collected from the defaulting member. This enabled the JLG to get a fresh loan from the bank. As soon as the fresh loan was sanctioned and disbursed, the defaulting member compensated the other members by repaying the amount of default (principal) borne by them. An apprehension was expressed that similar defaults by more group members (even two) would be difficult to absorb (See Box for an experience of JLG).

Box: Kinkiny JLG, Kerala

The borrowers who could not get loans for dairy farming from the local banker because of his lukewarm response, organised themselves into a JLG on the advice of PCARDB (Long Term Co-operative Credit Structure), Irinjalakuda. The JLG has six members and was a mixed group comprising of three male and three female members. The area being conducive for dairy farming with **requisite backward and forward linkages,** the group decided to take up dairy farming and also enrolled themselves with the local milk **marketing** society. At the time of the field study it was observed that each of the members of JLG owned between 2 and 4 cross bred milch cattle with an average per animal milk yield of around 10 litres/ day. The **cross bred cow** milk was sold in the local milk society and members earned a net income of approximately Rs.1,000 from each milch cattle per month and were prompt in repaying their loans (Suran, 2008).

IV. Experience in Andhra Pradesh

The Government of Andhra Pradesh has promoted Rythu Mitra Groups (RMG). The 10-15 member RMGs receive group loans given on the basis of group guarantee. But all members of the RMG also avail of crop loan through KCC. Over a period of time banks extend group loans ranging from Rs.50,000 to Rs.1.00 lakh per RMG. An RMG which started with a first loan of Rs.0.50 lakh was provided up to 1.00 lakh in the third dose.

Quantum of loan was worked out on the basis of scales of finance and land operated by the farmers but corpus fund of the RMG was netted out while working out credit support. Savings and subsidy if any, constituted the corpus of an RMG. No group was given more than Rs.1.00 lakh till the time field work was undertaken. Interest charged on bank loan was 12% while internal loans from out of the RMGs' savings carried interest rate @ 24% p.a[5]. *The income earned from interest differential helped to augment the corpus of the RMG which eventually enabled the RMGs to access loans from banks.* Even though the loans were expected to be collateral free, banks lent to the RMG on the strength of the Groups' Savings plus value of land holdings plus hypothecation of crops. Peer pressure worked for repayment of loan. In the absence of peer pressure, the RMG members unanimously decided to stop accessing bank loans. It was observed that bankers had comfort of lending to JLG members who had own/ leased land. Within the RMG, tenant farmers with no registered document or lease were not favoured for loans while farmers with even 30 guntas (0.75 acre) of land were extended loans.

Crop loans were advanced as individual loans to the members of the RMG on the basis of the land holding under KCC mode and the benefit of interest subvention was given to the farmers. Interest charged was 7%. All the land holding members of the RMGs were invariably availing two types of loans-crop loan under KCC and share in the group loan was also availed of under JLG mode.

RRBs and commercial banks were participating in the financing of RMGs. In the districts visited, the RRBs gave only group loans while SBI advanced individual term loans under JLG mode for dairy, land development, etc. Individual loans were decided on the basis of requirement of the individuals.

V. Experience of Maharashtra

Shri. R.V. Patil one of the members of a JLG financed by Rajur Branch of RRB in Jalna district used the loan of Rs.20,000, availed through the JLG mechanism, for seasonal agricultural operations on his 8 acre farm. Farming continued to be mainstay for his livelihood though he was also serving as an LIC agent to supplement family income. The medium income group farmer appeared a very satisfied client of JLG. The quickness with which the loan was sanctioned has been the primary comfort level for the customer, even though the loan sanctioned was inadequate. For him SHG mechanism was too time consuming and described financing SHGs as "*Group keliya loan*" where as financing JLGs is "*Loan keliya group*".

VI. Experience in Tamil Nadu

In Tamil Nadu, JLGs are primarily promoted through PACS with state government support. During the last two years, 20,000 JLGs have been promoted and linked with the co-operative credit structure. The state government of Tamil Nadu is supporting this project by providing a Revolving Fund Assistance of Rs.10,000 to the corpus of each JLG comprising 10 members. The JLGs use the Revolving Fund Assistance for purchase of implements like power tillers etc for the common use of the JLG (See foot note 6). The focus of the programme is to cover new farmers who are in possession of land (owned or leased). The Tamil Nadu Apex Cooperative Bank and Agriculture Department invest heavily in training and capacity building of the JLGs.

VII. Conclusions

Joint Liability Groups (JLGs) is an initiative towards financial widening and deepening and small and marginal farmers, tenants are extended credit by banks for cultivating their own land and land taken on lease. With the support of the JLG mechanism, hitherto excluded/ marginalised farmers can access saving and credit facilities. If we go a step further, as seen in Kuttanad, Kerala some of the agricultural labourers could become farmers due to the JLG mechanism. *Banks and other Joint Liability Group Promoting Institutions are being incentivised for formation of crop/ commodity specific and activity- specific JLGs to facilitate pooling of demand for seeds, raw materials and other inputs as well as to provide an opportunity for sorting, grading and aggregating farmers' produce and negotiating for better prices in order to improve their slender financial margins.*

Although various organisations including state governments are financing JLG and JLG like organisations on an increasing scale, these do not necessarily conform to NABARD norms of JLG promotion. It is estimated that there are about 40,000 JLGs financed by bank up to March 2010. NABARD has resolved to promote JLGs on a mission mode during 2010-11 and expects to provide support for at least 1lakh JLGs. Support to JLGs can help in increasing the credit flow by Rs.2,000 crores. JLGs will also promote better recovery environment and banks will be keen to extend credit to hitherto uncovered population. There may be an immediate need to promote JLGs to bridge the credit gap in the agricultural sector but experience has shown that the allied sector activities covering dairy, poultry fish rearing rabbit rearing, etc., have also benefited immensely from the higher quantum of credit being received as JLG members.

