

PROJECT REPORT

ON

**“WOMEN EMPOWERMENT THROUGH MICRO-FINANCE:
A CASE STUDY OF BELGAUM DISTRICT IN KARNATAKA”**

MINOR RESEARCH PROJECT

SUBMITTED TO

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UGC SPONSERED MINOR RESEARCH PROJECT

FINAL REPORT

INTRODUCTION

Micro finance is widely regarded as an innovation having the potential to minimize risks in the credit market (Ghatak 1999, Morduch 1999, Armendariz de Aghian 1999). Micro finance programmes are expected to meet the survival needs of the poor by enabling them to have access to credit for both consumption and productive activities. Micro finance is expected to empower the poor by expanding the opportunities for participation in income generating activities and undertake social activities aimed at removing social and cultural factors coming in the way of their empowerment (D. Rajsekhar, 2004). Micro finance is considered as one of the most cost effective and supplementary tools of rural credit delivery system, which facilitates prompt and timely availability of institutional credit to poor in an effective and economical manner and in small quantities and frequently without much legal procedural framework by way of promotion of functional Self Help Groups (SHGs) and their linkage with banks.

➤ **1.1 Concept of Microfinance**

- Micro finance refers to the entire range of financial and non-financial services including skill upgradation and entrepreneurial development, rendered to the poor for enabling them to overcome poverty. Micro finance includes programmes those extend small loans and other financial and business services to very poor people for self employment projects that generate income allowing them to care for themselves and

their families. The focus of micro finance programmes is on facilitating the poor to graduate from the pre-micro-enterprise stage to the micro enterprise stage and in successfully accessing credit from financial intermediaries.

➤ **1.2 Need and Relevance of Micro Finance in India**

➤ The need for micro finance in India stems from the insufficient availability of credit from the Formal Rural Banking System for the rural poor and the consequent adverse impact on agricultural productivity and incomes. This problem of credit inadequacy has been the concern of policy makers and academics in India. The nationalization of banks in 1969 led to an increase in the branches in the rural areas and in the various policies aimed at social banking. This has resulted in rural people's access to credit. However the inequalities in the banking system across the regions and social classes persisted. The number of poor obtaining credit from formal rural banking system was lower than should have been expected considering their proportion within the population. Factors leading to this state of affairs relate to the following.

- □ Insistence on collateral by formal banking institutions which could not be provided by the poor. procedures laid down by the banking institutions.
- Long distances between the villages and the bank branches.
- Cultural gaps between the bank officials and the poor.
- Inconvenient and short banking hours.
- Inflexible lending policies and procedures.
- Lack of credit available for consumption.

- Widespread belief that the poor are non-bankable.

These hurdles led to the need for micro finance for alleviation of rural poverty. In addition to these problems faced by the poor borrowers of credit from the formal banking institutions the latter themselves were compelled to find alternative ways of providing loans to poor people through the group based organizations like the self help groups. The factors responsible for the formal banking institutions themselves showing interest in this direction are worth studying.

- In the later 1980s formal banking institutions began to face problems of higher transaction costs due to lending small amounts to large numbers and recurring losses. In addition managerial inadequacies within the banking system caused problems resulting in mounting over dues. This led to banks finding alternative ways of their credit deployment.
- Commercial banks were particularly attracted to group based (SHG) credit programmes because lending was based on savings of members of such groups and larger loans could be given only after the group had proved itself through repayment. Repayment rates were better from such groups.
- The government of India decided that from 1999-2000 onwards group methodology should be adopted in the case of poverty alleviation programmes such as IRDP, TRYSEM and DWCRA. This programme channeled the assistance to the poor who were part of SHGs. The SHG would selected the beneficiaries and help the implementing agencies in monitoring the assistance provided and help in the recovery of loans.

- Banks tried to find ways of improving their financial viability. Bank started lending to members of SHG (with or without NGO intermediation) which undertook the responsibility of selection, monitoring and recovery of loans and repayment to banks. Banks also secured refinance from NABARD for their loans to SHGs and had the advantages of a reduction in the transaction costs, improvement in recoveries and lending to wider coverage of the target group. The borrowers also experienced a reduction in transaction costs.
- The rigid banking system and the consequent inaccessibility of credit to the poor also stimulated many NGOs in introducing and expanding micro finance programmes. A majority of an estimated 30,000 NGOs in India started micro finance programmes.

Micro finance enabled the poor to save and provide the poor with the confidence to approach banks to deposit their savings, thus enabling them to access the banks' resources.

1.3 International Experiences in Micro Finance

The global nature of micro finance movement is reflected in the growing number of organizations providing micro finance to poor people. Here a brief account of the experiences of a few countries in micro finance has been provided.

Bangladesh

Grameen Bank is the largest provider of micro credit in Bangladesh. Prof. Mohammed Yunus is the man behind the Grameen bank. He obtained certain amount from the bank for on-lending without any security/collateral to the poor who were organized into small groups. The process led to the

constitutions of the bank under Grameen Bank Ordinance of the Government of Bangladesh in 1983.

