

Chapter - 2

Self-Help-Groups and Micro-finance- Achievements and Failures

Evolution of Self-Help Groups (SHGs) in India

The idea of SHG in India goes back to 1985 when NABARD provided a grant of rupees one million to an NGO called MYRADA (Mysore Resettlement and Development Agency) to lend to its groups. During 1986-87 the number of SHGs under MYRADA increased up to 300. Likewise, NABARD also started giving monetary assistance to several other NGOs like PRADAN and CARE. It was also found that during the simultaneous period District Rural Development Agency started providing revolving funds to SHGs in different parts of the country. In the year 1992, the Government of India established Rastriya Mahila Kosh to provide financial services to SHGs through NGOs. In 1996 SHG-Bank Linkage Programme also started functioning and the number of SHGs increased and expanded throughout the length and breadth of the country. The popularity of SHG was much keenly related to micro-finance. The idea of micro-finance in India appeared in the pre-independence period with the introduction of co-operative societies in 1901, which catered the financial needs of the poor people. Subsequently, in the year 1928 Syndicate Bank was established to mobilize micro-savings. After independence also, the government of India has been working for the marginalized and unprivileged section of the country. In 70's decade, Self Employed Women's Associations (SEWA) formed an urban Co-operative Bank in Gujarat. This Bank was known as the Mahila SEWA Sahakari Bank and it provided banking services to poor women employed in unorganized sector in Ahmadabad city. Likewise, several other MFIs

came into existence in India namely, Annapurna Mahila Mandal (Mumbai), Working Women's Forum (Chennai) and many others.

There are several programmes of Government to provide micro-finance to the rural poor. A massive poverty alleviation programme 'Integrated Rural Development Programme' (IRDP) was launched in 1980. It was a self-employment programme intended to raise the income generation capacity of small and marginal farmers, agricultural labourers and rural artisans living below the poverty line by providing them government subsidized credit through banks. Again in 1982, 'Development of Women and Children in Rural Areas' (DWCRA) was started as a sub scheme of IRDP. Under DWCRA, Government of India introduced the provision of revolving fund to women groups for income- generating activities. Along with this, in the year, 1988 'Service Area Approach' was adopted. In 1989, as per the recommendation of the Khusro Committee, market oriented approaches for co-operatives were taken.

However, there has not been any significant change in the situation. Despite all these efforts the condition of a large section of women remained unchanged. During this time, NABARD conducted a series of research studies independently and in association with South India based NGO MYRADA (Mysore Resettlement and Development Agency). These studies revealed that despite having wide network of rural bank branches, a large number of poorest of the poor continued to remain outside the formal banking system. To overcome this problem, there was the need for alternative policies and programmes. Therefore, it can be said that there was a need for micro-finance rather than micro-credit.

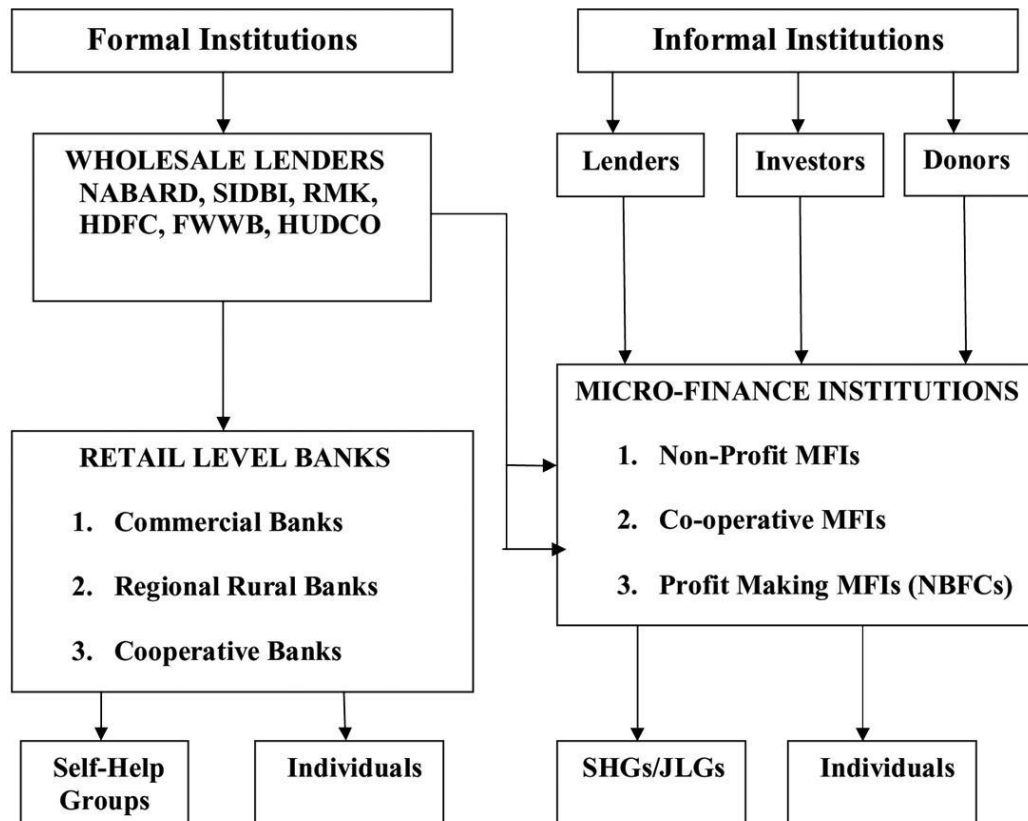
Accordingly, Swarna Jayanti Gram Swarajgar Yojna (SGSY) was introduced in the year 1999. It organized the poor into Self-Help Groups through the process of mobilization, training and capacity building. SGSY is implemented by District Rural Development Agency (DRDA) through Panchayat Samitis and achieve involvement of other Panchayati Raj Institutions, Banks and NGOs to help for the smooth

