

**Summary
Of the Ph. D. Thesis:**

**FUNCTIONING & IMPACT OF MICROFINANCE:
A STUDY OF SELF HELP GROUPS (SHGS) IN BAKSA AND
UDALGURI DISTRICTS OF ASSAM**

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SUMMARY

Background of the Study

There is a general consensus among economists that financial development spurs economic growth and the causal relationship between financial sector development and economic growth has been well articulated and empirically supported in the studies across the world (Bencivenga and Smith, 1991; Levine, 1997). However, financial development does not essentially imply financial inclusion which is crucial for inclusive growth and poverty alleviation. Financial inclusion denotes the delivery of banking services to the vast sections of the disadvantaged and people of low income groups at affordable cost. According to Rangarajan Committee on Financial Inclusion (2008), “Financial inclusion is a process of ensuring access to financial services and timely and adequate credit where needed by vulnerable such as weaker sections and low income groups at an affordable cost”. But, despite the presence of a vast network of credit delivery channels of formal financial institutions such as nationalised banks, regional rural banks, and co-operative banks, the rural poor and underprivileged sections in particular do not have the access to the minimum financial services. Financial exclusion is more obvious than that of financial inclusion, particularly in rural areas. Such excluded groups mainly comprise of those people such as small and marginal farmers, women, unorganized sector workers including artisans, the self-employed and pensioners (Dev, 2006). Such a high level of financial exclusion of the underprivileged section of the society, especially low-income households, mainly located in rural areas, has remained a major concern as it involves various social and economic costs (Mohan, 2006). The high transaction costs associated with small credit and savings, information asymmetry about the borrowers and lack of proper collateral among the rural borrowers, etc. are mainly responsible for the exclusion of the rural poor from the formal banking services. There may be other reasons of financial exclusion of the rural poor as well. The lack of income generating activities, lack of entrepreneurship, grim employment scenario and high level of poverty scenario, etc. can be considered as important factors responsible for the financial exclusion of vast majority in rural areas. The financially excluded population are trapped in ‘debt circle’ by borrowing from the informal

sources such as the moneylenders who charge an exorbitant rate of interests and penalty for non-repayment. According to Chakraborty, (2006), the increasing dependence of farmers on moneylenders may force farmers sell off their valuable property such as land and even led to practices such as bonded labour that is socially undesirable. Financial inclusion has the potential to unleash a virtuous cycle, enabling poor households to contribute to economic growth while availing benefits from it. It enables the economy to maximise welfare by broadening the outlets of formal institutions in rural far-flung areas and reducing the spread of non-formal sources of avenue. Financial inclusion, especially savings, credit and insurance, opens up livelihood opportunities by economically empowering the poor. Such empowerment aids to social and political stability (GOI, 2008; Thorat, 2007). But, the existing financial institutions could not cater to the minimum credit needs that resulted vast majority of rural population to continue to suffer from the problems of abject poverty and unemployment. Thus, the existing network of financial infrastructure has been felt to be inadequate and ineffective in providing minimum financial needs to the poor and disadvantaged, especially in rural area. In this regard, the emergence of Self-Help Groups (SHGs) that facilitates between the ultimate borrowers and suppliers of finance, that is, microfinance institutions/banks has been playing a crucial role in bringing more financial inclusion.

India is a developing country in which about 22 percent of the population still live below the poverty line. The poor people are mainly concentrated in rural areas and most of them are unemployed. The main problem that caused poverty and unemployment among rural people was the lack of access to banking services, that is., financial exclusion. The policy makers and development practitioners who had been trying to improve the lives of these poor and fight against poverty realized that realized that rapid growth did not bring about 'trickle down' effect, particularly so in rural areas. This realization led to the restructuring of institutions and schematic lending to facilitate better accessibility of credit for the underprivileged. In this regard, initiatives of 'social banking' policy were taken by building an institutional framework through nationalization of commercial banks and creation of Regional Rural Banks (RRBs) to diversify the advances portfolio in favour of the weaker sections of the society. However, the proclaimed concern of the social banking policy soon

