Chapter II

Review of Literature

2.1. Introduction

This chapter includes the reviews of related literature which have already been done by various authors and are directly or indirectly related to the present study. The review of related literature is necessary in order to have valuable insights into the problems and to get a clear picture of the various aspects of the study. The knowledge of related literature helps to understand various dimensions of the particular study undertaken and also enables to find out the research gap. It helps to explore the possibilities of further research on the related aspects of the problem under investigation.

There is no dearth of studies on microfinance literature. A plethora of studies including both theoretical as well as empirical literatures are available in microfinance studies. Numerous theoretical studies have been undertaken by a number of authors about the working of group-based lending schemes. Various authors have made different studies in different regions/areas regarding the impact of microfinance and SHG-Bank Linkage Programme on poverty reduction, employment and financial inclusion of the poor. From various sources like journals, books, dissertations, etc. information regarding a study related to the present topic have been collected and here an attempt has been made to review some of such works. It needs to be mentioned here that studies related to the impact of microfinance programme on the poor have been undertaken by authors not only in India but all over the world.

2.1.1 Literature Review: Microfinance and its Operation

The concept of microfinance is not new. The informal credit and saving institutions providing microfinance services to the poor who were neglected by formal institutions have been operating for several years in many countries. Some of these informal institutions that operated for centuries are “SUSUS” in Ghana, “TONTINES” in West Africa, “CHIT FUND” and Rotating Savings and Credit Associations (ROSCAs) in India, “TENDAS” in Mexico, “ARISAN” in Indonesia, “CHEETU” in Sri Lanka and “PASANAKU” in Bolivia. Initially, the informal

financial institutions are believed to have emerged in Nigeria dating back in the fifteenth century. The modern microfinance can be traced back to 1976 when Prof. Muhammad Yunus designed a credit system to provide banking services to the rural poor in Bangladesh. Of late, the microfinance has been recognised as one of the most effective tools for poverty reduction (Singh and Singh, 2011).

Microfinance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self-help group movement (APMAS, 2005). Today, these groups have become the vehicle of change for the poor and marginalized people. SHG is a method of organising the poor people and the marginalized to come together to solve their individual problem concerning poverty eradication (VOICE, 2008). Karmakar, (1999), stated that the approach of Self-help Groups (SHGs) towards poverty alleviation should be self-help. The logic is that individual effort of the poor is too inadequate to improve their fate. This brings about the necessity for organizing them in a group by which they get the benefit of collective perception, collective decision making and collective implementation of programmes for common benefits.

A theoretical study by Ghatak and Guinnane, (1999), on lending with joint liability revealed that in a village community with high degree of connectedness where group members are known to each other, group lending promotes screening, monitoring, state verification and enforcement of repayment. Ghatak (1999) had shown how positive assortative matching in group lending programs in group formation that the members could choose safer partners in closed communities in-group formation stage that reduce their effective cost of borrowing and improve repayment rates of loans to avoid the social sanction of his peer group. Gangopadhyay, et al., (2005), had shown that in a close-knit, stable rural communities in informational environment of developing countries where potential screening instruments, such as collateral, etc. are not available, by exploiting local information, joint liability lending become a particularly attractive method of lending. Stiglitz, (1990), demonstrated that peer monitoring which was largely responsible for the successful financial performance of the Grameen Bank of Bangladesh and of similar group lending programs elsewhere led to improvement

in borrowings through transfer of risk to the borrowers. Wydick, (1999), in a study of Guatemala groups empirically tested the group data where the author found that peer monitoring and the group's willingness to apply internal pressure significantly affected the group's performance through a modest effect on mitigating moral hazards problems and a strong effect on facilitating intra-group insurance and the social ties within the group members had no significant effect on borrowing group behaviour.

Fisher and Sriram, (2002), explained that the microfinance initiatives in India emerged on similar context with many other countries in the south. The study explained that the financial sector developed in India by the end of the 1980s was largely supply and target driven. The government sponsored poverty alleviation programmes, like IRDP (Integrated Rural Development Programme) experienced poor recovery rates with adverse utilisation of subsidy and lack of repayment ethics, with less than one-third repayment rate, creating 40 million bank defaulters. The first official loan waiver in 1989 had created corruption and cynicism amongst bankers about the credit worthiness of the poor people and bankers developed the perspective that the finance for the rural poor people was a social obligation and not a potential business opportunity. Gaiha, et al., (2001), revealed that large sections of the rural poor people were not covered in the two major anti-poverty programmes viz. Rural Public Works and IRDP in India and the impact of these programmes was limited due to their mis-targeting and inclusion of non-poor as participants. The failure of poverty alleviation programmes like IRDP emphasised the need for alternative credit policies for the rural poor that can provide not only subsidised credit but savings and other financial services also. This has made the Government of India in 1999 to merge various credit programmes together, refine them, and launch a comprehensive scheme called Swarnajayanti Gram Swarazagar Yojana (SGSY) for the poor. Under this programme, poor people are provided micro-credit through the banking sector for generating self-employment through self-help group approach (APMAS, 2005). Joshi, (2010), stated that Self-Help Group (SHG) approach is superior to the Grameen Bank or MFI models of providing financial services to the poor in a sustainable manner. The SHG-bank linkage enables access to formal financial services, take income generating projects

and move poor people from the margin to the mainstream. The author concluded that microfinance has a capacity to bring those poor people previously excluded from formal financial services, bridge the access gap, and to do that on sustainable basis.

Harper, (2002), in his paper explained the differences between the SHG banking system and Grameen banking system of providing microfinance. In SHG bank linkage system 10 to 20 members formed a group and received loans from the bank in group name and the group members carries all saving and lending transactions on their own behalf. But in Grameen banking system microfinance participants organised themselves into groups of five members and each member maintained her own saving and loan account with microfinance organisation and the group functions to facilitate the financial intermediation process. The SHG banking system was more flexible, independence creating and imparted freedom of saving and borrowing according to the member's requirements. But Grameen banking system was more rigid, autonomous, over disciplined and dependence creating system which was suitable in Bangladesh. SHGs were probably less likely to include poor people than Grameen Bank groups but neither system reached the poorest. It was found that SHG members were more empowered but at the same time more vulnerable whereas Grameen groups were less vulnerable but less empowered.

Armendáriz and Morduch, (2005), explained the difference between microfinance and micro-credit. Micro-credit refers specifically to small loans given to the poor people, while microfinance is a broader term, and embraced effort to collect savings from low-income households, provide micro insurance along with micro-credit. It also helps in distributing and marketing clients' output. Microfinance embraces a range of financial services that helped the poor people and not just micro-credit for micro-enterprises.