functioning of SHGs. Under the scheme, the SGSY is entitled to monitor the performance of Swarojgaris and the repayment of loans by them which are provided by the bank at a minimum rate of interest. The loan allocation to SHGs is financed both by the central government and the state government. The ratio of finance between the central and the state government is 75:25 respectively. It is important to mention here that from 1 April, 2013 all the SHGs have to re-register their names under National Rural Livelihood Mission (NRLM) as the earlier SGSY was discontinued.

Credit Delivery System of Micro-finance Programmes in India:

There is a wide variety of micro-finance in India and these are actively involved in providing financial assistance to the rural poor. Broadly, micro-finance in India can be categorized into two segments namely, traditional formal financial institutions and micro-finance institutions. The examples of traditional financial institutions are commercial banks, regional rural banks and co-operative banks. Along with their banking activities, they also provide financial support to the people. On the other hand, there are various types of micro-finance institutions whose primary task is only to provide small loans to the poor section of the society. These MFIs may be in the form of Non-Government Organizations (NGOs), Mutually Aided Co operative Societies (MACS) and Non Banking Financial Companies (NBFCs). But in both the types there is one basic difference i.e., there is both public and private ownership in the first type and the second type is dominated by the private sector. Here, it is important to mention that there is a hierarchy of networks from the apex wholesale level to the retail level financial institutes. The retail level banks and MFIs borrow funds from apex financial institutions and use their branch network to provide microfinance at the doorstep of the poor people. Following diagram will provide a clear picture about the credit delivery system of both formal and informal micro-finance system in India.

Figure 2.01: Credit Delivery System of Micro-finance in India:



Source: NABARD Report on Micro-finance¹

From the above Figure 2.01, it is clear that formal financial service providers include National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), Rashtriya Mahila Kosh (RMK), Friends of Women World Banking (FWWB), Housing Development Finance Corporation (HDFC) and Rashtriya Grameen Vikas Nidhi (RGVN). They provide funds both to the banks and micro-finance institutions for the poor people so that they can take loan from that amount. Both Self-Help Groups and individual can take loan. On the other hand, Commercial Banks, Regional Rural Banks and Co-operative Banks provide micro-finance. Along with this, different types of micro-finance institutions namely; non-profit micro-finance institutions, co-operative micro finance institutions

¹ Sibghatullah Nasir, (2012), “Micro-finance in India: Contemporary Issues and Challenges”, Middle-East Journal of Scientific Research, 15 (2).

and profit making micro-finance institutions (NBFCs) provide micro-finance services to Self-Help Groups/Joint Liability Groups and individuals.

Different types of Micro-finance Institutions (MFIs) in India:

Micro-finance Institutions (MFIs) are the organizations under which credit is extended to the downtrodden people. MFIs offer variety of services to low income people such as loans, deposits, insurance and so on. Broadly speaking MFIs offer three different types of services to the poor people namely, it works as a financial intermediation between the bank and the people as they provide financial services to the people. It offers various social intermediation services such as health, sanitation and education. Lastly, it provides enterprise development services like training and transfer of technology. In addition to the services provided by various MFIs in India, it is found that there are different forms of MFIs existing in the country. These are MFIs as companies, MFIs as banking institutions, MFIs as charitable institutions and MFIs as co-operatives. Following are the major MFIs working in India.

BASIX

In 1996 BASIX was established as a livelihood promotion institution. It is operating over seventeen states of India namely, Andhra Pradesh, Karnataka, Orissa, Jharkhand, Maharashtra, Madhya Pradesh, Tamil Nadu, Rajasthan, Bihar, Chhattisgarh, West Bengal, Delhi, Uttarakhand, Sikkim, Meghalaya, Assam and Gujrat. About 223 districts and 39, 251² villages of the mentioned seventeen states are covered by the BASIX group. Major focus of BASIX is to promote large number of sustainable livelihoods for the poor in general and women in particular. It also provides technical assistance to the poor people in an integrated manner. Following are the main services of BASIX³:

- BASIX provides Financial Inclusion Services (FIS) to the people. It includes savings, credit system, insurance for lives and livelihood such as health, crop, livestock, micro-enterprise assets and warehouse receipts

² www.basixindia.com

³Debabrata Das and Reshma Kumari Tiwari (2012), “*Fundamental of Micro-finance*”, Global Publishing House (India), Guwahati, pp-(79-80)

- Agricultural/Business Development Service (Ag/BDS) covers productivity enhancement by increasing the yield or reducing the cost, risk mitigation such as livestock vaccination, develop linkage between input supply and output sales and diversification from farm to allied and non-farm activity.
- Institutional Development Services (IDS) aims to reduce poor household under one umbrella. It includes individual level awareness, skill, entrepreneurship development, building solidarity, trust, formation of groups, federations, co-operatives, mutual benefits of the producers, use of information technology in accounting and management, developing collaboration and the last but not the least important point is the advocacy for changes or reforms in the system.