The JLGs aim at integrating financial and real sectors. The concept provides access of credit to small, marginal and tenant farmers and also aims at providing extension services for cultivating crops scientifically and providing market opportunities to realise better prices for agriculture output. Further, pooling of labour, common infrastructure, joint marketing, are credit plus benefits which have enhanced the income of JLG members.

The provision of credit through the JLG mode is also being actively encouraged by a few state governments[6]. Such incentives, creation of enabling environment and overall government support will enable the JLG movement to expand faster[7]. Field experience has shown that basic tenets of SHG approach in terms of savings and regular meetings was equally important in improving group dynamics and cohesiveness of JLGs.

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Notes

1 Studies conducted in 2006 and 2009

State	Districts studied
Tamil Nadu	Sivaganga
Kerala	Allepey
Andhra Pradesh	Karimnagar & Medak
Karnataka	Bidar
Maharashtra	Jalna

2 The success of all the developmental programmes which involve participation of the rural poor- SF/MF/Weaker Section of the population depend on proper guidance and support of the external agencies. The hand holding support ensures right from disseminating of the objective of the programme among the participants to its successful grounding and making it work on sustainable basis. Our experience has shown that various programmes such as SHG-bank linkage programme, watershed, REDPs, Cluster Development, etc., have succeeded largely in the areas where the hand holding support was properly ensured. The question, however, arises as to how long the hand holding support needs to be provided in a programme.

3 Although initially the saving element was not considered as a must in the JLG concept, it is desirable to include this component in the programme. Regular savings of affordable amounts not only helps in inculcating saving habit among the farmers (for meeting their investment/ consumer needs, contingencies) but also facilitates their coming together on regular basis helping to promote mutual trust. Additionally,

these savings will be credited in their bank account which will improve their rapport and credit with the bank.

4 JLGs of tenants farmers resorting to leased in land are viewed to be non sustainable in view non availability of leased in land for a longer period (3 years or so). The issue requires an examination as leased in land may be available to tenants from different owners.

5 Field experience suggests that cost of cultivation accounts for about one third of gross value of crop output. Inclusion of rent for leased in land increases the share to about 60% of gross value of crop output. The remaining 40% of gross value of crop output is still left with the farmer. Interest paid on borrowed funds for about 6 months accounts for 5% and 10% of cost of cultivation without and with inclusion of rent for leased in land. Thus crop production continues to be an economic activity in normal year. Economics of activity with weather risk and high interest calls for an in-depth study.

6 Barker Hayami Hypothesis elucidates that the production can be improved in the long run, through creation of infrastructure but in the short run subsidies can be given to achieve the objective (Kumbhare and Sen) and against this background revolving fund can be justified or interest subvention / subsidy on the lines of crop loan can also be given to JLG members.

7 Government of West Bengal has recently issued a notification enabling the PACS to enroll JLGs as members of PACS. State governments have also played an important role in the expansion of the SHG-bank linkage programme.

Group Functioning and Group Stability: A Micro Level Study from Rural Orissa

- Anugya Sarap*

Abstract

In the absence of credit, the poor are unable to participate in productive activities and thus deprived of getting any benefit from the development opportunities. The paper analyses the functioning of group based lending, especially of women in the context of two villages located in the district of Bargarh, Orissa. The paper suggests that in order to make microfinance sustainable in the long run there must be growth in the income generating activities in the local economy through diversification of activities so that demand for the goods produced by members would find market. This would facilitate repayment of loan. The paper concludes that the stability of the majority of the groups has been possible due to their proper functioning in terms of various parameters viz., solidarity, saving mobilisation, proper utilisation of loans, etc. However, the problems of default, if any, need to viewed seriously and should be tackled jointly by banks, NGOs, promoters as well as sincere efforts by group members themselves.

In order to make microfinance sustainable in the long run there must be growth in the income generating activities in the local economy through diversification of activities.

I Introduction

Poor people in low income countries have little access to formal financial markets for reasons such as their inability to offer any collateral guarantee, lack of formal credit history and high risk in their production activity. As a result, they have to rely on meager self-finance or informal sources of loan. But the cost of borrowing from informal institutions is very high. In the absence of cheap and timely credit, the poor

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are unable to participate in productive activities, and are thus deprived of getting any benefit from the development opportunities. In response to this, some financial institutions such as Grameen Bank of Bangladesh have tried to provide credit to these borrowers from poor households, including poor women, through the use of innovative lending scheme such as group lending programme that has spread in many third world countries including India.

The group lending programme focuses on the formation of small group among poor producers with a view to providing loan on easier terms and without any strings attached in the form of a collateral guarantee. Group Members are held jointly responsible for the repayment of each other's debt. Formally speaking, what joint liability does is to make any single borrower's terms of repayment conditional, on the repayment performance of other borrowers, in a pre-specified and self-selected group of borrowers. The group lending programmes have been using a variety of innovations including various forms of dynamic incentives such as re-lending with regular repayment schedules, and collateral substitutes to help maintain high repayment rates (see Morduch 1999).