Yunus, (2006), explained the differences between Grameen Bank and conventional banks methodology. Conventional banking was based on the principle that the more you have, the more you could get. As a result, more than half of the population of the world was deprived of financial services of the conventional banks as it was based on collateral, focused on men, located in as close as possible

to urban business centers and owned by rich with the objective of profit maximisation. On the contrary, the Grameen Bank started with the belief that credit should be accepted as a human right, where one who did not possess anything gets the highest priority in getting a loan. Grameen Bank was not based on the material possession but on the potential of a person. Grameen Bank, which was owned by women, had the objective of bringing financial services to the very poor, particularly women and the poorest to help them fight poverty, stay profitable and financially sound. He described poor people as human 'bonsai'. They were poor because society had denied them the real social and economic base to grow on. Grameen Bank's effort was to move them from the "flower-pot" to the real soil of the society.

Basu and Srivastava, (2005), in their 'Rural Finance Access Survey-2003' showed that the rural poor had faced severe difficulties in accessing savings and credit from the formal sector and that rural banks served primarily the needs of the richer section of rural borrowers. The study indicated that 66 per cent of the large farmers had a deposit account and 44 per cent had access to credit. While only 30 per cent of the marginal/landless farmers had a bank account and 87 per cent had no access to credit from a formal source. Obviously, they needed to approach informal sources of finance with around 44 per cent of the households borrowing informally at least once in preceding 12 months at the interest rate of 48 per cent per annum. It was also found that the largest uses of informal loans were for meeting the family emergencies (29 per cent) and social expenditures (19 per cent) like births, marriages and deaths. Some 13 per cent of borrowers reported using informal loans for investment related purposes.

Sharma, (2008), through cross country empirical study examined a close relationship between financial inclusion and development. Further, the study found a positive relation between financial inclusion and different socio-economic variables like income, inequality, literacy, physical infrastructures.

Su, (2007), revealed that poor households were excluded from formal credit network because of different set of attitudes of mainstream lending institutions creating procedures not fitted to poorer borrowers. These attitudes had negatively affected the role of self-help groups, microfinance and directed lending in poverty

alleviation. In their banking experience on the poor, Arora and Mankad, (1995), found that a large percentage of poor families did not access to bank credit even at free interest rate and other related support provided to them. The study found that Self-Help Groups (SHGs) were potential for providing an empowering forum to the poor, particularly the women. Nirmala, et al., (2004), in their study of poverty alleviation through SHGs found that SHGs benefitted the participants with increased social participation and organized action and better access to credit facilities. The study revealed that nature of occupation, higher asset possession and larger credit amount significantly reduced the members' monthly earnings while increased income of the husbands significantly raised it.

Sarkar, (2008), expressed the need that microfinance strategy of the SHG-bank linkage model of India should also cover services, suited to small borrowers, provided by the Bangladeshi model 'Grameen-II', which included loans of different duration, pension deposits, loan insurance, etc. Pandey and Kumar, (2011), focused upon the achievements of the microfinance services towards financial inclusion. The study found the SHG-Bank Linkage programme of Swarna Jayanti Swarojgar Yojna (SJSY) is the only instrument through which the financial inclusion could be penetrated into the rural and remote areas in the country. Sinha, (2011), stated that microfinance could play a catalyst role in social inclusion through poverty eradication.

Venkataramany and Bhasin, (2009), observed that SHGs comprising predominantly women groups could help in the alleviation of poverty, increase of sustainability, reduction of vulnerability, and building of assets for weaker sections. When micro-credit institutions received limited success in many countries, microfinance was being used in India for accomplishing universal financial inclusion. The study concluded that SHG-Bank Linkage Programme was successful in achieving financial inclusion to a larger extent in India.

Seilan, (2010), found that the micro-enterprise concept when coordinated with the SHG lending system could provide credit to the people, who were deprived of credit earlier. Micro-credit through SHGs provided the rural poor access to the finance without collateral and empowered the women folk economically and

socially. It could also produce macro changes in the lives of the women who received it.

Das, (2010), revealed that most of the members of the SHGs were from rural BPL family and concluded that the government sponsored SHG programme had reached the ultra-poor and vulnerable sections of the rural poor in West Bengal. Mukherjee and Kundu, (2012), had stated that the government sponsored microfinance programme (SGSY) could act as a social safety net if implemented properly to deliver the anticipated benefit to the programme participants. Banerjee and Sen, (2003) revealed that the SGSY was a major improvement over earlier credit-based poverty alleviation scheme as along with credit, it had many support services for the participants such as, agencies to nurture the groups, professionally competent assessment of feasibility of their economic activities, technical training, skills, building necessary infrastructure and direction to banks to ensure an adequate credit flow at all stages to permanently raise the income of all its poor participants above the poverty line. But, they find no evidence of the beginnings of a process of providing all these provisions designed in SGSY programme in order to eradicate poverty permanently in West Bengal.

Maurya, (2011), explained the empowerment and microfinance in India. The study found that micro-loans were forceful punch against the disempowerment and poverty but the banking linkage programme could not have significant impact on poverty at macro level unless rural women were imparted education showing the risk of exploitation outside for sustainable livelihood. The study suggested a need of comprehensive and holistic approach of financial inclusion. Sharma and Saharia, (2012), stated that microfinance as a single instrument could not ensure financial inclusion and solve the problems of abject poverty of the population. Nagayya and Rao, (2010), and Kumar and Sharma, (2011), discussed various microfinance services (financial inclusion) such as savings, credit, insurance, payments and remittances required for organizing the poorer sections in rural and urban areas to enable them to take up income generating activities and cross the poverty line.

Roy, (2011), revealed that there is a huge difference in the number of SHGs among various regions in India and North Eastern Region (NER) was lagging far behind

with only 5 percent of total SHGs and just 4 percent of total savings by all SHGs. The SHG movement in NER also unfortunately started very late and it was implemented first in Assam. The study highlighted that since 2000 a sizable number of SHGs cropped up in almost every district of Assam. It concluded that the spread of SHGs among the NER were uneven across the states, with the highest 75 percent SHG in Assam having 62 percent saving volume and lowest in Sikkim. Again, within Assam, there were wide disparities in the distribution of SHG movement.

Henriques and Gaonkar, (2011), in their study found that majority of the SHG members or even the matured SHG group members used the availed loan for non-income generating activities. The study suggested that the poor had a greater tendency to use micro-credit for productive and income generating activities as compared to the non-poor members credit holder. The study also revealed that the SHG movement had not been able to eliminate the dependence of the members on other financial institutions.

Borbora, (2011), found that the progress of SHG-Bank linkage programme was uneven across regions in India and NER's share in terms of SHGs and bank loans were the lowest in the country. The study concluded that the SBLP could help in the process of financial inclusion and poverty alleviation in the country.