BANDHAN

BANDHAN Financial Services Private Limited was established in the year 2001 by Sri Chandra Shekhar Ghosh under Companies Act, 1956. It was registered as a Non Banking Financial Company (NBFC) with the Reserve Bank of India⁴. It is operating over 22 states with 2,016 branches. Its main aim is to make a poverty free world through empowering the poor, especially women. Women belonging to the economically and socially backward community are the members of BANDHAN. It works on the principle of individual lending through group formation. BANDHAN provides loan under four categories and the rate of interest varies in different types of loans. These are Suchana (micro loan), Sristhi (micro-enterprise loan), Samridhi (micro/small and medium enterprise loan) and Suraksha (micro health loan)⁵.

SKS Micro-finance Limited (SKSMFL):

SKS Micro-finance Limited (SKSMFL) was started its functioning as a Non-Governmental Organization (NGO) in the year 1998⁶. At that time it was named as Swayam Krishi Sangam (SKS) Society or (SKS) NGO with its headquarter in

⁴www.bandhanmf.com

⁵Debabrata Das and Reshma Kumari Tiwari (2012), *“Fundamental of Micro-finance”*, Global Publishing House (India), Guwahati, pp-81

⁶H. Ramananda Singh and N. Dhaneswar Singh (2011), *“Micro-finance- An Introductory Text”*, Akansha Publishing House, Guwahati, pp-103

Hyderabad. Later on, it transformed into a Non Banking Financial Company (NBFC) in 2005 and it is regulated by Reserve Bank of India (RBI). Primary objective of this mission is to eradicate poverty through empowering women.. At present, it is operating over 19 states in India and following the Joint Liability Group (JLG) model⁷. For the selection of the beneficiary, survey was conducted by the SKS authorities and subsequently it was followed by Sangam meeting and group recognition tests. It gives a wide range of loans started from Rs.2, 000 to Rs.12, 000 to poor women so that they can start their own micro-enterprise. In this context, it is important to mention here that SKS uses the ‘Group Lending Model’ where poor women give guarantee to each others loan. The members of the SKS meet regularly on weekly basis. In addition to this, SKS provides micro-insurance to the poor and also gives loans for other goods and services. In short, it was found that SKS provides Eight type of financial services to the members namely, income-generation loans, mid-term loans, mobile loans, Sangam store loans, housing loans, funeral assistance, gold loan and life insurance.

Spandana Sphoorty Financial Limited:

Spandana Sphoorty Financial Limited is another micro-finance programme in India. With dual services to the people namely, micro-credit and credit plus services, it is recognized as a largest Micro-finance Institution in the world. In the year 1998 Padmaja Reddy promoted the programme. At present, it has increased its outreach in 182 Districts of 11 states in India⁸. This programme is very popular not only for providing micro-finance to the poor people but also for its credit plus services. Following are some of the credit plus services of Spandana Sphoorty Financial Limited:

- Spandana Jaldhara Safe Drinking Water Intervention- As safe drinking water is the precondition for health and prosperity, ‘Spandana Jaldhara Project’ was started with Unilever and PATH as partners. Its main motive is to make

⁷ www.sksindia.com

⁸ www.spandanaindia.com/index.html

aware about the necessity of safe drinking water. Spandana also distributes water purifier at affordable rates.

- Renewable Energy Product Portfolio- By introducing Solar Lanterns Spandana has drastically changed the lives of poor people. It not only reduces the dependence on kerosene based lighting but also reduces the emission of carbon gas. In this project, Spandana has partnership with Micro-energy Credits.
- Curtail Financial Vulnerabilities through Life Insurance Spandana also offers life insurance facility to the people. In association with Max New York Life, about 10 million members have protected their lives through insurance.

SEWA (Self-Employed Women's Association):

SEWA (Self-Employed Women's Association) is a trade union registered in 1972. It was founded by eminent Gandhian leader Dr. Ela Bhatt and its main aim is to organize women workers under one umbrella and also wants to uplift the status of women working the unorganized sector. SEWA's head office is located in Ahmedabad and had its branches in several states in India. Almost 9, 66, 139 people had their membership in SEWA in 2008. In this context, it is important to mention here that all the members of SEWA are women who earn a living through their own labour or small business⁹. As women co-operative SEWA bank was established. This provides easy access to credit and financial services to the poor women which ultimately reduces the dependence on money lenders. As far as services are concerned, SEWA delivers variety of services to its members. These are Savings, Credit, Health Care, Insurance, Legal Aid, Capacity Building, Housing and Infrastructure and Communication Services¹⁰. These services are delivered in a decentralized and affordable manner so that all the poor people should be equally benefited.

⁹ www.sewa.org

¹⁰ Daniel, W Crowell (2003), *"The SEWA Movement and Rural Development- The Banaskantha and Kutch Experience"*, Sage Publications, New Delhi.

Share Microfin Limited (SML):

Another important micro-finance programme in India is Share Microfin Limited (SML) which was established in the year 1989¹¹. It is regarded as the first Non Banking Financial Company (NBFC) in India. Its headquarter is located in Hyderabad and almost 914 branches were setup throughout India. Share has adopted a for-profit approach to create social returns by challenging funds from development institutions and commercial banks as collateral free loans to Joint Liability Groups (JLGs)¹². Its main objectives are to provide financial services to the poor women; create self employment opportunities and to enable rural poor to full utilize their resources by giving them skill development training.

