

**Self Help Groups : A Study of Systems,
Operations and Constraints of a Microfinance
Programme With Special Reference to Jalpaiguri District**

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Dedicated to my parents

Preface and Acknowledgement

Rural poverty, unemployment and exploitation are phenomena which I am not entirely unfamiliar with. My childhood days and adolescence spent in a remote village of Keshpur in West Bengal made me face the bitter realities of hunger, homelessness, deprivation and even violence. I had often been bewildered at the conditions of the rural women whose tears had even ceased to flow after years of malnourishment and social exploitation. However, I had no idea as to how to address these problems as I had not ever seen any other economic activity being carried out in my village except farming and cattle rearing. It was after my post graduation when I saw my teacher Prof. S.N.Dhar working with Self Help Groups around the university and interacting with NGOs and government officials for devising micro-entrepreneurial projects for rural women. My real interests in microfinance developed only when I read the works of Prof. Yunus and later worked as a project assistant under Prof. Dhar. My inspiration for working with SHGs also stemmed from the views of Prof. Yunus, who realised that pure academics could not be instrumental in delivering the goods that a poverty stricken nation essentially and immediately needed. I decided that I would help some of these groups with the accounting and financial management skills that I acquired during my post graduation. During my interaction with the SHGs I got a first hand knowledge of their problems, perceptions and aspirations. My desire to convert these experiences into research was inspired by my guide. We observed in the year 2000 that a new self employment programme, the SGSY was gradually taking shape in many areas of North Bengal. Though very slow at the initial stages, erstwhile DW CRA groups were being converted into SHGs and some dynamism and motivation was being noticed among bank and Government officials. A detailed reading of the guidelines and operational instructions of SGSY somehow made me believe that this was a scheme which would not be phased out soon. My beliefs were slowly turning into reality when I saw the number of SHGs growing at a galloping rate in North Bengal especially in the districts of Jalpaiguri and Coochbehar. I then chose to research on the scheme on a holistic basis encompassing outreach, group operations, bank linkages, and involvement of stakeholders, perceptions of bankers and beneficiaries and finally impact on the beneficiaries. In order to have a grass root understanding of these issues I spent about a couple of years conducting surveys, formal interviews and informal discussions with government officials, bankers, panchayats, NGOs and frequent visits to SHG meetings where I could talk to the beneficiaries. My endeavours ultimately resulted in drafting of this thesis. Survey research has its own limitations and as such this study is not free from such limitations. Expansion of the area in which the study was carried out and/or expanding the sample may have led to better results. But considering the constraints, costs and rigours of this type of research the focus area was restricted to a district. However, there should not be a final

closing whistle for any research and I cherish the dreams of advancing this research in future. The work is not only the fruits of my endeavours alone, but also the cooperation and help I received from many individuals.

I would first like to express my affectionate and deeply felt gratitude to my teacher and supervisor, Prof. Samirendra Nath Dhar, Dept. of Commerce, North Bengal University for his valuable guidance, suggestions, supervision and critical comments at all stages of my work. It is his generous encouragement, inspiration and interest that helped me a lot to continue and finish my present work. In spite of heavy pressure of work and pre-occupation he always spent his precious time in going through this thesis. Indeed I am fortunate enough to have him as my supervisor. I owe the greatest debt to him.

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I consider myself fortunate enough to have constant co-operation, discussions, and association with a group of DRDC officials. At the time of data collection in different villages in Jalpaiguri, I received priceless co-operation from the DRDC officials and branch managers of different banks in Jalpaiguri. I am highly grateful to them. I am also highly indebted to the villagers who spared no pains to extend their wholehearted co-operation to me at all stages of my work.

I should like to express grateful acknowledgement to those writers whose contributions are recognised in notes and text of this thesis. I wish to record my debt and gratitude to Nobel laureate Mr. Yunus whose noble work was the source of inspiration of my work.

I express thanks and gratefulness to my wife Shaswati Nandi who withstood all adverse circumstances and did not allow any domestic work to suffer. Last of all I want to express my deepest regard towards my parents who have always encouraged me for higher education and without their sacrifice I could not have been what I am today.

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LIST OF ABBREVIATIONS

| | |
|---------|---|
| AIMS | Assessing the Impact of Microenterprise Services |
| BIRD | Bankers Institute of Rural Development |
| BPL | Below Poverty Line |
| CBI | Central Bank of India |
| DHAN | Development of Humane Action |
| DRDC | District Rural Development Cell |
| DWCRA | Development of Women and Children in Rural Areas |
| GP | Gram Panchayat |
| HDFC | Housing Development Finance Corporation |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labour Organisation |
| IRDP | Integrated Rural Development Programme |
| MFI | Microfinance Institution |
| MFO | Microfinance Organization |
| MYRADA | Mysore Resettlement Development agency |
| NABARD | National Bank for Agriculture and Rural Development |
| NBFCs | Non Banking Financial Cor |
| NGO | Non Government Organization |
| PRADHAN | Professional Assistance for Development Action |
| RF | Revolving Fund |
| RMK | Rashtriya Mahila Kosh |
| ROI | Return on Inest |
| ROSCA | Rotating Savings and Credit Association |
| RRBs | Regional Rural Banks |
| SBI | State Bank of Idia |
| SC | Schedule Caste |
| SEWA | Self Employed Women's Association |
| SGSY | Swarnajayanti Gram Swarozgaris Yojana |
| SHARE | Society for Helping Awakening of Rural Poor through Education |
| SHGs | Self Help Groups |
| SHPIs | Self-Help Promoting Institution |
| SIDBI | Small Industries Development Bank of India |
| SITRA | Supply of Improved Toolkits to Rural Artisans |
| TRYSEM | Training of Rural Youthfor Self Employment |
| UBI | United Bank of India |
| UBKGB | Uttar Banga Kshetriya GrameenBank |
| UNDP | United Nations Development Program |

CHAPTER – I

CONCEPTUAL FRAMEWORK AND THE BACKGROUND OF THE STUDY

1.1 Introduction

Microfinance as a tool of launching a direct attack on poverty and empowerment of women received a world wide recognition and drew the attention of researchers and practitioners alike after The Micro-Credit Summit, held in February 1997 in Washington DC. This summit announced a countdown for eradicating poverty of 100 million poorest families with micro credit for self-employment within the year 2005. In fact, the war against poverty had already been launched with micro credit as the principal tool in Bangladesh. The stark realities of poverty stricken Bangladesh in 1974 had prompted Nobel Laureate Prof. Muhammad Yunus to set up the Grameen Bank and free the downtrodden rural masses from the clutches of vicious moneylenders.