Against this backdrop, this paper analyses the functioning of such group based lending, especially of women in the context of two villages located in the district of Bargarh, Orissa. The first section provides a brief analysis of the principle of working of microfinance. The second section gives a description of the site of the study, method of data collection and socioeconomic background of the SHGs. The third section analyses the genesis and working of the SHGs in the study area. The fourth section discusses the savings and credit management of the groups. The next section analyses the linkage of self-help groups (SHGs) with formal financial institutions and distribution of bank loan among the members and its repayment. The last section identifies the problems encountered by SHG members in the study area followed by a brief summary and factors contributing for successful SHG-bank linkage programme.

Peer selection

Screening of potential loan applicants is a costly activity for any credit institution. At the same time, borrowers from the same locality are expected to have some information about each other's projects. Therefore, one way of looking at loan contracts based on self-formed groups is that, the potential borrowers select their group members in a way that is based on local information about each of the members. The key is that, a group-lending scheme provides incentives for persons of similar interest to come together to form a group such that persons with dissimilar interest automatically stand excluded from the group (Ghatak,1999). As such the group becomes homogeneous in terms of its socio-economic characteristics and each member shares the same type of goal.

Peer monitoring/pressure

Group lending also cautions borrowers not to take risk that may undermine the bank's profitability (Stiglitz 1990, Beslay and Coate 1995). In a group-lending contract, it can create a mechanism that gives borrowers an incentive to choose the safe activity. The borrowers in each group have the requisite ability to enforce the contract among each other and jointly decide the type of activities they would undertake. By exploiting the ability of neighbour to enforce contract and monitor each other's activities, the Group Lending Contract offers a way to lower the equilibrium rate of interest and raise expected repayment rates. In order to get future access to credit, the group can encourage the defaulter member to pay her share of repayment using peer pressure or offers to pay the member's share which is called group solidarity.

Dynamic incentives

The group-lending programmes basically begin by lending small amounts of money and then gradually increase loan amount upon satisfactory repayment of earlier loans. Incentives are enhanced further if borrowers can anticipate a stream of increasingly larger loans (called progressive lending). Dynamic incentives also work better in areas with relatively low mobility such as rural areas. One important advantage of progressive lending is the ability to test borrowers with small loans at the beginning. This feature allows lenders to develop relationship with clients over time and that in turn helps weed out any anticipated problem before enhancing the loan amount (Ghose and Ray, 1997).

Dynamic Incentives also help to explain the advantages found in lending to women. The lower mobility of women may be a plus point, where ex-post moral hazard is a problem (i.e., where there is a fear that client will 'take the money and run'). Further, where women have fewer alternative borrowing possibilities than men, dynamic incentives will be increased.

Regular repayment schedule

In microfinance programme, repayment must start immediately after disbursement of loan. In a traditional loan contract, the borrower gets the money, invests it, and then repays in full with interest at the end of the term. But in the microfinance programme the repayment, a part of principal and interest charges, starts a couple of weeks after the disbursement of loan. Regular repayment schedule weeds out undisciplined borrowers. They give early warning to peer group members about the emerging problems. This situation allows the group lenders to get hold of cash flows before they are consumed or otherwise diverted to some other activity.

In India group lending has spread to different regions and states including Orissa.

There are two types of microfinance models in India- self-help groups (SHGs) model and microfinance institution model. SHGs are formed informally with usually less than 20 members who meet regularly, usually once or twice in a month and also to collect some small amount of savings from each member every month. While they are formed with the encouragement of governmental agencies or banks or NGOs, they are expected to select their own members.[1] A bank ensures that certain conditions are fulfilled before declaring a group eligible to be linked to a local bank under a National Bank for Agricultural and Rural Development (NABARD) sponsored programme called SHG-bank linkage programme. These conditions are such as regular contribution of group members, providing loan to their members and maintaining records and accounts satisfactorily in a prescribed format at least for five to six months. Norms are laid down for the maximum size of the initial and successive bank loans on the basis of increasing ratio of funds owned by the group. The SBLP is a home-grown model and unique to India.

On the other hand the Microfinance Institution (MFI) model is found in different parts of the World. The MFI acts as an intermediary, much as the SHG does, but borrows in much larger amounts from the banks for a much larger number of members. These members are also organised into groups, whether the classic five-member Grameen Bank type group or larger "Joint Liability Groups" (JLG), or even SHG.

Lending to groups, or whatever they may be called, entails the Joint as well as individual liability of all members. The Joint liability is more moral than legally enforceable, and is exercised through peer group pressure and the prospect of being denied future loans ensures that the members do not default on repayment.

The essential difference between the SHG model and the MFI model is that in the case of SHGs, the loan is a single loan to the group as a whole, which decides how to allocate it to its members, while in the case of other groups, the MFI records and tracks loans in the name of individual borrowers, although the task of disbursement and collection is made easier and cheaper by the group mechanism (Ghate, 2007)

Microfinance services are available in Orissa from two sources. They are (a) formal institutions such as Commercial Banks and Cooperatives and (b) Non-governmental Organisations (NGOs). Both types of institutions follow the SHG model in the state.[2]

With this conceptual background, the working of SHGs in the district of Bargarh, Orissa, is discussed with special reference to two villages namely Kumelsingha in Attabira Block and Khuntpali in Bargarh Block.

II Location of the study

The study was conducted in the district of Bargarh. Two villages namely Kumelsingha from Attabira block and Khuntpali from Bargarh block were selected after going through the progress report of women's self-help groups of Bargarh district and talking to officials at the District Welfare Office, Bargarh. The list of SHGs, working in both the villages was prepared from the monthly progress report as well as after talking to Anganwadi workers. The groups were classified on the basis of their performance into three categories, viz., A, B and C, wherein groups belonging to category A had recorded good performance, category B showed medium performance and category C showed poor performance. Groups belonging to all the categories were selected for our study. The list of SHGs belonging to different categories, with group size and years of functioning are given in Table 1. For our study, only women SHGs that has been working for three years or more were selected. All the SHGs in both the villages were sponsored by Integrated Child Development Scheme (ICDS) organisation.