In her paper, Mittal, (2014), reviewed fifty-one major empirical studies carried out in India and abroad to identify the major trends, status and performance of microfinance through SHGs and concluded that microfinance contributed to the growth and development of rural poor in terms of economic wellbeing, alleviating poverty, enhancing the income level, generation of employment level and empowerment.

Thus, we find that the concept of microfinance has evolved in several countries since centuries back in various forms, from informal to formal microfinance. Microfinance is a broader term and includes not only the micro-credit but other financial services such as savings, insurance and remittances for the poor. Microfinance services are provided through different methodology in different countries, e.g., in Bangladesh microfinance services are provided through Grameen Bank system while in India it is provided through the SHG system. The SHG-bank

linkage programme of providing microfinance services in India becomes the largest microfinance programme in the world. The target of providing microfinance services is to meet the credit and other financial needs of poor and BPL family who were excluded by the formal banking system in order to pull them above the poverty line through self-employment.

2.1.2 Literature Review: Microfinance and its Impact

Various literatures have assessed the impact of microfinance programme services in various countries on poverty reduction, employment generation and financial inclusion of the poor. In the impact assessment study of microfinance on poverty in Bangladesh, Pitt and Khandker, (1998), compared the impact of participants and non-participants three microfinance programmes, namely, namely, Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Bangladesh Rural Development Board (BRDB). The study found that for every 100 taka borrowed by a woman, household consumption expenditure increased by 18 taka. For a male borrower this figure was 11 taka. The estimated poverty reducing effects on borrowers of all the microfinance institutions were similar- the rate of poverty of BRAC and other members fell by about 15 per cent for moderate poor and 25 per cent for ultra-poor as compared to non-participants. This rate of poverty reduction appeared to decline with the duration of membership and with cumulative loan size. Similarly, Habib and Jubb, (2015), found that members of Bangladesh microfinance institution had significantly better off in almost all aspects of material well-being such as, income, ownership of assets, savings, and food intake, members of the microfinance institution than non-members. Further, the duration of membership in microfinance institution had positive association with the higher household income and savings of the households. However, Morduch, (1998), in Bangladesh found that microcredit contributed to reducing household vulnerability and not of poverty. Participant households had substantially and significantly lower variation in consumption and labour supply across seasons compared to the control groups. The study estimated that consumption variability was 47 per cent lower for eligible Grameen households, 54 per cent lower for eligible BRAC households and 51 per cent lower for eligible BRDB households, compared to the control group. The study failed to find any significant impact on household consumption levels

and on income poverty. The impact study by Coleman, (1999), and Coleman, (2006), evaluated the impact and outreach of two microfinance programmes in Thailand, controlling for endogenous self-selection and programme placement. The results indicated that wealthier households are significantly more likely to participate than the poor. The study found no evidence that microfinance programme had an impact on any asset or income variable as the access to bank credit increased. The weak poverty impact was wealthier households' becoming programme committee members and borrowing substantially more than rank-and-file members and then use of the relatively small size of loans for consumption purpose. Chen and Donald, (2001), found strong positive effects of microfinance on consumption and expenditure which included increased spending on foods, household improvements and consumer durable goods and school enrollment for boys. In addition, the study found greater degree of effect among repeated borrowers who are likely to spend more on food, household improvements and consumer durables and girls' schooling as compared to one-time borrowers. Dunn and Arbuckle, (2001), demonstrated a very significant positive impact of micro credit on its clients in terms of income and employment generation in micro enterprises. It was found that the participation in the programme led to nine days extra employment per month. The clients had earned $266 (in real terms) more per household member per year than the non-participants. Develtere and Huybrechts, (2002), revealed that Grameen Bank and BRAC had succeeded in reducing their members' vulnerability by controlling consumption and income variability preventing them from falling further into poverty. The programme had also positive spillover effects on different spheres of social and economic life of both members and non-members in programme villages and surrounding villages, but the poorest of the poor were not benefited by the programme. Hermes and Lensink, (2007), found no evidence that microfinance substantially contributed to a reduction of world poverty. The impact of various programmes of institutions like BRAC and ASA in Bangladesh to support the hardcore poor was unclear and the programmes had limited outreach. But, Khandker, (2003) and Khandker, (2005), confirmed that microfinance had sustained impact on poverty reduction among programme participants. The impact appeared to be higher for households in

extreme poverty as compared to moderate poor households. It was also proved that microfinance reduced poverty among non-participants as well through spillover effects in which non-participants benefited from increase in the level of economic activity. However, Khan and Sulaiman, (2015), reported that Pakistan Poverty Alleviation Fund (PPAF) did not focus on the extreme poor and marginalized segments in its operational areas and despite an overall positive impact, the program did not benefit the lower quartile community members during the study period from January 2003 to December 2007. Abbas, et al, (2005), revealed that micro financing had a highly significant positive impact on per capita income and households' average per capita expenditure and the impact was higher for very poor as compared to the poor and better off households. Morris and Barnes, (2005), found numerous positive impacts on programme clients in Uganda and concluded that microfinance programs had helped client households reduce financial vulnerability through diversification of income sources and accumulation of assets through starting of new enterprises, addition of new products and services improved or expanded enterprise sites and markets, etc.

Swain, (2004), found positive impact of microfinance on the poverty level of households, especially on female borrowers, schooling, nutrition, health, fertility and women empowerment. The study suggested that microfinance had a higher impact for households closer to the poverty line rather than the poorest of the poor. There was strong evidence that the programme had reduced vulnerability of households through consumption and labour smoothing. Montgomery, (2005), found the microfinance programme an appropriate intervention for reaching the poorest of the poor and demonstrated the result that the participation in microfinance programme had positive impact on both economic and social indicators of welfare as well as income generating activities. The programme enabled the extreme poor borrowers to increase expenditure on their children's education and health problem.

Manimekala, (2004), examined the impact of various forms of microfinance and found that NGO facilitated SHG model had performed better and SHGs had a positive impact in both social and economic spheres. The study found greater

social and economic empowerment in post-SHG situation as compared to pre-SHG situation.

Chowdhury, et al, (2005), found the impact of micro-credit associated with both lower objective and subjective poverty and the impact of micro-credit on poverty had particularly been strong for about six years with some leveling off after that point. The study found both objective poverty and subjective poverty declined by 2.5 per cent and 6.5 percent per year, yet the estimated poverty rates were high by about 45 per cent even after eight years of programme experience.

In their study on PRADAN's microfinance programme, Kabeer and Noponen, (2005), showed that SHG members had reported a more favourable overall food situation in terms of adequacy and diversity of diet as compared to non-members. They had better access to clean drinking water, improved housing with more rooms and doors. Members were sending greater number of children to school along with greater gender equity. Members were engaged in own cultivation and livestock rearing and were less dependent on unskilled wage labour activities. Members had higher levels of savings and lower incidence of indebtedness to high interest rate of money lenders as compared to non-members. Yunus, (2005), found positive impact of the Grammen Bank's new microfinance programme, called "Struggling (Beggar) Members Programme" in Bangladesh. It showed that 31.11 million Taka credit had been disbursed to 47,454 struggling members without charging any interest. Out of this collateral free loan, 15.40 million taka had been repaid and 786 members had already quit begging up to 2005.

