

## Chapter II

### REVIEW OF LITERATURE, OBJECTIVES & SCOPE OF THE STUDY AND RESEARCH METHODOLOGY

#### 2.1 Introduction

Micro finance had achieved a mileage in the recent years and it has been considered as a strong tool to fight against the poverty. The Government of India had declared the year 2006 as the year of micro finance. A substantial amount of literature can be found about different aspects of micro finance throughout the world. While some studies have explored into the connection between micro finance and the eradication of poverty, other concentrated on significant relation between the self-help groups and micro finance delivery systems. Some studies also looked into the capacity building, team concept and leadership abilities of the entrepreneurs. Research on micro finance has also concentrated on the empowerment of women, on the socio-economic and political fronts. Many researchers have also discussed thrift and credit operations of beneficiaries of members, problems relating to bank linkage and the role of NGOs and Government organisations. A review of the literature has been taken up on micro financing in micro enterprises, concentrating mainly in India and in other countries. This review will give emphasis on the findings of various research studies regarding various aspects of micro financing to micro enterprises and their problems. Since the study is going to concentrate the literatures of different countries, the lists of literature review will no means exhaustive but illustrative.



This section tries to highlight the studies, which have been conducted on micro finance through out the world and in India.

## **2.2 Review Of Literature**

Different types of literature had been found through out the world. Different scholars and writers have given their views in different way. The literature can be discussed under the following areas.

### **i) Spread of Microfinance**

Md. Yunus (2007) said that Bangladesh Will Send Poverty to Museum by 2030.

Vod Kothari, Neha Gupta (2007), have argued that micro Finance has become buzzword of the decade, raising the provocative notion that even philanthropy aimed at alleviating poverty can be profitable to institutional and individual investors.

Sam. Daley, Harris, (2006) managing director of Micro-Credit Ratings International in India argued that worldwide, 3,133 micro credit institutions provided loans to 113.3 million clients.

S.R.Hasim (2009) argued that the economic development and urban poverty examines the pace of urbanization in India and growth trends of Indian economy tries to build up a relationship between urbanization and economic growth.

R. Chakrabarti (2004) said that microfinance is gathering momentum to become a major force in India. The self-help group (SHG) model with bank lending to groups of (often) poor women without collateral has become an accepted part of finance. The paper discusses the state of SHG-based microfinance in India. With traditionally loss-making rural banks shifting their portfolio away from the rural poor

in the post-reform period, SHG-based microfinance, nurtured and aided by NGOs, have become an important alternative to traditional lending in terms of reaching the poor without incurring a fortune in operating and monitoring costs. The government and NABARD have recognized this and have emphasized the SHG approach and working along with NGOs in its initiatives. Over half a million SHGs have been linked to banks over the years but a handful of states, mostly in South India, account for over three-fourth of this figure with Andhra Pradesh being an undisputed leader. In spite of the impressive figures, microfinance in India is still presently too small to create a massive impact in poverty alleviation, but if pursued with skill and opportunity development of the poor, it holds the promise to alter the socio-economic face of the India's poor.

Gamser (1992) said that despite the important achievements of the minimalist approach, enhancing the productivity and competitiveness of small enterprises to capture market opportunities often requires more than short-term capital infusions.

Dhar (2004) has argued that the micro finance accounting is very much important for the sustenance of the groups. If the beneficiaries are not very confident about handling the accounting, the commerce graduates can be employed for the purpose. The colleges can well take up the scheme because it will require only knowledge about basic accounting documents of self help group.

Dhar and Sarkar (2009) said that Micro finance programmes in India can made a grand success by shifting focus from quantity of groups to quality of groups .

## **ii) Savings, Finance, Interest and Bank Linkage**

Vogel (1986) argued that the financial systems approaches to micro enterprises recognizes that savings are as important as service for the poor as credit, and that savings is most important in building self-sufficient financial institutions. Well-crafted savings services can encourage a move from non-financial savings, with the advantages of self-confidence, self-sufficiency, safety, and liquidity for entrepreneurs and the provisions of funds for investment for society.

Dhar, Sett and Sarkar (2008) argued that Micro finance and SHG-banking activities are multidimensional. So the strategies and policies often needed to be framed not only on the basis of Government Guidelines. It has to be framed according to the need of the local area characteristics, demographics and needs. The capacity and the requirements of the bank branches have also to be considered

## **iii) Problem Of Capital Adequacy**

Bansal (1992) enquired into the financial problems of micro enterprises in India and found out the reasons for inadequacy of fund for these enterprises. These are excessive debts instead of equity, cost burden during gestation period and lack of working capital.