Method of data collection

Primary information was collected from the group members including office bearers namely President and Secretary of different SHGs groups with the help of a questionnaire and direct interview. The data relate to the year 2007-08.

The information on SHGs relate to functions of group, socio-economic characteristics of group members and their family, meetings held by the groups, details of savings, credit, loans advanced, rate of interest charged on loan, repayment of loan, procedure of utilisation of own funds, linkage with bank, lending by banks. Information was also collected on their achievements and problems faced by the groups and their members, and from the related institutions with which the groups interacted.

Discussions were held with the promoters (Angawanwadi workers), the President, the Secretary, and some members of the group in order to get insights on the functioning of the groups. A brief discussion on some characteristics of the population of Kumelsingha and Khuntpali villages is given below.

Kumelsingha village

Kumelsingha village has 656 households with 3157 persons of which female population constitutes 50.05% of the total as per 2001 census. All are classified as rural population. SC and ST constitute 29.1% and 26.3% of the total population respectively. These two groups together constitute 55.4%, which is much higher than that of overall Orissa level (about 39%). The overall literacy level among the population is 60.8%. It is 70.7% among the male and 50.7% among the female population. Of the total workers, agricultural labourers constitute 57%, workers in household industries constitute 0.4% and other workers constitute 16.2%.

Khuntpali village

This village has 866 households with 4377 persons of which female population constitutes about 50% of the total. All are classified as rural population. Of the total

Table 1: Size of self-help groups promoted by different organisations and age of the groups in study village (Kumelsingha)

Sl. No. of the Group	Gradation of group of group	Age of the group (in Years)	No. of members per group	Caste back Ground of members	Land Status (In acre)*	Main Ocu/ Sec. Ocu	% age under BPL/ APL	Literacy level (in %)	Age group	Average size of family
Kumelsingha										
Ku-1	A	6	12	SC (100%)	63.60% Avg land=1.02 ac SD=0.44	AL/HW	All BPL	Literate=63.6 Upto Primary=71.4	34 to 42	4.9
Ku-2	A	5	17	OBC (65%) ST (18%)	92.80% Avg land=1.5 ac SD=0.7	A.L/Weaver	85% BPL 15% APL	Literate=78.6 Upto Primary=70	20 to 55	5.6
Ku-3	B	5	12	OBC, SC &ST	83.30% Avg land=1.2 ac SD=0.68	A.L/ Weavers/ HW	66% BPL 34% APL	Literate=83.4 Upto Primary=80	22 to 45	5.7
Ku-4	A	3.5	12	OBC, SC &ST	91% Avg land=1.7 ac SD=0.85	AL/ Weavers/ Shopkeepers	83% BPL 17% APL	Literate=91 Upto Primary=90	26 to 44	5.7
Ku-5	B	5-Mar	12	SC (100%)	100% Avg land=1.8 ac SD=0.59	AL	83% BPL 17% APL	Literate=75 Upto Primary=100	25 to 42	5.8
Ku-6	B	4	14	SC (100%)	100% Avg land=1.4 ac SD=0.64	AL	All BPL	Literate=72.7 Upto Primary=91	22 to 45	5.5
Ku-7	C	6	16	SC (100%)	68.70% Avg land=1 ac SD=0.5	AL/HW	All BPL	Literate=0	23 to 45	5.8
Khuntpali Village										
Khut-1	B	6	15	SC (100%)	86.70% Avg land=1.9 ac SD=0.9	AL/Weaver	73% BPL 17% APL	Literate=80%, Upto Primary=50%	25 to 45	5.1
Khut-2	A	6	10	OBC (100%) Weavers	100% Landless	Weaving	All BPL	Literate=100% Upto Primary=70%	25to45	5.2
Khut-3	B	4	13	OBC (100%) Weavers	100% Landless	Weaving	All BPL	Literate=100% Upto Primary=77%	26 to 42	4.8
Khut-4	C	3	11	Mixed Castes	100% Avg land=2.5 ac SD=1.04	AL/ Weavers/ HW	70% BPL 30% APL	Literate=80% Upto Primary=50%	25 to 42	5.6
Khut-5	B	3	10	ST (100%)	72.70% Avg land=1.4 ac SD=0.59	AL	90% BPL 10% APL	Literate=91% Upto Primary=100%	30 to 42	4.8
Khut-6	C	3	16	SC (68.75%) ST (31.25%)	31.25% Avg land=1.6 ac SD=0.53	AL	70% BPL 30% APL	Literate=62% Upto Primary=80%	25 to 40	6

Note: Decided in a formal meeting of the members in the presence of the sponsorer/ facilitator.ku1=Ghanteshwari, ku2=Veer Bajrang, ku3=Jai Maa Samleshwari, ku4=Maa Narayani, ku5=Narayani, ku6=Brundabati, ku7=Jay Laxmi. Khut1=Om Shanti, khut2=Maa Samleshwari, khut3=Taranishwari, khut4=Maa Santoshi, Khut5=Jay Durga, khut6=Maheshwari,

* Percentage of members operating land, Avg land-Average size of operating land per member SD- Standard deviation of land holding

Source: Field survey

population SC and ST constitutes 11.7% and 7.3% respectively. These two groups form 19% of the total population of the village, which is nearly half of the state average of these groups.Of the total workers, agricultural labourers constitute 32.2%, workers in household industries form 22.3% and other workers constitute 18.3%. Weaving is the major household industry in this village. *Bhulia* caste is famous for this activity. Some SC families are also engaged in this activity. The high proportion of agricultural workers in both the villages and household industries in Khuntpali are major source of demand for microfinance.