Latin American Countries

The two major economic crisis in the last 15 years with its origin in Mexico had its impact on the poverty levels in many of the Latin American countries. The government in these countries had responded with initiating a variety of programmes to tackle the issue of rising poverty.

Argentina significantly reduced poverty in the early 1990s compared to the immediately preceding years as a result of successful micro-economic stabilization programme. An NGO founded in 1992 by a group of Argentinean business leaders provides the basic tools – access to credit and business training.

In Bolivia two apex organizations PRODEM and Banco Sol are providing micro finance to the poor.

In Chilly PROPESA an organization founded in 1988 by a group of Chilean businessman with support from ACCION international is dedicated to creating jobs and bettering lives of micro entrepreneurs in the formal sector through credit programme and training.

In Columbia, four important micro finance institutions operating viz., Actuar Tolima, Cooperative Emprender, Fundacion Mario Santa Domingo (FMSD).

The cross country experiences documents clearly brings out the fact that there is no unique model that can be replicated across the countries for the success of micro finance programmes in alleviating poverty. The paradigm of micro finance has varied from country to country depending

upon the prevalent social, cultural, economic and political milieu. In countries like India, Indonesia, Nepal and Thailand, the government has taken the initiative in alleviating poverty through micro finance programmes. In some others like Bangladesh the initiative was taken by Non Government Organizations (NGOs). In the Latin American countries initiatives of group of individuals facilitated promotion of micro finance programmes.

1.4 Evolution of Micro Finance in India

Micro finance is not a new concept in India. The earliest step in micro finance can be traced back to the initiative of Self Employed Women's Association (SEWA) established in 1974 in Gujarat on cooperative principle for providing banking services to the poor women employed in unorganized sector of Ahmedabad. The linking of SHGs to micro finance took place in the late eighties. First official interest in informal group lending in India took shape during 1986-87 on the initiative of National Bank for Agriculture and Rural Development (NABARD). A part of this broad mandate NABARD initiated certain research projects on SHGs as a channel for delivery of micro finance in the late 80s. Among these the Mysore Resettlement and Development Agency (MYRADA) sponsored action research project on "Savings and Credit Management of SHGs" was partially funded by NABARD. In 1988-89 in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA) NABARD undertook a survey of 43 NGOs in 11 states in India to study the functioning of micro finance SHGs and their collaboration possibilities with the formal banking system. Both these research projects threw up

encouraging possibilities and the NABARD initiated a pilot project called the SHG linkage project.

The launching of NABARD's pilot phase of SHG bank linkage programme in 1992 could be considered as a land mark development in banking with the poor.

1.5 Scope of the Research Study

The present study covers the various aspects of micro finance in the backward talukas of Belgaum district of Karnataka. It deals with the role of the banks in the growth and development of women SHGs. It also deals with the role of the banks in women SHGs linkage programmes and problems faced by the banks while financing the women SHGs. Further, the study covers the socio economic impact of micro finance on women SHG members and its role in entrepreneurship development.

1.6 Need and Significance of the Research Study

Today many women are unable to get financial assistance from institutional sources of finance, due to lack of collaterals to provide as security against the credit. To make provision for financial assistance from institutional sources of finance, the Government of India (GoI) and regulatory bodies have taken many measures to support the poorest of the poor. The most important measures are:

- a) The National Micro Finance Task Force 1998.
- b) The Working Group on Financial Flows to Informal Sector 2002.
- c) The Micro Finance Development and Equity Fund NABARD 2005.

In addition, state Governments have also taken many measures to eradicate poverty in the poor. Further, the NABARD has undertaken pilot

project to promote Micro finance lending through Self Help Groups. As a result of this, the total numbers of SHGs provided with bank loan have increased from 255 in 1992-93 to 1079091 in 2004-05 and the amount of loan sanctioned has increased from Rs. 30 lakhs in 1992-93 to Rs. 21,96,180 lakhs in 2004-05. Further, numbers of families assisted have increased from 4,335 in 1992-93 to 77,74,000 in 2004-05 and the average loan per SHG has increased from Rs. 11,765 in 1992-93 to Rs. 42,071 in 2004-05. Similarly, the average loan per family has increased from Rs. 692 in 1992-93 to Rs. 2,864 in 2004-05 as per the reports of the NABARD. Even with all these developments, there is a huge gap between the demand for and the supply of credit in micro finance. The total demand for credit from rural and urban poor was Rs. 2,00,000 crores whereas total supply of credit was only Rs, 10,000 crores at the end of March 2007. The total supply of credit from the public sector and private sector banks and the NABARD was only Rs. 8,000 crores. Therefore, there is an urgent need to know the reasons for the gap and to design solutions to fill in the gap. Further, the GDP (Gross Domestic Product) of India has been growing at an average of 8 per cent for the last four years and GSDP (Gross State Domestic Product) of Karnataka State is also growing at 8 per cent, but the contribution to the growth of GSDP from the districts of North Karnataka has been low as compared to the districts of other parts of Karnataka State. It is also revealed from the review of earlier research literature that there has been no study in the field of micro finance in the study area. Hence, it is felt necessary for the present study.

