Review

Micro-finance: A tool for fight against poverty in rural India through self-help group formation

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Prosperity of India lies in the prosperity of its villages. In spite of being an agrarian economy, the rural scenario of our country projects a rather despondent picture. A large chunk of the rural population still remains in abject misery and poverty. Economic independence and empowerment of rural poor are major challenges faced by the government. Since 1991, the government has intensified its efforts for inclusive growth with its outreach programs. Banks and financial institutions are engaged in massive financial inclusion programs. Although, the percentage of rural population living below the poverty line declined significantly from 27.09% in 1999-2000 to 22.7 in 2004-2005, but still the millions of rural people are living in perpetual bondage write down the specific source. For alleviating rural poverty and freeing the rural people from the vicious cycle of poverty, credit has long been identified as one of the most crucial inputs as access to credit can generate economic activity, growth and development. During the year 2005-2006, National Bank for Agriculture and Rural Development (NABARD) has re-designated Micro-Finance Development Fund (MFDF) as Micro-Finance Development and Equity Fund (MFDEF) and enhanced the fund size from Indian Rupees (Rs.) 100 to 200 crore. An amount of Rs. 113.50 million from MFDEF was utilized during the year towards up-scaling of SHG-Bank Linkage Programme. Under the SHG-Bank linkage programme, over 103 million rural households now have access to regular savings through 7.96 million SHGs linked to banks. About 27% of these SHGs are savings linked, the Swarnajayanti Gram Swarojgar Yojana (SGSY) programme—the rural poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members. Microfinance in India is characterized by a high advancement and has brought a number of people above the poverty line. But the coverage is uneven with high numbers of people in rural hinterland still remaining out of the ambit of the outreach programs. Southern region accounts for more than 2/3rd of the total microfinance through SHGs in the country.

Key words: Microfinance, poverty, self-help groups, income, employment generation.

INTRODUCTION

The major challenge before the nation today is to evolve an appropriate strategy for mobilizing the human resources for optimal use of the available financial resources. The biggest challenge to any civilized society...
is the economic deprivation of its bucolic part. The most potent tool against human deprivation is that of building capacity among the deprived through sustainable development initiative which is taken by the deprived themselves. The dynamic quotation of great economist Chanakay “Self realization and self initiative are the two most powerful weapons to wash poverty out from the world map” is now called Self-Help Group (SHG). Microfinance through SHG has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally (Singh and Singh, 2002).

In recent years the group to poverty alleviation is getting recognition in Asian countries. Mostly, women are mobilized into groups for undertaking mutually beneficial social and economic activities. The group provides a base for self-employment and empowerment through group dynamics. In India these mutual help based on groups are known as Self-Help Groups. It is a fact that SHGs can establish a relationship between the formal financial institutions and the poor for providing credit and other banking facilities. The women empowerment and eradication of poverty under micro-finance schemes have been made possible through the formation of SHGs. The definition of SHG as approved by National Bank for Agriculture and Rural Development (NABARD), the apex banking body in India is that “A Self-Help Group is a small, economically homogenous and affinity group of rural poor voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per group decision for their socio-economic development.” They are mostly informal groups whose members have a common perception of need and impulse towards collective action. NABARD is a pioneer in conceptualizing and implementing the SHG-bank linkage programme. The very backbone of SHG is saving, mutual support and co-operation of the members to attain their objectives (Awasthi et al., 2001).

The major emphasis was given to disburse loans without collateral, 100% repayment norms and lending to groups instead of every single individual who would also invest their savings and regulate their groups and group loans, thus reducing transaction costs for the borrowers and the banks. Thus, microfinance as a means of meeting the credit requirements of rural poor is not a new concept and was met both by formal and informal credit agencies. As the SHG-bank credit linkage programme is now a decade old, it seems that this is the proper time, to review and analyze the lessons learnt by the SHG movement.

Since the focus of SHG is information sharing, awareness and confidence building, group action and micro-level planning for social and economic development of its members, it has been the experience of the voluntary agencies that the SHGs are able to overcome most of the practical problems encountered in the implementation of the various programmes for the empowerment of the poor.

THE CONCEPT OF MICRO-FINANCE

Micro-finance (MF) presents itself as a viable alternative to the traditional strategies in order to attack poverty. Micro-finance refers to the entire range of financial services available, such as savings and insurance, production and investment credit, housing finance for the poor and also includes skill up gradation and entrepreneurial development that would enable to overcome poverty. MF provides credit support in small doses along with training and other related services to people who are resource poor and thus unable to undertake economic activities (Bardhan and Dabas, 2007).

Microfinance is defined as the provision of thrift, credit and other financial services such as money transfer and micro insurance products for the poor, to enable them to raise their income levels and improve living standards. It refers to the entire aspect of financial services such as savings, money transfers, insurance, production as well as investment credit and includes the need for improvement in skill and entrepreneurial development that would help them to overcome poverty. Micro finance programs have significant potential for contributing to economic and social empowerment to members of SHGs. Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing ‘virtuoso spirals’ of empowerment. Micro finance development has emerged as major strategy to combat the twin issues of poverty and unemployment that continue to pose a major threat to the polity and economy of both the developed and developing countries. So, micro finance is a way of financing the poor for their business, to alleviate their poverty, empowering them, giving socio economic benefits of sustainable way.

The concepts of microfinance have their roots in 1904, when the Co-operative Societies Act was passed for ensuring production credit loans to the farmers through Primary Credit Societies. The formation of long-term cooperative credit institutions to meet the farmers’ investment credit needs started in 1928 with the various priority sector targets under social banking while after bank nationalization in 1969, microfinance concepts in banking institutions once again came to the forefront. However, it is found that rural credit market was still dominated by the rural moneylenders and traders who offered loan at a high rate of interest even for consumptions purposes. The Integrated Rural Development Programme (IRDP) and the revamped programme named as Swarnajayanti Graman Swarozaglar Yojana (SGSY) laid emphasis on investment credit needs only. The rural poor did not receive the subsidized and of low interest credit rather the same were channeled to the better-off sections of the rural people. Furthermore, poor monitoring and following-up by the bankers resulted in poor repayment of loan. Under the above circumstances, NABARD launched a pilot