Formation and structure of SHGs and their socio-economic background in the study villages

Each of the groups has been formed at a formal meeting held by members at the office or residence of the facilitator that is the *Anganwadi* workers, in both the villages. One person from each family is taken as a member of the group. Each member should be willing to accept the objectives and goal of the group. All the members have voting right automatically and elect the office bearers namely the president and the secretary. Each group has its own rules and regulations developed by it. Though the rules and regulations vary from group to group, still most of them have certain common features. Most of the groups are homogenous in nature in terms of member's place of residence (i.e., in the same locality), gender (only female members), and socio-economic status.

The number of members per group varies between 12 and 17 with an average size of 13.6 in Kumelsingha village and it varies between 10 and 16 with an average size of 12.5 in Khuntpali village (see Table 1). It is the general understanding of the promoters of groups that the number of members in a group should be below 20 so that there is no need of registration of the group under section 11 (2) of the Company Act 1956.

More than four-fifth of the members of different groups belong to SC/ST and other backward caste and do not posses land of their own, and those who possess land have a tiny amount only and are poor. There exists purely SC or ST or a Bhulia caste group (artisan caste engaged in weaving). It was found that 61.54% groups (8) were single caste groups, which tends to homogeneity in group. The rest 38.46 groups (five) were mixed caste groups in which SC, ST and OBC are members.

In most of the groups majority of the members have low level of education that is up to primary level. It is this characteristic of the membership that renders book-keeping and accounting challenging.

One common feature noticed in most of the groups was that majority of the members were agricultural labourers and supplemented their livelihood with petty trading or selling commodities. Besides, weaving was major occupation of the artisan caste members.

The age of the members ranged from 20 to 45 years except in one group in Kumelsingha village, which had members in the age group of 20-55 years. The size of family members varied from 4 to 8, with some variation across different groups in both the villages.

Selection of office bearers

The president and the secretary are the office bearers of the group and are selected by members themselves. In most of the groups, members select their leader who had achieved particular level of literacy such that she could maintain records, take initiative to motivate the members for the group activities, and talk to bank officials on behalf of the members. The literacy level of both the president and secretary was found to be higher than that of most of the group members.

One important fact found in both the villages was that the president and the secretary have been continuing in their post since the inception of the group in three of the seven groups in Kumelsingha village. In the rest of the three, there was change of office bearers two and half years ago. In case of Khuntpali in five of the six groups the same persons are continuing in the same post.

III Functioning of the SHGs

Frequency of meeting, attendance and awareness among the SHGs members about the working of the group:

Generally the meeting of the groups takes place in the evening to facilitate the members to attend it conveniently after completion of their day's work. The meetings of the groups take place either at the house of Anganwadi workers, at the initial stage of group formation or at her office or at the meeting hall of panchayat office as is the case now in Khuntpali. As these places are located inside the village, the members find it convenient to attend the meeting in the evening.

During the initial stage of formation of the group, the promoters of group had to take initiative in persuading the members to attend the meeting as disclosed by them in Khuntpali village. An Anganwadi worker told us that she had to persuade the members even by going to their houses time and again for attending meetings. During the initial stage few members showed lack of interest because of which they came late to the meetings. The members became regular and started attending meetings in time after two or three months of formation of groups. This is common in both the villages. Most of the groups have been stable since their inception. Similarly it was rare for the members to drop out of the group (see also Ghate 2007). This aspect has been discussed in detail in the last section.

In the initial year of formation of the group four meetings were held per month. Later on it was reduced to three and then to two. This is the situation among groups in both the villages with some variation across the groups. At present, meeting is held once in a month in Khuntpali village. Thus, the average number of meetings held

Table-2: Frequency and attendance of meeting, and awareness of rules of SHGs among the members of groups in study villages

Sl. No. of the Group	Frequency of Meeting	Percentage of members present in the meeting	Percentage of members actively participate	Knowledge of SHG Rules (In %)	Functioning of SHG (In %)	Procedure of SHG Meeting (In %)	Maintenance of Bookkeeping (In %)
Kumelsingha							
Ku-1	Weekly	75%	100%	55.55	81.81	100	27.28
Ku-2	Weekly	90%	100%	100%	78.57	100	14.29
Ku-3	3 times per month	80%	80%	50%	83.33	83.33	41.67
Ku-4	3 times per month	100%	100%	72.72	81.81	100	18.19
Ku-5	Twice a month	100%	100%	66.66	66.66	100	41.67
Ku-6	Monthly	85%	90%	71.42	85.71	85.71	35.72
Ku-7	Twice a month	75%	80%	62.5	75	100	12.5
Khuntpali Village							
Khun-1	Monthly	67%	90	86.66	86.66	73.33	40
Khun-2	Monthly	100%	100	90	80	100	20
Khun-3	Monthly	92%	90%	84.61	61.53	84.61	0
Khun-4	Twice a month	80%	60%	90	80	90	0
Khun-5	Weekly	82%	80%	63.63	63.63	54.51	18.19
Khun-6	Weekly	88%	85%	87.5	75	100	0

Note: Decided in a formal meeting of the members in the presence of the sponsorer/ facilitator ku1= Ghanteshwari, ku2=Veer Bajrang, ku3= Jai Maa Samleshwari, ku4= Maa Narayani, ku5= Narayani, ku6= Brunbdabati, ku7=Jay Laxmi. Khu1= Om Shanti, khun2= Maa Samleshwari, khun3= Taranishwari, khun4= Maa Santoshi, Khun5= Jay Durga, khun6= Maheshwari

Source: Field survey

per month in the initial years of functioning of the groups is relatively higher in comparison with the number of meetings in the later years.