Misra, (2006), and Walia, et al., (2012), found that all SHG members were saving regularly at fixed intervals and dependence on money-lenders eliminated/or decreased for 2/3 of the clients. The study found that group members were not willing to borrow on account of credit risk and absence of skills to undertake any economic activities. Just 6 per cent of the members had taken up any economic activity in post-group formation period. Bank loans were used overwhelmingly for consumption and other emergency needs. The high loan repayment rate was made out of reduced consumption, increased working time as farm labour, borrowing from relatives and other groups in vicinity or from money-lenders. Thus, reliance

on high volume of loans, outreach and repayment rate as a proxy for positive economic development ignored the issue of impact assessment at client level.

Nguyen, et al., (2007), found significant positive impact of microcredit on poverty and inequality in Vietman. The participation in the programme on an average increased income and expenditure by about thirty percent of the value of the loan. The study indicated that the programme decreased the head count of poverty for its participants by almost four percentage points. Similarly, the programme decreased the poverty gap index and the poverty-severity index by almost twenty percent. However, it found small but significant impact on Vietnam's inequality.

In their study, Setboonsarng and Parpiev, (2008), by using data from a survey of clients of a microfinance bank in Pakistan employed Propensity score matching (PSM) method to address selectivity bias and found that the lending programme contributed significantly to income generation activities such as agricultural production particularly, animal raising.

Nguyen, (2008), in Vietman provided the evidence that governmental micro-credit programme for the poor was not pro-poor and the non-poor account for a larger proportion of the participants. Moreover, the non-poor tended to receive larger amounts of credit compared to the poor However, the study found that the programme reduced the poverty rate of the participants and the positive impact was found for all three Foster-Greer-Thorbecke poverty measures.

Jasmine, (2008), observed positive impact of micro-credit on SHG members' income and assets which helped them to cross the poverty to a certain extent in post-SHG period as compared to pre-SHG period. Reji, (2009), observed improvement in social and economic conditions of NHG (Neighbour Hood Groups) members in Post-NHG period when compared to pre-NHG period. Thus, the studies carried out in different areas by the authors observed positive impact on living standard of the micro-credit beneficiaries. Chavan and Ramakumar, (2002), in their study compared NGO led micro credit programme of various countries with state led poverty alleviation scheme and observed marginal improvement in members' income and family employment as a result of micro credit programme.

Jerinabi and Kanniammal, (2008), found that micro credit scheme had increased household income of the beneficiaries and the percentage of well off family had

increased to 54 percent from 12 percent after utilization of credit. The study concluded that micro-credit helped only the poor beneficiaries to move out of poverty trap but failed to work for the very poor and destitute. Amin, et al., (2001), found that while micro-credit had been successful at reaching the poor, it was less successful at reaching the group most prone to destitution, the vulnerable poor.

Oommen, (2008), found microfinance to be remarkable in increasing self-employment of its members. He also found significant improvement in consumption with the decline of taking only one meal a day by 16 percent of the total NHG families. The programme also fairly improved their ability to collectively bargain, to plan projects and to organise group activities besides improving their social position within their own groups and within the wider community.

Hoque, (2008), found that micro-credit programmes had increased the households' capacity to deal with economic hardships and BRAC households had greater capacity to cope with crises from their current incomes and earnings than non-BRAC households in Bangladesh. While BRAC member households borrowed loan in times of crises, non-BRAC households resorted to asset sales. The study showed that BRAC households were able to obtain loan twice during times of crisis than non-BRAC households (20 per cent compared to 10.1 per cent respectively). Mahmud, (2010), found positive but moderate impact on the borrowers' household income in Bangladesh.

Sharma, (2008), found that the poorest of the poor got excluded in the process of group formation because of their low and vulnerable conditions and inability to deposit a fixed amount of monthly savings. The study found about 93 percent of the member households borrowed from internal loaning and 78 percent did through bank linkage. Moreover, a high proportion of loan repayment was made out of income earned through the economic activities undertaken with the borrowed funds. The estimated incidence of poverty among the member households at 2.50 percent was much lower as compared to 'control group' households (13.33 percent). The levels of income and employment of member households registered a significant increase with poorer households getting more benefits as compared to better-off households.

Borbora and Mahanta, (2008), in their study revealed that 80 per cent of the members in the selected SHGs were from poor families. The 'Credit and Saving Programme' of Rashtriya Grameen Vikas Nidhi's (RGVN) in Assam had succeeded in inculcating the saving habits among the members and freeing themselves from the clutches of informal sources of money lenders. The SHGs had helped to set up a number of micro-enterprises for income generating activities. The focus of the Credit and Saving Programme (CSP) was exclusively designed to deliver credit to rural poor with the support of specially trained staff and a supportive policy without political intervention at any stage of the programme. Thus, CSP in Assam was successful to a large extent.

Rahman, et al., (2009), in their study found significant positive impact of micro-credit on household income and assets across different income level borrowers. The studies revealed that higher income group of borrowers were better off as compared to the middle and lower income household borrowers. It was also observed that the age and education of the household were significant and made a better impact on the household. Khan and Rahaman, (2007), in Bangladesh found that microfinance had the positive impact on the standard of living of the poor people and on their life style. It had helped not only to come over the poverty line, but also to empower themselves, indicating significant contribution of Microfinance Institutions (MFIs) towards improving the living standards of the poor people.

Saad and Duasa, (2009), studied the economic impact of micro-credit programme in Malaysia and the result suggested that micro credit had significant and positive impact on per capita income, ratio of spending to income and value of assets of the programme participants. Zewde and Tollens, (2008), evaluated the impact of microfinance programme and the results concluded that the programme had significant impact on the household's expenditure on food, income and non-housing assets of the clients. Rena and Tesfy, (2007), concluded that microfinance had strong capacity to drive economic growth and poverty reduction in Eritrea.

Baruah, (2009), and Baruah, (2012), stated that although microfinance had emerged as an alternative source of credit, it had limited impact on poverty in Assam. The amount of loans provided by SHGs to its members was so small that it

was unable to pull the members above the poverty line. Further, the loans taken by members were utilized mainly for consumption purposes. The SHG members went either to moneylenders or to banks for higher amount of loans. It was also stated that a large segment of the SHGs were going to be closed down.