Asmitha Microfin Limited (AML):

As a Micro-finance Institution, Asmitha Microfin Limited (AML) was set up in the year 2002 in Hyderabad¹³. At present, it had total 363 branches throughout India. It provides micro-finance to the rural poor women. While providing micro-finance, it follows some of the principles namely, collateral-free loans, repeat loans, customized loan products and loans based on repayment capacity. In this context, it is important to mention here that AML follows the JLG method in delivering the micro-credit¹⁴. In this method, loans are only disbursed to the members of a group after they have submitted an undertaking of joint liability to AML. In addition to this, AML has made a list of future plans. As its primary objective is to facilitate sustainable credit services to the poor women, in near future it also wants to increase its outreach so that more women could be benefited. Along with this, it wants to improve its efficiency, make strong internal controls, training and capacity building to the members and computerization of all its workings.

¹¹ www.sharemicrofin.com

¹² H. Ramananda Singh and N. Dhaneswar Singh (2011), *“Micro-finance- An Introductory Text”*, Akansha Publishing House, Guwahati, pp-104

¹³ www.asmithamicrofin.com

¹⁴ H. Ramananda Singh and N. Dhaneswar Singh (2011), *“Micro-finance- An Introductory Text”*, Akansha Publishing House, Guwahati, pp-104

Shri Kshetra Dharmasthala Rural Development Project (SKDRDP):

Sri Kshetra Dharmasthala Rural Development Project (SKDRDP) was started in the year 1982. Its primary objective is to bring empowerment to the rural women. It is working actively in Karnataka State. At present, SKDRDP is providing financial services to the poor people of Dakshina Kannada, Udupi, Uttar Kannada, Coorg, Shimoga, Chickmagalur, Dharwad, Haveri, Gadag, Tumkur, Belgaum, Mysore, Chamarajanagar, Koppal, Davangere, Chitradurga Districts of Karnataka covering more than 25,000 villages¹⁵. It organizes the poor into Self-Help Groups and provides micro-finance to them. In addition to this, SKDRDP works for community development. It facilitates technologies and infrastructure for agricultural development. Along with this, it provides loan for rural housing and works for many charitable activities.

Grama Vidiyal Micro-finance Private Limited (GVMFL):

Grama Vidiyal Micro-finance Private Limited (GVMFL) is the Non-Banking Financial Company (NBFC) established in the year 1993¹⁶. It is operating in four South Indian States covering 49 districts. It had almost 277 branches¹⁷. The primary objective of this financial institution is to eradicate poverty and improving the standard of living of downtrodden women. It also wants to empower the women in all respects namely, socially, economically and politically by networking them into community institutions. In addition to this, GVMFL in partnership with Activist for Social Alternatives (ASA) has provided small loans to poor women, even women having daily income of Rs.80 are also under the purview of GVMFL's micro loan facility.

Grameen Financial Services Private Limited (GFSPL):

Grameen Financial Services Private Limited (GFSPL) came into existence in the year 1999 with its headquarter situated in Bangalore. It had total 62 branches in the

¹⁵ www.skdrdpindia.org

¹⁶ H. Ramananda Singhand N. Dhaneswar Singh (2011), "*Micro-finance- An Introductory Text*", Akansha Publishing House, Guwahati, pp-107

¹⁷ www.gvmfl.com

States of Karnataka and Maharashtra. It not only provides financial services to the poor but also delivers training, educate people and create awareness among the poor people. It is one of the first Micro-Finance Institutions (MFIs) in the world to use Micro-Finance Open Source (MIFOS). Apart from this, the whole philosophy of GFSPL revolves around 'CREATE' i.e., C for Committed, R for Reliable, E for Empathetic, A for Accountable, T for Transparent and E for Efficient. Therefore, it is committed to transform and uplift the lives of poor and low-income families with micro-finance and other development services.

North Eastern Development Finance Corporation Ltd. (NEDFi):

North Eastern Development Finance Corporation Ltd. (NEDFi) was registered under Companies Act, 1956 on 9th August 1995 with its head office in Guwahati. In the year 2002, it was registered as a Non Banking Financial Company (NBFC) with Reserve Bank of India (RBI). Primary objective of NEDFi is to provide financial assistance for the establishment of small, medium and large establishments of North Eastern Region of India. It also provides assistance for promotion of agriculture-horticulture plantation, medicinal plantation, sericulture plantation, aquaculture plantation and animal husbandry development. For the promotion of small businesses, it organizes NEDFi Haat. Thus, NEDFi wants faster economic development of the region.

Rashtriya Gramin Vikas Nidhi (RGVN):

Rashtriya Gramin Vikas Nidhi (RGVN) was established in January 1990 as a non-profit (NGO) organization with headquarter in Guwahati. It aims to promote, support and develop voluntary organizations engaged in socio-economic development of the poor people. It also provides financial services to the poor. RGVN receives its finances through Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India (IDBI) and National Bank for Agriculture and Rural Development (NABARD). At present, RGVN is actively working with over 950 NGOs. Along with this, more than 20,000 poor households were in direct link with RGVN. Its current area of operation comprises the seven states of North Eastern

Region, Sikkim, Bihar, Jharkhand, Odisha, Andhra Pradesh and Uttar Pradesh. Following are the major objectives of RGVN:

- It wants to uplift the socio-economically backward people by providing necessary assistance.
- It wants to improve the quality of economic development in the rural areas.
- It stresses on economically backward community and at the same time, that community must have the potential to pursue productive activities.