became less discernible to improve the living conditions of these poor and needy due to political motivation and rural banker's attitude towards underprivileged about creditworthiness. The rural banks were found serving the needs of comparatively richer borrowers instead of the deserving poor (Basu and Srivastava, 2005). Thus, despite the vast bank network of formal lending institutions created as a result of nationalisation drive, a large number of the poorest of the poor continued to remain outside the fold of the formal banking system. The main hindrance faced by rural banks in financing poor is the high transaction cost in reaching out to a large number of people who require small amounts of credit at frequent intervals. The rural bankers developed an attitude that poor people are non-bankable and as most of them lack collaterals the commercial principles cannot be applied to them. The poor also find that banks as an institutional set up favouring elites and even when they tried to access it foregoing their working days, they had to face binding constraints including the procedural hassles, not very sure of getting the loan in time. This mutual inconvenience between the poor and the banks made to avoid each other. To fill the void, the government of India sponsored several programmes including Integrated Rural Development Programme (IRDP), Rural Sampoorna Gramin Rozgar Yojna (SGRY), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self- Employment (TRYSEM), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), and many others (GOI, 2009) to bring the excluded poor into the mainstream development. However, these programmes could not achieve the expected results. Therefore, the Government of India has integrated all the earlier programmes into a common programme known as, 'Swarnjayanti Gram Swarozgar Yojana' (SGSY) which was launched in April 1999. The SGSY is a holistic self-employment programme for upgrading the rural poor, by providing sustainable economic activities, above the poverty line. It has been designed to cover all aspects of self-employment such as organization of the poor into self-help groups, training, credit, technology, infrastructure and marketing, and enabling the poor to take decisions on all issues concerning poverty alleviation (Banerjee, 2009). In fact, the SGSY programme tries to reach the unreached and unbanked poor by organizing them into self-help groups (SHGs) and providing assistance to uplift the economic status of the rural poor to

pull themselves above the poverty line. The SGSY therefore links the rural poor through creation of SHGs to the formal financial institutions where groups receive joint liability loans from formal lending institutions using peer pressure as collateral. The process of organizing the poor into SHGs and their linkage to banks is popularly known as the SHG-Bank Linkage Model which is the innovative strategy for financial inclusion and poverty alleviation in rural areas.

The SHG movement in India formally started with the initiative of the National Bank for Agriculture and Rural Development (NABARD) when 500 informal SHGs were linked with formal bank as a pilot project in 1992. This initiative of NABARD gave birth to the SHG-Bank Linkage Programme (SBLP) in India. The SBLP is a microfinance programme that links the SHGs of 10 to 20 members (predominantly women) to a bank branch for savings and credit (Swain and Wallentin, 2014). The SHG-Bank Linkage Programme where SHGs are linked to banks in a gradual way, initially through savings and later through loan products, has been able to ensure financial inclusion to a considerable extent (Thorat, 2006). In fact, SHGs established themselves as credible institutions for financial inclusion, livelihood promotion and social development and cultural changes (APMAS, 2009). Of late, the Self-Help-Groups have become the common vehicle of rural development process including microfinance programmes all over the world.

Microfinance programmes are known for their potential to generate employment and income and their capacity to reduce risk, to reduce poverty and vulnerability and enhancement of living standards of rural poor, mainly targeting women in the present era. Moreover, microfinance as an innovative development paradigm also widens the financial service delivery system by linking the large rural population with formal financial institutions through SHGs. It has been regarded as the most remarkable tool to empower rural women and poor households. Various empirical studies revealed that microfinance through SHG-Bank Linkage Programme has enabled the SHG members to improve their socio-economic status through the availability of various microfinance services, especially microcredit and savings. This innovative development strategy can provide sustainable mechanism to meet the unmet financial needs of uncovered and unbanked poor to pull themselves above the poverty line. The microfinance programme which was launched to meet the

financial needs of small entrepreneurs has in the process evolved as an effective instrument for poverty eradication by generating sustainable income generating activities through financial inclusion in rural areas (Economic Survey, Assam, 2014-15). The programme has also helped in providing insurance and other banking services to the uncovered rural women and low income households.

In this background, the present study attempts to assess the impact of microfinance through SHG-Bank linkage programme on poverty alleviation, employment and achievement of financial inclusion in Baksa and Udalguri districts of Assam.