Pareek (1978) investigated the problems of SSI units and argued that the main problems are the limited resources to enter the capital market. Working capital plays a vital role in determining fixed capital, which is much lower than large sector. Equity capital played the most roles in the source of finance of SSI and the finance came from informal source like friends, relatives and moneylenders.

Devereux and Pares and Harper (1992) argued that currently the credit strategy most widely used by development agencies is direct lending to small enterprises. This contrasts with initiating cooperative producer groups whose overall record in terms of economic viability and thus survival has not been good.

Kulsrestha (2000) argued that in spite of the administration of these programmes, lack of capital was a serious bottleneck to development for development of women.

#### **iv) Empowerment Of Women**

Sarkar (2006) observed that the women have perceived that the programmes have enhanced their literary level, mobility and ability to deal with suppliers and government agencies, most of the women under study have developed the ability to read, write and do simple calculations.

Panda and Mohanti (2003) found that in the light of economic empowerment of women, Self Help Group is novel initiative in providing easy credit to the poor vulnerable section of the society. Several women interviewed in Ghana also affirmed that in spite of their increased workload and responsibilities, they felt a great deal of pride and personal satisfaction in being able to make a substantial economic contribution to their household.

Accion (1988) argued that evidence also indicated that the smaller the business the greater the chance of its being owned and operated by a woman.

Sen (2003) has undertaken a study on SHG and Microfinance in West Bengal. He argued that the access to credit has a positive impact on income and physical quality of life, but it is difficult to establish the extent of impact of social empowerment

Buvinic, Berger and Jaramillo (1989) argued that in Latin America, a study in Ecuador found a significant increase in hourly income for women and in efficiency and productivity of their enterprises.

Amartya Sen (2000), the Nobel Prize-winning economist, eloquently argues that development can be seen as a “process of expanding the real freedoms that people enjoy.”

Renu Khosla (2003) showed in a sample study of 102 women classified into three leadership groups viz. support leader, community influencer and emerging grassroots leaders. Significant differences were found in the tasks undertaken by different leaders. Emerging grassroots leaders exhibited high level of dominance, need achievement, ego, idealism and self-confidence. Leader traits found to contribute significantly to community development included duration of association of women leaders with the UBSP programmes, marital status, and time spent on community activities, lower level of income and lack of the employment.

Buvinic and Yudelman (1989) said that access to financing at affordable rates was recognized as a constraint for poor women, and considering this into account, many development agencies began to turn their efforts towards utilizing credit as a development tool. Studies of women-focused credit projects, mostly carried out by the implementing agencies themselves, generally have found positive economic and

social benefits resulting from these projects and have shown credit projects to be generally superior to other types of income-generating initiatives.

Sarker (2005) found that the women Micro Entrepreneurs in the North Bengal of West Bengal have profitably taken up non- traditional economic activities, which have developed positive thoughts in the mind of the women and increased their economic benefits.

Berger (1989) argued that the 'credit-plus' approach has been justified as a means of increasing the effective use of credit and improving the productivity of borrowers. It is most often used where the target group is predominantly female. The approach does, however, raise the cost and administrative burden of implementation, thus potentially interfering with the project's ability to become self-sustaining. Some projects suffer from what might be called the 'error of excess'.

Fuglesang, Chandler and Wignaraja, (1990) argued that documentation of Grameen's development has also contributed to the reorientation of development thinking on key issues, such as poor people's participation.

Buvinic and Yudelman (1998) said that the context of the economic and political crisis in the America has influenced UNICEF's increasing focus on the socio-economic conditions of women. The reality is that while the male labour force doubled between 1950 and 1980, the female labour force grew by nearly three times, the greatest increase being amongst the poorest.

Susan Johnson (1997) said that literacy and numeracy were important to enable women to be seen as more than simply channels through which loans could be accessed and to give them a greater role in decision making within the household.

Gita Sabharwall (1990), argued that Micro-finance Programmes (MFPs) are being promoted as the single most important mechanism for poverty alleviation and women's empowerment

Lim .(1996) said that the growing informalization of the economy has caused a rise in the number of women who work. Participation rates of women in the informal sector are: e.g. 80 percent in Lima, Peru; 65 percent in Indonesia; 72 percent in Zambia, and 41 percent in the Republic of Korea.

Schuler and Hashemi (1994) conducted a study from Bangladesh confirms improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness and public participation, as a result of a more stable integration into microfinance circuits.

Chen (1992).conducted a study on Grameen Bank and suggests that women participants in credit programmes are more conscious of their rights, better able to resolve conflicts, and have more control over decision making at the household and community levels .