Self-Help Group-Bank Linkage Programme (SHG-BLP):

Just as there are different types of micro-finance institutions, SHGs are also of different types namely, male SHGs, female SHGs and mixed SHGs. In addition to this, SHG-Bank Linkage Programme follows three distinct models in delivery of financial services to the rural poor. These models are: (i) Bank promotes SHGs and finances them directly, (ii) NGOs/other agencies facilitate the promotion of SHGs and Banks finance SHGs, (iii) NGOs borrow funds from Banks/FIs and provide services to SHGs/Clients. Above mentioned models are discussed below:

- (i) Model-I: In first model, Banks themselves take up the work of forming and nurturing the groups, opening the savings accounts and providing the bank loans. Here, the bank assumes to play the role of NGOs and ensure linkage to SHGs. Banks give loans directly to individual/SHG members on recommendations of the SHG and the NGO. The NGO assists the banks in monitoring, supervising and recovery of loans¹⁸.
- (ii) Model-II: In this model NGO/other agencies acts as facilitators. NGO/other agencies would organize the poor into SHGs, provides training on improvement in skill and entrepreneurial ability, marketing techniques and maintenance of accounts. Here, Banks directly provide loans to SHG with recommendation of the NGO/other agencies¹⁹.

¹⁸ H. Ramananda Singh and N. Dhaneswar Singh (2011), *“Micro-finance- An Introductory Text”*, Akansha Publishing House, Guwahati,

¹⁹ Ibid

- (iii) Model-III: Lastly, NGO forms SHGs and perform financial intermediation role as a lender to SHGs after taking loans from Bank. Here, NGO would be legally responsible for repayment and it would bear the risk of non-payment²⁰.

Among the above mentioned models of SHG-BLP, the second model is the most popular and almost ¾th of all SHGs came under this model. It was found that only 20.00 per cent of the SHGs were covered under the first and 8.00 per cent under the third model respectively²¹. In Barak Valley, SHGs that are found to be operative are of second type i.e., SHGs are formed by NGOs or other agencies but financed by Banks. Among the different micro-finance initiatives in India, Self-Help Group-Bank Linkage Programme can be considered as the most dominant model in delivering financial services to the rural poor. On the other hand, it can be said that SHGs in any form is dependent on micro-finance. Self-Help Group is a homogenous group of about 15 to 20 members where every member saves a small amount of money regularly. NABARD has defined Self-Help Group as a group of about 20 people from a homogenous class who come together for addressing their common problems. They are encouraged to make small interest bearing loans to their members. NABARD initiated the “SHG-Bank Linkage Programme” in 1992 as a pilot project and mainstreamed it in 1996. The objective of the programme is to enable formal banking services to the rural poor through the process of savings and credit linkage of Self-Help Groups.

Achievements of Self-Help-Group-Bank Linkage Programme in India:

The whole scenario of micro-finance initiatives in India is dominated by the Self-Help Group-Bank Linkage Programme. Therefore, while discussing about the performance of micro-finance programmes the focus has been put on the Self-Help Group-Bank Linkage Programme. Some of the achievements of SHG-BLP in India have been discussed in the following points:

²⁰ Ibid

²¹ <http://nic.in/pdfreports/shg/maharashtra>, retrieved on 12.09.2013

Financial Services to the poor:

One of the positive impacts of the SHG-Bank Linkage programme is the financial inclusion of the poor in the development process. There have been many success stories of the poor SHG members showing entrepreneurial qualities to come out of the vicious cycle of poverty and indebtedness with the help of SHGs. The impressive performance under SHG-BLP encouraged other development agencies like the Government Departments to depend heavily on such groups to take development efforts forward. A large number of service deliveries of the Governments are now contracted to SHG members in preference to private contractors largely encourage by their devotion and efficiency²². According to Dharwal, Agarwal and Gola, 90.00 per cent of SHG members are poor and asset less. SHGs have emerged as a hope for financial assistance for them. In addition to this, by taking part in the SHG programme, poor women can improve their entrepreneurial skill and ability²³.

Social Empowerment:

SHG-Bank Linkage programme is considered to be a means of social empowerment of the poor people. Social empowerment includes participation in social decision making, confidence building, active participation in development programmes, development of interpersonal and communication skills, availing public facilities, availing education and health facilities etc. Hence, it helps in increasing the living standard of people and also helps people to come out from the vicious cycle of poverty. As a result, it inspires the people to be a part of this programme. In this work, it was found that in female SHGs the members achieved decision-making capacity in the spheres of family's income (71.36 per cent), family's expenditure (69.54 per cent), crisis management (81.81 per cent), children's education (85.90 per cent) and choice of political party (80.45 per cent). However, marginal positive response was found in case of mixed SHGs. In addition to this, participation in SHG programme also brought improved communication skills of the members. In case of female SHGs, majority of the respondents were found to have acquired social

²² NABARD Report, 2012-2013 (State of Micro-finance in India)

²³ Mridul Dharwal, Ankur Agarwal and R.K Gola (2012), "*Micro-finance: Problems and Prospects*", V3 Journal of management, Vol-1, Issue.1.