Rationale of the Study

Even after more than six decades of planned economic development and with expansion of vast network of bank branches in rural areas to extend financial services to the poorest of the poor and downtrodden, a vast majority of the households in rural areas still remain in poverty. The excluded people from the formal banking services are forced to remain dependent on informal sources of money lenders for credit at an exorbitant interest rate. Not different is the case of people living in Baksa and Udalguri Districts of Assam which support 17.86 lakh populations who depend upon agriculture and allied activities for their livelihood. In the agenda of financial inclusion, the availability of cheap and easy credit has been accorded prime importance as the poor people requires for their livelihood opportunities access to timely and adequate credit more than any other financial service. The access to affordable credit promotes self-employment which leads to sustainable reduction in poverty. However, the vast majority of the poor could not access to formal credit due to lack of collateral needed by the formal lending institutions. Therefore, there was a need for an innovative programme for credit which must be collateral free, flexible and must fulfil the needs of underprivileged. It was also realised that vast majority of the poor people are women, so, unless this section is provided opportunities to improve their condition, the poverty alleviation efforts would fail and development become non-inclusive. As a result, the developing countries all over the world including India prioritised participation of women in the development plans to achieve the goal of poverty alleviation which is one of the basic agendas of Millennium Development Goals (MDGs). In such a situation, microfinance approach emerged all over the world as an innovative

scheme of lending to the poor people, especially women. It is considered as an alternative solution to provide financial services to common sections of the society. According to Secretary-General of the United Nations, Kofi Annan (2002), “Microcredit is a critical anti-poverty tool- a wise investment in human capital. When the poorest, especially women, receive credit, they become economic actors with power. Power to improve not only their own lives but, in a widening circle of impact, the lives of their families, their communities, and their nations.”

While microcredit is the most essential component of microfinance, but microfinance also comprise of micro savings, micro insurance and remittances and some other non-financial services such as training and motivation that are essential impetus to start income generating activities, financial training and product marketing facilities etc. (Bansal, 2010). These services are also the components of financial inclusion. So, the microfinance inclusion or otherwise called financial inclusion has been regarded as the most important tool to reduce risk, poverty and vulnerability of poor targeting women in the present era. In Baksa and Udalguri districts of Assam, the microfinance movement gained popularity with the creation of self-help groups (SHGs) under the SGSY programme. Although various studies have been done by various authors in different countries like Bangladesh, Thailand, Indonesia, Vietnam, Ghana, Nigeria, Pakistan, India and many other countries across the world, the literature on microfinance reveals heated debates, conflicting evidence, and controversial claims. The empirical evidence suggests no unanimity among the researchers about the beneficial impacts of microfinance programme. The findings of these studies may have limited relevance in India in view of the different socio-economic and cultural milieu. Area specific study relating to the impact of microfinance services is necessary because such studies highlight the implications of the programme concerning the area under investigation. Further, most of the empirical studies pertaining to microfinance in India have used secondary data and have focused primarily on the evolution and functional aspects of SHGs. The impact of the microfinance programme on the rural poor using survey data is relatively less explored. There is a need to conduct an impact assessment studies using primary survey data from a region where the movement of microfinance has made considerable progress to evaluate the functioning of the programme and removing

the shortcomings and problems in its way. Though a number of studies are conducted in various parts of Assam, but there is dearth of studies in Baksa and Udalguri districts of Assam. There is no particular study undertaken by any researcher available so far which assessed the impact of microfinance programme (SHG-Bank Linkage Programme) on poor people in Baksa and Udalguri districts of Assam. This study is a modest attempt to assess the impact of microfinance programme on poor people.

Furthermore, the studies on the level of financial inclusion, that is, access to finance at the household level using primary data source has been sparingly attempted by researchers except a few notable studies like that of Rangapp, et al., 2008, 2009; Delvin, 2009; Prathap, 2011. So, the primary level assessment calls for the individual household level estimation of access to and uses of financial services. Accordingly, this study will also examine the level of financial inclusion at the primary household level using field survey data. For this purpose households' access to semi-formal (microfinance) and formal banking services has been quantified using usage dimension variables representing transaction services (Usage of ATM/Cheque), credit, savings and access to insurance. Overall in this study, an attempt has been made to assess the impact of microfinance (SHG-Bank linkage Programme) on income, poverty alleviation, employment generation and achievement of financial inclusion of SHG member households in Baksa and Udalguri districts of Assam.

Objectives of the study

The specific objectives of this study are as follows:

- i.** To study the functioning of microfinance programme through SHG-Bank linkage model in Baksa and Udalguri districts of Assam.
- ii.** To study the impact of microfinance in generating employment opportunities through SHG-Bank linkage model in Baksa and Udalguri districts of Assam.
- iii.** To examine the impact of SHG-Bank linkage programme on income, income inequality and poverty alleviation among the participant households.