Majority of members in different groups, in both the villages, attend meeting (see Table 2) unless someone has gone out of the village, or has health problem or some urgent work. If a member does not come in time then some members go to her house and call her to the meeting. It has been found that more than four-fifth of the members participate actively in the decision-making. Given their caste uniformity and homogeneous socio-economic background, members feel free to discuss in the meetings and participate actively.

Subject matter discussed in the meeting and awareness of members about working of SHG

Members generally discuss a variety of issues relating to group activities, including issues regarding women and children. Majority of group members in both the villages are aware of knowledge of SHG rules, procedure of meeting and functioning of SHGs (see Table 2).

However, most of the members are not aware of maintenance of accounts and book-keeping in both the villages, as majority of them have low level of education. Therefore most of the groups have selected those members as presidents and secretaries who have relatively higher level of literacy in comparison with other members. Further, low educated groups have taken the help of available educated persons in both the villages for maintenance of records relating to SHG related transactions. It is noteworthy that the functioning of SHG groups in both the villages has not been affected due to low level of education of members.

IV Savings and credit management

Generally, all the members of a group decide the amount of contribution to be given by each member per week/month. It is a fixed amount per member of a group but varies from group to group. The amount per member to be fixed, depends upon the financial capacity of the group members. At the initial period of working of the groups, in both the villages, the monthly contribution varied from Rs.20 to Rs.30. Later some groups increased this amount even up to Rs.50 per month as a result of increase in the member's capacity to pay. At present, it varies from Rs.30 to Rs.50 per member in both the villages. Further, members have to pay their monthly contribution as long as they continue to remain as members of the group, even after getting loan from the bank. Each group has fixed a particular date and time in each week/month for deposit of the weekly/monthly contribution to the group savings. The date varies from group to group. Each member has to bring her amount at the time of the meeting.

It was found that, in both the villages certain members were not able to pay their contribution in time in a particular period. In such a case the group has to decide what action is to be taken against such members.

In certain cases other group members pay for the member's contribution and direct the member to deposit the amount during next month/period. The total amount of contribution of members is deposited in the bank account next day or so. This practice is found in certain groups in Kumelsingha village.

In some other cases a fine is imposed on the member. She is supposed to deposit the next monthly contribution along with the current monthly contribution including the fine during next month or as soon as possible. This practice is found among three of the seven groups in Kumelsingha and five of the six groups in Khuntapali village.

All the groups in both the villages deposit the contribution of members in the savings bank account maintained by the group in the nearby bank. The passbook is with the president/secretary of each group.

Regularity in saving

Most of the groups have been able to maintain regularity in generating savings and depositing the amount in their bank accounts, despite the fact that some members have not given their contribution in time. In any case, it has been found that the total contribution of such members during a year is complete. It has been possible due to a number of reasons including other member's help to such defaulters; persuasion of the group to repay and/or fine imposed which the defaulters have to obey. Some members even told us that they have paid the installments from the wage received by them when no fund from other sources was available. Some flexibility practiced by different groups in the receipt of installments of members' contribution has led to the binding of members in the group even if they had difficulty in maintaining payment schedule.

Loan facility availed by members from the group saving

One of the objectives of the SHGs is to meet the credit needs of the poor and to reduce their dependence on informal moneylenders, who charge high rates of interest on loan. Once the members start saving and the amount reaches a desirable level, credit operation becomes viable for the members of the group. Then the group starts lending to its members.

Depending on the availability of funds and nature of need of the members, loan is advanced by the group to its members. Normally all the members of a group unanimously decide as to whom loan is to be given, how much to be given, for what purpose and at what interest rate, etc. It also decides in how many installments the loan has to be recovered from the borrower and the method of recovery if a member fails to repay installments of loan. In the initial years of the functioning of the group a small size of loan was given to needy members of the group, but the size of loan increased subsequently after the size of funds increased. Some members of all groups in both the villages have taken loan from the savings maintained by the groups. It is to be noted that loan is not given to any non-member by any group in both the villages.

During the survey year, eleven members had obtained loan from seven SHG groups, with at least one loan given by each group in Kumelsingha village. The average size of loan taken, varied from Rs.1,000 to Rs.6,000 with an overall average amount of Rs.2,472 per member. Out of 11 loans borrowed 9 have been repaid during the year. Two loans with an average amount of Rs.1,500 are to be repaid. In Khuntpali village nine loans were given to the borrowers by six SHGs, with at least one loan was given by each group. The size of loan varied from Rs.200 to Rs.3,000 with an overall average of Rs.1,822. Out of nine persons who borrowed, seven have repaid the loan during the year. On the whole about 80% of borrowers have repaid the loan. It constituted 89% of loan borrowed. It is to be noted that the number of members borrowing from the SHG funds is relatively lower at present in comparison with initial years of functioning of SHG. This is due to availability of loan from formal credit institutions after linkage with banks.

The loans were utilised by the members for a variety of purposes including urgent medical need, social and production purposes.