Hulme and Mosley.(1996).conducted a study in Sri Lanka and found that loans contributed to women's independent income, giving them more bargaining power in their relation with male family members

MkNelly and Watetip (1993) said that enhanced women's empowerment, such as increased self-confidence, and better cooperation with neighbors has been observed in Thailand.

Vengroff and Creevey. (1994) said that the findings for Africa have given a clear picture of positive impact on self-confidence.

Sebstad and Chen. (1996) argued that women's control over financial resources is increasingly seen as a key factor in explaining these mixed results. While only a limited number of impact assessments exist that focus on this issue, the available evidence highlights that a significant part of women, who may have access to finance, may not have control over the loans contracted .

Ebdon (1995) said that a shift of refinancing from microfinance organizations that emphasise women's social development and empowerment to others placing a premium on early and full financial sustainability.

Goetz and Gupta (1995) expressed that using women as unpaid debt collectors that facilitate intermediation between micro-finance institutions and male family members thereby reducing lenders' transaction costs.

A synthesis study done by Jennefer Sebstad and Monique Cohen (1996) found that “[lending] groups provide a means for women to know and be known by other women; a forum for learning leadership and public speaking skills; and a basis for development of trust, friendship, and financial assistance.”

Noni S. Ayo, (2001) managing director of ARDCI, in the Philippines, expresses that all efforts at improving an MFI's impact on women boil down to really

understanding a woman's needs, her predicament and what she dreams of. Even before all the questions can be answered, the basic question that must first be answered is who she is."

Berger (1989) said that by the end of the decade, scattered evidence was revealing that an increasing number of poor women were creating their own jobs in small-scale agriculture, manufacturing, services and petty trade.

Pitt and Khandkar (1995) said that the women has positive effects on the schooling of girls, it increases women's asset holdings (except land) and is a significant determinant of total household expenditure

Wariara Mbugua (2002) of UNFPA said that no longer can this strategy be reduced to simple income-generating activities through revolving funds, but rather it entails and includes other elements of empowerment such as leadership, self-management, networking and entrepreneurship. By adopting a holistic approach that takes into account cultural, economic, and political factors affecting women's empowerment, MFIs can ensure that women more deeply and consistently empowered through their programs.

#### **v) Problem Of Micro Entrepreneurs**

Thomas W Dichter (2006) said that the reality of micro credit is less attractive than the promise.

Abhijit V. Banerjee and Esther Duflo (2006) argued that "a micro credit client is an entrepreneur in the literal sense: She raises the capital, manages the business, and takes home the earnings. But the "entrepreneurs" who have become heroes in the

developed world are usually visionaries who convert new ideas into successful business models. Although some micro credit clients have created visionary businesses, the vast majority are caught in subsistence activities. They usually have no specialized skills, and so must compete with all the other self-employed poor people in entry-level trades.

Kalpana Kochhar (2006) said that when it comes to increasing labor productivity, India's performance is mediocre and the situation in Africa is dismal. One reason for India's poor productivity growth is that its enterprises are often too small. The average firm size in India is less than one-tenth the size of comparable firms in other emerging economies.

Vyas (2010) argued that "the reputations of MFIs is strong and positive in the minds of respondents. Therefore every MicroFinance Organisations need to develop and impliment a good communication strategy, othat the deprived poor people can also take advantage of their schemes. Moreover, there is a need to develop more customer frienliness in MFIs regular transactions".

Linda Mayoux (1995) argued that microfinance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Where financial service provision leads to the setting up or expansion of micro-enterprises there are a range of potential impacts including positive impact on non-participants cannot be assumed, even where women participants are able to benefit. Women micro-entrepreneurs are frequently in competition with each other and the poorest micro-entrepreneurs may be

disadvantaged if programmes do not include them. Where women employ labourers, it cannot be assumed that they give better wages and conditions of work than men do.

Otero and Rhyne (1994) argued that benefits for women's families cannot be assumed. Women may employ daughters and daughters-in-law as unpaid family laborers increasing their workload. Although increased family income channeled through women often benefits children considerably, evidence suggests they may often still priorities the interests of boy children. Negative impacts are even more likely where women do not control the loans. Moreover, pressures have accompanied increased funding from donors to adopt a financial systems approach which priorities cost efficiency and financial sustainability. These emphases have been a reaction to inefficiency, low repayments and lack of impact of many previous microfinance programmes. This approach takes demand for credit and repayment levels as indicators of success, requires microfinance programmes to be ultimately self-sustaining and preferably making a profit. These emphases favour large organisations in order to benefit from economies of scale and group lending where groups take much of the responsibility for savings and loan repayment.