Following are the some studies undertaken in the field of micro finance:

- a) Micro finance to rural poor through SHG by D Joel Edwinraj.
- b) Empowerment of poor through SHG and micro finance by Sudershan Nayak.
- c) The micro credit alternative by Madura Swaminathan.
- d) Empowerment of women through SHG: A View by Dr. Abdul Raheem and H. Yasmeen Sultan.

1.7 Objectives of the Research Study

The main objectives of the study are:

1. To examine the role of the banks in promoting the women SHGs.
2. To study the socio-economic impact of micro finance on women SHGs members.
3. To ascertain the problems of women SHGs members in promoting entrepreneurial activities.

1.8 Methodology

The present study is based on the primary as well as secondary data. The primary data would be collected through pretested questionnaires from 100 members of women SHGs by selecting them randomly as sample from each backward talukas of Belgaum district to examine the socio-economic impact and the problems faced by the women SHGs entrepreneurs. Further, the primary data would also be collected from 6 banks (Two each from CBs, RRBs, and Co-operative Banks) to assess their role in promoting the women SHGs and trace out their problems. The secondary data would be collected from one branch of CB, RRB and Co-op Bank by selecting randomly as a

sample from each taluka of Belgaum district of Karnataka to know the role of banks in the development of women SHGs and the bank linkage programmes. There are ten talukas in Belgaum district. Only two backward talukas have taken for the study, namely Ramdurg and Savadatti. Further, newspapers, websites, books and journals, etc. are used to collect the necessary information for the study. Besides, discussions will also be held with the officials of banks, NGOs and members of women SHGs.

1.9 Study Units and the Data Base

The study has covered 5 SHGs each in 2 taluks in the district. Thus a total number of 20 SHGs have been covered by the study. All these 20 SHGs are credit linked to banks covered by the study.

The study covered 5 members from each of the 20 SHGs. Hence a total number of 100 members are covered for an intensive study. The study is based both on primary and secondary data. Primary data is collected from the selected 100 members of the SHGs and from the officials of the selected banks credit linked to SHGs in the study area. The data is collected through proper prepared personal interviews during the field survey. Secondary data is collected through from the records and publications of the respondent banks and from the publications of the relevant government offices, NABARD and RBI, etc.

The study covered the following bank branches in the study.

Sl. No.	Name of the Talukas in Belgaum District	Number of Women SHG Members	Number of Bank Branches (one branch of CB, RRB and Co-op banks)
1	Ramdurg	50	3

2	Savadatti	50	3
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1.10 Organization of the Study

The research work is presented in the following six chapters.

Chapter-I : Introduction and Research Design

Chapter-II : Women Empowerment and Self Help Groups - Conceptual Dimensions

Chapter-III : Profile of the Study Area and the Study Units

Chapter-IV : Micro-credit under SHG Bank Linkage - An Analysis of Members of SHGs

Chapter-V : Summary of Findings, Conclusions and Suggestions

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

The study has revealed some significant findings and conclusions. Based on the research study some useful suggestions have been made.

Findings and Conclusions

Gender issues have gained prominence since the declaration of 1975 as the international year for women by the UN Empowerment of women is a contemporary issue and is considered as a necessary condition to stabilize and sustain development process.

Empowerment of women includes higher literacy level and education for women, better health care, equal ownership of productive resources more participation in economic and commercial sectors, improved standard of living and acquiring self reliance, self esteem and self confidence.

State and central governments have formulated and implemented various schemes for social, economic and overall development of the women. However the results show that it has not been possible to achieve the social, economic and all round development of women. What is needed is the creation of awareness among women regarding the status and position they are entitled to in the society and they must be made financially, socially and politically fit and capable. Groups of poor people have been formed at state and national level for promoting savings thrift and entrepreneurship. Karnataka Government has initiated the Self Help Group Scheme for the empowerment of women. A project known as Stri Shakti Scheme has been initiated in 2000-01 for the empowerment of women.

Empowerment of women is indicative of a shift in perspective emphasis from welfare development to one of development of authoritative decision making skills. Empowerment of women is a basic aim of feminism and is viewed as carrying forward of developmental paradigms.

Empowerment of women comprehends the following.

- i) Equal opportunity to women for participation in decision making process on par with men in all walks of life.
- ii) Independent identification of women for developing and utilizing their full latent talent.
- iii) Elimination of all kinds of discrimination based on sex such as, wage, employment share in property, status in family and society.
- iv) Inculcation of feeling for self pride by women themselves so that they should not feel weak, helpless, powerless in relation to their men counterparts.

- v) To provide opportunity to women to determine her own way of life based on her talent capabilities, virtues and likings.

Economic empowerment through SHG micro credit leads to significant inter and intra-household changes. It serves as an entry point and has great potential for broader social and political empowerment.

The age composition of the respondent SHG members indicates that majority of them belonged to the younger age group of 21-30 years (43), followed by those in the next age group of 31-40 years (32). A substantial number of the respondent SHG members (17) were in the middle age group of 41-50 years. A lesser number of 08 respondent members were in the older age group of more than 50 years in the talukas. The above trend of distribution of SHG members in different age groups is similar in 2 taluks of the district. Thus the age composition of the respondent members of the SHGs indicates a greater representation of younger members in the SHGs covered by the study.