Jain, et al., (2009), found significant impact of Self-Help Groups on socio-economic status of its members. The SHG members had increased their level of education, housing facilities, exposure of mass media, extension orientation, occupational level, and size of holdings, material possessions in a significant way as compared to non-members.

Imai, et al., (2010), examined whether household access to microfinance reduces poverty in India. The study by using endogenous binary treatment model and correcting for sample selection bias revealed significant positive effects of microfinance on the multidimensional poverty indicators suggesting the role of MFIs in reducing poverty. Moreover, the studies found loans for productive purposes to be more important for poverty reduction in rural areas than in urban areas. The authors stressed on the need for providing more productive loans by MFIs to reduce poverty in rural areas in India.

Malleswari, (2010), found significant positive impact of SHG microfinance programme on income, employment, expenditure, savings and women's participation in household decision making among the SHGs members beneficiaries. The study found that employment generation had increased and it was significant for beneficiaries during post-SHG period as compared to non-beneficiaries. It also empowered women members to a greater extent.

Borga, (2011), evaluated the impacts of microfinance services on household income in Gullele sub city of Addis Ababa City Administration. The impact was estimated as average treatment effect on the treated (ATT) by comparing treated and control group through propensity score matching. The study revealed a significant impact of microfinance on household income. The participating households of the programme had increased income of 47 percent as compared to the control group households.

In their study, Doan, et al., (2011), used Propensity score matching (PSM) method for correcting biases between the borrowers and non-borrowers in Vietnam and

estimated the average treatment effect on the treated of the micro-credit access of the poor households. They found significant and positive impacts of borrowing on education and healthcare spending of the borrowers when compared with non-borrower households. A study by Phan, (2012), in Vietnam by using Propensity score matching (PSM) method and difference in difference (DID) method revealed a positive significant impact of the microcredit programme on household consumption and greater impact estimators on the consumption of the poor. But the study found no evidence of significant impact on household monthly income of the treated as compared to non-treatment group. Similarly, Duong and Thanh, (2015), by using the similar method (PSM and DID) revealed the evidence of improving the consumption of the poor but no evidence about the impact on income of the poor. However, Awunyo-Vitor, et al., (2012), in Ghana had found statistically significant positive impact on income of women participants in microcredit as compared to non-participant women.

Andotra, et al., (2011), and Raja and Suvakkin, (2012), found positive impact of SHGs on women members in bringing behavioural changes, socio-economic development and savings. Das, (2012), observed that majority of SHG members improved their levels of income, assets and wealth, expenditure during the post-SHG period. The study concluded that SHGs had larger impact on psychological and social empowerment than economic empowerment. Das, (2010), revealed that majority of the SHG members invested their loan amount in traditional activity like dairy farming or agricultural activity. Therefore, even the maturity of the groups had not contributed any significant rise in the income of the group members.

Bera, (2011), found that SHG members had a remarkable improvement in the saving, income level and employment generation as a result of microfinance during post-SHG situation. The study found substantial increase in household incomes from livestock and self-employment in non-farm activities. Besides, it found significant improvement in both economic and social empowerment in terms of increase in self-confidence, public participation and fight against drugs and fall in family violence.

Pathak and Gyawali, (2010), revealed that the microfinance programme of Paschimanchal Grameen Bikash Bank in Nepal had positive impact and vital role

in enterprises creation and employment generation. The study found that microloans were mostly invested on small scale business, livestock and other agro-based enterprises and that the business startup rate was more than 80 percent which created employment at the rate of 1.5 persons per enterprise. Thus, the microfinance programme was found to be successful in creating self-employment through micro and small level enterprises Rupandehi district of Nepal.

Surender, et al., (2011), examined the role of Self Help Group (SHG) on employment generation and the result revealed that expenditure, income, number of working days, economic position, and employment had increased after getting loans. The employment generation with the help of SHG was more in BPL members than that of APL members. The study concluded that SHG had the capacity of generating employment and had positive impact on employment generation.

Mamun, et al., (2011), examined the use and effect of the utilization of microcredit on income and assets of hardcore poor clients and the results revealed that a relatively high percentage of old clients used more credit in trading activities and engaged themselves in self-employed production, trade and service activities as compared to new clients. In addition, it was found that average monthly household income and market value of total household assets of the clients who used credit for income generating activities were higher than those of not using credit for income generating activities.

Panda and Atibudhi, (2011), studied the impact of microfinance programme on poor households and found that SHG based microfinance had a positive impact on increasing the income, number of employment days and number of literate family members of the participating households when compared to non-participant households. Further, the microfinance programmes had a greater impact on households who worked under the primary occupation of micro-enterprise and trading activities than that of agriculture and allied activities across various household characteristics.

Dinesha and Jayasheela, (2011), reported that income poor households had used credit mostly for consumption purpose and their change in occupational structure was limited as compared to households with higher income groups. Overall, the

study found a larger proportion of SHG members had actively participated in economic and social domains of their life.

Ahmed, et al., (2011), found that majority of the women 'with credit' had contributed much higher percentage of their income to the family incomes, attain higher level of education and engage in economic and social activities as compared to women 'without credit'. The study concluded that microcredit programme had improved the socio-economic status of rural women participants, increased their empowerment, led to higher educational attainment and lifted their families out of poverty as compared to non-participant women.

Guruswami, (2012), revealed a significant role of microfinance services in alleviating poverty of the clients. The study estimated that about 62.86 per cent of the clients achieved additional household ownership of assets, 52.86 per cent shifted their energy and 70 per cent sent their additional children to the school after getting loan. Moreover, microfinance services improved the living standards, increased incomes and expanded businesses of the clients. Mkpado and Arene, (2010), through regression results, found that saving had been inversely related to gender composition, membership size, age of the groups and frequency of meeting per month while directly related to fund size and random method of allocation. The study concluded that factors like inadequate savings, limited education, late application for loans, etc. were responsible for limited access to group formal financial services.

Ifelunini and Wosowei, (2012), studied that poverty reduction effect of microfinance among women entrepreneurs in South-South Nigeria. The study matched the comparison group to the treatment group by using propensity score matching (PSM) method to estimate average treatment effect of access to microfinance service. The study revealed that access to microfinance had positive impact on the per capita expenditure of women entrepreneurs. The study also found negative impact of household size and residence and positive impact of education level on per capita expenditure.

Qureshi, et al., (2012), provided an overview on adopting the mechanism for processing microfinance by the respondents in Pakistan. The study concluded that participating in microfinance and adopting the mechanism for processing

microfinance depend upon farmers and businessmen's characteristics. In addition, the study found positive impact of microfinance on adoption of mechanism and assistance to the people to cross over the poverty line.

Wadud, (2013), compared the average income of farms that received microcredit to that of control group to find the impact of microcredit on agricultural farm performance and food security in Bangladesh using propensity score matching technique. The study revealed a positive impact of microcredit on farm income. The average income of microcredit receiving farms was 9.46 per cent higher than that of microcredit non-receiving farms.