Poverty alleviation movements have been started in the world in order to create productive employment and generate adequate income. The low level of employment creation, especially for young people, is among the most serious obstacles in reducing poverty. The adoption by the United Nations General Assembly of the resolution in 1995 on the first United Nations Decade for the Eradication of Poverty (1997-2006) marked a turning point in mobilizing international support for the global fight against poverty. Five years later in the Millennium Declaration, poverty has been identified as the greatest challenge of the new century. The poverty eradication programme throughout the world got prominence with the involvement of World Bank as a regulatory authority. The World Bank and the International Monetary Fund (IMF) launched a joint initiative at the end of 1999, stating that they intended to set the fight against poverty at the heart of their development policies. Under this initiative, low-income countries wishing to apply for financial aid from either of the organisations, or for debt relief, are required to draw up poverty reduction programmes. Given this new conditionality and the enormous importance that goes with reducing poverty, in September 2000, a convention was held at the General Assembly of the United Nations to explore ways of pooling their combined will and efforts to revitalize international cooperation on behalf of the less developed countries and, in particular, to mount a frontal assault on extreme poverty

However in many poverty alleviation programmes poverty has been officially looked from the income or consumption perspective implying that the dearth of income denies access of the poor to the basic elements of livelihood-food, clothing

and shelter. According to Sen (2003), “this misses the broad perspective which looks upon poverty as the outcome of multiple deprivations. In absence of skills and abilities, the poor are not capable to earn a livelihood free of hunger and deprivation. Lack of access to social opportunities like primary education, basic health care, shelter, sanitation, drinking water etc. makes deprivation intense and powerful. Vulnerability to external shocks reinforces poor people’s sense of ill-being and weakens their bargaining position. It is newly agreed that poverty must be addressed not from income perspective alone but in all its dimensions”.

He further opined that “ experience all over the developing countries shows that the ‘external expert stance’ (outsider’s perception of problems of poor) has culminated in top down interventions disregarding people’s own initiatives and potential for self help”. He emphasised that “the microfinance movement aims at building peoples’ assets through participation, sharing and collective action with the goal of empowering them to fight poverty. People’s ability to draw on relationships on the basis of trust and reciprocity is the social capital”.

Poverty amelioration programmes generally aim to increase per capita income with the judicious utilisation of large volume of unproductive human element of all the country. This objective can be achieved with the increase in the scope of employment generation. Upsurge of employment generation expressed as a basic strategy solution in the plight of poverty. The scope of employment generation can be increased by two ways; -e.g., Self-employment and Wage Employment. Both wage employment and self-employment bestow greatly on the robust growth of poverty. The gamut of labour intensive industry and business is limited and the amount of wages is fixed at a certain level. As a result wage employment has minuscule scope. Self-employment has great contribution on the income generation of the people who live in below poverty level.

The promotion of self-employment is a basic element of economic development and social policy in most developed countries and in many less-developed nations. The self-employment is recognized as one means of bringing a person into the mainstream of society as a productive and contributing individual. It signifies that self-employment has robust impact for the sustained growth of per capita income of a country. With this mission, a significant amount of self-employment programmes was launched by different nations around the world.

For self-employment, microenterprises were considered as a double edged weapon to play a significant role in increasing the income level of the poor as well as contributing to this social empowerment, specially women. However, setting up and running microenterprises is easier said than done because the presence of a host of constraints. The most glaring problem, however seems to be inadequacy of finance relating to fixed and working capital and ignorance about the success of finance, margin money, collateral securities, application of loan etc. (Brugger, 1995). The problem gets more compounded for women because “formal financial institutions are less receptive and welcoming to female entrepreneurs. Their collateral requirements, bureaucratic loan applications, disbursement procedure, the time and resources necessary to visit the banks and discriminatory banking culture virtually exclude poor women clients” (ILO, 1998). ✓

Under these circumstances potential microentrepreneurs are forced to access the credit services of local moneylenders and pawnbrokers who offer credit with stringent terms and conditions. “Moneylenders and pawnshops are more costly in direct terms. Sometimes charging very high annual interest rates of 60 to 200 percent, especially when the amounts are small (< Rs 5000) and are urgently required” (Sinha, 2005).

Under these conditions it had been presumed that government and other agencies would act as a supplier of financial services at a subsidised rate of interest for the rural microentrepreneurs and they would be able to run microenterprise by themselves.

However, the question lies that whether the self-employment programmes have been able to have the desired amelioration effort on poverty. Have the policies, strategies and finances for these programmes been effective in metamorphosing the socio economic profile of the poor specially with reference to India. The answer to this question is sought through examination of the antipoverty programmes launched by the Government of India.

1.2. Statement of the problem

Eradication of poverty has been on the agenda of government of India since early fifties. However, the strategy of *direct attack* on poverty was formulated in the

early seventies and special programmes for the poor were introduced in the Fourth Five-year Plan. When it was realised that "the poor" did not form a homogeneous group and the different sections of the poor faced different constraints and impediments, specific programmes for various sections of the poor were formulated.

Expansion of employment generation programme mainly was based on financial assistance or loan. Government and other NGOs generally issued loan and financial assistance to the rural individual. The development agencies were busy to forbear by providing single dose of financial injection to a fixed portion of vulnerable section of rural mass. The recipient of the financial assistance, very often, was unable to utilise the issued fund for the productive purpose and spent the fund for the consumption purposes. As a result they were not able to tress the consumed fund next time anywhere. This assistance had created debt burden for them. As a result in some cases, it was difficult to find out the he existence of existing microenterprises in the rural areas.

The government of India launched many programmes like IRDP, DWCRA, TRYSEM, SITRA etc, which aimed to finance micro enterprises. As a significant initiative towards antipoverty programme Govt. of India launched Integrated Rural Development Programme, which aimed at providing self - employment opportunities to the rural poor through assistance in the form of subsidy and bank credit to enable them to acquire productive assets and appropriate skills to cross the poverty line in a sustained manner. The IRDP was launched in the year 1979-80 with an objective to target group alleviation of poverty in the rural areas. The programme aimed at reaching the people below poverty line in rural areas through subsidised credit for asset creation. Block level governmental machinery played a key role in implementation of this programme to dispense credit through banks. However, it is estimated that only about 20 per cent of the borrowers have crossed the poverty line after assistance. The main causes of failure could be put as:

- Bank, as credit dispensing bodies, did not have any role in identification of borrowers as well as their income generating activities. Local political interest had dominated the credit disbursement procedure. This practice led to emergence of middlemen at all levels and corruption.

- The basic outlook in this permissive atmosphere hindered the chance of repayment.
- The bankers lost the interest in the programme. The prudential norms of assets classification which had been introduced in 1990s, has shown the major area of default. Bankers highlighted default as the major reason of non-adherence to implementation target of the programme.
- The borrowers had to forgo their wage income due to repeated visit to government officers and bankers for the loans.

Sen (2003) observed that IRDP which was vigorously implemented in west Bengal as the single largest poverty alleviation programme during 1989-90 could not create a sizable impact on poverty. He stated that loan under IRDP “ equated with benevolent grants of the government. Many did not create assets because of pressing social and consumption needs. Many felt that the loans would eventually be remitted. As a result, very few the could cross poverty line. Defaults were all pervasive involving heavy costs all around”. Narasimham Committee (1998) observed that "the experience with the implementation of government sponsored programmes has also not been altogether happy and instead of developing a sustainable ongoing bank-client relationship, the IRDP and other government sponsored programmed have become a one shot' operation of lending.” In assessing the performance of IRDP, the Agricultural Credit Review Committee (ACRC) 1998 was concerned about the extent of involvement of institutional credit with fiscal subsidies in poverty alleviation programmes because of their adverse impact on the credit system. Wrong identification of beneficiaries, leakage through corruption and malpractice, absence of backward and forward linkages in project, inadequacies in delivery and monitoring of credit etc., were certain limitations observed by the ACRC in the implementation of IRDP.