The small beginning of linking only 500 SHGs to banks in 1992, had grown to over 0.5 million SHGs by March 2002 and further to 8 million SHGs by March 2012. From almost 100% of the SHGs linked to Banks at the pilot stage from southern States, the share of southern States in the total number of SHGs linked shrank to 46% by March 2012, while the share of eastern States (especially, West Bengal, Odissa, Bihar) shot up to over 20%. The programme in its third decade phase, promises to be one of maturing the linkage programme with livelihoods support, with a lot more of innovations in the product range offered through SHGs and path breaking reforms in leveraging technology to improve efficiency, while it is expected to extend its outreach to more geographical regions, especially the most resource poor regions of the country. It is widely believed that the SHGs of the poor will be the vehicles leading the march of India’s emergence as a super economic power in the next decade. A number of countries, especially the developing countries and international agencies are turning to India to learn from its experiments with microfinance and to explore possibilities of replication of the model in other parts of the globe (NABARD, 2012)

THE OBJECTIVES OF MICRO-FINANCE

Micro-finance as an effective credit delivery system seeks to achieve the following broad-range and multifaceted objectives to meet the credit needs of the rural poor, including the non-bankable and landless labourers:

i. Support financial services to the rural poor, particularly women, who have not been able to secure the needed services from the formal financial system,
ii. Provide lendable and capacity building funds in respect to SHGs and various types of other grassroots level micro-finance institutions,
iii. Support all initiatives for up-scaling of the SHG-bank linkage programmes through thrift related activity,
iv. Build up expertise in micro-finance activities,
v. To help build-up mutual trust and confidence between the bankers and the rural poor,
vi. To evolve supplementary strategy for meeting the credit needs of the poor by combining the informal credit system with the formal credit institutions.

THE CONCEPT OF SELF-HELP GROUP

Self-Help Group is a small voluntary association of 10-20 poor people, preferably from the same socio-economic background. They come together for the purpose of solving their common problems through self-help and mutual help. It is an informal group, whose member’s poor savings and re lend within the group on rotational or need basis. It also provides conducive atmosphere for cooperation and group environment and a cost effective delivery mechanism for small credit to its members. Various organizations like Non-Governmental Organizations, Social Workers, Health Workers, Informal Associations of local people, Development oriented Government Departments, Banks, Farmers Clubs, etc. can help the formation of SHGs (Devi, 2010).

The formation of SHGs is not ultimately a micro-credit project but an empowering process. The concept aims at empowering women and thus uplifting their families above the poverty line. It is a gradual process resulting from interaction with group members through awareness and capacity building (Stephen and Seilan, 2005).

THE CHARACTERISTICS OF A GOOD SELF-HELP GROUP

According to Mysore resettlement and development agency (MYRADA, 2009), well functioning SHG should have the following structural features:

i. An ideal SHG comprises 15-20 members,
ii. All the members should belong to the same socio-economic strata of society specifically poor,
iii. Group should have strong bond of affinity,
iv. Rotational leadership should be encouraged for the distribution of power and to provide leadership opportunities to all the members,
v. Members should attend meetings, save and participate in all activities voluntarily,
vi. An SHG should be a socially viable institution,
vii. The procedure of decision-making in SHG should be democratic in nature,
viii. It should be non partisan in nature,
ix. The group frames rules and regulations which are required for its effective functioning.

Some of the basic features of SHGs promoted by NGOs and Banks in various parts of the country are given in Table 1.

THE FUNCTIONING OF SELF-HELP GROUPS

The SHGs after being formed (generally by an external agency) used to meet in a common place at a fixed day’s interval (weekly or fortnightly), start collecting a fixed amount (rarely variable amounts) of savings from each member regularly (monthly). For about six months, they only collect thrift; no loan is given to any member. The working funds thus generated, is negligible for giving loans, it also tests the patience and tries to install mutual trust among members.

The groups during this period open a savings account with a financial institute. After a sufficient amount is being accumulated, the groups start lending nothing else
Table 1. Some basic features of SHGs promoted by NGOs/Banks.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Features</th>
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<tbody>
<tr>
<td>1. Organization</td>
<td>Homogeneity in terms of socio-economic status, common identity of activities, etc.</td>
</tr>
<tr>
<td>2. Nature of target groups</td>
<td>Generally poor and weaker sections of the people in rural areas and particularly women</td>
</tr>
<tr>
<td>3. Management</td>
<td>Selected/elected leader and duty generally rotated, holds meeting regularly.</td>
</tr>
<tr>
<td>4. Financial instruments</td>
<td>a) Common fund: Created out of savings, interest earned on loan, donations etc.</td>
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<td></td>
<td>b) Savings mobilization: While in certain cases no fixed rate of savings, in some cases regular and fixed rate of savings, and in some cases as per capacity of the members.</td>
</tr>
<tr>
<td></td>
<td>c) Loaning: Decided by purposes, quantum and resources available with the SHGs. Purpose of loans for individuals include consumption, clearing outside debts, social, medical, education, business, agriculture etc., and loans for common production activities.</td>
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<td></td>
<td>d) Repayment period: Generally lower than prescribed by banks.</td>
</tr>
<tr>
<td>5. Linkage with banks</td>
<td>e) Rate of interest: Varies from 12 to 20%. In a few cases the interest rates are determined by the NGOs.</td>
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<td></td>
<td>f) Linkage with banks: Banks treat SHGs as borrower.</td>
</tr>
</tbody>
</table>

Source: (Desai and Namboodiri, 2001).

Figure 1. Modal-I (NABARD, 2004).

afterwards the members for petty consumption needs. A free and fair discussion in the regular meetings removes the element of subjectivity from the decision making process in identifying the most needy person and also makes the borrower understand the value of credit and the importance of repayment and accountability to the groups.

Then, if the bank is satisfied with the group with respect to credit handling capacity of the members, accounting system and maintenance of records, it extends a term loan of smaller amount to the group. The group thus now has a larger financial resource base at hand and continues to take decisions as in the past. The group however is jointly liable to the bank for repayment. This joint liability which leads to peer pressure upon members to repay loans, are the most important aspects for the banks and to do business with the poor. When both the banks and SHGs grow in mutual trust, as the borrower (SHG) honours previous contracts, the banks become willing to extend higher credit. The SHG in turn increases its capacity to manage higher amount of finance, develop entrepreneurial and communication skills and logical ability, cooperative sense and finally income and employment generating confidence. A sustainable financial relationship between the financial institutions and the poor develops for their mutual benefits (Bardhan and Dabas, 2007).