Goetz, Sengupta and Nojonen (1996) argued that impact on empowerment cannot be inferred from take-up of financial services or repayment levels. Women may repay through taking loans elsewhere and getting into serious debt. As noted above, loans may be controlled by men. Some researchers have expressed concerns that women's microfinance programmes may be merely using women as unpaid debt collectors, mediating between development agencies and male family members,

increasing their dependency on men and/or conflicts between women to fulfill repayment targets.

Hulme, Mosley, and Montgomery (1996) argued that the overriding concern with repayment rates puts further pressures on groups to exclude those likely to experience greatest problems i.e. the poorest.

Johnson and Rogaly (1996) said that in some cases adoption of this subsidy approach has led to cutbacks in support services. There are dangers that the concern with short-term cost-efficiency may jeopardise long term organizational and client sustainability. Long-term sustainability requires both attentions to developing the skills; earning capacity and empowerment of clients and institutional learning which may entail substantial costs in the short term.

Mayoux (1997) said evidence also indicates differences between women within programmes and between women and development agencies about the aims of microfinance programmes.

Berger, (1989) argued that by the turn of the 1980s, however, commercial bank schemes had generally failed to reach many poor borrowers, let alone poor women. Women's participation in bank lending schemes for small enterprises rarely exceeded 20%.

.Buvinic and Berger (1990) argued that one study found only 16% of borrowers to be women in an Industrial Bank of Peru programme

Goetz and Gupta. (1995) said that about 63% of women's loans are actually invested by male relatives, while women bear the formal responsibility for repayment..

Ackerley (1995) conducted a survey of loans to women borrowers in the Grameen Bank, Save the Children Fund and BRAC registered a loss of direct control over loan use.

Todd (1996) argued that according to a more recent study of women borrowers in the Grameen Bank, 10 of 40 women in the sample were passing on all or most of their loans to male family members under circumstances that gave them little control over the use of this capital.

Renu Khosla (2001) concentrated on assessing the impact of the Scheme for Urban Micro Enterprises (SUME) on the economic conditions of the urban poor in Punjab, Haryana, Himachal Pradesh and Delhi. It provides economic opportunities through skill development and credit assistance, has suffered from proper utilization of funds and inadequate reach among the urban poor. An examination of the effectiveness of institutional arrangements and qualitative changes in programme intervention indicates low coverage, ineffective reach among the vulnerable groups and ineffective involvement of community based organisation and civil society's agencies.

#### **vi) Sustainability**

Wignaraja, (1990) argued that close supervision, self-monitoring through participatory process, and building a collective consciousness and cooperative values

among the SEWA groups. Training and technical inputs to improve the efficiency of activities were also necessary.

Mark Schreiner (1997) summarized the state of the art in the field of microfinance for micro enterprise, with a focus on examples from Latin America. It reviews lessons learned and offers practical guidelines for donors who want to use their resources wisely. The chief role for donors is to speed the evolution of the types of financial institutions and the types of financial services that micro enterprises find useful. This husbandry encompasses three areas of action: improving the overall economic environment, reconciling the goal of financial self-sustainability with the goal of outreach to the poor, and encouraging experimentation with organizations and services.

Mayox (2000) reported that that CARE's Mata Mara Dubara (Women on the Move) is serving 162,128 women organized into 5,654 stand alone groups in the rural areas of Niger, one of Africa's poorest countries. These groups manage \$3,000,000 of savings with virtually all of it on loan to members. Five hundred trainers selected by their communities and trained by the CARE staff, monitor the groups and develop new ones and the group members themselves pay for these services. Sustainability, then, is achieved through fees paid by the groups rather than interest charged to an MFI. Virtually all of the groups created over the last several years are still functioning, drop out is minimal and loan repayment is nearly perfect. According to the State of the Micro credit Summit Campaign Report, 2002, MDD is the second largest microfinance initiative in Africa,<sup>2</sup> and very likely the only one that depends entirely on internally generated group controlled savings. Costs per client are

estimated at \$18 to \$25 per member when the CARE staff but drop to \$3 per client carries out training when local facilitators do the training.

Pijush Tiwari and S M Fahed (1997) argued that more than subsidies the poor need access to credit. Absences of employment make them 'non-bankable'. This forces them to borrow from local moneylenders at exorbitant interest rates. Many innovative institutional mechanisms have been developed across the world to enhance credit to the poor even in the absence of formal mortgage. He has discussed about some conceptual framework of microfinance institute of India.