interaction ability in general (75.90 per cent) and ability to interact with Govt. officials (82.72 per cent). In case of participation in various programmes against social evils (15.90 per cent), participation in club/other social organization (25.00 per cent) and contesting election (1.3 per cent), the impact of the SHG programme was found to be marginal. However, a significant number of respondents (91.36 per cent) were found to have started attending Gram Sabha meeting after joining the group. In case of mixed SHGs, very negligible number of respondents was found to have acquired social interaction in general (3.22 per cent) and interaction with Govt. officials (3.22 per cent). Only 15.90 per cent of respondents were found to have participated in various programmes against social evils and seven respondents have attended club/social organization, while not a single member contested election. But, majority of the respondents i.e., 45 out of 62 (72.58 per cent) from mixed SHGs were also found to have started attending Gram Sabha meetings after joining the group. Thus, it may be said that most of the respondents in both the types of groups have become conscious with regard to participation in Gram Sabha meetings after joining the Self-Help Groups. Although the impact of SHGs on the lives of women varies in case of two types of SHGs, yet the overall impact of the group was found to be positive in bringing in certain change in social status of the lives of women.

Women Empowerment:

Micro-finance movement has become a tool of change for women. Majority of the micro-finance clients are women across the world. In India, the share of exclusive women SHGs in the total number of SHGs savings linked to banks now stands at 81.00 per cent²⁴. According to the study conducted by Baruah, it was found that SHGs had played a great role against the breakdown of vicious cycle of poverty in Nalbari District of Assam. It not only brought financial independence to the rural poor women, there were many SHG members who showed visible changes in the sphere of socio-political activity²⁵. Another study conducted on the slums of Bangalore city by Karolkar and Rassendran, it was found that low income people had

²⁴ NABARD Report, 2012-2013 (State of Micro-finance in India)

²⁵ Prasanjit Bujar Baruah, (2012), *Impact of Micro-finance on Poverty: A study of twenty Self-Help Groups in Nalbari District, Assam*, Journal of Rural Development, vol-31, No-2.

participated in SHG programmes. About 85.00 per cent of the respondents reported to have increased economic self-sufficiency. The study also highlighted on the positive role played by SHG members with regard to their children's education. Around 43.00 percent of the members themselves take decision regarding the children's education. Hence, participation in SHGs helped women to improve the socio-economic status, which is considered as the indicator of women empowerment²⁶. As empowerment is a multidimensional concept covering both economic and socio-political aspects, in the present study it was found that the members of SHGs achieved economic self-sufficiency (female group-90.00 per cent and mixed group-17.74 per cent) by taking part in income generating activities. Participation in SHGs also increased socio-political consciousness and participation (female group-89.54 per cent and mixed group-1.61 per cent). Thus, it seems that SHG brought in positive changes in the lives of women but of different types in case of two types of SHGs. While it is very high for female SHGs, it is marginal for mixed types. Therefore, it may be said that Self-Help Groups came a long way to make visible impact on the lives of the poor sections of the society in general and women in particular. At present, micro-finance programme is considered as one of the most effective tools of women empowerment in almost all the parts of the globe. In India also this programme has become very popular and successful in meeting various needs of the people.

Creation of Micro-enterprises

One of the major purposes for the formation of SHGs is to create micro-enterprises. By organizing various training programmes by DRDA, BDO and NGO, the members of various SHGs were able to learn income generating activities. According to the survey report of Planning Commission of India, it was found that the training were effective (29.00 per cent), useful and productive (34.00 per cent) due to content clarity which was provided by DRDA under SGSY scheme. Here, it is imperative to mention that SGSY has been launched with the objective of bringing every assisted

²⁶ Vilas Mohan Karolkar and Gerand, Rassendran(2008), *“Women Empowerment through Micro-finance: A Study of Slums in Bangalore City”*, Artha, Journal of Social Sciences, Vol-7, No-1, January-June.

family above the poverty line within three years through the provision of micro-enterprises in rural areas, building up on the potential of the rural poor²⁷. A study conducted on promotion of micro-enterprise by Kunhaman, it was found that one of the major purposes of SHG was to set up a micro-enterprise for income generating activity in Sindhudurg, Maharashtra. The offer of subsidy attracted SHGs which were formed by the people belonging to the BPL families. SHGs helped them in learning non-traditional avenues for earning. Some of these were making of coir article, fruit processing and bamboo processing. Therefore, training and capacity building of the SHG members helped them to learn new skills and techniques of learning²⁸. In this study, there are many instances of creation of micro-enterprises where women got the chance to earn money. However, the type of micro-enterprises varies on the basis of availability of raw materials, traditional skill and availability of technology. Some of the examples of micro-enterprises available in Barak Valley are Cane and Bamboo industry (Karimganj and Hailakandi District), Processed Fish industry including dry and fermented fish (Karimganj District), Embroidery and Weaving (Cachar District), Poultry and Duckery (Karimganj and Hailakandi District) and Dairy Farm (Hailakandi District).

High Recovery Rate of Loan

It is an accepted fact that the success of every scheme is measured through the parameter of repayment of bank loan. In this context, SHG-Bank Linkage Programme shows a positive trend in respect of recovery of loan. According to the report of the Reserve Bank of India (RBI), the recovery status of the bank's loan given to Self-Help Groups by the Commercial Banks, Regional Rural Banks and Co-operative Banks clearly show the high recovery rate which is more than 95.00 per cent in 2008 (reported by 46.5 per cent of Banks). Only 21.00 per cent of the Banks showed the loan recovery rate between 80.00-94.00 per cent. About 23.00 per cent

²⁷ A Report on the Success and Failures of SHG's in India-Impediments and Paradigm of Success, Planning Commission, GOI, Yojna Bhaban, Sansad Marg, New Delhi. <http://www.planningcommission.gov.in/reports>

Retrieved on 23.11.2013.