THE MODELS OF SHG-BANK LINKAGE

Microfinance services in India are provided mainly by two different models viz. SHG bank linkage model and MFI-bank model. Out of these two models, SHG-bank linkage model has emerged as the more dominant model to be adopted by formal financial institutions namely, Commercial Banks, Regional Rural Banks and Cooperative Banks.

The MFI-bank model is also gaining importance due to its massive supports by various private sector and foreign funding agencies (Karmakar, 1999).

On the basis of modes of formation, nurturing and credit linkage SHGs can be basically categorized into three models, mentioned as suggested by NABARD (2004):

Model- I: SHGs formed and financed by banks

In this model, financing banks themselves form and nurture the SHGs. They organize the poor to form an SHG, train the members on record keeping, thrift, managing credit, etc. and also supervise the working of the group (Figure 1).

Up to March 2004, 20% of SHGs in India were financed from this category.
Model-II: SHGs formed by formal agencies other than banks, but directly financed by banks

Under this model NGOs, Farmer’s Clubs, Individual Volunteer (IRVs) and formal agencies other than banks in the field of micro-finance, act as facilitators. They facilitate organizing, forming and nurturing of groups and train them in thrift and credit management (Figure 2). Banks give loans directly to these SHGs. This model continues to have the major share with 72% of the total SHGs financed up to March 2004.

Model-III: SHGs financed by banks through NGOs and other agencies as financial intermediaries

This is the model wherein the NGOs, SHG Federations, etc. take on the additional role of financial intermediation. In areas where the formal banking system faces constraints, the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This, in turn, is used by the NGO for on-lending to the SHGs (Figure 3). In areas where a very large number of SHGs have been formed, intermediate agencies like federations of SHGs are coming up as link between bank branch and member of SHGs. Banks finance these federations who in turn finance their member SHGs. Other agencies like non-banking financial companies (NBFCs) are also coming up to take up this role. The share of cumulative number of SHGs linked under this model up to March 2004 continued to be relatively small at 8%.

The distribution of SHG-bank linkage programme reveals that Model II is the most popular Model in India because banks give loans directly to these SHGs without
Table 2. SHG-Bank Linkage Programme 2011 to 2012.

<table>
<thead>
<tr>
<th>S/ No</th>
<th>Particulars</th>
<th>Achievements</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Physical</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(No. in lakh)</td>
</tr>
<tr>
<td>1.</td>
<td>Total number of SHGs saving linked with banks</td>
<td>79.60</td>
</tr>
<tr>
<td></td>
<td>(i) Out of total (of which) exclusive Women SHGs</td>
<td>62.99</td>
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<tr>
<td></td>
<td>(ii) Out of total (of which) SGSY SHGs</td>
<td>21.23</td>
</tr>
<tr>
<td>2.</td>
<td>Total number of SHGs credit linked during 2011-12</td>
<td>11.48</td>
</tr>
<tr>
<td></td>
<td>(i) Out of total (of which) exclusive Women SHGs</td>
<td>9.23</td>
</tr>
<tr>
<td></td>
<td>(ii) Out of total (of which) SGSY SHGs</td>
<td>2.10</td>
</tr>
<tr>
<td>3.</td>
<td>Total number of SHGs having loans outstanding as on 31 March 2012</td>
<td>43.54</td>
</tr>
<tr>
<td></td>
<td>(i) Out of total (of which) exclusive Women SHGs</td>
<td>36.49</td>
</tr>
<tr>
<td></td>
<td>(ii) Out of total (of which) SGSY SHGs</td>
<td>12.16</td>
</tr>
<tr>
<td>4.</td>
<td>Average loan amount outstanding/SHG as on March 2012 (in Rs.)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Average loan amount disbursed/SHG during 2011-12 (in Rs.*)</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Estimated number of families covered up to 31 March 2012 (in number)</td>
<td>103 millions</td>
</tr>
<tr>
<td>7.</td>
<td>No. of Banks and Financial Institutions submitted MIS</td>
<td>433</td>
</tr>
</tbody>
</table>

Source: (NABARD, 2011-12). *Average loan amount disbursed/SHG worked out to Rs. 1.09 lakh if the disbursements of Andhra Pradesh are excluded.

any intermediate. This model continues to have the foremost contribution (NABARD, 2004).

THE SELF-HELP GROUP-BANK LINKAGE PROGRAMME

As on 31st March 2012, the number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. About 27% of these SHGs are savings linked through the SGSY programme – the rural poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of micro Finance sector in the country. The high percent of women groups indicate that maximum thrust has been given to the women in the formation of groups (Table 2). The SHG movement has grown by rapidly in the last decade.

THE ECONOMIC IMPACT OF MICRO-FINANCE THROUGH SHGs

Rural poor and urban poor directly as well as indirectly get income and employment opportunities in a number of ways through formation of SHGs in terms of increased income level, improved employment of the family and society as a whole. The dairy units constitute major share (31.8%) followed by the kirana shops (14.8%), tailoring units (12.5%) and flour mills (6.8%) and total cost for different units of SHG members varied from Rs.111525 for photo frame making and Rs.25205 for dairy units to Rs.17450 for lathe work unit. The gross income worked out to Rs.135525, Rs.33025 and Rs.28250 for photo frame, dairy units and lathe work respectively per unit per annum. The net income varied between Rs.7820 for dairy enterprise to Rs.48729 for bakery unit (Badatya et al., 2006).

The estimated average annual net family income of members during the post-linkage period for all the groups was Rs.4391, which was more than two times than that in the pre-linkage period. The estimated net incremental income was Rs.2424 for all the groups and it was relatively more in good performance groups (Rs.2967) than average and poor performance groups (Rs.1650 and Rs.1299, respectively). The average ratio of Debt-service liabilities to net incremental income was worked out to be 0.60 and it was 0.53 and 0.81 in good and average performance groups. The additional employment generated through SHG lending worked out to be 172 man days per member undertaking supplementary activities such as animal husbandry, poultry, etc. The estimated employment elasticity was found to be 0.31 during the initial period of group formation, which increased to 0.72 during the later stage of group formation (Puhazhendhi, 2000). The average net income per member per year increased from Rs.6465 to Rs.15325 through livestock maintenance and scientific cotton cultivation and other small business after formation of groups. The additional employment generated through the informal group lending worked out to be 185 man-days per member (Mishra and Hossain, 2001).