Diro and Regasa, (2014), by using PSM method provided the evidence of the impact of micro-credit on the livelihood of borrowers in Ethiopia. The result of the study revealed significant positive significant average effect (ATT) of micro-credit through matching treated and control observations, on households' average monthly income, consumption expenditure, savings, housing improvements, expenditure on children education and health care of borrower households. Moreover, the study found number of employment generated to and out of households significant but small ranging just from 0.37 – 0.58.

Liheta and Mosha, (2014), by using PSM method analysed the effects of microfinance programmes upon household welfare in Tanzania. The study revealed that access to microfinance created positive effects on the income, assets, savings and consumption level of its clients as compared to non-participant households.

Thus, the studies reveal that microfinance programme has various impacts on the poor. Some studies indicate that participant member households have experienced higher improvement in their socio-economic conditions vis-à-vis non-members. The programme is able to reduce poverty and vulnerability of the members providing them employment opportunity. But, some studies found some others found no impact of microfinance on poverty and other variables and micro-credit are mostly used for meeting consumption and other emergency needs. Thus, studies reveal a mixed impact of microfinance programme. Studies also indicate that SHG programme participants generated more income taking income

generating activities with the help of micro-credit and crossed the poverty line in post SHG situation.

2.1.3 Related Literature: SHG- Bank Linkage and its impact

Puhazhendhi and Satyasai, (2000), found that microfinance programme had improved the level of income, employment and social empowerment of SHG members during pre- and post-SHG situation. The study showed 33 per cent increase in average annual income and 17 percent increase in employment from pre-SHG to post-SHG situation. Forty per cent of this incremental income was generated by non-farm sector activities. SHG households took up 200 additional economic activities by utilising 85 per cent of the borrowed funds for productive purposes. The share of families living below the poverty line was reduced by 20 per cent in post-SHG situation.

A study by NABARD, (2002), across 11 states of India covered 560 SHG member households from 223 SHGs, showed many positive results on the impact of participation of rural poor in the SHGs. It indicated that there had been perceptible and wholesome changes in the living standards of SHG members in terms of ownership of assets, increase in savings, borrowing capacities, income generating activities and income levels.

Puhazhendhi and Badatya, (2002), concluded that SHG-Bank linkage programme had significant contribution of social and economic improvement of the member households of SHG. The study found that institutional credit had deepened and widened among the rural poor with substantial reduction of loans from money-lenders and other informal sources. About 72 per cent bank loans had been used for production purposes and 28 percent for consumption and other purposes during post-SHG situation. Employment days had registered an increase of 34 per cent from 303 to 405 person days between pre- and post-SHG situations. The study showed that 45 per cent of households registered 30 per cent increase of household assets and 23 per cent rise in annual income in post-SHG situation. The programme had also brought 15 percent of BPL households above the poverty line in post SHG situation. The social empowerment of SHG members in terms of self-confidence, involvement in decision-making, better communication, etc. improved in a significant way.

Basu and Srivastava, (2005), found that majority of the beneficiaries of the SHG-bank linkage were from among the poorer groups– the landless and marginal farmers. The study revealed no significant relationship between the number of SHGs and village-level indicators of poverty (such as, village per capita income and inequality) and number of NGOs. Thus, it suggested for scaling-up microfinance for a vast and varied country like India.

Swain, (2007), studied the impact of SHG bank linkage programmes on poverty, vulnerability and social development of the programme participants in five states in India. The study found that 88 percent of the SHG households had a significant positive change in the level of confidence as compared to only 34 percent of the control household. Almost 50 per cent of the SHG participants reported an increased level of respect from their spouses as compared to just 18 per cent of the control households. The SHG participants had more ability to meet family's financial crisis and involved more in family decision-making than the non-participants. However, a small increase of family violence (about 10 per cent) was also noticeable within the participant households.

Sarangi, (2007), evaluated the outreach, impact and sustainability of three group-based microfinance programmes in Madhya Pradesh of India. The findings revealed the positive and significant effect of the microfinance programmes on increase in the income, livestock assets and off-farm earnings of the participant households, significantly reducing their dependence on informal credit sources as compared to the non-participants. However the study confirmed the exclusion of very poor households from participation in the programmes due to inability to contribute to the group savings fund and some other constraints and the better off section of households, particularly those with high per capita income or the large land holders had mostly gained from participation of the programmes. The study concluded that credit to serve as a sole instrument of poverty alleviation did not seem to be plausible, without other corroborative mechanism that help in increasing the potential of credit use by the poor or the small farmers.

Sangwan, (2008), studied the extent of financial inclusion and the role of Self Help Groups (SHGs) in achieving financial inclusion. The study examined the impact of various factors like bank branch density, per capita income, literacy, SHG

membership on financial inclusion. The results substantiated that the persons having low income and less geographical access to bank (e.g., agricultural labourers, marginal and small farmers, migrant labourers, tribal and women) were excluded from the financial inclusion. The study revealed a significant role of SHG led microfinance programme in achieving financial inclusion especially for women and low-income families.

Rangappa, et al., (2008), Rangappa, et al., (2009), and Anjugam, (2011), analysed the impact of SBLP on financial inclusion among households of landless labourers, marginal farmers, small, medium farmers and the results revealed that SHG's increased the flow of formal institutional credit to landless and marginal farm households and discouraged non-institutional borrowing through thrift creation. The percentage of households that reached the medium and high level of financial inclusion increased with the size of land holding; and that the percentage of households that reached the higher degree of financial inclusion is relatively more among SHG member households when compared to non-member households.

Chavan and Birajdar, (2009), found limited role of SHG led microfinance programme on financial inclusion and the result suggested that even mature SHG members were outside the ambit of formal institution and depended on moneylenders for credit at high interest rate. The study concluded that microfinance had considerable scope to become an effective tool for financial inclusion of excluded groups/regions in India.

Mehrotra, et al., (2009), had made an attempt to develop index of financial inclusion to examine the progress of financial inclusion and its various determinants using secondary data from various sources for the year 2004-05. In their study, through regression analysis, they found a positive impact of infrastructure development, education and SHG formation on financial inclusion both from financial widening and deepening perspectives.

Sahu and Tripathy, (2009), found that microfinance and banking services (financial inclusion) had not been well accessed by each and every SHG member and that microfinance programme had no significant impact on income. The study concluded that older SHG members had higher incremental annual income and ownership of assets than the newer SHG members in post-SHG period as

compared to the pre-SHG. Ramji, (2009), concluded that the drive for financial inclusion failed to bring large numbers of people within the ambit of formal finance. He found that 36 percent of the sample respondents remained excluded from any kind of formal or semi-formal savings accounts and that bank accounts were opened mainly to receive government assistance from programme like, National Rural Employment Guarantee Programme (NREP).