²⁸M.Kunhaman (2012), "*Performance of Micro-enterprises of Self-Help Groups*", <http://www.shodhganga.inflibnet.ac.in>. retrieved on 23.11.2013

of the Banks recovered 50.00-79.00 per cent of the loans given to the SHGs and 8.8 per cent of the Banks reported that the loan recovery rate is less than 50.00 per cent²⁹. Therefore, it can be said that recovery rate of micro-finance is very good which is also considered to be an important criterion of sustainability of the SHG-Bank Linkage Programme.

Failures of Self-Help-Group-Bank Linkage Programme in India

There is no doubt that micro-finance programme in India including SHG-BLP has shown impressive results. Still there are certain areas in which this programme have to work for better outcomes. Some of the major problems of SHG-BLP are discussed.

Regional Disparities:

SHG-Bank Linkage Programme (SBLP) is suffering from a serious problem of uneven growth of Self-Help Groups in the country. In March, 2001, 71.00 per cent of the linked SHGs were from southern region consisting of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Though the share of southern region has come down progressively over the years but it is still at 44.00 per cent. Many States such as Uttar Pradesh and Bihar with high incidence of poverty have shown poor performance under the programme. Following Table: 2.01 show the region wise distribution of loan to the poor people. It is evident from the Table: 2.01 that more than 30.00 per cent of the total loan disbursed to the people belonging to the Southern States. Lowest amount of loan disbursed to the people belonging to the Eastern and North Eastern region respectively with 10.58 per cent and 10.72 percent. It is found from various studies that SBLP is working actively in those states where the banking network is very strong. In Southern states spread of SBLP is very large and at the same time North, East and North Eastern region is almost neglected.

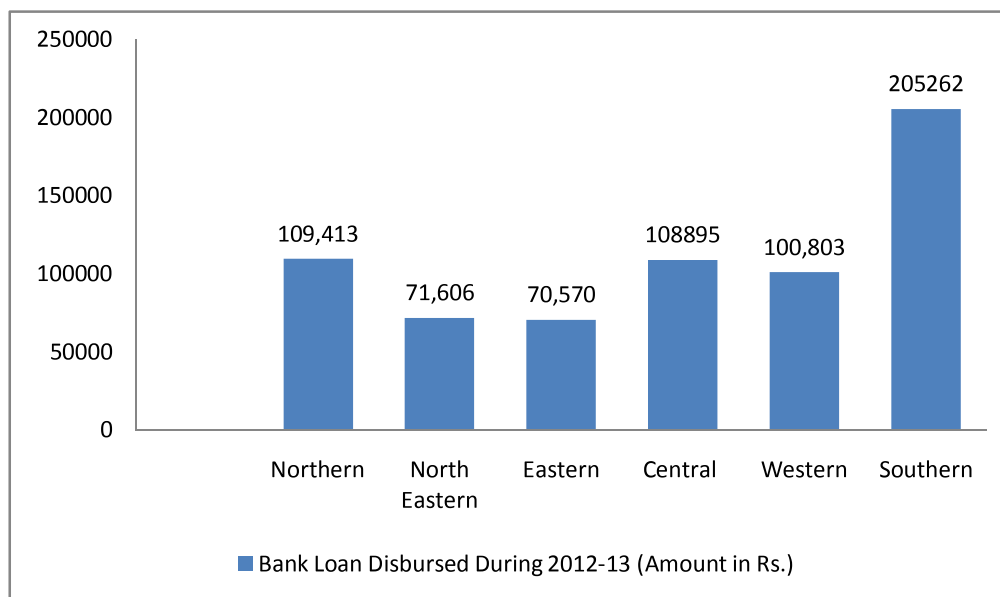
²⁹ Report of Reserve Bank of India,2008

Table: 2.01 Bank Loan Disbursed to per Self-Help Group during 2012-2013 (Region Wise)

Regions	Bank Loan Disbursed During 2012-13 (Amount in Rs.)	Percentage (%)
Northern	1,09,413	16.41
North Eastern	71,606	10.72
Eastern	70,570	10.58
Central	1,08,895	16.33
Western	1,00,803	15.12
Southern	2,05,262	30.79
Total	6,66,549	100

Source: NABARD Report, 2012-2013

Figure: 2.02 Bar Diagram showing Bank Loan Disbursed to per Self-Help Group during 2012-2013 (Region Wise)



In the Southern India the spread of commercial bank branch network is the highest i.e., 27.94 per cent and these states cover 48.15 per cent of the country's total SHG

members. In contrast, in the North Eastern Region of India Bank branch network is very limited and the coverage of micro finance programme is 2, 93 per cent³⁰.