The average value of assets comprising of livestock...
and consumer durables increased by 72% from Rs.6843 lakhs to Rs.11793 lakhs between pre-SHG (1992-1993) and post-SHG (1999-2000) periods. About 59% of the households reported an increase in asset from pre- to post-SHG period. Similarly, the net income per households increased by 33% from Rs.20177 to Rs.26889 during the same period. It was also observed that the 22% of the total sample households (234) crossed the poverty line during the study period (Puazhendhi and Satyasai, 2001).

The impact of SHGs on the economy of marginalised farmers, that the average value of assets per households, which was Rs.31625 in the pre-SHG situation, increased by 47% to Rs.46500 in the post-SHG situation. After the formation of SHGs, the members derived maximum income from dairy in comparison to small business like petty shop, kirana shops, etc. The per households annual income also increased by about 28% from Rs.20,275 in the pre-SHG situation to Rs.25, 883 in the post-SHG situation (Singh, 2001). The heterogeneity and social cohesion coexists in SHG of Tirupati district of Andhra Pradesh during the reference year 1999-2000. The average educational level of members in the SHGs showed positive contribution to the per member SHG net income. On an average, one year of additional education led to an increase of Rs.318 per member. Loan provided in the current year contributed positively to the SHG net income per member. One rupee increase in the loan provided to the member resulted in an increase in SHG net income per member by less than one rupee. An increase in the percentage share of expenditure of SHG in the total income of SHG led to more than a unit decrease in the SHG net income per member, which was statistically significant. It was also found that the age of SHGs positively contributed to the SHG net income per member. It is reasonable to expect that more years of existence of SHG contribute to an increased income per member through learning effect (Datta and Raman, 2001).

An evaluation of SHGs in Tamil Nadu and found that the positive impact of employment generation on the group members who had undertaken income-generating activities, was observed in 45% of the group members. The additional employment generated through SHG’s lending worked out to 172 man-days per member. Undertaking supplementary activities such as animal husbandry, poultry etc. and non-farm activities like petty shop, flower vending, similar business activities, and extended employment to a higher degree. The annual employment available for the group members increased to 85% during the post group formation period when compared to the pre-group formation period. The estimated employment elasticity, which was 0.31 during the initial period of group formation, increased to 0.72 during the later stages of group formation. Such positive response in employment reaching closer to the optimum level explained the multiplier effect of the programme in terms of employment generation (Banerjee, 2002).

Through group formation, the assets value increased in 77% of sample households. The average income per households in post-SHG situation worked out to be Rs.38037 which was about 30% higher than the pre-SHG situation and about 23 higher than non-SHG neighbours. The per sample households employment increased by about 20% per annum (60 man days per annum) between pre and post SHG-situation especially due to taking up of dairy activities (NABARD, 2002). Micro-finance operations performance exposed that about 59% of the sample households registered an increase in assets comprising of livestock and consumer durables, etc., by 13% to Rs.11793 during post-SHG situation. It was also found that the average net annual income per households from income generating activities financed by bank increased from Rs.20177 to Rs.26889, which was about 43% of the incremental income generated from non-farm sector (NFS) activities followed by 28% from farm sector and 21% from off-farm activities. As a result of group activities 43% sample members came above threshold income level of Rs.2500 as compared to 26% in pre-SHG situation. While 28% of borrowed amount prior to group formation was for consumption purposes after group formation with as much as 80% of the borrowings was for income generating activities (Patel and Baria, 2002).

The micro-finance initiatives through SHGs in 11 States of India during the reference year 1999-2000 reported that the average value of assets (livestock, consumer durables, etc.) per households increased by 72.3% from Rs.6843 (Pre-SHG) to Rs.11793 (Post-SHG). About 59% of sample households reported increase in assets. The average net annual income increased by 33% from Rs.20177 to Rs.26889. The additional employment increased by 18% from 318 man-days to 375 man-days per households between pre and post-SHG situations (Bardhan and Dabas, 2007). The impact of micro-financing on employment, income and empowerment-micro evidence from Himachal Pradesh, that the service (44%), small trade (16%) and dairy (10%) were the main source of each household’s income. Contrarily in case of control households, service (40%) and small business and DPL (Daily paid labour) in non-agriculture sector (each contributing 18%) were the most important sources of households’ incomes. Moreover, absolute income of the control households was lower in all the three districts as compared to those households member.

Further, the highest number of employment days (252) was generated by the setting up of provisional stores/small business. This was followed by dairy wherein 175 days of employment were created in a year. The activities such as soft toy making, bamboo product making and tailoring had lower employment generating potential as compared to trading and service activities such as small business, etc. The impact of the micro-
finance activities on the household’s income of the sample population was also estimated and this hike was 49% in the post group formation stage wherein the households income went up from Rs.43981 to Rs.65508. The incidence of poverty also declined in the district of Kangra and Mandi while it remained unchanged in Solan. On the whole, the proportion of poor declined from 6.67 to 2.67%. However, it may be noted that severe poverty is not a commonly seen malaise in this hilly State as is the case with the large and many underdeveloped States (Kumar et al., 2008).

The mobilising SHG's for livelihood security is the source of capital for starting income generating/economic activities. In majority of the groups, members were investing their personal money for carrying out the income generating activities, that is, mushroom cultivation, vermin-composting, poultry farming, candle making and embroidery while (not “a” because “members” is a countable noun) few group members were also utilising group money for carrying out the income generating activities (Singh et al., 2008). The socio-economic empowerment of farm women through dairy Self Help Groups, that among the members 37.14% respondents have taken dairying as main occupation whereas amongst the non-beneficiaries, it was 24.29%. The percentage distribution of annual dairy income among members were 2.86, 90.00 and 7.14 in low, medium and high income categories, respectively, whereas 31.43, 57.14 and 11.43%, respectively in case of non-members. The average net income in member and non-member households worked out to be Rs.15184 and Rs.10319, respectively. The incremental net income was worked out to Rs.4865 which accounted for 47.14% increase of net income between member and non-member households (Kadian and Sanikhala, 2009).