- iv. To analyse the contribution of microfinance programme on financial inclusion through SHG-Bank linkage model in Baksa and Udalguri districts of Assam.
- v. In the light of the findings, to suggest some policy prescriptions.

Research Questions

This study will basically address the following research questions:

1. Whether microfinance provided through SHG-bank linkage model helps in increasing the level of employment of the programme participants?
2. Whether microfinance provided through SHG-bank linkage model increases the level of income and reduces the level of poverty among the participant households?
3. Whether participation in microfinance programme through SHGs bank linkage model leads to financial inclusion?

The chapters of the present thesis are: Chapter-I: General Introduction, Chapter-II: Review of Literature, Chapter-III: Data and Methodology, Chapter-IV: Analysis of Research Results Chapter-V: Conclusion and Policy Prescriptions and finally, Bibliography.

Total number of one hundred and forty-seven well organized and reputed articles published in the form of research articles, books, and reports authored by experts in the field of microfinance services are reviewed and presented in Chapter-II.

Selection of Study Area

The study area covers two backward districts viz. Baksa and Udalguri districts of Assam. The districts are most backward and remote areas of Assam. These districts were selected purposively because of the large number of SHGs (Self Help Groups) operating in the selected areas under the Swarnajayanti Gram Swarozgar Yojana (SGSY) scheme which is a comprehensively microfinance programme for financial inclusion and poverty alleviation through the SHG-bank linkage model. Thus, the area is chosen in order to capture comprehensively the impact of the group based SGSY programme on financial inclusion (access to microfinance services) and poverty alleviation of the participant households of the programme. The study considered those members of SHGs who availed revolving fund/microloans from the microfinance programme of SGSY scheme at least two years back from the date of

survey for sampling and interview. The field survey was conducted from May 2013 to October 2013.

Survey Design

The study is based on quasi-experimental design survey whereby comparison is made between two groups of respondents: the participants (treatment group) of the programme and non-participants (control group). The treatment group comprises of the members of SHGs who have been benefitted from the microfinance scheme of Swarnajayanti Gram Swarozgar Yojana (SGSY) and received the bank loan (credit linked) at least two years prior to the survey. The respondents of the control group (non-participants) were selected from the newly formed groups chosen from the same area who are eligible clients to reflect a comparable socio-economic group as similar as the treatment group. The use of new entrants as control group are suggested by the AIMS (Assessing the Impact of Microenterprise Services) Guidelines (Barnes and Sebastan, 2000). The use of new clients members not only ensures the eligibility of the control group (because they are eligible to get loans after six months of their active existence as per NABARD guidelines) but it is also believe to minimize some of the unobserved differences such as entrepreneurial ability, risk preference and motivation between the treated and controlled unit.

Sampling Procedure and Sample Design

The sampling frame for the study followed multi-stage purposive random sample selection method. In the first stage, two districts namely, Baksa and Udalguri districts were selected purposively. In the second stage, two development blocks from each of the district, namely, Jalah and Baska from Baksa district and Bhergaon and Udalguri from Udalguri district were selected to conduct the field survey. In the third stage, 60 SHGs (taking 15 SHGs from each block) are selected from the selected blocks spread over 35 villages in the study area. In the last stage, three members from each SHG are randomly selected using random number table. Thus, a total of 150 member respondents comprises the participants of the programme due to their absentee of 30 members belonged to some of the self-help groups at the time of survey. Further, 180 respondents are also selected with the similar method and technique from the new entrants (non-participants) of the programme for interview

from the same areas to form the control comparison group. Thus, the total sample size comprises of 330 households for the present study.

Data Collection Approach

Data collection approach included survey of households, survey of SHGs and face to face interviews. Questionnaire was administered mainly to group member, but other family members were allowed to provide relevant information which could not be adequately supplied by the respondents.

The schedule for data collection included questions on general information intended to identify the respondents' demographic background such as age, marital status, religion, community, education, occupation, household income, operational bank Account, usages of ATM/Debit Card or Cheque, household's number of loans obtained from formal or informal source, availability of basic amenities, and land holding. Some of the questions relating to information on respondents' sources of income, insurance cover, nature and days of employment, savings and expenditure pattern, ownership of assets, financial vulnerability, etc. were elicited.