Suneetha Kadiyala (2000) discussed the factors that enabled and constrained the scaling up of a multicultural poverty alleviation program called Kudumbashree, initiated by the government of Kerala (GOK), India, in 1998 to eradicate poverty by 2008. It also discusses some potential threats to and trade-offs of scaling up Kudumbashree.

Philip Aims (2006) synthesizes recent work on urban poverty with an emphasis being placed on the relationship between urban poverty and the labour market. The themes considered include the distinction between permanent and temporary poverty and between trends and shocks. A number of distinctive features of urban poverty are discussed including the informal labour market, female headed households, the individualized nature of urban poverty and the greater exposure of urban residents to environmental risks. A final section considers policy implications, differentiating between promotive and protective strategies.

Ellen Wratten (2008) explores three issues. First it examines how, and by whom, poverty has been defined and measured, contrasting conventional economic

and participatory anthropological approaches. Second, it questions the extent to which urban poverty differs conceptually from poverty in general, and considers the utility of an analysis of the urban–rural divide in understanding the underlying causes of poverty. Finally, it reviews the principal ways in which urban poverty has been understood in the South and the North, and what these imply for the different policy prescriptions for addressing urban poverty. It concludes by identifying the linkages between alternative definitions of poverty, different antipoverty policy approaches and the choice of measurement techniques.

### **2.3 Objective and Scope Of The Study**

From the above literature, it had been seen that there were many research studies, which were related to the micro finance programmes and SHG movement in different countries. Some of the literature concentrated on the outreach of the microfinance programme in the urban areas and problems of the women in running this scheme. Some studies concentrated on the role of the bank, the bank linkage problems and the problems of groups.

Some articles had concentrated on empowerment of women through micro financing programmes while trying to gauge the impact of these programmes. It would be pertinent to point out that these studies were based on either field studies or case studies or both in selected areas. In this study, the focus has been given in the district of Uttar and Dakshin Dinajpur in West Bengal as no study was made to study the urban micro finance systems in these areas. The district of Uttar and Dakshin Dinajpur are economically backward areas. The poor people of these districts suffer from many problems specially lack of awareness, finance and training to start the self-

employment activities. It was therefore felt that since the SJSRY programme has been implemented in the districts, it would be worthwhile to find out whether the scheme has reached the poor people, whether they are getting the desired benefits out of these schemes, whether the system and processes are proper for financial inclusion and whether the beneficiaries have gained socio-economically from the programmes. The study has made an attempt to study the urban micro finance programmes as adopted under SJSRY scheme in the districts of Uttar and Dakshin Dinajpur. The study has tried to focus on the outreach of the programme, financing of the programme, capacity building of the members of the group, problems of the entrepreneurs, role of government and non government agencies, bank linkage systems, perceptions of beneficiaries and impact of the urban micro finance programmes on the micro entrepreneurs in terms of socio economic benefits resulting in empowerment of women. Specially the major objectives of the study are:

- 1) To critically examine the salient features and components of the scheme SJSRY, financing pattern of the scheme and outreach in the districts of Uttar and Dakshin Dinajpur.
- 2) To examine the operational aspects of the groups, thrift and credit practices and bank linkage systems.
- 3) To examine the role of the government agencies and bankers in operation of the scheme.
- 4) To examine the perception and problems of the beneficiaries regarding the operations and financial system of the scheme.
- 5) To asses the socio-economic impact of the SJSRY on the beneficiaries.

### **2.3.1 Scope Of the Study**

The scope of the study deals encompasses critically examining the salient features of the scheme, the progress of the scheme in the districts of Uttar and Dakshin Dinajpur, the role of the bank and government officials in implementing the scheme, group activities related to economic activities, the role of the bank and the credit linkage systems, the problems faced by the beneficiaries and perceptions regarding the programme. The study has been conducted in the districts of Uttar and Dakshin Dinajpur. The reasons for selecting the Uttar and Dakshin Dinajpur districts are given below:

### **2.3.2 Characteristics Of the Catchments Area Of Study**

The District of Uttar Dinajpur in West Bengal came into existence on 1st April 1992 after the bifurcation of erstwhile West Dinajpur District. The District lies between latitude 25°11' N to 26°49' N and longitude 87°49' E to 90°00' E occupying an area of 3142 Sq. Km enclosed by Bangladesh on the East, Bihar on the West, Darjeeling & Jalpaiguri District on the North and Malda District on the South. Uttar Dinajpur is well connected with the rest of the State through National Highways, State Highways and Railways. NH-31 and NH-34 passes through the heart of the district. The regional topography is generally flat with a gentle southerly slope towards which the main rivers like Kulik, Nagar, and Mahananda etc flow. The total population is 24, 41,824 and the number of females is 937 per thousand males as per Census Report 2001. The number of BPL families is 1, 75,104, which is 40.96 % of the total number of families in the districts. The district of Uttar Dinajpur has only 9 large and medium

scale industries and about 1261 registered Small Scale Units and therefore has only a limited scope for providing employment opportunities to the people of this district.