It is significant to find from the field survey that maximum number of 93 SHG respondent members were women while a small number of 7 members were men. The predominance of female members in SHGs covered by the study is largely in tune with the national trend where 90 percent of the SHGs in the country are formed by women. This trend is helpful in the direction of women empowerment policy of the government

The study has revealed that majority of 38 members of the SHGs had secondary education followed by 36 members with higher secondary education, 17 members with PU level education, 3 members with primary education. A small number of 5 members had degree level education. The

incidence of illiteracy was found among a minimum number of 1 SHG respondent members. This pattern of educational status was largely similar in case of SHG respondent members belonging to different taluks covered by the study

The study has revealed that large number of 79 respondent SHG members belonging to the Below Poverty Level. A lower number of 21 SHG respondent members belonged to Above the Poverty Line. SHGs are generally formed by poor people with little or no assets or resources. Hence the figures indicate the general trend of majority of members belonging to the Below Poverty Line.

The occupational distribution of the respondent SHG members indicates that majority of them belonged to business occupation of their families (68) followed by those involved in agricultural labour (22). A substantial number of 22 SHG respondent members belonged to agricultural families while a lesser number of 18 SHG members were housewives. Another 20 SHG respondents belonged to other occupational groups. Talukawise figures indicate a similar trend

The level of annual income of the SHG members indicates that majority of them belonged to low income groups.

The average number of officers in each bank covered by the study was 3.56 (mean) with a standard deviation of 1.25. The average number of officers (mean) in banks linked to SHGs in Ramadurg taluk was 4.40, Savadatti taluk was 4.00. The average number of officers in the banks linked to SHGs in the district was 3.56.

Government of Karnataka decided to implement a new scheme for the development and empowerment of women by introducing a new scheme known as “Stree Shakthi” by organizing self help groups among the poor rural women. The scheme was implemented in 2000-2001 with an investment of Rs. 72 crores. The project aimed at overall development of social, economic and cultural status of women in Karnataka by encouraging women to take up income increasing activities and enhancing their access to financial resources. The scheme was to be implemented in 175 talukas and involve 30 lakh women by organizing 1 lakh self help groups. While farming SHGs preference will be given to landless women, agricultural labourers, SC/ST families, women have drunkards, drug addicts or disabled persons in the family.

Administration of the scheme is conducted by state level, district level and taluka level committees headed by the concerned Minister, Dy. Commissioner and EO of taluka Panchayat respectively. Anganwadi workers cooperate with the groups.

The Government gives a Revolving Fund of Rs. 5,000 to the SHGs and savings of the members augment the resources for lending to member borrowers.

The Government gives an incentive amount of Rs. 15000 and Rs. 20000 to groups collecting savings of more than Rs. 75000 and more than Rs. 1 lakh respectively. Stree Shakti SHG can operate Fair Price Shops. They are linked to banks for obtaining loan. National Women Cell and NABARD give loans to SHGs.

These SHGs are given coordination by financial institutions, departments conducting adult education and IGNOU for higher education. Activities of SHGs are coordinated by Government schemes like self employment scheme, SJSUY, departments of horticulture, sericulture, industry, health, etc. The scheme has set forth some targets of physical achievement.

Belgaum district lies on the North-Western part of Karnataka state. The district lies between 50°-23' and 16°-58' North Latitude and 74°-42' and 75°-28' East Longitude. The district is located at the height of 2500 ft. above sea level in the Western Ghats of Sahyadri mountain range.

Belgaum district is one of the 22 districts in Karnataka state. It has an area of 13415 sq.kms. accounting for 6.98 percent of state's territory of 1.92 lakh sq.kms. It is the fifth largest district in Karnataka state.

Belgaum district is surrounded by Goa and part of Kolhapur district of Maharashtra on the East, Dharwad and Uttara Kannada district of Karnataka in the South, Bijapur district in the East and Maharashtra state on the North.

The district presents a conglomeration of diametrically opposite climatic regions. Khanapur taluk is covered with dense forest where the

temperature is low and rainfall is high. In Athani taluk the rainfall is low and climate is dry.

The climate of Belgaum district is primarily monsoonic which is highly mild but healthy for human settlements and agriculture. The mean annual temperature varies between 39.90° C to 41.5° C during the month of August to December.

On an average the region receives normal rainfall of 78.4 cms. (784.77 mm) of which more than 80 percent of the total rainfall is received between mid June to mid October brought by South-West monsoons. The average rainfall during the remaining months varies between 30 to 35 cms.

The district has 3 revenue sub-divisions with 10 talukas, 35 hoblies, 1255 inhabited villages, 15 uninhabited villages, 22 town/urban agglomerations, 18 municipalities and 1 municipal corporation.

Subsequent to the implementation of the Stree Shakti Self Help Groups substantial changes have taken place in family occupation, personal occupation, family amenities, housing conditions, agricultural implements and livestock and employment of family members, etc.

The study has revealed the positive impact of the membership of Stree Shakti Self Help Groups covered by the study.