Rate of interest charged

The rate of interest charged from the members varied from 24% to 36% per year in both the villages. In five of the seven groups in Kumelsingha and three out of six groups in Khuntpali village, the rate of interest charged was 24% per year or two rupee per Rs.100 of the loan taken, per month. It was 36% per annum in rest of groups in both the villages.

The president/secretary maintains a separate register for management of funds for providing credit to its members. All the groups in both the villages maintain separate register for such loan transactions.

It is important to note that the average rate of interest charged per month/year by the SHG to its members is much lower than the average rate of interest prevailing in the informal credit market in both the villages, which varied from 60 to 120% or more per annum.

Clearly the poor women who have got credit from their own funds have been able to benefit from this innovative system of group activity. Despite the size of the SHG loan being small, it has helped the members in the time of their needs.

V Linkage of SHG with banks

All the groups, selected in both the study villages, have linkages with the banks as per the Reserve Bank of India's directive, April 1996, stating that lending to SHGs should be considered as an additional segment under the priority sector advance by the banks.

These groups have approached the bank for getting credit after a few months. It varied from three months to one year in Kumelsingha and from three to six months in Khuntpali village. The banks have responded to the request of the groups only after a reasonable amount of funds was deposited in the account of the group and more importantly after the group became stable in its savings behaviour among the members. As per the norms the bank can provide loan up to four times of the corpus funds of the group.

Procedure of getting loan from banks

While applying for loan to the bank for the first time, all the members have to go to the bank, at their own cost, to put their signatures on the loan application. All the groups, in both the villages, followed this practice. Once the bank officials get acquainted with the group members, then the office bearers (president and secretary) could operate the bank account (deposit/withdrawal of savings or repayment of loan) without any need for the other members to go to the bank subsequently. Periodically the passbooks are updated so that there is no problem in the maintenance of records.

Loan borrowed from the bank and its repayment status

All the groups had got loan from the bank with which they had linkage. Some groups in both the villages have received more than one loan from the bank. A group is eligible to get a second loan only after repaying the last loan in full. Unlike in group's own funds from where loan was given according to the need and ability of members to repay, the loan received from bank was distributed to all members in equal share irrespective of the fact that whether a member had credit need or not in all the groups in both the villages with some exception, when the loan was utilised by the group as a whole. For instance, in the case of one bank loan in each village (in Narayani group in Kumelsingha and in Maa Tarineshwari group in Khuntpali village) it was utilised for mushroom cultivation by the group as a whole. In another case one loan (in Maa Tarineshwari group in Khuntpali village) was given to members as per their need. Each member had to pay his share of loan in certain installments which was decided by the group.

The borrowing and repayment situations of different groups in both the villages are as follows. First, the situation in Kumelsingha is discussed. All the seven SHGs had borrowed first loan from bank. The size of loan varied from Rs.12,000/- (Kumel g3) to Rs.40,000 (Kumel g7) with an overall average size of loan of Rs.25,857 per group. All the groups have utilised the loan in productive activities and repaid the first loan in full and have availed second loan. The average size of second loan was relatively higher compared to the first loan but with large variation in loan size across SHGs. In case of three groups the amount of loan borrowed was Rs.2.5 lakhs (Kumel V1), Rs.3.22 lakhs (Kume l2) and Rs.2.48 lakhs (Kumel V5). These are the SGSY groups and had taken loan for purchase of animals(cow and goats).The subsidy amount has been excluded while stating the size of loan. The size of loan in case of other four groups (Kumel V3, V4, V6 and V7) varied from Rs.30,000 to Rs.66,000. All these four groups have repaid whole amount of loan. But those groups who have borrowed large size of loan (Kumel V1, V2 and V5) could not repay the loan and became defaulters. As a result these three groups were not eligible for third loan. Out of the rest four, that is (Kumel V3, V4, V6 and V7) three groups have repaid the loan and have availed third loan. Group V5 could not repay the loan in full and became defaulter to the bank. As result it was not eligible to get further loan.

Even group V7 has repaid the third loan and has availed of fourth loan from the bank.

In Khuntpali village, all the six groups have availed of first bank loan. The size of loan varied from Rs.20,000 to Rs.1.5 lakh. The overall average size of loan was Rs.65,000. Of the total groups, two groups namely Khut g2 and g3, who are weavers groups, got Rs.1 lakh and Rs.1.5 lakh of loan from the bank. For the rest of the groups the average size of loan was Rs.35,000 only. All the groups except g6 have repaid the whole amount of loan and have availed of the second loan.

The rest of the two groups, namely g1 and g6th (SGSY group) could not repay the loan and became defaulters to the bank. Of the four groups who availed of second loan, the average size of second loan was much higher in comparison with the first loan. All these three groups (g2, g3 and g5) have to repay a substantial proportion of second loan. These groups have not repaid the second installment of loan and became defaulter. But the fourth group has repaid the whole amount of loan and has availed of the third loan of Rs.75,000 and it has already repaid nearly half of this loan.

From the above discussion the following trends can be identified. Groups borrowing small amounts from the bank find it easy to repay the loan. But, even when the small sized loan is utilised in uncertain production activities (such as mushroom cultivation), repayment of loan becomes difficult due to uncertainty in income generation. Similarly even with bigger size loan one finds it easy to repay the loan if the activity (such as weaving) in which loan is utilised generates income at regular time intervals and is characterised by adequate production and low market uncertainty. Some group members who utilised the loan for less risky activities (such as grocery and weaving), with assured returns, find it easy to generate income to repay the loan. In three SGSY groups, members utilised the loan for purchase of hybrid cows and goats. In such activity the return is high but risk is also high, due to contraction of diseases also leading to death of animal in some cases. This was the situation in one group each in both the villages. No member has repaid any installment of loan since last one and half year (in Kumelsingha) and the group has become dormant now. Clearly there is problem of repayment of loan, especially of large size, in the study villages.