Dahshin Dinajpur lies between latitudes  $26^{\circ} 35'$  North to  $26^{\circ} 10'$  North and Longitude  $89^{\circ}$  East to  $87^{\circ} 48'$  East occupying a geographical area of 2162 square kilometers. A number of North-South flowing rivers like Atreyee, Punarbhaba, Tangon and Brahmani drain the district. It is predominantly an agricultural district with large area of land being under cultivation. It is a "Non Industry" district having no large-scale industry. The first industry in medium scale sector got off to a start in the district in November 2003. Transport and Communication facilities are not very satisfactory. New railway line has been laid between Eklakhi and Balurghat, the district headquarter. Train services have been started on 30.12.2004. There is one State Highway with only 3 KM of National Highway no. 34 falling within the district. The total population is 15,02,647 out of which 952 are females out of 1000 males as per Census 2001. The number of B.P.L. families are 43.54 % out of total number of 262984 families. The nature of the districts and the large number of poor families make them an ideal set up for a study on micro finance delivery especially in small urban towns in the district.

The number TCGs and DWCUA groups in the districts make an ideal area for examining the operational mechanisms of the beneficiaries groups. Though the details of the outreach are given in the later chapters, the following table gives a brief idea as to the number of groups in the catchments area.

**Table no: 2.3.2.a**

**The CDS and TCGs and DWCUA groups in the Districts Of Uttar and Dakshin Dinajpur as on March 2009**

Municipality	District	CDS	DWCUA	TCG
Raiganj	Uttar Dinajpur	5	103	398
Kaliaganj	Uttar Dinajpur	2	157	575
Islampur	Uttar Dinajpur	2	15	27
Dalkola	Uttar Dinajpur	2	19	212
Balurghat	Dakshin Dinajpur	5	76	279
Gangarampur	Dakshin Dinajpur	2	38	235

*Source: Compilation of reports from municipalities*

It has been shown that under the district of Uttar Dinajpur, in Raiganj municipality, the number of CDSs is 5 and the number of DWCUA groups is 103. In the municipality Kaliaganj, the number of CDSs is 2 and the number of DWCUA groups is 157. In the municipality of Islampur and Dalkola the number of CDSs is 2 and the numbers of DWCUA groups are respectively 15 and 19. Under the district of Dakshin Dinajpur, in the municipality of Balurghat, the number of CDSs is 5 and the number of DWCUA group is 76 and in Gangarampur municipality the number of CDS is 2 and the number of DWCUA groups is 38.

It has also been shown that in the district of Uttar Dinajpur, in the municipality of Raiganj the number of CDS is 5 and the number of TCG groups is 398. In the municipality Kaliaganj, the number of CDS is 2 and the number of TCG group is 575.

In the municipality of Islampur and Dalkola the number of CDS is 2 and the number of TCG groups is respectively 27 and 212 respectively. In the district of Dakshin Dinajpur, in the municipality of Balurghat the number of CDS is 5 and the number of TCG group is 279 and in Gangarampur municipality the number of CDS is 2 and the number of TCG group is 35.

Banerjee (2004) observed that SJSRY programmes are succeed in small towns rather than big ones. This is due to the following factors:

- (1) Characteristics of the population in terms of homogeneity, education and intangible cultural factors.
- (2) It is easier to organize communities.
- (3) The women are well educated and are extremely cultured and exhibited attitudes, which are helpful in collective action.
- (4) The town being small, the administrator can devote time tom organize matters.

Moreover it has been observed that though the Government has taken many schemes like Calcutta Slum Improvement Programme (CSIP), Calcutta Urban Development Project (CUDP), Small Scale Enterprise Programme (SSEP), Environment Improvement of Urban Slums (EIUS), Integrated Low Cost Sanitation (ILCS) etc the benefits of these programmes have not been extended to these districts. This means that SJSRY is the only programme has been implemented for urban poverty alleviation in these districts. Under this scheme many self help group have been formed by the poor women with the help of Community Development Societies (CDS).