The incidence of coolie work among the members of the SHGs has gone down after they joined the groups and took up to self employment scheme financed by the SHGs/banks. Similarly dependence of members on agriculture has been reduced and the involvement in business has gone up after they joined the SHGs. Large number of SHG members have engaged in income generating activities after joining the SHGs. This pattern of shift in

family and personal occupation after joining SHGs is found through field survey.

The positive impact of joining the SHGs is further indicated by an increase in the number of members living in their own house and decline in the number of members living in rented houses or decline in the number of those living in huts and increase in the number of those who lived in Government provided houses.

The joining of the Stree Shakti Self Help Groups has resulted in an increase in the number of earning members of the families of the respondent members of the groups.

Success of micro finance in different countries like Bangladesh, Indonesia, Nepal, Philippines, Thailand, Srilanka and Latin America countries was also partly responsible for the spread of the micro finance system in India.

The paradigm of micro finance has varied from country to country depending upon the prevalent social, cultural, economic and political milieu. In countries like India, Indonesia, Nepal and Thailand, the government has taken the initiative in alleviating poverty through micro finance programmes. In some others like Bangladesh the initiative was taken by Non Government Organizations (NGOs).

Interest earned on deposits was a major source of capital according to 84 respondents (84%). Collection of penalty by defaulting resources according to 25 respondents (25%). Donations constituted a small source of capital as indicated by 3 respondents (3%). The above analysis indicates

that interest earnings and bank loan were the main sources of capital for the self help groups covered by the study.

Internal lending as a part of their investment was indicated by maximum of 98 respondents (98%), while investment in bank deposits was mentioned by all the 100 respondents (100%). Investment in business was indicated by 11 respondents (11%) and 3 respondents (3%) mentioned that they invested capital in buildings. Thus the responses indicate that the major avenues of investments of capital by the SHGs were bank deposits and internal lending.

It means that the internal lending towards own collection is similar among two taluka places. Maximum number of 87 members of SHGs (87%) indicated that loans were given to members for agriculture, 69 SHGs members (69%) indicated housing loans, 53 members (53%) indicated loans for education purposes, 53 (53%) indicated loans for health expenditures of members and 42 (42%) members mentioned loans for business purposes. The details of the purposewise distribution of loans indicate that larger number of SHGs have given loans to their members for income generating activities.

The average (mean value) income of SHG members from their economic activities varied from a minimum of Rs. 16386 in Savdatti taluk to a maximum of Rs. 25076 in Ramadurg taluk. The average income for the 2 taluks in Belgaum district was Rs. 20908

The purposewise borrowings of the SHGs indicate that maximum number of 100 members (70%) borrowed bank loan for financing dairy business. A lesser number of 23 members obtained bank loan for providing

household loans. Loans for cottage and SSIs of members were obtained according to members (16%) from banks. A lesser number of 16 members had obtained bank loan to finance health expenditure, 11 SHG members had taken bank loan for providing finances for agricultural purposes. Loans for financing members trade activities were taken from bank by 16 members (16.00%). Bank loans were obtained by 08 members (8%) for their consumption purposes. A very small number of 3 members (3. %) had taken bank loan for repaying their old loans while 08 members (8%) had taken bank loan for other purposes.

The study has revealed that the bank loan to the self help groups under the SHG bank linkage has been found adequate by majority of 74 members. However a substantial number of 26 members found that the bank loan was inadequate.

The field study has revealed that the SHGs deposits are the security for bank loans as indicated by majority of 68 respondent members (68%) while guarantees are considered as security by banks as mentioned by 14 members.

The average time taken by banks in releasing loan to SHGs after receiving loan application has been 2.18 days as indicated by the respondent SHGs in the study area. The responses indicate that majority of 52 members of SHGs (52%) have not been receiving loan/interest subsidy while a substantial number of 48 members of SHGs (48%). The responses of the SHGs in two taluks are largely similar with the general trend of responses mentioned above.

A large majority of 83 members of SHGs (83%) have asserted that have utilized the loan obtained from the bank. However a good number of 17 members of SHGs (17%) mentioned that they could not utilize fully the loan obtained from banks through SHG.

All the 100 SHG members (100%) have affirmed that the bank loan has benefited them in the education of their children, medical expenses and marriage expenditure of their children, etc. Investment in fixed assets has gone up due to bank loan according to large majority of 90 SHG members (90%). Standard of living has gone up interms of better housing, use of latrines, fans, refrigerators, telephone and mobiles, etc.

The average number of installments for repayment of loan fixed by the banks was 32.22. Talukawise the average (mean) number of installments fixed by the banks according to the respondent SHG members varied from a minimum of 32.55 in Ramadurg taluk to a maximum of 32.71 in Savadatti taluk.

The analysis indicates that major part of the bank loans have gone in favour of farm related and rural oriented occupations like dairy business and small trade.

The field survey has revealed that majority of the SHG members covered by the study belonged to business occupation followed by those involved in agricultural labour. A substantial number of them belonged to agricultural families. A smaller number of the respondent SHG members were housewives.