Self Help Group is the rescue of uneducated poor farm women. Initially the women member had no income of their own for meeting their personal needs and depended on their husband’s meager income. However, women were trained in vegetable cultivation, fisheries, plant propagation, mushroom cultivation, bee keeping, tailoring and embroidery, dairy, piggary, poultry and vermicomposting as all of them came from the farmer family. In addition, they were also trained in tailoring and embroidery to encourage a sense of ownership, each member was asked to contribute some amount (Rs.10 to Rs.20 per weekly) depending on their capacity. They used the money to start their own income generating activities and the loan was repaid out of the profit they earned through the enterprises. It was observed that the two members started dairy units with a pair of milch cows and they earned a net annual income of Rs.22000 to Rs.29000 through the sale of milk and an additional income of Rs.2000 per year) through the sale of excess cow dung to local farmer. Similarly, from goat rearing they realised a net profit of Rs.5000 to Rs.25000 from 10-16 goats and they got an additional annual income of Rs.1800 through the sale goat droppings. The annual income from bee keeping and vegetable cultivation was observed to be Rs.15000 and Rs.1200, respectively (Prabhu, 2009).

The socio-economic impact of microfinance of neighbourhood groups (NHGs) was that, dairying and broiler rearing were the major economic activities undertaken by the members. Member’s availed loan for dairying under Swarnajayanti Gram Swarozgar Yojana (SGSY), a government sponsored poverty alleviation scheme. Under this scheme, a group consisting of 10 members was financed with one to two lakh of rupees for the construction of sheds and purchase of cow. In addition to this, each group was also provided with a revolving fund of Rs.25,000. Some of the respondents started broiler unit with the active support of Kerala State Poultry Development Corporation (KSPDC). All the respondents who started broiler units under this scheme are continuing in this business for the last two to three years generating a regular monthly income of Rs.3000 to Rs.4000 for their households. The other economic activities undertaken by the members included tailoring unit, production of homemade food items, teashop, etc. (Reji, 2009).

The impact of dairy financing through SHGs formation revealed that the per day average net cost of maintaining a buffalo, cross breed cow and local cow was relatively higher in case of member households as compared to non-member households. This was due to the fact that member milk producers adopted better feeding and management practices to achieve the higher level of milk yield. The overall average net income per day in case of buffalo and crossbred cow was higher in member households as compared to non-member households. In case of local cow, the net income earned per milch animal per day was comparatively higher in non-member households as compared to member households, due to higher net maintenance cost incurred by member households. Chow test concluded that production functions of milk differed significantly between member and non-member households. The coefficient for the constant dummy was also found to be positive and significant in the milk production functions, which indicated positive impact of finance through SHGs on returns from milk (Devi and Jain, 2011).

The study revealed that the overall net income from buffalo and crossbred cows (Rs. 3862 and Rs. 5154) of member households was observed to be significantly higher than non-member households (Rs. 2610 and Rs.3062) with local cow reporting higher net income (Rs. 956) among non-members as compared to members (Rs.230). The overall average family labour income for all the three species was also observed to be significantly higher in member households than non-member households (Tables 3 and 4). The overall average annual labour utilization per household in dairy enterprise for member households (387.37 man equivalent days) was
Table 3. Average amount of income generated from dairying across member and non-member households. (Rs. /milch animal/annum).

<table>
<thead>
<tr>
<th>S/No</th>
<th>Particulars</th>
<th>Member</th>
<th>Non-member</th>
<th>Z-value for net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross income</td>
<td>Gross cost</td>
<td>Net income</td>
<td>Family labour income</td>
</tr>
<tr>
<td>1</td>
<td>Buffaloes</td>
<td>22977</td>
<td>19115</td>
<td>3862</td>
</tr>
<tr>
<td>2</td>
<td>Crossbred cows</td>
<td>25386</td>
<td>20232</td>
<td>5154</td>
</tr>
<tr>
<td>3</td>
<td>Local cows</td>
<td>15283</td>
<td>15053</td>
<td>230</td>
</tr>
</tbody>
</table>

* Significant (P<0.05); ** Significant (P<0.01), # t-value.

Table 4. Average family labour utilization in dairying by member and non-member households (Man days/households/annum).

<table>
<thead>
<tr>
<th>Species</th>
<th>Member</th>
<th>Non-member</th>
<th>Z-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffaloes</td>
<td>219.97</td>
<td>136.85</td>
<td>5.02**</td>
</tr>
<tr>
<td>Crossbred cows</td>
<td>163.66</td>
<td>97.29</td>
<td>5.46**</td>
</tr>
<tr>
<td>Local cows</td>
<td>3.74</td>
<td>12.26</td>
<td># -10.31**</td>
</tr>
<tr>
<td>Total</td>
<td>387.37</td>
<td>246.40</td>
<td>4.79**</td>
</tr>
</tbody>
</table>

** Significant (P<0.01), # t-value.

Table 5. Financial performance of the sample self help groups.

<table>
<thead>
<tr>
<th>S/No</th>
<th>Particulars</th>
<th>Model-I</th>
<th>Model-II</th>
<th>Model-III</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average savings (Rs.)</td>
<td>10500.00</td>
<td>15843.75</td>
<td>5400.00</td>
</tr>
<tr>
<td>2</td>
<td>Average lending (Rs.)</td>
<td>51250.00</td>
<td>67891.00</td>
<td>30000.00</td>
</tr>
<tr>
<td>3</td>
<td>Average outstanding amount (Rs.)</td>
<td>6250.00</td>
<td>4128.13</td>
<td>4266.67</td>
</tr>
<tr>
<td>4</td>
<td>Amount recovered (Rs.)</td>
<td>50887.50</td>
<td>70681.78</td>
<td>29600.00</td>
</tr>
<tr>
<td>5</td>
<td>Demand raised (Rs.)</td>
<td>57137.50</td>
<td>74809.91</td>
<td>33866.67</td>
</tr>
<tr>
<td>6</td>
<td>Thrift credit ratio (1+2)</td>
<td>0.20</td>
<td>0.23</td>
<td>0.18</td>
</tr>
<tr>
<td>7</td>
<td>Outstanding ratio (3+2)</td>
<td>0.12</td>
<td>0.06</td>
<td>0.14</td>
</tr>
<tr>
<td>8</td>
<td>Average recovery ratio (4+5 x 100)</td>
<td>89.06</td>
<td>94.48</td>
<td>87.40</td>
</tr>
</tbody>
</table>

Also significantly higher than non-member households (246.40 man equivalent days) (Table 5). The participation of women was marginally higher in member households than non-member households which could be due to the fact that all SHGs are being run by women in the study area. The operation of feeding recorded the highest labour utilization followed by other activities including grazing, preparation of milk products, cutting of grasses, cleaning of shed, milking, bringing fodder, selling of milk and cleaning and washing of animal in both member and non-
member households. The study clearly showed positive impact of dairy financing through Self-Help Groups and women empowerment on income and employment generation in the study area (Devi, 2010).