Over the years, since implementation of the scheme, hundreds of Thrift and Credit Groups have been formed in the urban areas of these districts. A large number of the groups are engaged in different types of activities like grocery and stationary, clothing, milking, tailoring, supplying spices to shops, making papad, jam, jelly, selling vegetables etc. Different vocational training have been organized like T.V, radio and telephone repairing, soft toys making, beautician course, training for making jute product, pickle making, foam and leather product making and various other training. The CDS are performing the principal role regarding all those activities with the help of banks and other government agencies.

The numbers of the groups formed in different years have been given in chapter IV. The discussion made there in show that there is quite a significant increase in the number of groups during the last few years.

#### **2.4 Research Questions**

The study will try to deal with the principle aspects of urban micro finance and will suggest measures that will help to implement the system more effectively. The principal hypothesis of the study is that the micro finance system delivered by the scheme SJSRY has been effective in terms of outreach simplicity in financial dealings and in terms of socio-economic empowerment of beneficiaries. Other hypotheses have been formulated relating to specific issues in the study and tested accordingly. The following research questions have been constructed for the purpose of the study.

- 1) What is the progress of outreach of the scheme in districts of Uttar and Dakshin Dinajpur and how has the process been influenced by the demographic and geographical characteristics of the districts?

- 2) What are the salient features of the scheme in terms of operational and financial aspects and what are the role played by government and non-government agencies in the operation of the scheme?
- 3) Do the groups operate effectively in line with the guidelines of the scheme and run their thrift and credit operations, meetings and economic enterprises viably?
- 4) How do the beneficiaries perceive the scheme in terms of ease of financial access and inclusiveness and opportunities for capacity building and self-employment and what are the problems relating there to?
- 5) What is the impact generated by the scheme in terms of socio economic empowerment of beneficiaries?

## **2.5 Research Methodology**

The study required analysis and interpretation of a large amount of data, which were generated from the primary sources and from some secondary data. For collection of primary data, a structured questionnaire was prepared and administered to the leaders of selected TCG and DWCUA groups in the districts of Uttar and Dakshin Dinajpur. A pilot survey was made after the preliminary discussion with different group members, bank officials, CDS members, SUDA (State Urban Development Agency) officials. Based on the above discussion a questionnaire was made and circulated to the groups, banks, and CDS members for their observations. On the basis of the reply of the above members the questionnaire were modified and the final questionnaire made.

The questionnaires were supplemented by the personal interview and discussion with the group members. The names and addresses of the groups were collected from the CDS of the municipalities. The questionnaire was related to general conception about the scheme, savings pattern, financing pattern, bank linkage, problems, and perception of services rendered by banks and government agencies and socio economic benefits obtained as a result of participatory in the programme. Questionnaires were administered while visiting the groups or on the occasion when groups come to the CDSs to discuss the matter regarding group activities. In addition to these, additional data were collected by attending the group meetings and meetings of the groups with CDS officials. Another set of questionnaires were administered to bank officials .The bank officials were questioned regarding granting of loans, process and procedure, their policies towards loan sanction and disbursement and the trend of repayment of loan. Some secondary data have also been collected from the bank. Besides the primary data collected from the group members, a large amount of secondary data was also collected from the municipality, bank officials and SUDA. The appointments were made with the officials and the secondary data were collected through personal interview or by collecting data from them.

### **2.5.1 Sampling Procedure**

For the purpose of the study, a random sample of 500 groups was initially taken having more or less a proportionate distribution from each municipality. For the purpose of identifying the groups, the names and addresses were collected from the respective CDS and municipalities and a random number generated from computer was assigned to each group. The groups were then chosen randomly from each CDS and municipality.

The sample of bank respondents, numbering was however on a convenience basis, taking at least one respondent from a bank in each municipality which were connected with the SJSRY scheme. Accordingly, the questionnaires were administered to group leaders of the TCGs and DWCUA groups. Due to some problems in responses, a total of 18 filled in questionnaires were rejected. The number of valid responses in the year 2005-06 was 482. Since the study involved use of longitudinal design for study of impact of microfinance programmes, a part of the questionnaire had to be administered to the respondents in 2008-09 again. In this case, 24 respondents who have respondent earlier could not be traced. Therefore the final sample which was considered for the study was 458 groups which represent approximately 40% of the population in 2005-06 and 19% in 2008-09. The sample therefore adequately represents the population.