Educational status of the SHG respondent members indicates that majority of them had secondary education followed by those with higher

secondary education. A relatively lesser number of the respondent members of the SHG had Pre University level of education. A still lesser number of SHG members had only primary education. A handful of only 8 SHG members had degree level education. However the incidence of illiteracy was found among a minimum number of SHG members covered by the study.

The field survey has revealed that majority of the SHG members covered by the study belonged to business occupation followed by those involved in agricultural labour. A substantial number of them belonged to agricultural families. A smaller number of the respondent SHG members were housewives.

Major crops grown in the district include paddy, ragi, jowar, wheat, bajra, maize and other cereals, pulses, etc. Other crops consist of sugarcane, spices, fruits, vegetables, oil seeds, cotton, etc.

Self help groups invest their resources partly in bank deposits. Major part of their investment consisted of internal loans to members. A few SHGs invested some part of their own funds in buildings and their own business.

Borrowings of SHGs from banks were related to different purposes of members to whom the bank loans were given. Majority of the respondents indicated banks loans were obtained for financing dairy business of members followed by those indicating bank loans for household purposes, cottage and small scale industries, health expenses, agriculture, trade, consumption expenditure and for repayment of old loans, etc.

Despite the objective of providing collateral free loans to SHGs banks do insist on some type of security from the borrowing SHGs. They included deposits of the SHGs, buildings and guarantee from the groups.

Internal lending as a part of their investment was indicated by maximum of 98 respondents (98%), while investment in bank deposits was mentioned by all the 100 respondents (100%). Investment in business was indicated by 11 respondents (11%) and 3 respondents (3%) mentioned that they invested capital in buildings. Thus the responses indicate that the major avenues of investments of capital by the SHGs were bank deposits and internal lending.

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bank loan for repaying their old loans while 08 members (8%) had taken bank loan for other purposes.

The banks take into account the savings of the SHGs deposited with them and the need of the loan, the past repayment performance of the SHGs, etc. Hence the responses of the SHG members in this respect indicate differences of opinion and experience in their transactions with the banks.

The average (mean amount) percentage of loan obtained from banks by the SHGs varied from a minimum of 41.39% in Ramadurg taluk to a maximum of 42.89% in Savadtti taluk.

The study has revealed that the bank loan to the self help groups under the SHG bank linkage has been found adequate by majority of 74 members. However a substantial number of 26 members found that the bank loan was inadequate.

The bank loans to SHGs are provided without any collateral security. However the self help groups maintain the savings of their members with the banks in their accounts as deposits. Thus the deposits of the SHGs are considered as security for bank loans.

The average time taken by banks in releasing loan to SHGs after receiving loan application has been 2.18 days as indicated by the respondent SHGs in the study area.

Loan and interest subsidy to small and tiny units are provided by the government for specified units only. Hence the SHGs in general are not entitled for loan and subsidy for all the units of their members.

A large majority of 83 members of SHGs (83%) have asserted that have utilized the loan obtained from the bank. However a good number of 17

members of SHGs (17%) mentioned that they could not utilize fully the loan obtained from banks through SHG.

The bank loan to members through their SHGs has brought varied type of socio-economic benefits. All the 100 SHG members (100%) have affirmed that the bank loan has benefited them in the education of their children, medical expenses and marriage expenditure of their children, etc. Investment in fixed assets has gone up due to bank loan according to large majority of 90 SHG members (90%). Standard of living has gone up in terms of better housing, use of latrines, fans, refrigerators, telephone and mobiles, etc. There has been economic and political empowerment due to bank loan through SHGs.

Infrastructure facilities of members have improved subsequent to obtaining the bank loan according to 32 SHG members (32%). The bank loan to members of SHG has been helpful in increasing their overall income level according to 13 SHG members (13%). The following table provides the details.

It is found from the data obtained from the banks linked to SHGs that all the 10 respondent banks (100%) have provided loans to members for dairy business. Further 8 respondent banks (19%) each have provided loans to members for farm operations and for trade purposes. Consumption loans to members of SHGs were given by 6 banks (6%) while 6 banks (6%) financed small scale and tiny industries. A lesser number of 3 banks (7%) provided loans for purchase of agricultural implements and 2 banks (5%) gave loans to SHG members for housing purposes. Loans for health expenditure of members were given by 1 banks (2%).

The average amount of loan (mean) by banks to women SHGs during the period from 2007-08 to 2009-10 was Rs. 311.94 lakhs. Talukawise the average amount of loan varied from a minimum of Rs. 41.80 lakhs in Savadatti and Rs. 42.44 lakhs in Ramadurg

Majority of banks (22) have given loans to SHGs for dairy business followed by loans to small trade (10), SSIs and tiny units (9), farm operations (8) and consumer durables (8), housing (5), education (2) and health (1). Loans for other purposes were given by 7 respondent banks.

The overall impact of SHG bank linkage has helped in generating more income of members and their living standard has gone up considerably. This aspect has been endorsed by all the 4 banks in two taluka.