On the backdrop of this situation it was realised that though microenterprises could act as a vehicle for amelioration of poverty yet the programmes that were hitherto administered by the government were off their targets.

Kulshrestha (2000) identified that in spite of administration of these programmes lack of capital was a serious constraint to development for development for women micro entrepreneurs in rural areas. Kaladhar (1997) revealed that though

micro enterprises generally have very small start up capital they cannot provide collateral for loan and microentrepreneurs therefore depend on their friends / relatives or moneylenders for their credit needs. The moneylenders have traditionally provided credit to the rural poor, usually at excessively high rates of interest leading to considerable destitution and impoverishment of borrowers, including undesirable and illegal practices like bonded labour. The financial institutes did not have an adequate credit system for micro business in place (both for saving lending). However, the difficult procedures and requirements withheld the micro business from approaching traditional financial institution. Saving opportunities in FI was very limited and it was seen that in many part of the country, saving with the moneylenders was prevalent. This situation urges to find alternative sources of finance for sustainable development of micro enterprise. This urgency of credit needs has fuelled the emergence of microcredit programmes, or in the wider sense microfinance programme. “ In India group based programmes have engaged first and foremost as a mechanism to allow the poor access to financial services that they have historically been denied” (Sen, 2003). Such programmes have been administered for the last two decades in a variety of forms and have multiplied rapidly.

Taking cognizance of the limitations in anti-poverty programmes, Government of India has realigned its efforts by conceiving a new self-employment based Anti Poverty Programme (APP) by the name of *Swarnjayanti Gram Swarozgar Yojana* (SGSY). SGSY is a comprehensive microfinance intervention, which improves upon the earlier deficiencies of the government programmes to fight against poverty. The SGSY has been conceived with the objective of poverty alleviation in rural areas for the vulnerable section of the society through micro-enterprise.

The switch from traditional financing programme to microfinance programme was seen as a welcome step by many and the results were expected to be at higher benchmarks witnessed in many countries. But the questions that can not be bypassed are; - Have there microfinance programmes been able to have the desired impact? Have the new programme been properly formulated and administered, Have the beneficiaries really self helped them toward poverty amelioration by taking up self employment scheme and starting microenterprises? What are the problems in delivery of such schemes? Do the beneficiaries perceive the programmes to be user friendly? etc.

This thesis seeks answer to the questions of means by empirical investigation. However, before venturing into it, it would be prudent to outline the conceptual framework of microfinance.

1.3 Microfinance; Concept, Origin and Spread of Microfinance.

1.3.1 The concept of Microfinance

Microfinance is a financial service of small quantity provided by financial institutions to the poor. “These financial services may include savings, credit, insurance, leasing, money transfer, equity transaction, etc, that is, any types of financial services, provided to customers to meet their formal financial needs: lifecycle, economic opportunity and emergency” (Dasgupta and Rao 2003) with the only qualification that (I) transaction value is small and (ii) customers are poor. According to the accepted definition, Microfinance institutions are those which provide thrift, credit and other financial services and product of very small amounts, mainly to the poor in rural, semi-urban and areas for enabling them to raise their income level and improve their standards. Microfinance refers to the provision of financial services, usually in the form of small-sized financial transactions, to people who usually fall outside the reach of formal finance. They tend to be the poorest members of all societies. Microfinance has emerged as a growing industry to provide financial services to very poor people. Until recently, microfinance focused primarily on providing microcredit (small loans of about \$50-\$500) for microenterprises. Now, however, there is recognition that poor people need a variety of financial services, not just credit. Current microfinance has therefore moved towards providing a range of financial services, including credit, savings and insurance, to poor enterprises and households. Microentrepreneurs value the opportunity to borrow and save with MFIs since they provide services that are *cheaper* than those that would normally be available to poor clients or that would be entirely unavailable to them. Moneylenders charge very high interest rates, often many times the rate charged by MFIs, and the moneylenders' terms may not be suited to the borrower. Microentrepreneurs have consistently demonstrated that they will pay the full interest cost to have continued access to financial services from MFIs.

Microfinance includes within its gamut both micro credit and micro savings even though the both the terms – microcredit and microfinance have been used interchangeably. Microcredit has been defined by the 1997 Microcredit summit (Microcredit Summit 1997, Draft Declaration and Plan of Action) as “programmes that provide credit for self employment and other financial and business services (including saving and technical assistance) to very poor persons”. By implication the amounts of credit and savings are small. Through microcredit, microenterprises are born and nurtured. “The nature of microenterprises is generally perceived to be non farm in character with emphasis on trading, small scale processing, manufacturing activities even as several financial institutions in the developing world involved in microfinancing do not restrict the purpose to non microenterprises” (Hulme and Mosley, 1991). It is called ‘micro’ but its impact on people is macro; it takes just a few dollars, often as little as \$10, to help a woman gain self-employment, to lift her family out of poverty. It is not a hand out; it is a helping hand. Micro actually implies that the size of the savings and credit are very small.

“The world wide awareness and the importance of microfinance for the upliftment of the poor has been growing over the years as different countries are attempting to devise ways and means to enhance access of the poor to credit facilities. As a result, an intense debate has erupted among the planners, bankers and officials of the government and non governmental organisation as to how financial services can be provided to the poor in an effective, efficient and sustainable manner. Finally the attempt and the idea has been praised world wide and the interest reached a new peak with a Micro Credit Summit held in February in Washington which was considered the first step of a decade-long campaign that seeks to ensure delivery of credit for self employment by 2005 to 100 million of worlds poorest families especially the women of those families” (Kaladhar, 1997). “In this respect the focus is explicitly on a ‘financial system’ perspective that advocates the need for sturdy and sustainable institutions that extend financial services to progressively large number of poor individuals household” (Rhyne, 1994). In the development paradigm, microfinance has evolved as a need based policy and programme to cater to the so far neglected target groups. Its evaluation is based on the concern of all developing countries for empowerment of poor and alleviation of poverty through the use of scare development fund. It is based on the recognition that the latent capacity of the poor

for entrepreneurship would be encouraged with the availability of small-scale loan and would introduce them to the small-scale enterprise sector. This could allow them to be more self-reliant, create employment opportunities, and, not least, engage women in economically productive activities. Currently, there are estimated to be about 8000 Microfinance institutions in developing countries. These institutions help create deeper and more widespread financial markets in those countries. Microfinance programs and institutions have become an increasingly important component of strategies to reduce poverty or promote micro and small enterprise development.