APMAS, (2009), in collaboration with NABARD found that SHG programme in Assam had resulted in significant social and economic benefits and over 80 percent of the groups experienced increased saving habits and income, credit availability and increased access to formal credit. Over 50 percent of groups had an increase in expenditure on food, education and health and about three-fourths had experienced a decline in their family debts, interest burden and dependence on money lenders. The study found SHGs as one of the best means to achieve financial inclusion in the state. Islam, (2012), and Mehta, (2012), in their study revealed the SHG-bank linkage programme is an effective instrument for financial inclusion. Krishnan, (2011), found NHG method of providing microfinance by Kudumbashree as useful tool for women empowerment and financial inclusion. The study found that 93 per cent of the members had availed the loan facility but only 26 per cent of the members had started any income generating activities (IGAs). The study showed the NHG savings was the only agency for 77.50 per cent of the NHG members in that area. Thus, financial inclusion was ensured through the NHG method. Shylendra, et al., (2010), revealed that while SBLP gave fillip to the formation of SHGs, it served as the second-best solution to the problem of financial exclusion.

Deininger and Liu, (2009), found significant economic impact of SHG participation that benefits from the programme significantly exceeded programme costs. The results suggested that the programme have not only fostered group formation but also supported more mature groups through federation and credit access have significant economic benefits in the long term.

Swain and Floro, (2010), controlled potential selection bias by propensity score matching to estimate the average treatment on treated effect (ATT) of microfinance on vulnerability of the poor in India. The study found that SHG participation had

reduced vulnerability among members as compared to non-members, but it found no significant increase in its average food expenditure per capita per month.

Singh, (2009), observed the positive contribution of microfinance in solving the problem of inadequate housing and urban services as an integral part of poverty alleviation programmes. The SHG-Bank Linkage Programme (SBLP) expanded by 37 percent in 13 priority states in India which account for 67 percent of the rural poor. It found a positive change in terms of the ability of microfinance to attract more funds and increase outreach. But the programme continued to remain relatively skewed. The author argued to incorporate local factors in service delivery to maximize impact of SBLP on achieving Millennium Development Goals (MDGs).

Das, (2010), found that SHG members were ignorant about the amount of bank loans, rate of interest, quantum of subsidy, mode of subsidy delivery and terms of loan repayments and bank loans were invested mostly in traditional activities like dairy farming or agricultural activity. The study concluded that no significant rise in the income of the members was found even for matured group members.

Purushotham, et al., (2010), observed a very disappointing credit scenario. Majority of the tribal households had not been able to avail institutional credit even three years after their joining SHGs. The scheduled tribe SHG members resorted to private moneylenders for credit against contractual supply of the farm produce at less than the prevailing market price. Thus, there was failure of SHG- Bank Linkage programme to support SHG members.

Adhikary and Bagli, (2010), examined the impact of Self Help Groups (SHGs) on financial inclusion and exclusion of rural people in West Bengal and the result revealed that SHG membership and duration of SHG membership had reduced significantly the frequency of informal borrowing (financial exclusion) and increased the accessibility to formal credit(financial inclusion). The SHG members had higher (77 percent) probability of getting formal credit and needed almost four times lesser informal borrowing as compared to non-SHG members. Thus, the study suggested a significant role of SHGs in achieving financial inclusion of the poor in the area under study.

Pokhriyal and Ghildiyal, (2011), studied the progress of microfinance and financial inclusion in terms of SHG-Bank Linkage programme. The study observed that branch network of banks and the share of smaller credit to total credit disbursed by Scheduled Commercial Banks declined overtime in rural areas indicating that the rural areas and rural poor, underprivileged people were deprived and discriminated in the context of financial inclusion and growth. The SHG-Bank Linkage programme was promoted to bridge the prevailing gap in the financial network and spreading banking facilities to the poor in rural and urban areas. The study suggested that SHG-Bank Linkage programme had contributed towards achieving the objectives of equitable financial inclusion by removing regional disparities.

Arputhamani and Prasannakumari, (2011), computed the financial inclusion index (IFI) for various states of India and the result revealed that no state in India achieved high IFI. Further, the study found a positive relation between IFI and other variables like Human Development Index (HDI), per capita net state domestic product (PNSDP) and literacy rate. The study also suggested a significant role of SHG led programme in achieving financial inclusion and rural development. In their study, Kumar and Sharma, (2011), suggested a significant role of microfinance programme in achieving women empowerment and financial inclusion in India.

Sabharwal and Goel, (2011), found that SHGs had increased the self-confidence and communication skills of the women members and helped majority of women to move out of poverty. But the study suggested a significantly limited scale and spread of microfinance and failure to bring the excluded groups/regions under the ambit of financial inclusion in India.

Ramaratnam and Jayaraman, (2011), studied financial inclusion and inclusive growth for the period of 2008 to 2010. The study found that SHGs availed commendable benefit of microfinance with increased demand for micro credit. The banks and MFIs also disbursed sufficient amount of micro credit to SHGs. Thus, financial inclusion had taken place in India in the form of disbursement of micro credit to SHGs through banks and MFIs. The study concluded that SHGs had improved the earnings of their members and their prompt repayment of debt helped

the banks and MFIs to provide more credit facilities to the existing and upcoming SHGs.

Mehta, et al., (2011), in their study concluded that SHG bank linkage programme (SBLP) had significantly improved the access to financial services of the rural poor and had considerable positive impact on the socio-economic conditions and the reduction of poverty of SHG members and their households. It had also reportedly empowered women members substantially and contributed to increased self-confidence and positive behavioural changes in the post-SHG period as compared to the pre-SHG period (Sinha, et al., 2008; Jain, 2011). Bery, (2008), examined that SBLP had increased significantly the net household income, ownership of productive assets and social empowerment of women in post-SHG as compared to pre-SHG period. The programme had also reduced the share of households living below the poverty line from 58.3 percent in pre-SHG to 33 percent in post-SHG period.

Mahajan and Bansal, (2011), studied the impact of microfinance services of SBLP in Punjab and found that microfinance had increased the income, employment and empowerment of the programme participants during post-SHG period as compared to non-participants. A large number of participant households engaged in various income generating activities including non-traditional activities. But the SHG-Bank Linkage programme could not reach the extreme poor and had benefitted mainly to the moderate poor and shifted them to non-poor categories. Only 19 percent of the BPL households joined the SHG and insurance cover was found limited in the study area (Mahajan and Bansal, 2010).