Suggestions of the Study

The study has revealed some significant trends regarding the microfinance and the role of self help groups under the SHG bank linkage programme in India since the early 90s with the active initiation of NABARD and involvement of the organized credit institutions in the country. The SHG bank credit linkage has proved to be one of the largest microfinance programme in the world. The linkage programme has disproved the myth that the rural poor are unbankable as the loan repayment of the SHGs/members has been near hundred percent. The impact of bank finance to the SHGs has been greatly beneficial in raising the asset and income level of the loanee members of the SHGs. There has been a substantial reduction in the dependence of the poor SHG members on village money lenders.

Education and literacy are important inputs in making voluntary organizations like Self Help Groups successful. The study has revealed high

incidence of illiteracy among the women members of the groups formed under the Stree Shakti Scheme. The promoters of the Stree Shakti Self Help Groups seem unable or unwilling to recognize this basic ingredient of the successful groups involving rural women. There is an assumption that access to financial resource is equal to economic empowerment of women and that it will automatically lead to their social empowerment.

Despite the various benefits of the microfinance through SHG bank linkage a good number of SHG members have found the bank loan inadequate in relation to their needs and requirements. Hence the banks involved in the credit linkage with the SHGs should try to enhance the volume of loan so that the enhanced credit supply by banks would speedup the process of poverty alleviation in the rural areas.

The lending policies of the banks involved in micro financing under the SHG bank linkage programme need modification with regard to the release of subsequent loan installments to the SHG. The present policy of releasing the next loan only after the SHGs clear off the previous loan create difficulties. This rigid policy need to be modified to accommodate the needs of the SHGs/members. Their income generating activities may be stalled if a flexible policy is not followed in this direction. Hence the banks should try to provide something like a 'bridge loan' to SHGs to tide over their temporary cash problems.

The procedural delays in releasing loan need to be avoided as a good number of SHG respondents have considered the procedure as 'cumbersome' and time consuming. This may lead to under utilization or

unutilization of loan funds if timely release of loan is not made by the banks.

Repayment through regular installment is affected by delay in providing loan subsidy in case of some SHG members who are eligible for such subsidy. There is need for devising a proper procedure to help the SHGs in availing the legitimate facility of the government subsidy.

SHGs have been charging comparatively higher interest rates on their loans to member borrowers. Banks provide loans to SHGs at a comparatively lower interest while the latter charge higher interest on their on lending to members. This is considered as exploitative. There is need for reducing the interest rate on SHG loans to members.

The purpose wise distribution of loans to SHGs by banks and subsequently the on lending to members indicate a higher allocation of credit to dairy business and small trade. This brings in an unbalanced allocation of loan funds and areas like small scale industries and farm operations receiving lesser amount of funds. This imbalance need to be corrected by allocating loans to different sectors on a more rational and equitable basis. Loan financing under the SHG bank linkage should help the beneficiaries in investing funds in income generating assets of the poor.

Banks should set annual targets of loan to SHGs. A few respondent banks have not been following this policy. Hence the process of micro financing under the SHG bank linkage become ad-hoc and unplanned. There is therefore a need for a uniform policy guidelines to all the banks involved in the micro financing programme to set annual targets of loans to SHGs and to strictly adhere to such targets.

The study has revealed that the incidence of misutilization and diversion of bank loan by members of the SHGs is prevalent in the study area. There is need for proper monitoring of the proper utilization of the bank loan under the micro financing through SHG bank linkage. SHGs should try to coordinate and cooperate with the banks in this direction and follow a policy of ensuring proper utilization of the bank loans by the SHG members. The misutilization and diversion of loan particularly by the women members of SHGs is found more glaring. This needs to be properly monitored and corrective steps to be taken by the SHGs.

Banks should take the responsibility of providing training of the SHG members in the organizational and financial aspects of the groups. Majority of the SHG members are not familiar with the official procedures accounting and the management practices of the group organizations. Hence the banks should try to provide necessary expertise in these aspects and also help the members in proper management of their enterprises in the areas of production and marketing, etc. so that the financial assistance ultimately leads to successful management of the business of the beneficiary members.

Increasing amount of savings mobilization by the SHGs should take place within a regulatory frame work. In the absence of the same unscrupulous elements may enter the sector and exploit the hard earned savings of the poor.

The challenge of widening the scope of microfinance can be met with necessary attention to the following aspects as suggested by Dr. Ranga Rajan (2005).

- i) As micro credit expands banks need to introduce appropriate organizational changes in the various branches in order to play a proactive role in bringing more and more SHGs under the SHG bank linkage programme.
- ii) Self help groups must transform themselves from pure thrift institutions into groups promoting micro enterprises. In that situation success will depend upon the choice of products to be produced and the markets to be served and the creation of an appropriate marketing mechanism.
- iii) The legal form of self help groups needs clarification. This assumes importance if the SHGs are to get federated into much larger organizations which can command greater credibility and therefore greater ability to borrow.

It is necessary to develop data base on the products of SHGs and the marketing need for such products, since marketing of SHGs products is a major constraint.

There is need for professionalization of personnel of NGOs to come up with the task is one step and changing the mind set of bankers to promote SHGs and support them either directly or through SHPIs/NGOs/VAS is another major step. Orchestration of credit and non-credit programmes such as counseling, supply of raw materials, organizing marketing efforts and bringing in technology input needs to be pursued vigorously.