Microfinance is a novel way to extend credit to the rural poor. "This is a better mechanism to reduce poverty gradually, as against giving a loan for productive asset, which may not lead sustained increase in income." (Madheswaran & Dharmadhikary, 2001). "The advocates of microfinance approach to poverty alleviation argue for financial system policies that: (a) make it easier for programmes offering specialised financial services to microenterprises to become financially self-reliant; (b) support NGO based programmes to access commercial sources of funds; (c) encourage such programmes to become specialised institutions; and (d) encourage main stream financial institutions to develop specialised micro enterprise programmes" (Montgomery & Ditcher 1996).

Microfinance is a useful tool in building the capacity of the poor in management of sustainable self-employment opportunities besides providing other financial services like savings, housing consumption credit, insurance cover etc. The "Task Force on Supportive Policy and Regulatory Framework of Micro-finance" inter alia recommended the formulation of a National Policy on Micro Finance. Under such policy there is a strong case of formal recognition of microfinance, just like institutional credit, as a strategic tool for poverty alleviation and rural development. The National Policy on Microfinance should emphasize on encouraging initiatives and participation of different types of institutions in microfinance, bring the microfinance activities, irrespective of the type of institutions involved, within the regulation and supervision by competent authorities, creating policy environment for closer linkages of the microfinance sector with the formal banking channels, and making available equity, start-up capital and capacity – building funds for the existing and prospective institutions engaged in microfinance. The recommendations of the Task Force are intended to address these components (NABARD, 1999).

The basic idea of is simple: if poor people are provided access to financial services, including credit, they may very well be able to start or expand a microenterprise that will allow them to break out of poverty (Khalil Osman, 1999). Microfinance by definition refers to the entire range of financial and non-financial services, including skill up gradation and entrepreneurship development rendered to the poor for enabling them to overcome poverty with special emphasis on empowering women. Therefore, the operational framework of microfinance, essentially rest on the premises that; (a) formation of a self employment enterprise is a viable alternate means of alleviating poverty (b) lack of access to capital assets/ credit act as a constraints on the existing and potential micro enterprises; and (c) the poor are capable of saving despite their poor income levels. Micro finance, therefore, could be referred to as an institutional mechanism of providing credit support in small amount and usually linked with small group along with other complementary support such as training and other related services to the poor with poor resources and skill for enabling them to take up economic activities (Sankar, 2001). Microfinance refers to small-scale financial services provided to people who work in agriculture, fishing and herding; who operate small or micro enterprises; who provided services; who work for wages or commission; and other individuals and groups at the local level of developing countries both rural and urban (Robinson, 1996).

1.3.2 Origin and spread of microfinance

The origin of microfinance could be traced back to the beginning of the co-operative movement in Germany in 1944, where the movement was started in the field of cooperative based credit system by Raiffeisen Societies as well as Rochdale Pioneers in England. Similarly the enactment of the Cooperative Credit Societies Act, 1904 could be considered as the beginning of microfinance in India.

The field of microfinance was pioneered by specialized non-governmental organizations (NGOs) and banks such as Bank Rakyat Indonesia (BRI) Unit Desa (Indonesia), Grameen Bank (Bangladesh), Kenyan Rural Enterprise Programme (K-Rep) (Kenya), Fundación para la Promoción y Desarrollo de la Microempresa (PRODEM), Banco Solidario (BancoSol) (Bolivia), and others. They challenged the conventional wisdom of the 1970s and discovered that with new lending methods, the rural poor repaid loans on time. These new methods included providing very small

loans without collateral at full-cost interest rates that were repayable in frequent instalments. They demonstrated that the poor majorities, who are generally excluded from the formal financial sector, can, in fact, be a market niche for innovative banking services that are commercially sustainable.

As a result, current microfinance has made a major shift from subsidised microfinance projects of the past, which ended up serving few people, to the development of sustainable financial institutions specialized in serving the low-income market.

Informal and small-scale lending arrangements have long existed in many parts of the world, especially in the rural areas, and they still survive. Good examples are schemes in Ghana, Kenya, Malawi and Nigeria (“merry-go-round”, ROSCA etc.). They provide small amount of loan to the rural people especially to vulnerable section. The absence of commercial banks has led to non-conventional forms of lending. The recent prominence given to the microfinance owes much to the success of a relatively few microfinance programmes and their increasing scale. The Grameen Bank of Bangladesh, the most prominent of the successes, now reaches over 2 million people, with cumulative lending of about \$21 billion. Similar successful examples are known in Latin America (e.g., Banco Solidario in Bolivia), less on Africa (the Kenya Rural Enterprise Programme is a good Example). Progress has also been recorded in several institution economies, mixed in some cases (General Assembly resolution 52/194 of 18 December 1997).

Micro-lending has progressed to the greatest extent in the Asian region. An innovative approach of credit delivery system has been successfully used by Grameen Bank of Bangladesh is ‘peer group monitoring’. Not all microfinance institutions use peer group monitoring. Other institutions such as the Bank Rakyat of Indonesia, which serves 205 million clients and 12 million small savers, rely on character references and locally recruited lending agents in place of physical collateral. Thailand’s Bank of Agriculture and Agricultural Cooperatives serves approximately 1 million microborrowers and 3.6 million micro-savers. Association for social Advancement of Bangladesh, with half a million of client, and the Peoples Credit Funds of Viet Nam, with more than 200000 members and clients operates in the field of microfinance. Other institutions such as the association of Cambodia Local Economic Development Agencies, Buro-Tangail of Bangladesh, the self-employed

Women's Association Bank of India, and Amanah Ikhtiar Malaysia are also reported to be making good progress. In Latin America, Accion International, a non-profit development agency, and its affiliates was reported to have disbursed in the past five years \$ 1 billion in loan to poor microentrepreneurs. Its first time loans are between \$100 and \$200, and the over all repayment rates is above 98%. Its network of 19 affiliates in Latin America and North America provides \$300 million a year in loans to poor entrepreneurs (56% of whom are Women). Since 1987 Accion's network has grown from 13000 to more than 285000 active borrower clients. The six largest affiliates now provide \$1million per month in loan. Banco Solidario of Bolivia, which has grown from a credit- providing non-governmental organisation to a fully licensed commercial bank, provides financial services to 67000 people, more than one half of the total numbers of clients in the entire Bolivian banking system. The Association for the Development of Micro-Enterprises of the Dominican Republic and Accion Comunitaria del Peru are reported to have achieved sustainability.

In West Africa, where microfinance institutions a world Bank case study of nine microfinance programmes-the Pride, Credit Rural and credit mutuel de Guinee; Credit mutuel du Senegal and village Banks Nganda of Senegal; Reseau Des Caisses Populaires and Sahel Action Projection De Promotion du Petit Credit Rural of Burkina Faso; and Caisses Villageoises du Pays Dogon and Kafo Jiginew of Mali - concluded that all nine of these programmes are very much in the mainstream of best practice in the field of microfinance. In terms of sustainable lending to microentrepreneurs, the study gave high marks to the programmes on the following basis: all nine programmes are located near their clients and in the largest catchment areas possible; they use lending technologies that are simple, well -tailored to the cultural environment and inexpensive for both lender and client; they have employed effective techniques for obtaining high repayment rates; most include savings, which meet a critical need of many people, and they price their loans far above commercial lending rates though not at full cost recovery.