Gopalaraju and Kumar, (2011), revealed the positive impact of Self-Help Groups (SHGs) on poverty alleviation and economic empowerment of rural families. The study found that even non-earning members started earning and income of SHG members had increased considerably in post SHG situation. The study suggested that 42 percent of women members were not contributed anything and 8 percent women were not in a position to do any earning activities in pre-SHG situation. But after joining SHGs, those housewives also started their own works and business or other income generating activities. The SHGs also enabled women members to participate in family decision making relating to economic and

financial matters. Thus, SHGs were viable alternative to achieve the objectives of rural development, especially women empowerment.

Kachari, et al., (2011), assessed the role of SHGs in poverty alleviation, income generation and empowerment of women in Assam. The result revealed that SHGs increased the awareness among women members and provided sufficient opportunities for generation of income and occupations to fight against poverty. The SBLP had significant impact on reduction of incidence of poverty and upliftment of SHG members above poverty line through increased annual income in post SHG situation as compared to pre-SHG situation. However, the study revealed that availability of credit facilities from the banks and other institutions to the members was insufficient and lagged far behind the desired level.

Prathap, (2011), analysed the role of microfinance in financial inclusion and observed that SHG membership and SHG-banking/MFP linkage could promote financial inclusion and households with SHG members achieve medium level of financial inclusion than non-members. The study observed that non-members had the lowest financial inclusion index, while SHG members had higher index and those having a linkage with banks/MFPs achieved even higher index. Similar result was found by Sarania and Maity, (2014), in Baksa district of Assam who concluded that SHG-Bank linkage programme of SGSY increased the degree of financial inclusion among the participants of the programme as compared to non-participant households.

Murthy, (2012), examined the performance of SHGs and its impact on financial inclusion in Bangalore. The study revealed that the SHG- bank linkage programme (SBLP) had covered in its ambit all categories of people including poor and that the recovery performance of loans issued to SHG members was excellent. The study found that the number of ‘no-frill accounts’ had declined registering 50.12 percent financial inclusive growth as a result of the SBL Programme.

Sajeev and Thangavel, (2012), evaluated financial inclusion and SHG-bank linkage programme among 9 districts in Kerala, India. The impact of programme on the promotion of financial inclusion in rural area was analysed in terms of access to banks, savings, borrowing and insurance by SHG members. The study revealed that financial inclusion was effectively working in a group of 24.2 percent on

average of total SHG members and the percentage of inclusion was relatively more among the households with SHG in the case of landless and marginal farm size group. There was no impact found on the financial services like asset insurance, ATM and credit card services. These services had not reached the rural areas in general and landless and marginal farm households in particular.

Devi, et al., (2012), revealed that about 91 percent of women SHG members had availed loan after joining SHG. The study found a significant economic and social impact of microfinance. The economic impact was estimated in terms of business expansion, followed by possibility of increased savings and self-employment and the social impact was in terms of social security, participation in social activities and local bodies. Further, microfinance had significant impact on the monthly income, expenditure, savings and asset holdings of the members. The study concluded that empowerment of women and access to formal financial services increased after becoming the members of SHGs over a period of time.

Ghosh, (2012), in his paper reviewed the progress of SHG-Bank linkage programme in India and examined its impact on the socio-economic conditions of SHG member households. He observed skewed regional spread of the programme with highest concentration in the southern region and significant positive impact on the average annual net income, assets and savings of SHG member households in the post-SHG situation. The study also found that the average amount of loans, the regularity in repayment of loans the percentage of loans used for productive purposes and employment per household increased, and the dependence on moneylenders decreased remarkably. Moreover, the programme had significantly decreased the incidence of poverty among SHG members, and improved the social empowerment of women. Sivachithappa, (2013), in Mandya district of India found increased level of income and assets of the rural women of SHGs and reduction in the level of poverty as a result of intervention of micro finance by SHGs. The study observed SHGs an important weapon of poverty alleviation in the study area.

However, Mukherjee and Kundu, (2012), revealed that the government sponsored microfinance programme (SGSY) had serious lacunas in implementing the programme and as a safety net it failed to fully deliver anticipated benefits to the

programme participants.The targeting efficiency of the programme revealed that the programme suffered from both inclusion and exclusion errors.

Uma and Rupa, (2013), studied the impact of SHGs on financial inclusion with parameters of increase in bank accounts, increase in avail of credit and percentage of repayment during pre- and post-SHG situations. The study revealed positive impact of SHG on financial inclusion. The study found that the percentage of members having bank accounts, credit availed and repayment of credit had increased in post-SHG situation. The number of bank accounts increased from 17.3 percent in pre-SHG situation to 82.7 percent, credit availed increased from Rs.8103.33 to Rs.15410.00 and the percentage of repayment increased from 50 percent to 90 percent after introduction of SBL programme.

Maroor and Asthalata, (2013), studied the status and various determinants of financial inclusion and examined the impact of Self-Help Group-Bank Linkage Programme in achieving financial inclusion for the period 2008 across sixteen states in India. The result of multiple regression analysis method applied for the purpose demonstrated a positive and significant impact of Self-Help Group-Bank Linkage Programme on financial inclusion in terms of credit deepening. Furthermore, it revealed a positive impact of economic development and financial literacy on financial inclusion whereas branch density (population per branch) exhibited an inverse relationship with financial inclusion. Thus, the Self-Help Group-Bank Linkage exhibited the potential to provide an alternative mechanism to extend financial services to large unbanked sections of the society in India.

Thus, the existing SHG-bank linkage programme reveals the overall picture of great promise on socio-economic well-being of the member households. Through the SHG routes, member starts learning the saving habits and understands the banking transactions. However, the impact of SBLP on access to financial services by the members and thereby their improvement in socio-economic conditions is also mixed. Some studies show the failure of reducing poverty whereas as some others indicate it as the second best instrument of financial inclusion.

Conclusion

Review of various studies related to microfinance and SBLP carried out above has shown a mixed outcome of the impact on the programme participants. Some

studies have found positive impact of SBLP on the participant households' income and employment and led to better access of formal financial services while some others studies have found that credits are used mostly for consumption or to meet other emergency needs. Moreover, the methodologies applied by them for their study also differed from one to another. Thus, the review of the above literatures reveal that although there are several works relating to SBLP microfinance programme in various parts of India, but no specific study as of the present one has been made so far. The methodology to be applied in this present study is also original in nature. Therefore, this paper stressed for an urgent need to enhance the understanding of whether the government sponsored SBLP microfinance programme operating in this area under study, the poor SHG members have been benefitted or not. This paper also envisaged to develop and identify the appropriate indicators to enhance knowledge on the subject of SBLP microfinance programme. This could then guide targeted efforts to mitigate problems that have the greatest effects on the extreme poor people of rural areas.

The reviews of related literature also incline us to further develop our third chapter, i.e., methodology for further development of our thesis. So, in the next step, we are going to develop our methodology for the proper understanding and analysis of the problem.