Based on above studies, a few generalised conclusions can be drawn as:

i. Beneficiary/member households recorded higher income as compared to non-beneficiary/non-member households,

ii. After the formation of SHGs the households members increased their asset value,

iii. The income and employment generation was more in post-SHG situation in comparison to pre-SHG situation,

iv. Education level, loan provided in current year, age of SHGs, etc., showed a positive effect on the net income of SHGs per member,

v. Taking dairying as the main enterprise by SHG members provided additional income and employment opportunities.

FINANCIAL PERFORMANCE OF SELF HELP GROUPS

Financial performance of SHGs has been examined in terms of growth indicators such as repayment performance, investment turnover, recovery performance, savings, source of finance and supplementary finance, marketing and other related aspects.

The repayment performance of loan issued from the common fund at the group level was 100%. The monthly savings per member during the early stage of the group formation ranged from Rs.10 to Rs.20, which increased to between Rs.40 and Rs.60 after a period of two years of group formation. The average annual savings per member was Rs.558 during the initial period of group formation, which almost doubled after a period of four years. In addition to the regular savings, groups also had different special schemes for specific purposes like education, festival, etc. Loans were mostly short term in nature, which were to be repaid within 2 to 12 months in equal instalments. Loans were utilised for income generating activities such as animal husbandry, poultry and other non-farm activities. The overall performance of sample groups revealed that 61 of groups were rated as good performers and 29% of them as average performers while the remaining 10% were categorised as poor performers (Devi, 2010; Puhazhendhi, 2000). The financial performance of SHGs was measured by using recovery index, thrust credit ratio and outstanding credit ratio. The average total membership (17), average total savings (Rs.16333), the average total lending (Rs.17537) and the average total default (Rs.956) were found to be higher in rural SHGs than in urban SHGs (15, Rs.15115, Rs.16686 and Rs.647, respectively). Because of higher defaults, the rural SHGs showed lower recovery index (80%), thrust credit ratio (0.93) and higher average outstanding credit ratio (0.14) which was 87%, 0.91 and 0.09, respectively for urban SHGs implying that the overall financial performance of the urban SHGs was better than that of the rural SHGs (Srinivasan et al., 2001).

The scoring technique was used for measuring the performance of SHGs and resulted to 47% of SHGs to have been registered as high performers. The average annual savings per member was Rs.550 in the Self Help age group 2 to 3 years, which almost doubled after a period of four years. The repayment of loan was to the extent of 95 to 98%. The annual net family income of the members in post-SHG situation increased by 23% over the pre-SHG situation. So that the saving and the average loan per group member in the groups showed an increase in trend according to the age of the Self Help Groups (Nedumaran et al., 2001). The amount of loan secured by the poor and non-poor ranged from Rs.5000 to Rs.11000 while those of the latter ranged from Rs.10000 to Rs.25000. The poor used it mainly to buy livestock, goats and fishing nets. The non-poor used their loan for trading, digging wells, etc. The recovery from the SHGs for the banks was reported to be over 90% and the monthly savings of the SHG was Rs.2000 and total accumulated savings was Rs.1,10,000 (high), while the ratio of the credit to saving was 2:1 (Madheswaran and Dharmadhikary, 2001). The repayment rate was found to be 91% and it was reported that as many as 57.8% of the members could save annually Rs.200 to Rs.500 and remaining 42.2% saved Rs.501 to Rs.1000 each. Forty-three of the sample beneficiaries could expand their income generating activities to dairy, agriculture, etc (Borbora and Mahanta, 2001).

The recovery of credit was found to be over 65% of the total size of loan taken by the SHG households. The high rate of recovery was due to sanction of credit on repayment. It was noted that 30% of the households who reported savings in the range of Rs.501 to Rs.2000 received more credit than their savings, which was to the extent of Rs.3000 to Rs.5000 each on an average rate, respectively. The impact of micro-finance on generation of income and employment of SHG households was quite significant. Of the 96 households, 70% reported employment for 200 days and the rest for over 200 days each in a year (Sarkar, 2001). The average saving per year per member was Rs.558 during the initial period of group formation which almost doubled after a period of four years. This trend was observed to be common for different categories of groups. The amount of saving observed in good performing groups was almost double the savings of poor performing groups thereby establishing a direct relationship between performance and the amount of savings. The repayment performance of loans issued from the common fund was found to be 100% (Banerjee, 2002). The repayment of bank loans issued to the SHGs was above 95% and the average savings per member increased from Rs.460 to Rs.1444.
The average monthly saving of the group was Rs.343 ranging from a minimum of Rs.95 to a maximum of Rs.1500 and on an average a member was saving Rs.28 per month. The repayment pattern of loan revealed that about 86% of members were regularly paying back the interest every month and the principal was being paid after harvest (NABARD, 2004). The mobilising Self Help Groups for livelihood security in Uttarakhand and found that all the groups selected for the study followed the monthly saving pattern and contributing a maximum of Rs.50 each per month. The collected money was deposited in the bank and utilised for loaning and inter loaning. The SHG’s were (offering a) loan to outsiders, that is, other than their group members. Few groups were utilising the money for group activities also (Singh et al., 2008).

The study provides a comparative assessment of the financial performance of Self Help Groups engaged in dairy activities vis-à-vis crop activities in Jaipur district of Rajasthan. The Model-II performed better due to higher saving ratio (0.23), high recovery rate (94.48%) and low outstanding ratio (0.06) as compared to Model-I and Model-III (Table 6). The estimated repayment capacity for dairy members was found to be higher (Rs.31383.42) as compared to agriculture members (Rs.26437.64) (Table 7). As expected the regression coefficients of gross income and herd size were positive and significant, while

### Table 6. Financial performance of the sample self help groups.

<table>
<thead>
<tr>
<th>S/No</th>
<th>Particulars</th>
<th>Model-I</th>
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<th>Model-III</th>
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<td>0.14</td>
</tr>
<tr>
<td>8</td>
<td>Average recovery ratio (4+5 × 100)</td>
<td>89.06</td>
<td>94.48</td>
<td>87.40</td>
</tr>
</tbody>
</table>

Source: Devi and Jain (2011).