Recent years have witnessed the emergence of other institutional structures for microfinance, notably, independent, specialized microfinance institutions (MFIs) that are based on the Grameen model pioneered by Muhammad Yunus in Bangladesh. But with a few exceptions, most Indian MFIs are small in size, region specific (with a concentration in the south) 12 and the sector has a limited collective outreach. The

Small Industries Development Bank of India has been the largest lender to the MFIs, though Friends of Women's World Banking India as well as the National Women's Fund (Rashtriya Mahila Kosh) has also played an important role.

NABARD has been instrumental in pushing the programmes at an accelerated rate by linking millions of self help groups with mainstream financial institutions. The role of the government of India in spreading microfinance through self help group has been phenomenal as witnessed by the exponential growth rate of SHGs in India. The details of such programmes will be discussed in the latter section. While outreach and spread is one side of the coin of microfinance programmes, effectiveness of these programmes are the other side of the coin and therefore needs to be deliberated on.

1.4 Microfinance effectiveness – A bird's eye view

Microfinance is double-edged effective weapons for fighting poverty by providing entrepreneurs with the necessary capital to start and expand their entrepreneurial activities. Fawzi Al-sultan, president IFAD (1995) stated "while poverty eradication is the integrating theme for everything we do, we believe that rural credit is the most important single weapon to overcome poverty". James D. Wolfensohn, president, World Bank (1996) stated "micro-credit programs have brought the vibrancy of the market economy to the poorest villages and people of the world. This business approach to the alleviation of poverty has allowed millions of individuals to work their way out of poverty with dignity" Michel Chu, president, ACCION International (2001) explained that "The confirmation that micro enterprise credit can be managed to achieve economic viability is an accomplishment of revolutionary proportions. This permits an activity motivated by social impact to break free of the structural paradox of most humanitarian efforts, in which the cost of reaching every additional person brings the program closer to its economic limits. Successful micro finance on the contrary, becomes more self-sufficient with scale".

Microfinance is also associated with a positive impact on social and human development. For example, impact assessments have found positive changes in microenterprise output, assets, employment and income. "In addition to these effects on the entrepreneurial activity of the poor, microfinance is being attributed with positive effects on issues such as household income, savings, children's education, health and nutrition, and women's empowerment" (Sebstad, Gregory 1996). By

providing sustainable access to financial services for the working poor, a group which has been previously excluded from affordable sources of credit and savings facilities that are secure, convenient and liquid, microfinance programmes demonstrate that the poor are creditworthy: a lesson for banks and development agencies alike.

Women feature prominently among the working poor. Microfinance is especially beneficial for them, by

- Reproductive role of women as brokers of the health, nutritional, and educational status of other household members will be facilitated through the leading to higher income
- Improving the economic status of through the increasing the productivity of women's income-generating activities in their microenterprises, and
- Self-confidence and status within the family will increase as an independent producers and providers of valuable cash resource to the household economy.

While microfinance is not only a panacea to eradicate poverty, it is, as Juan Somavía, Chile's Permanent Representative to the United Nations and Director-elect of the ILO stated at the Microcredit Summit in February 1997, "a new and already tested tool for discovering new solutions to an old and intractable problem". He viewed that, "what I like most about microcredit is that it builds on age-old human instincts: the need to believe in ourselves and use our imagination, to dare, to take risks, all in pursuit of the most worthwhile of all causes - the advancement of your family, yourself, and your community".

Micro-finance, by providing small loans and savings facilities to those who are excluded from commercial financial services has been developed as a key strategy for reducing poverty. Access to these facilities is seen as a way of providing the poor with opportunities to take an active role in their economy through entrepreneurship, providing them with income and bargaining power and building up social empowerment for poor women and men in their communities

“Microfinance programs and institutions have become an increasingly important component of strategies to reduce poverty or promote micro and small enterprise development. However, knowledge about the achievements of such initiatives remains only partial and contested. Studies show that microfinance has very

beneficial economic and social impacts” (Holcombe, 1995; Hossain, 1988; Otero and Rhyne, 1994; Remenyi, 1991; Schuler, Hashemi and Riley, 1997).

According to the World Bank (1996), only seven percent of the poor have been covered by institutional credit. Micro-finance/credit has been recognised as an effective tool and viable program for poverty alleviation. Experiences has shown that the poor are able to work their way out of poverty when provided with adequate and timely credit and affirm that they are credit worthy too. This realisation has helped development professionals change their approach to help the poor. The following features of micro-finance/credit have been identified by researchers as attributes of an effective system for credit linkages with the poor.

- a. It mobilises the poor into groups
- b. Makes credit / finance available and accessible to the poor
- c. Change the old image of the poor as non-bankable
- d. Micro-credit benefits the poor
- e. Gives realistic interest rates that the poor are able to repay
- f. Mobilises members’ savings and creates sizable group corpus funds.
- g. Enhances empowerment process through social and financial intermediation

However, the effectiveness of the programmes needs to be tested and retested under different settings and environments. While Government programmes in some Countries may have *spelt* success, they may have been less effective in other countries. It is with this context of effectiveness in mind that this thesis will attempt to gauge the effectiveness and impact of a microfinance programme administered by the Government of India.

1.5 Self Help Groups as a carrier of Microfinance

The new microfinance is perceived as a paradigm shift in the quality of microfinance delivery. The microfinance providers themselves identify the beneficiaries independently or through NGOs. The new microfinance operates on the principle ‘Borrower know the best’. With this aim, the new microfinance program changes its face from individual to group approach as Self-Help Group (SHG) in an effective manner. Harper (1998) described that group system of microfinancial services evolved in particular in Bangladesh (the Grameen Bank method) and in Latin

America (Solidarity groups and village banking), as well as in India (self help group). Sen (2003) observed that “ the first and foremost element is self help is the involvement of the poor in their own development preferably as a group. Isolated and dispersed, they have no power or influence over the aspects that affect their lives. Organised, they have the power to ensure that their interests are protected and their opportunities are enhanced. The collective coming together of individuals as groups commonly called self help groups is the building block of microfinance in India. The Self-Help Group (SHG) is a viable alternative to achieve the objective of rural development and to get community participation in all rural development programmes. Self Help groups (SHGs) are voluntary associations of people formed to attain certain collective goals, both economic and social goals. SHGs are normally formed with the people coming from rural or semi urban areas. Each groups consists of 10 to 20 members who are generally land less agricultural labourers, rural artisans and women folk microentrepreneurs.

A SHG is defined as a homogeneous affinity group of rural poor voluntarily formed to save small amount out of their emergent credit needs and revolving their resources among the members both for consumption and small production at such rate of interest. Credit follows thrift. Periods of loans and other terms are decided by the group. Such groups may be informally registered and should not have a membership of more than 20 if they were to be unregistered.