**Table No: 2.5.1.a**

**Sample Of TCG And DWCUA Groups Selected For the Study**

Municipalities	DISTRICT	TCGS	DWCUA	TOTAL
Raiganj	Uttar Dinajpur	102	07	109
Kaliaganj	Uttar Dinajpur	123	20	143
Dalkola	Uttar Dinajpur	41	2	43
Islampur	Uttar Dinajpur	01	01	02
Balurghat	Dakshin Dinajpur	81	03	84
Gangarampur	Dakshin Dinajpur	76	01	77
Total		424	34	458

### **2.5.2 Analysis Of Data**

In this study, the help of different statistical techniques have been used by analyzing the data. The primary data as well as the secondary data have been used in this study. The data have been used for the multiple regression analysis, which has shown the relation between different variables. The data have been analysed by using different rating scale to show the impact of micro finance programme on different attributes. In the study, the SERVQUAL Analysis has been constructed to show the gap between the expectation and the perception of the beneficiaries regarding the service from the commercial bank.

### **2.6 Time Period Of Study**

Though the scheme SJSRY has been implementer in the year 1997-98, the government agencies and the other related organisaions have not concentrated on the scheme in the initial years. Like other parts of the state, in the districts of Uttar and Dakshin Dinajpur, the scheme was launched in the year 1997-98. But the real operation of the scheme has been shown from the year 2000 onwards and it has got the pace after few years.

So, the study regarding trend in the growth of TCG and DWCUA has been made from 2000-01 to 2008-09. The questionnaires for primary data however relates to the period from 2005-06 to 2008-09 .A questionnaire were first administered in 2005-06 and then again for the longitudinal data analysis it was administered in 2008-09.

The survey took more than two years because a large number of group members has been contacted, a large number of interviews of the bank officials and other were taken. A number of problems have been faced during the collection of data.

The group members are very poor and they engaged themselves in different works through out the day. So, it is also one of the reasons that talking with the members need a lot of time. The member resides in the remote place of the village. Sometimes it became very difficult to reach them. Sometimes the group members could not honour their appointment due to other engagement. The bank officials are also work within very busy schedule and it was hard to get their appointment. Sometimes the group members were panicked and did not open their mouth. One of the most important problems was that the DUDA has no function in the districts of Uttar and Dakshin Dinajpur.

## **2.7 Plan Of The Study**

The first chapter of the study is “Conceptual Framework and the Background of the Study”. The effectiveness of the scheme microfinance has been discussed in this chapter. The statement of the problems in the districts of Uttar and Dakshin Dinajpur has also been discussed in this chapter.

The second chapter of the study is “Review of Literature, Objectives & Scope of the Study and Research Methodology”. It deals with the objectives of the scheme SJSRY Different literature in India and through out the world in the field of micro finance have been studied in this chapter. How far the scheme can play its role in the

districts of Uttar and Dakshin Dinajpur and the data source and research methodology have also been discussed in this chapter.

The third chapter of the study is "The SJSRY-Review of It's Salient Features, Monitoring and Integrating System". In this chapter, the features, the monitoring system and the role of different monitoring agencies under the scheme SJSRY has been discussed.

The fourth chapter is "SJSRY in the Districts of Uttar and Dakshin Dinajpur —A Review of Spread of SHGS and Funding" In this chapter, the spread of groups under the scheme SJSRY in the district of Uttar and Dakshin Dinajpur has been discussed. The funding pattern i.e. the criteria of receiving revolving fund , source of revolving fund, disbursement, and utilisation of this fund in the districts has been discussed.

The fifth chapter is "Thrift Credit Operations of Self Help Groups in the District of Uttar and Dakshin Dinajpur". In this chapter, on the basis of data collected from the leader of 458 groups of TCGs and DWCUA, the operations of the Thrift and Credit Groups and DWCUA groups have been examined in relation to their thrift, credit, interloaning operations and economic activities in the districts of Uttar and Dakshin Dinajpur have been examined.

The sixth chapter is "Bank Linkage Progress and Perception". In this chapter the process of bank linkage with the groups, the progress of bank linkage in the districts of Uttar and Dakshin Dinajpur, expectation of the beneficiaries and perception about the service quality of the bank has been discussed in this chapter.

The seventh chapter is “Impact Assessment”. Since microfinance interventions are expected to generate economic and social benefits of the beneficiaries under the scheme, it has been examined in this chapter whether there has been any impact of on the economic and social attributes and empowerment of the beneficiaries due to the administration of the SJSRY.

The eighth chapter is “Conclusions and Policy Implications”. In this chapter the findings of the study in the districts of Uttar and Dakshin Dinajpur has been shown and necessary suggestions has been given that may increase the effectiveness of the scheme SJSRY in the districts of Uttar and Dakshin Dinajpur