The questionnaire also covered information about SHGs profile and activities, such as group size and structure, details about meetings, trainings, sources of SHG information, group maturity, saving per month, total amount of group saving, number of bank loans received, total amount of bank loan received, rate of interest, purpose of loan, etc. were collected. Moreover, an attempt was made to identify the problems relating to group activities faced by the SHGs participants in various process of group functioning.

Analysis of Data

The data collected from the field are edited, analysed and interpreted carefully. Descriptive analysis including percentage and compare mean are used to present the data. The results and findings are presented with the help of statistical tables and diagrams. Statistical tools such as t-test, Chi-square test, correlation analysis, poverty measurement indices, Lorenz curve, Gini coefficient, Atkinson index, etc. are applied to find out the impact of microfinance programme. Propensity Score Matching (PSM) method is applied using the primary dataset to produce unbiased impact estimators of the evaluation of microfinance programme. PSM method uses the propensity score $P(X)$, defined as the probability of participation in the

microfinance programme, which is calculated by Probit model. Then, the treatment effect of microfinance programme, namely, **Average Treatment Effect on the Treated (ATT)** and **Average Treatment Effect (ATE)** are estimated by using two matching algorithms, namely, Nearest-Neighbour and Kernel Matching methods. Computer software and statistical packages like Microsoft-excel, SPSS-22 and STATA-11 were used to apply various statistical techniques and to draw various graphs.

Analysis of Research Results

The analysis of socio-economic profile of the surveyed respondents shows that most of the respondents are in the age group of 36 to 45 years. Majority of the participants and non-participant group are married women and their mean age is approximately 41 years. About 60 percent of the respondents have attained some form of education from (class V to XII standard). About 59.7 percent of the respondent's households have 2 to 4 number of members in the household and their mean family size is approximately 5. Sixty seven percent of households are having 1-2 number of children and ninety-seventy per cent of the households are having 1-2 earners in the family. About 15 percent of the respondents do not possess any agricultural land. The average size of agricultural land of the respondents is about 5 bigha. The t-test conducted to see significance of differences between two means between the two groups revealed that participant group is significantly different from non-participants in terms of mean education level, household size, number of earners and agricultural lands. The chi-square test of independence reveals that marital status of respondents is significantly associated with the treatment assignment. The general characteristics of SHGs in the study area show that the size in most of the groups ranges from 10 to 20 members with an average of 12 members. Most of the groups have been functioning for 4 to 10 years since their inception. All the groups select their leader on nomination basis and meetings are held monthly for discussion as per programme guidelines. Moreover, the attendance of the members in the meeting is 90 to 100 percent. About 55 percent of the SHG members contribute savings of ₹50-100 per month and records and accounts of the group are mainly maintained by the literate member of the group. The loan utilisation pattern shows that 72.67 percent of the participants utilised some or whole part of their loan in income generating

activities, followed by 40 percent for consumption purposes. Those who utilised their part of loan for income generating activities also used the remaining part of loan for other purposes such as consumption, medical social ceremony, etc. Most of the SHGs have been facing problems in their functioning like delay in sanctioning of loan, lack of knowledge about banking procedure, low amount of loan for generating economic activity as a group, etc.

Impact of Microfinance on income and Employment

In order to determine the impact on income, the income of participants of microfinance programme is compared with that of non-participants. It is found that the income of the programme participants has increased by 2.5 times more than the mean income of non-participants (control group). The mean income of control group is just ₹198.56 per month as compared to ₹502.11 per month for the participant (treatment) group. The t-test result indicated that the impact on income is positive and statistically significant at one percent level.

In regard to employment, the microfinance programme has helped participants to increase their level of employment. It is found that only 39 percent of the non-participants are employed as compared to the 84 per cent of participants. The chi-square test showed that significantly large number of participants are associated with employment. In terms of employment days per year, the microfinance programme has generated 129 days of employment per year as participants employed for 161 days per year as compared to just 32 days by the non-participants. The programme participants utilised bank loans for self-employment by starting income generating activities like, livestock rearing, weaving and agricultural activity which increased income and employment level. The t-test result revealed positive and statistically significant impact of microfinance on employment days per year at one percent level.