The Self –Help Groups (SHGs) are mostly informal groups whose members pool savings and re-lend within the group on rotation or needs basis. The group is not a static institution; it grows on the resources and management skills of its members and their increasing confidence to get involved in the issues and programmes that require their involvement in the public and private spheres. A common bond like caste affiliation, community or place of residence or activity links the individuals. The development functionary must have the experience to identify these common bonds or binding forces, which are commonly called natural affinities.

The Self Help Groups provide the benefits of economies of scale, cost effective alternative for different financial services, collective learning, democratic and participatory culture firm base and platform for dialogue and cooperation. Self – Help implies a step further from the stage of passivity to activity, and of making a creative contribution.

During the eighties and early nineties, concepts like ‘self help and institutional viability’ came to the fore and the success of the ‘Grameen Bank of Bangladesh’ made significant news. The distinguishing features of microfinance evolved only after 1970s with the pioneering work of Grameen Bank in Bangladesh. Some of the features includes reliance on peer group monitoring, ‘lumped transaction and therefore reduced costs per transaction and non-collateralised lending. Some of the NGOs, taking a cue from the success of microfinance experiment abroad, made initial attempts to replicate the same in India. The Indian microfinance sector has grown along two parallel routes – SHG Bank Linkage route and alternative microfinance institutions, the former one being largely dominant.

During the 1992, NABARD took initiative and issued operational guidelines to the commercial banks for a pilot project for linking 255 Self Help Groups to the Banks. The SHG-Bank linkage model introduced by NABARD was innovative and attempted to link the formal banking system to the informal groups in a cost effective manner. It was an attempt to develop a transparent supplementary credit system for reaching the rural poor with advantages to both the banks and the rural poor. The system also promoted thrift, self-help and inculcated credit discipline among the members of the Self Help Groups. NABARD’s initiative was based on the understanding that the branch net work of the banks in India was unique and had the capability of considerably enhancing the outreach of the banking system provided suitable product and delivery mechanism were designed.

The SHG- Bank linkage programme has registered tremendous growth. According to the date published by NABARD, at the end of March 2007, indicate that total 10,79,091 SHGs have been linked and financed by Banks. The cumulative loans advanced by the banks aggregated Rs. 3904 crore.

NABARD hopes to see a million SHGs serving 20 million households by 2008. The rapid rate at which the model has scaled-up, particularly since the late 1990s, is truly remarkable. Between 1999 and 2007, the number of SHGs linked to banks increased cumulatively from 32,995 to 10,79,091. This is an increase of more than 3200%, a staggering achievement in a short period of eight years.

The microfinance movement in the form of SGSY has been initiated in India on 1st April 1999. As an initial breakthrough, total 292426 groups were formed under



SGSY in 1999-2000. In the 2nd year of its journey, 223265 new SHGs were formed which was 176.34% of its previous year. Highest numbers (434387) of new SHGs were formed in 2001-02. After its eight years journey total 2501623 SHGs were formed in under SGSY in India.

A decade after the SHG Bank Linkage movement was initiated there can be no doubt that, it has significantly helped to widen access to financial services helping banks reach out to market segments not previously considered bankable, providing for some diversification in household livelihoods and (arguable) enabling participants to expand their networks, access information and increase access to new economic opportunities.

The linkage programme has spread all over the country (31 State and Union Territories and 365 district). However, due to the early start, more than 50% of SHGs have been linked in the southern region (Andhra Pradesh, Tamil Nadu, Karnataka, Kerala and UT of pondichery); this is followed by eastern region (Orissa, Bihar, West Bengal, Jharkhand and UT of Andaman & Nicobor island) and central region (U.P., M.P., Chatishgarh and Uttaranchal).

The microfinance movement in West Bengal with new mechanism has started after 1999 after the institution of the SGSY. But primarily the policy makers were in phantasm about the implementation of new policy of Microfinance. As a result new paradigm of microfinance got prominence from the year 2000 onwards. But after the completion of the gestation period, microfinance has been found to be growing exponentially from the year 2000 onwards. A handful of policy initiatives have articulated to its growth, few of them like as: i) SHG Bank Linkage programme initiated by SGSY; ii) Policy initiatives of state government and iii) Strong initiatives of NGOs in the last decade.

This thesis deals with the microfinance and holistic poverty amelioration programme which has been started in 1999 and examine its spread and operation, problems, success, impact and prospect in Jalpaiguri district.

The above deliberations through ample light on the fact that SHGs have evolved as the primary vehicle of microfinance operational systems in India. The emergence of this new phenomenon has evoked the interest of government agencies, bankers, MF practitioners and academicians. This thesis also attempts to have a

details analysis of the operational aspects of a microfinance programme and its impact with special reference to a district in West Bengal. However before venturing on such a task, it would be prudent to have review of the research done in this area.

CHAPTER – II

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

2.1 Review of Literature

Introduction

A large body of literature has been produced in the area of microfinance. The study of microfinance system being multidimensional in character has drawn the attention on specific aspects in an attempt to trace the problems and prospects in these areas. While many studies have explored into the connection between microfinance and poverty amelioration in general, other have brought out the significance of Self Help Groups as vehicle of microfinance delivery systems. Delving in depth into operational aspects of SHGs some studies have investigated into the aspects of group dynamics and leadership role of SHGs. Other researchers have been more concerned with socio economic and socio-political empowerment of beneficiaries, especially women SHGs. Bank linkage system and problems, role of bankers and non governmental organisations have no less been a subject of intensive research and researchers have occasionally come up with alternative models of SHG-Bank linkages.

It would be worthwhile to mention that nearly all the empirical studies in India have been conducted based on a specific catchment area, i.e. a district, or a mouza, or a block; in one or two cases, specially in studies conducted by NABARD the catchment area has been extended to two or three states.

This section attempts to highlight studies on microfinance conducted abroad and in India. For the purpose of better comprehension the review has been grouped according to different areas of focus.

a. Microfinance and poverty amelioration

Many researchers primarily attempt to focus on the relationship and efficacy of the microfinance programmes in ameliorating poverty.

Kaladhar (1997) stated “there has been a surge in interest in microfinance in the recent past, particularly in the context reaching poor families in a more effective way. Microfinance institutions have good potential to reach the rural poor and to address the basic issues of rural development where the formal FIs have not been able to make significant headway”. Chidambaram (1997) stated that the absence of credit