Clearly loan size, choice of activities and marketing conditions influence the income generation and repayment of loan. Given that the area of the study is characterised by high risk and uncertainty in the maintenance of livestock and mushroom cultivation, groups, which preferred these activities, were unable to repay the loan. Even though this situation can't be generalised, one can learn lessons from this. The banks have charged one% interest per month or 12% per annum on the loan borrowed by the group in both the villages.

Advantage of bank credit

With the linkage of bank credit, each member is in a position to get a higher amount of loan in comparison with the size of loan received from own savings at low rates of interest through group effort. Further, members are able to get loans without having to mortgage any asset as collateral. The group works as a guarantor for the loan. Thus credit linkage of SHGs with banks helped the later to reach to substantial number of poor women, who earlier remained outside the purview of formal credit system.

Limitations of bank loans

Given the low amount of savings generated by the members of the different groups, the amount of bank credit received by these groups is relatively small. This is mainly because the loan sanctioned by the bank is directly related to the size of the funds owned by the groups. This resulted in low level of investment in activity chosen by such group members, especially during the initial years of bank linkage.

VI Problems encountered by SHGs

It has been foundthat, in both the study villages, certain groups have dropped some of its members due to non-payment of monthly contribution of funds, quarrel among the members or difference of opinion in the working group. For instance, due to quarrels among the members one Shibani group collapsed during the first year of its existence in Khuntpali. In some other cases, the members themselves have withdrawn as they could not give time for the group activity and gradually became irregular in attending meetings, despite being persuaded by the group, or migrating from the village. But the percentage of members dropping out is very low for reasons of migration, death or ill health and nonpayment of own contribution.

Further, the knowledge of accounts and book-keeping among the majority of the members of different groups is poor and they have to depend on their office bearers and other educated person of the village.

Sustainability of SHGs

The loan given to majority SHGs has become low risk credit to the bankers due to low default and high repayment by the borrowers. This has been possible due to group solidarity, peer monitoring and group pressure.

However, to make microfinance sustainable in the long run there must be growth in the income generating activities in the local economy including through diversification of activities so that demand for the goods produced by members would find market. This would facilitate repayment of loan.

Overall conclusion

On the whole, it is clear that the stability of the majority of the groups has been possible due to their proper functioning in terms of group solidarity, saving mobilisation, proper utilisation of bank loan and timely repayment of it. This has facilitated the banks to provide them loan continuously over the years. Clearly, the continuity of the linkage of groups with the banks is dependent upon their stability and their sustained growth in terms of income and repayment of loan.

For further improvement in the functioning of the groups, members need to be trained in skill formation, better production methods, record keeping and communication with officials related to the business.

Similarly the default of loans, especially of large size, obtained from banks is an important problem in the study villages. This problem has to be tackled by joint efforts of the groups, lenders and the promoters of self-help groups for the sustainability of SHGs and in realising their goals of up-liftment of poor.

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Notes

1 Indian banking policy has attempted to involve the public banking network in the provision of micro-credit to the poor through Self-help groups (SHGs).This policy has three variants that differ in the mode of linkage between the banks and the borrowers. In variant 1, public bank acts as a self group promoting institution (SHPI).It takes initiatives in forming the groups, nurtures them over a period of time and then provides credit to them after satisfying itself about their maturity to absorb credit. In variant II banks and the borrowers are linked through facilitating agencies, which are government agencies (such as ICDSs) or NGOs working locally. In this case the formation and nurturing of the SHGs is the responsibility of the facilitating agency and the bank provides only loan to the SHG groups after the bank gains confidence about the viability of lending to the groups. In variant III, both the facilitating and intermediating functions are played by NGOs. The bank provides only loan to NGOs which, in turn, distribute credit to the groups (see Chavan and Ramakumar,n2002).

2 About 2.16 lakh Self-help Groups (SHGs) have been formed up to March 2007in the state. These groups have 27.17 lakh members with an average of 12.5 persons per group. Of the total groups formed, 67% have been initiated by government organisations and the rest 27% by Non Government Organisations (NGOs). About 64.01% of the total groups formed, have credit linkage with formal financial institutions such as banks and cooperatives. In the district of Bargarh 6,784 Women's Self-help Groups (WSHGs) have been formed during the period 2001 to March 2007 including 770 in Attabira block and 491 in Bargarh rural block. These groups have 95,907 members with an average of 14 members per group. Of the total groups (6,784), government organisations have initiated 89% and the rest 11% by NGOs. 65.82% of the total SHG groups (6,784) have credit linkage with formal financial institutions (see Economic Survey of Orissa, 2007; District Social Welfare Office, Bargarh).

3 This rate is charged in about majority of SHGs in four states namely Andhra Pradesh, Karnataka, Orissa and Rajasthan (mentioned in Ghate 2007).

4 Hossain(1988) found that default rates tended to increase with the increase in the loan size (cited in Chavan and Ramakumar,2002),see also Pischke,Yaron,and Zander(1998).

5 For instance one member of a group (engaged in weaving business) in Khuntpali remarked that the success of credit in groups associated with the weaving is much better in comparison with SHGs engaged in other activities, because every week there is generation of income in the family of weavers which facilitated the member to repay the loan easily.

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