SHG bank linkage should focus on providing convenient deposit facilities to SHGs and individual members of the groups. There is

substantial scope for introducing new saving products and insurance products for groups as well as for individuals.

There is an imperative need for enlarging the coverage of SHGs in the advances portfolio of banks as part of their corporate strategy to recognize perceived benefits of SHG financing in terms of reduced default risk and transaction costs. Banks need to address to devise suitable policy guidelines for appraisal, monitoring and supervision of SHG advances together with necessary documentation.

Banks have to standardize their approach towards macro-lending through SHGs. Lack of infrastructure and design facilities and also worthwhile distribution channels for marketing the products has constrained growth. A number of initiatives are needed to keep the micro finance system on track. The goal is to make it a dispenser not just of credit but a variety of social goods and services to the rural poor.

If poor women have access to financial resources it does not automatically mean that they will be able to negotiate their position in the world. Educational inputs that enable women to critically engage with the world are necessary for their empowerment.

Training is another prerequisite for development of human resource and it is a vital component in capacity building. Training imparts, knowledge, awareness and skill enable people to critically analyse their self and social situations and to equip them to find alternatives and remedies. Training must be imparted to members of the Self Help Groups – on leadership, general awareness, gender, women empowerment, environmental protection, rural health and sanitation, family welfare, etc.

The study has revealed that only a few women members have undergone training. Further most of the training programmes are of short term in nature i.e. one week or less. Hence within a stipulated time the rural women may not be able to study the whole aspects of the training. In order to fulfill the objective of the programme efficient and effective training should be imparted by allowing sufficient time for proper training.

Rural women lack the knowledge of modern facilities and operations. Unless they are well accustomed with the technologies it is very difficult for them to face competition in marketing their products which they have produced with the help of the finances obtained through SHGs. Hence modern facilities can be provided to them and the operation of the same can be taught to the trainees so that they can boost up their production and marketing. Techniques of marketing aspects should be thought to them during the training period.

There is need for utmost care in the promotion of self help groups. The intervener should adopt an absolutely participatory approach towards identification and strengthening of self help groups. He should simply facilitate the process and let the villagers / people evolve their own mechanism for formation of groups.

If groups are formed around a common interest SHGs are called interest groups. Interest groups tend to be more sustainable than merely credit groups. Groups should be formed on the basis of inherent binding force already prevailing among the members.

Self Help Groups should be made more democratic oriented. Higher participation by all the members should be ensured. The study has revealed

that full participation by all the members and involving in active discussion is not realized.

There is need for rotation of group leadership so that all members of the group get an opportunity to play managerial role. It is found from the present study that a selected member of the group looks after the accounts and maintenance of records. This practice is inadequate since other members do not have the opportunity to become familiar with such important functions of the groups.

There is need for a set of mutually agreed upon norms for prioritization of loan application / demands from their members. This will ensure the success of the groups. It will promote the feeling of satiety among those members whose demand for loan was not acceptable at a point of time.

Capital resources of the Stree Shakti Self Help Groups are considered to be inadequate. Increasing amount of savings mobilization by the self help groups should take place within a regulatory frame work. In the absence of the same unscrupulous elements enter the sector and exploit the hard earned savings of the poor.

The availability of bank credit to the poor members of the SHGs is found inadequate to help them in their occupations.

It is an imperative need to enlarge the coverage of SHGs in the advances portfolio of banks as part of their corporate strategy to recognize perceived benefit of financing in terms of reduced default risk and transaction costs. In the meanwhile banks need to devise suitable policy

guidelines for appraisal monitoring and supervision of SHG advances together with necessary documentation.

Good number of self help groups are still denied the benefits of government subsidy for their enterprises. There is need for the concerned authorities and officials to be sensitized to this important assistance facility for which the groups are entitled.

Some of the suggestions made by the former Governor of RBI in relation to micro finance and SHGs are relevant in the context of improving the SHGs.

- i) Banks need to introduce appropriate organizational changes in the various branches in order to play a proactive role in bringing more and more SHGs under the bank linkage programme.
- ii) Self Help Groups must transform themselves from pure thrift institutions into groups promoting micro enterprises. In that situation success depends upon the choice of products to be produced and the markets to be served and the creation of an appropriate marketing mechanism.
- iii) The legal form of self help groups needs clarification. This assumes importance if the SHGs are to get federated into much larger organizations which can command greater credibility and therefore greater ability to borrow and
- iv) The legal form of micro finance institutions also needs clarification.

Successful functioning of SHGs need some effective steps viz.,

- i) Promotion and maintenance of high quality of governance and management structure ensuring adequate internal control and financial discipline.
- ii) Evolving of enabling policy, legal and regulatory environment.
- iii) Clear targeting of clients. This is essential since a mission drift is a common fear as pressures mount to serve richer clients with larger amounts.
- iv) Selection of appropriate products and services and
- v) Safeguarding the interests of poor members relating to their savings and the high interest charges on their loans from the SHGs.