was only the failure of rural entrepreneur. He suggested creating large microcredit providing organizations like Grameen Bank in Bangladesh. Samson (10.1997) found that 98% of the 5.5 million borrowers of Grameen Bank, who are among Bangladesh's poorest, have repaid their loan on time and at commercial interest rate. 94% of the Grameen's loan recipients are women. Khandker (1998) studied made household survey in Bangladesh argued that micro-credit has the potential to significantly reduce poverty. Morduch (1998) found no evidence to support claims that micro-credit programs increased consumption levels of the participant households. Todd (1996) has noted that one explanation for this result is that many borrowers may have used their loans to purchase land, rather than to complete their proposed projects. Nyar and Faisal (1999) looked into the situation of Grameen Bank in Bangladesh after the worst flood in 1998 and found that microfinance survived Bangladesh's flood despite the loss of interest income from 5% to 54% and the shortfall in cash for loans from 18% to 53% in September 1998. Grameen serves 2.36 million of the 7.5 million poor people in Bangladesh. Hoque (2004) studied to explore the relationship between micro-credit and the reduction of poverty by looking at a unique data set about Bangladesh Rural Advancement Committee, one of the largest micro-credit providers in Bangladesh. This study was based on data from the Matlab, a region of rural Bangladesh. The analysis revealed that the majority of the population in the sample households lived below the poverty line but that poverty was slightly more prevalent among households receiving BRAC credit than among similar non-BRAC households: 63.6% compared to 61.2% respectively. The regression results suggest that BRAC's micro-credit program has had a minimal impact on the reduction of poverty. Taken together, the statistically insignificant effect of micro-credit on household consumption and the higher incidence of poverty among BRAC households relative to non-BRAC households' lead to the conclusion that micro-credit had negligible impact on the reduction of poverty. Johnson and Rogaly (1997) found that microfinance service could protect poor people from the impact of unforeseen crises and emergencies in their household or microbusinesses, from yet further into debt, and enable poor households to plan and manage their limited resources more effectively to meet their basic needs. Mahajan (1997), the founder and managing Director of the BASIX group, summarised the findings set out in Hulme and Mosley (1996) as follows "the increase in income of micro-credit borrowers was directly proportional to their starting level of income –the poorer they were to start with, the

less the impact of the loan. One could live with this finding in an imperfect world, but what was really troubling is that a vast majority of those starting income was below the poverty line actually ended up with less income after getting a micro loan, as compared to a control group which did not get the loan. This should stop converts from offering micro-credit as the solution for poverty eradication, since it seems to do more harms than good to poorest". Some studies have pointed that the problem of non productive use of credit, as advocated by the minimalist approach, lies in the fact that by consuming rather than investing their loans, the actions of such borrowers, if imitated by other poor people, could produce a negative impact on the future growth of the micro-credit. Khalil Osman (1999) found that Micro finance programmes have, in the recent past, become one of the more promising ways to use scarce development funds to achieve the objective of poverty alleviation. Further more, certain microfinance programmes have gained prominence in the development field and beyond. The basic idea of micro finance is simple: if poor people are provided access to financial services, including credit, they may very well be able to start or expand a micro enterprise that will allow them to break out of poverty. Madheswaran and Dharmadhikary (2001) found that "small amount of loan, coupled with financial discipline, ensure that loans are given frequently and credit needs for a variety of purposes and at shorter time intervals can be met. This is a better mechanism to reduce poverty gradually, as against giving a one time loan for a productive assets, which may not lead to sustained increase in income". Lakshmanan (2001) argued that "one of the major contributions of microfinance is towards women's empowerment. Kulshrestha and Gupta (2001) studied the impact of loan disbursed by microfinance institution on income and employment Agar district. The study found that the impact of microfinance on female regarding the employment and per head income generation is more than male, but as far as concerned with the crossing of poverty line, it is less in case of female, which require more focus on women beneficiaries.

Microfinance acquires favourable position in comparison to other interventions particularly with regard to cost effectiveness and prospects for sustainability: In this regard, Wright (2000) observed that an advantage of microfinance is that donor investment is recycled and reused. Direct comparisons done by Khandkar (1998) showed that microfinance could be a more cost-effective developmental tool than alternatives including formal rural financial intermediation,

targeted food interventions, and rural infrastructure development projects. More over, Rhyne (1997) Christen et al (1996) argued that unlike many other interventions, costs for microfinance tend to diminish with the scale of outreach.

Microfinance is an effective development tools which have the potential to become sustainable such that, after initial start-up grants, new inputs are not required for every future client. Gibbons and Meehan (2000), Churchill (2000) observed that there need not be a trade-off between reaching the poorest and attaining financial sustainability. Although there are no rigorous econometric models to substantiate it, there is ample evidence that MFIs targeting the poorest can fare as well financially as those that don't. There is also plenty anecdotal evidence that MFIs that target vulnerable clients can achieve substantially higher repayment rates than those that target richer clients (Pro Mujer vs. BancoSol; Grameen/BRAC vs. traditional banking system in Bangladesh).

b. SHGs as a vehicle of micro finance delivery mechanisms

The report of Secretary General on “Role of Micro credit In The Eradication of Poverty”(Dec 1997) stated that several microfinance institutions have succeeded in reaching the poorest of the poor by devising innovative strategies. These include the provision of small loan to poor people, especially in rural areas, at full cost interest rates, without collateral, that are repayable in frequent instalments. Borrowers are organised into groups, which reduces the risk of default as peer pressure play the vital role. These are also effective mechanisms which disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many micro credit programmes have targeted one of the most vulnerable groups in society-women who live in households that won little or no assets. By providing opportunities for self-employment, many studies have concluded that these programmes have significantly increased women security, autonomy, self-confidence and status within the household.

Microfinance involves financing for self help group (SHG) which are small, informal and homogeneous groups of not more than 20 members. Naithani, Pankaj (2001) stated that “the idea of microfinance some what roll around the philosophy of Professor Muhammad Yunus of Bangladesh, who initiated organizing poorest of the poor into self help groups and make them realize the very basic theory of survival”.

Several microfinance institutions have succeeded in reaching the poorest of the poor by devising innovative strategies. These include the provision of small loans to poor people, especial in rural areas, at full cost interest rates with collateral, that are repayable in frequent instalments. Borrowers are organized into groups, which reduce the risk of default. These are also effective mechanism through to disseminate valuable information on ways to improve the health legal rights, sanitation and other relevant concerns of the poor. Above all, many micro-credit programmes have targeted one of the most vulnerable groups in society –women who live in households that own little or no assets. By providing opportunities for self-employment, many studies have concluded that these programmes have significantly increased women’s security, self-confidence and status within the household. Mishra, (May 1999) found that SHGs have widened the scope of institutional credit and takes care of social coherence. He finds that SHGs are powerful means of financial intermediation. In-house studies by NABARD have been carried out in few states to examine the impact of MF programme on members of the SHGs. The evaluation of the programme reveals that it benefited poor people in raising their levels of income and has facilitated them to be more self reliant through promotion of productive activities. NABARD (2004) conducted a comprehensive study to evaluate the socio economic impact of microfinance programme in 11 major states in the country (viz. Rajasthan, Orissa, West Bengal, Uttar Pradesh, Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu). This study compared the socio-economic conditions of 560 members households from 223 SHGs located in 11 states before and after their association with these groups. The overall impact of the SHG-Bank linkage programme was significant both social and economic sphere of the members’ households. This found that economically weaker sections accounted for about 84% of the membership. The agricultural labourers accounted for 32%, followed by small farmers (29%) and marginal farmers (23%). The average value of assets per household that include livestock and consumer durable etc. was Rs 6843 during for SHGs registering an increase of 72.3%. About 58.6% of the sample households registered an increase in assets from pre to post-SHG situation. Only 23% of the households were saving in pre-SHG situation where as almost all of them were saving in the post –SHG situation with the annual average savings per members registering over three-fold increase from Rs 460 to Rs 144. The average borrowings per year per household had increased from Rs 4282 during pre-SHG situation to Rs

8341 during post SHG situation. There was a convergence in the annual interest rates towards the 12%-24% range. The average net income per household from income generating activities where loan amount were deployed, increased from Rs 20177 prior to group formation to Rs 26889 after group formation, recording about 33% increase. About 43% of the incremental incomes generated were from Non Firm Service activities followed by farm (28%) and off farm (21%) activities. Inequalities in the distribution of income, borrowing and savings declined during post-SHG situation. Employment increased by 17% from persondays to 37% persondays per household between pre and posts SHG situations. The involvement in the group significantly contributed in improving the confidence of the members. The feeling of self worth and communication with others improved after association with the SHGs. The members were relatively more assertive in confronting with social evils and problem situations. As a result, perhaps, there was a fall in the incidence of family violence.