Impact of Microfinance on Financial Inclusion

The overall impact of microfinance on financial inclusion was measured by preparing a financial inclusion index (IFI) taking into consideration the above dimensions of usage. The calculated value of the index showed that participant households are more financially included as compared to non-participants. About 63 percent of non-participant households are totally excluded with no dealings with

formal financial institutions for the last three years prior to survey. While 42 percent and 27 percent achieved medium and high level of financial inclusion, about 31 percent achieved low level of financial inclusion of the participant households. These figures for non-participant households are 16 percent, four percent and 17 percent respectively. This finding confirms with the chi-square test result that degree of financial inclusion is significantly associated with the participation in SHG-bank linkage programme. Thus, the participants are able to increase their level of financial inclusion as compared to non-participants in the study area. It is found that the mean financial inclusion of participants at 47.43 is significantly higher than the control group households.

Econometric Results

Propensity Score Matching (PSM) method was used as a proven tool of analysis for this study. The effect of microfinance is shown by estimating two parameter of interests viz. the **Average Treatment Effect (ATE)** and **Average treatment on the Treated (ATT)** using Propensity Score Matching (PSM) method. The PSM approach follows two steps, first binary model is used to estimate the probability of participating or being treated (propensity score) on observable characteristics. Propensity score is a conditional probability estimator and any discrete choice model such as logit or probit can be used as they yield similar results (Caliendo and Kopeinig, 2008). In this study probit model is used. The results of probit model indicated that the model was well specified with high Likelihood Ratio Chi-square of 52.91 and Pseudo R-squared coefficients of 0.4072. The Chi-square test was found significant at 1 percent level which indicated that the variables included in the model statistically explain the propensity scores in the matching steps. Among the covariates, age, agricultural landholdings and occupation dummy negatively affects the probability and education, household size, marital status, gender, monthly income, and distance from bank positively influence the probability of borrowing from the microfinance programme. However, dependency ratio and higher order terms do not explain the probability of participation in the programme. It was found that in 45 percent of cases, probit model had predicted correctly the participation of all observations.

The ATT and ATE are computed using the Nearest-Neighbour Matching and Kernel Matching estimators. The estimation of ATE using both the nearest neighbour and Kernel estimators reveal higher than ATU. The estimated value of ATT of microfinance on monthly income has recorded an increment, on an average, of ₹441.71 to ₹390.16 per month more than the non-participants. Similarly, it finds that the microfinance programme has resulted in an increase, on an average, of 119 to 108 days per year over the non-participants in various economic activities. Moreover, the mean impact of microfinance programme on the weighted index of financial inclusion ranges from 35.93 to 33.44 as compared to control households. The estimated values of ATT using both the methods are found significant at 1 percent level.

In regard to poverty, the impact of microfinance is assessed on incidence, intensity and severity of poverty. For this purpose, we used three Foster, Greer and Thorbecke (FGT) poverty indices (P_α) to calculate the headcount index (P_0), poverty gap (P_1) and squared poverty gap (P_2) indices for the participant and non-participant households. The poverty line used was the poverty threshold for rural Assam estimated by the Planning Commission (GOI, 2013) for the year 2011-2012 which is ₹828 per capita per month. The calculated values of these indices show that all the three indicators of poverty are high for the non-participants as compared to the programme participants. The poverty reduction effect of the microfinance programme were 0.038 on incidence of poverty, 0.098 on poverty gap index and 0.070 on severity of poverty. . Thus, it is found that about four percent incidence, ten percent intensity and seven percent severity of poverty are reduced among the participant households.

Moreover, the Lorenz curve, Gini coefficient and Atkinson methods are used to examine the impact of microfinance programme on the distribution of household income. The graph of Lorenz curve finds that the distribution of household income among the non-participants is more unequal as compared to the participant households. The Gini coefficient and Atkinson index values also reveal the reduction of inequality among the participant households as compared to non-participants. It is found that the SHG-bank linkage programme has reduced income inequality which ranges from 0.07 to 0.05. Thus, the microfinance programme has

helped not only in raising the level of income but also to reduce the income inequalities in the distribution of household income among the programme participants as compared to non-participants.