### Table 7. Repayment capacity of the borrowers for dairy and agriculture enterprises (Rs. / households/ annum).

<table>
<thead>
<tr>
<th>S/No</th>
<th>Particulars</th>
<th>Dairy</th>
<th>Crops</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross income from all sources</td>
<td>202658.83</td>
<td>152524.57</td>
</tr>
<tr>
<td>2</td>
<td>Working expenses</td>
<td>90472.55</td>
<td>67705.25</td>
</tr>
<tr>
<td>3</td>
<td>Family living expenses</td>
<td>27110.04</td>
<td>22586.04</td>
</tr>
<tr>
<td>4</td>
<td>Miscellaneous expenditure</td>
<td>5335.68</td>
<td>4708.68</td>
</tr>
<tr>
<td>5</td>
<td>Total expenditure</td>
<td>122918.27</td>
<td>94999.97</td>
</tr>
<tr>
<td>6</td>
<td>Loan taken</td>
<td>48357.14</td>
<td>31086.96</td>
</tr>
<tr>
<td></td>
<td>Repayment capacity</td>
<td>31383.42</td>
<td>26437.64</td>
</tr>
</tbody>
</table>

Source: Devi and Jain (2011).
the regression coefficients of working expenses was negative and significant suggesting that repayment capacity of the members significantly increase with the increase in gross income and herd size while it decrease with increase in working expenses (Devi and Jain, 2011). Some conclusions that emerge from the above studies are:

i. The saving and the average loan per group member in the groups showed an increasing trend according to the age of the Self- Help Groups,

ii. The socio-economic conditions of the members considerably improved after joining the group activities and it was good in post-SHG situations than pre-SHG situation,

iii. The financial performance of the urban SHGs was better than the rural SHGs,

iv. The repayment performance of SHG members was observed to be good at about 90%.

TRANSACTION COST AND COST OF CREDIT

The analysis of transaction cost and cost of credit is essential for studying the economics of SHGs loan by the group members. The transaction cost and cost of credit should be minimalizes to reduce the number of formalities and rate of interest.

The transaction cost per account for different models varied from Rs.86 to Rs.208. The cost of IRDP loans (Model-I), which was considered as a benchmark situation, was worked out to be Rs.208 per account. The transaction cost of general priority sector loans (Model-II) was Rs.194, which was about seven percent less than the benchmark situation. This was due to more time spent by bank personnel while processing the loan applications and time taken to get the subsidy details from the government departments in the case of loans under IRDP. Further, time taken for recovery and follow up was less in Model-II than in Model-I. SHG-Bank linkage programme represented by Model-III (SHG 1st loan) had a cost advantage of 40% over the benchmark situation, which was due to the active role played by NGOs and SHGs in identification, follow up and recovery of loans. Further, reduction in transaction cost by nineteen percentage points in Model-IV (SHG 2nd loan) over Model-III was due to the familiarity of bank personnel in transacting SHG lending and there was considerable reduction in time spent by them in identification of borrowers, loan processing and follow up for recovery (Puhazhendhi, 2000). The transaction cost and risk cost for different models of lending by Sahya Dairy Grameen Bank in Shimoga District of Karnataka for the reference period 1996-1997 pointed out that the transaction cost was highest for IRDP loan (Rs.476) followed by individual borrowers (Rs.405) and Self Help Groups (Rs.276). Per member cost varied between Rs.21 (SHG) to Rs.476 (IRDP loans) and the recovery rate was found to be hundred percent for SHG loans followed by 34% of individual borrowers and 12% for individuals under IRDP (Srinivasan, 2002).

NABARD (2006) studied the comparative cost models for SHGs in Villupuram District of Tamil Nadu for the reference year 2004-2005 and found that the total transaction cost for opening of savings bank accounts for different models was estimated to be highest Rs.312 for Model-II (Indian Bank) followed by Rs.244 for Model-III (Micro Finance Institution-Bullock cart worker Development Association finance limited) Rs.230 for Model-I (Vallalar Grama Bank) and Rs.208 for Model-II (District Central Co-operative Bank). The total transaction cost in availing loan by the sample SHGs varied between Rs.523 (District Central Co-operative Bank) to Rs.2667 (BFL). The transaction cost as a percentage to the total loan amount availed by the sample SHGs varied from 0.5 to 2.93%. The average transaction cost incurred per sample SHG per transaction for depositing money was worked out to be Rs.30 (Model I), Rs.48 (Model II-Indian Bank), Rs.21 (Model II- DCCB) and Rs.50 (Model III). Similarly, the transaction cost for withdrawal and repayment was worked out to be Rs.60 (both for Model I and Model II-Indian Bank), Rs.21 (Model II-DCCB) and Rs.78 (Model III).

The estimated borrower transaction cost of dealing directly with a bank, per loan account of individual borrower was Rs.955 for an amount of Rs.4000 loan. Of this amount, 69% was for cash expenditure, while the balance represented the opportunity cost of time spent by borrowers. The intermediation of SHGs has reduced transaction cost of the borrowers by 51%. The total transaction cost of the borrowers in Model II was the lowest (11.75%) as compared to the other models. Model IV had the highest transaction cost (23.00%). The reduction in the transaction cost per Rs.100 was maximum (-50.77%) in Model II when compared with the benchmark Model I. The reduction in the transaction cost was lowest in Model IV (-3.64%) (Bose and Khaklari, 2007).

NABARD (2007) carried out a comparative study of cost models for SHGs: MFIs versus NABARD model in Bharatpur district of Rajasthan and found that the estimated transaction costs to the borrower in order to get a loan was Rs.800, Rs.728, Rs.616 and Rs.841 under Models I, II, III and IV, respectively. There was about 9 and 23% savings in the transaction cost in availing loans under Model II and Model III, respectively in comparison to Model I. The variation in direct transaction cost of borrower was due to the difference in interest rate. The cost incurred in documentation was lowest at Rs.100 under Model IV whereas it was Rs.150 in Models II and III. The cost of documentation under Model IV was lower since there was no need for stamp paper for getting the loan. However, there was further scope for reducing the cost of documentation for SHGs.
All the branches in the study including NGO were insisting on obtaining a copy of ration cards and voter cards from SHG members as a proof of identity along with the loan application. Many of these expenditures are avoidable. It was found that the transaction cost of borrower per hundred rupees was 17.78% in Model I whereas it was 18.18, 13.69 and 18.69% in Models II, III and IV, respectively. The higher transaction cost under Model IV may be due to high interest rate charged by the NGO. The study also revealed that due to the intervention of SHGs/NGOs, the transaction cost was lower by 16% in Model II and 27% in Model III in comparison to the benchmark situation (Model I). Thus, the intervention of NGOs and SHGs in the institutional credit delivery mechanism had helped in reduction of transaction cost of borrower.