Limited Outreach

The micro-finance delivery models are not exclusively focused on those who are below poverty line. About 75 million households in India are poor and about 22.00 per cent of these poor households (16.5 million) are currently receiving micro-finance services. It was also found that 19.00 per cent of the participants of the micro-finance programme were belonging to the Below Poverty Line (BPL) at the time of joining the micro-finance programme. In this context, it is important to mention here that SHG-Bank Linkage Programme has no clear social or economic benchmarks for group membership which ultimately lead to inadequate poverty targeting. In some cases it was also found that the micro finance promoting institutions are biased while selecting the programme members. The staff members of micro-finance institutions prefer to exclude the core poor because they consider them very risky in giving loans. Another problem faced by the micro-finance programme is the low depth of services provided by the MFIs in India. It is well accepted fact that the outreach of the various micro-finance programme is expanding day by day but the amount of loan delivered to the people is very small. The coverage of loans per member in both MFIs and small SHGs are between Rs.3, 500 and 5,000³¹. This amount is not sufficient to fulfill the financial needs of the poor people. In addition to this, the duration of the loan is also very short. Therefore, small amount of loan and at the same time short duration do not enable most of the borrowers to invest in productive purposes. They, generally, utilize these small loans to meet the urgent needs.

³⁰ Sibghatulla, Nasir (2013), "*Micro-finance in India: Contemporary Issues and Challenges*", Middle East Journal of Scientific Research, 15(2).

³¹ D, Bansal (2011), "*Micro-finance Trends, Problems and Prospects*" Chapter-3, <http://www.shodhganga.inflibnet.ac.in>. retrieved on 13.11.2013.

Absence of Legal and Regulatory Mechanism

SHG-Bank Linkage Programme is considered to be the most dominant model of providing micro-finance services to the rural poor. In spite of that, this model suffers from a serious problem of absence of legal and regulatory mechanism. Reddy in his study focuses on two problems resulting from absence of above two mechanisms. In India, financial management of SHGs has been found to be ranging from week to average. In case of internal lending system, there is absence of internal control over the members of SHGs and SHG Federations. Here, internal control refers to the system and processes that manage the day to day transaction flow vis-a vis role and responsibilities of the SHG members are to be defined and properly executed. But in practice all the rules and regulations are ill defined and poorly executed by the members. In addition to this, there are some negative trends in external lending also. Since SHGs are accessing external borrowings through SHG-Bank Linkage and they also lend their funds to its members. Here, in the absence of strong repayment rules, thousands of SHGs in India has been suffering from the problem of poor repayment of loans.³² Another study conducted by Singh highlighted on weak governance architecture and absence of regulations. In the absence of legal framework of SHGs, these groups always had to face challenges in balancing between their social and business goals. On the other hand, absence of regulatory control creates a problem of mushroom growth of SHGs in India. It was also found that abnormal growth of SHGs always creates the problems of poor quality of SHG and its sustainability³³. In addition to this, SHG's micro-enterprises are hardly monitored and evaluated for their functioning³⁴. In my study also respondents were found to give suggestions on introduction of regulatory system (mixed group-4.8 per cent).

High Interest Rates

Affordability of loan is considered to be an important criterion to avail the facilities of micro-finance. But high interest rates of different MFIs deter the growth and

³² C.S Reddy and Sandeep Manak (2005), "*Self-Help Groups: A Keystone of Micro-finance in India, Women Empowerment and Social Security*", Mahila Abhiruddhi Society, Andhra Pradesh (APMAS), Hyderabad. <http://www.microfinancegateway.org>. retrieved on 23.11.2013

³³ Prakash Singh (2005), "*Understanding the Structure of Micro-finance Institutions in India and Suggesting a Regulatory Framework*", IIM Lucknow, <http://www.libf.in/documents/researchreport>. retrived on 23.11.2013

³⁴ M.Kunhaman (2012), "*Performance of Micro-enterprises of Self-Help Groups*", <http://www.shodhganga.inflibnet.ac.in>. retrieved on 23.11.2013

popularity of these programmes. The rates of interests are not well regulated for private MFIs as well as for formal banking sector. It was found that banking sector is charging 9.00 to 10.00 per cent interest rate per annum from the SHG members, while MFIs charge comparatively higher interest rate which is generally 11.00 to 24.00 per cent per annum³⁵. Hence, the whole micro-finance scenario in India is dominated by the SHG-Bank Linkage Programme (SBLP).

Lack of Insurance Services

Another important loophole of the micro-finance system in India is the lack of insurance services. In India, various micro-finance programmes as well as SHG-Bank Linkage Programme is just focused on regular savings and micro-credit and the provision of insurance is very less. Though very less number of MFIs started providing insurance facility, still this is at the primary level. According to the Research Report of Invest Market Solutions Pvt. Ltd (IIMS, 2007), the access of life insurance is only 12.00 per cent among the rural poor and 19.00 per cent among urban low-income population. The share of insurance in India was estimated at 4.8 in 2006, whereas for Asia it was for 6.6 and for Europe at 8.3. Hence, it is evident from the data that the insurance services in India is at very initial stage and still it is considered as a neglected part of micro-finance programme³⁶.

On the basis of above discussions and findings, it may be concluded that though there are so many lacunas in micro-finance programme in general and SHG-BLP in particular, in spite of that the importance of it cannot be neglected. It has witnessed high growth rate in India in past few years and involved in catering financial services to the poor section of the society. SHG-BLP has contributed in uplifting the socio-economic status of the people in rural India. If the shortcomings of the programme are removed properly, it will definitely bring positive results for the overall economy of the country.

³⁵ Sibghatulla, Nasir (2013), "*Micro-finance in India: Contemporary Issues and Challenges*", Middle East Journal of Scientific Research, 15(2).

³⁶ N. Srinivasan (2009), "*Micro-finance India State of the Sector Report 2008*", Sage Publications, New Delhi.