Policy Prescriptions

Our analysis of primary data suggests that microfinance provided to SHG members can contribute to poverty alleviation programmes by helping them to generate income and employment in various economic activities through financial inclusion of the poor and very low income people. On the basis of the present study, the following policy prescriptions can be suggested:

1. It is found that in the study area, microfinance is provided only through the SHG-bank linkage model under the SGSY scheme. There is no role of MFIs in the study area as well as in majority of districts in Assam. But MFIs can play a vital role to reach the poor people in areas where bank network is poor. Therefore, government should provide a supportive environment to encourage MFIs to participate in delivering microfinance services in the study area.
2. The microfinance programme is supposed to reach the poor people, especially who are living below the poverty line, who are bypassed by the formal lending institutions due to lack of collateral and unpredictable income. But it is found that people from above the poverty line are also involved in SHG activities. Therefore, government must employ staffs to check the background of the members for the inclusion of bottom poor into the programme.
3. An important problem facing by the SHG members is that they have to visit frequently to the bank and development block for approval of their application to get their sanctioned loan amount. This as mentioned by some members results existence of commission agents in the blocks and banks about which some members have complained. Therefore, credit camps should be organized at block level and village level with representatives of banks, block officials and involvement of NGOs and experts from various development departments of government.

4. The time taken for sanctioning of loan also creates problems to the SHG members. It shows that the government sponsored scheme of microfinance requires a long period from the date of application to the block and sanctioning of loans by the bank branches. In addition, lack of knowledge about the bank procedure on the part of the participants and large formalities followed to get their sanctioned loans are major problems which hamper the functioning of the groups in the study area. Therefore, steps have to be taken to make banking procedure hassle free for the members and bank loans should be delivered as early as possible without any delay for better functioning of SHGs in study area. Necessary instructions may be given to the authorities and the bank officials to avoid the unnecessary delay in sanctioning the loan.
5. Economic activity undertaken by the members of the group largely depends on the amount of credit provided to them. A sufficiently large amount enables members to start their production in a large scale and the members also feel financially sound when sufficiently large amount of loans are given to them. But, most of members have contended dissatisfaction by pointing that the amount provided to them are inadequate to start off any income generating activity. Therefore, it is suggested that the banks and block officials should visit SHGs at regular interval and encourage them by sanctioning increased amount of loans to the extent that members can take up any income generating activity at their edge.
6. SHG members are engaged in traditional activities including agriculture, rearing of livestock and weaving which are low risks and low returned activities in the absence of training and proper marketing of their final products. Therefore, strong network of forward linkage such as, motivating workshops, training activities, etc. and backward linkages such as marketing assistance, identification of dealers or sales persons, development of common brands etc. for development of micro enterprises are called for to link SHGs.
7. Insurance coverage is one of the essential products/services of microfinance programme. The microfinance programme, especially the SHG-bank linkage programme is supposed to provide this service along with the other products

of microfinance. Insurance policy is quite essential in the emerging phase of uncertainty. However, the microfinance programme in the study area is limited to the provision of saving and credit facilities only. Therefore, concerted efforts by banks and government should be made towards providing micro-insurance services to the members of SHGs.

8. Women who are not involved in SHGs activities should be encouraged to join existing ones or form their own SHGs so as to improve their chances of accessing finance from the microfinance programme. This can be done by arranging awareness campaign involving NGOs and social workers at the village level.
9. SHGs are usually formed by illiterate or merely literate village women. Therefore, it is recommended that the microfinance programme should come out with a training package that helps to give the right information about the microfinance products and services to women.
10. The study makes clear that addressing financial exclusion requires a holistic approach on the part of the banks in creating awareness about financial products, financial literacy and advice on money management, debt counseling, savings and affordable credit. Therefore, the banks have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion.
11. Based on the results of financial inclusion index, it is suggested that SHG members be given a better understanding on financial services- such as opening of savings account in formal institutions, participation in fixed/recurring deposit scheme, and availing of life insurance for the entire family. Microfinance providers, NGOs and other agencies need to increase the awareness by providing proper information and training to reach the currently un-reached segments of population and should motivate members to take up more productive activities to enhance the income of the household in order to avail these facilities.
12. Based on the PSM results women should be encouraged to participate in microfinance programme as it significantly increases their income and employment levels. This is because increased income levels with

employment security have implications for women empowerment which is critical for sustainable livelihoods development.

It can be concluded that concerted efforts be made for the stabilisation and sustainability of SHGs keeping in mind the long-term objectives of inclusive growth. The various problems encountered by SHGs in their functioning should be resolved immediately so that participants can continue as SHG members for a long period of time.