The transaction costs under SHG-bank linkage programme in Villupuram district of Tamil Nadu resulted that the transaction cost for opening of savings bank account was relatively lower in the case of groups linked with RRB Model-I (Rs.230) and higher for the sample groups linked to commercial banks, Model-II (Rs.312). The difference in cost between two models was mainly due to the difference in expenditure incurred on food and transportation, which was Rs.36 in Model-I and Rs.66 in Model-II. The transaction cost incurred in availing loan was minimum in Model-I (Rs.901) followed by Model-II (Rs.1939) and Model-III (Rs.2667). The difference in cost between these models was mainly due to higher documentation charges, processing cost and the number of visits to the branches in availing loan. The transaction cost of borrowing was the maximum under MFI model due to high processing fees (Rs.1820) charged. Despite the high interest charged (15-20%), reasons cited by the sample SHGs for availing loan from the MFI were the easy credit availability and flexibility in the loan amount. The effective cost of borrowing covering interest and non-interest cost for SHGs was found to be the least in Model-II (10.40%) followed by Model-I (12.70%) and Model-III (18%) and the difference were mainly due to the rate of interest and the transaction cost (processing fees).

The transaction cost incurred by the sample SHGs for depositing, withdrawal and repayment of loans per transaction varied from Rs.30 (Model-I) to Rs.70 (Model-III) (Yadav and Kumbhare, 2008).

The overall total transaction cost incurred by the sample SHGs was comparatively higher in Model-III (Rs.1301.45) as compared to Model-I (Rs.1111.09) and Model-II (Rs.791.69). The percent cost of credit to average loan amount was higher in Model-III (17.23) as compared to Model-I (13.66) and Model-II (11.07). The average annual expenditure incurred by the sample SHGs was found to be highest in Model-II (Rs.7241.00) followed by Model-I (Rs.613.29) and Model-III (Rs.5041.17). Similarly, the average annual income per sample SHGs was found to be highest for Model-II (Rs.20025.83) followed by Model-I (Rs.15566.48), and Model-III (Rs.10902.17). The net annual income earned by the sample SHGs after deducting the annual expenditure from total annual income was also observed to be higher in Model-II (Rs.12794.83) as compared to Model-I (Rs.8753.19) and Model-III (Rs.5861.00). The difference in income observed in the study could be due to the higher interest margin charged from members by the SHGs. The study clearly showed the performance of Model-II to be better as compared to Model-I and Model-III in the study area (Devi, 2010).

Based on the above studies, a few generalised conclusions can be drawn as:

i. The total transaction cost incurred was highest in availing loan by the sample SHG and lowest in depositing the loan amount.

ii. On an average, the total transaction cost incurred was highest in Model III (MFI-BFL) followed by Model II (Indian Bank).

iii. The cost of credit was highest because of large number of formalities, time-consuming procedure, malpractices and high rate of interest, etc.

**CONSTRAINTS FACED BY SHG MEMBERS IN FUNCTIONING OF SHGS**

The analysis of problems faced by SHG members is essential for studying the impact of SHGs formation on the life of rural poor or the whole society. The SHG members experienced some constraints like lack of motivation, backward and forward linkages, inadequacy of infrastructure, insufficient loan, inadequate provision for marketing and availability of inputs, lack of systematic monitoring and follow-up of the activities, etc. It was found that the majority (about 80%) of SHG members faced these constraints (Awasthi et al., 2001). The lack of finance as a serious problem, in addition to non-availability of raw material, lack of infrastructure facilities including marketing, lack of support from family members, etc., among the problems faced by the SHG members in running their enterprises (Manimekalai and Rajeswari, 2001). About 83% of BPL group were eligible to get bank loan but only 5% of them could get it because of lack of awareness, education and managerial abilities, lack of leadership, lack of confidence, etc. The above poverty line (APL) group also faced this problem but it was less severe (Vatta and Singh, 2001).

The main constraints faced by rural poor in taking up non-farm activities were illiteracy, lack of training, capital, quality, marketing, and decision making power, lack of participation and lack of entrepreneurial attitude in carrying out nonfarm activities successfully. Keeping accounts and marketing were the major constraints and about 90% people reported these problems (Madheswaran and Dharmadhikary, 2001). The constraints faced by the majority of SHGs were irregular
It is apparent from the foregoing review of literature that a significant number of studies have been conducted to assess the impact of Self Help Groups (SHGs) in various parts of the country. Different research workers have reported that the main problems faced by SHGs include lack of finance, illiteracy, marketing, delay in repayment, and poor fund rotation. These issues are not satisfactorily handled by the SHG members or the bank officials involved in respect of clarifying various issues like project repayment term, interest on project loan, etc. Knowledge in financial management and bookkeeping is found to be inadequate and weak (Bera, 2011).

Based on the above studies, the following conclusions emerge:

i. The main constraints faced by the SHG members were lack of finance, illiteracy, marketing, delay in repayment, and poor fund rotation.

ii. The BPL groups faced more problems than the APL groups because of lack of awareness, education, managerial abilities, etc.

**CONCLUSION**

It is apparent from the foregoing review of literature that a significant number of studies have been conducted to assess the impact of Self Help Groups in various parts of the country. Different research workers have reported different findings in their studies due to wide variations in resource endowments across different regions of the country. The formation of SHGs under micro-finance is critical for effective poverty reduction strategy, improved and effective provision of savings, credit, and insurance facilities in particular can enable the poor to smoothen their consumption, manage their risks better, build their assets gradually, develop their micro-enterprises, enhance their income earning capacity, and improve quality of life. Micro finance services can also contribute to the improvement of the resource allocation, provision of markets and adoption of better technology. Thus, micro finance helps to promote economic growth and development.

**Conflict of Interest**

The authors have not declared any conflict of interest.

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Rural Development, Chennai, India.