Dasgupta (2001) stated in group lending programmes the functions of screening, monitoring and enforcement of repayment, to a large extent, are transferred from the banks agents to the borrowers that are the group members themselves. Compared with socially and physically distant bank agents, group members can perform all such functions more effectively and at a lower cost. The group members are able to access complex and sensitive information just like informal lenders. Transaction costs are thus reduced. The mismatch between demand and supply is minimized because the group uses the money according to its own needs. Flexibility of loan repayment is also enhanced, as the repayment schedule of the individual to the group need not match that of the group to the bank. It is not the rigidity of banks but their constraints due to high transaction cost risk because asymmetric information, that they can not extend such credit it individual borrowers.

c. SHG – Bank linkage

The linkages of SHGs with banks aims at using the intermediation of SHGs between banks and the rural poor. Nanda, Y.C. described the objective of linkage programme a: “(a) to evolve supplementary credit strategies for meeting the credit needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities

and financial resources of the formal financial institutions. (b) to build mutual trust and confidence between bankers and the rural poor. (c) to encourage banking activity, both on the thrift and credit sides, in a segment of the population that formal financial institutions usually find difficult to reach". In order to assess the result of SHG-Bank linkage project, quick studies were taken up by NABARD (2002) in three states viz. Karnataka, Andhra Pradesh and Tamil Nadu. The findings of the study reveal that, in Karnataka, Branch manager extended loan after getting convinced about SHG. Visit to SHG meetings helped in this regard. All the SHGs were having saving account with the banks since inception. After obtaining the loan application, group resolution, and sponsorship letter from the Village Administration and membership list, commercial banks sanctioned loans at branch whereas branches of RRBs forward the proposals to their head offices for sanction. The SHGs were regularly making monthly payments and recovery for banks under SHG lending was to the extent of 98%. The bankers were concerned about sustainability of the group in the long run. They were also concerned about the group functioning in the event of withdrawal of the NGO. Some branch managers have expressed that groups with members having defaulters to the banking system should not be financed. In Tamil Nadu, there was a definite shift in the loan pattern of the members from non-income generating activities to income generating activities. 70%of loan availed was for productive purposes, while only 30%of the loans were for non-income generating activities. The new groups show greater awareness of the need to graduate out of the present level and look for new opportunities through bank assistance. Harper (2000) found that, "the linkage programme is progressing very slowly. It has covered only 0.04%of the total population in India so far". Puhazhaendhi&Rao (2000) stated that, from the banker's point of view, compared to conventional bank lending in rural areas, lending through SHGs has helped the banking institutions in achieving high recovery performance through peer pressure and in substantial deduction in the transaction cost to the small borrowers. According to the study of Wilson (2002), self-help groups linked to banks have produced benefits to members. Average assets increased by 73% from Rs. 6,843 prior to joining an SHG to Rs. 11,793 after joining an SHG in the study period, spanning an average of three years. Average annual income increased by 33% and savings tripled from Rs. 460 to Rs. 1,444 A series of research studies conducted by NABARD during the early eighties showed that "despite the wide network of rural bank branches and specific poverty alleviation programmes, a very large proportion of

the poor, especially the women, remained outside the fold of the formal banking system. This study also showed that the existing banking policies, system and procedures, and deposit and loan products were not well suited to meet the most immediate needs of the poor. The fact is that the modern banking system was perhaps not designed keeping in view the 'very poor' The system needs some 'innovation' Thus began a search for alternative policies, system and procedures, savings and loan products, other complementary services, and new delivery mechanisms, which would fulfil the requirements of the poorest households".

Several studies have been conducted as regards the various benefits to the banks and borrowers by the intermediation of SHG/ NGO. Some of the studies have addressed the issue of assessing the transaction and risk cost of banks under different models of lending.

Puhazhendhi (1995) studied 19 SHGs, five bank branches and two NGOs Karnataka and Tamil Nadu. The four models of bank lending studied were

Model-1: Directly to borrowers.

Model-2: Directly to borrowers, where NGOs and SHGs are involved as non-financial intermediaries.

Model-3: To SHGs as financial intermediaries to lend to borrowers with NGO acting as non-financial intermediary.

Model-4: To NGO for on lending to SHGs, which in turn lend to borrowers i.e. both act as financial intermediaries.

He concluded that under Model -3 the per borrower transaction cost was minimum and the reduction in transaction cost was 40% as compared to Model-1. The default risk was minimal in lending through SHGs. He observed that there was scope for further reduction in time spent for delivering the loans once the procedures in the banks are simplified.

Indian Bank (1995) had conducted a similar study in Tamil Nadu. The study covered 45 branches of Indian Bank and 101 SHGs. The different models under study were:

Model-1: Direct lending to individuals.

Model-2: Direct lending to individuals under integrated Rural Development Programme, a government sponsors programme.

Model-3: Lending to individual with SHGs and NGOs acting as a non-financial intermediary.

Model-4: Lending to SHGs, which then lead to borrowers with NGO acting as non-financial intermediary.

The study examined only the transaction cost of the branches under different models for credit delivery for loans up to Rs 25000. It concluded that both the lending system in Model-3 and Model-4 resulted in reduction of transaction costs to the banks specially on follow up and recovery. The transaction cost per Rs 100 of loan was found to be cheapest for banks under Model-4. It was noted that the sample variable for study under Model-4 was limited and it was possible that further reduction in the cost may occur under the model if there are increase in the loan amount per SHG as and when they graduate to activities which require higher level of financial assistance.

d. SHG as a means of women empowerment

A large body of literature has been produced relating to SHG and Women Empowerment. Sultana (1988) in her study in Bangladesh concluded that women's group formation, regular savings and income, new knowledge, consciousness raising and group mobilization can together create an alternative to women's traditional condition and contribute to women's ability to speak out and earn relatively higher status in the family and in the village. Montgomery (1996) stated that a group could positively impact qualitative dimensions of poverty and contributes to the women empowerment. According to Sridharan, Damayanty (1997) this traditional grass root groups, which are based on the principles need and collective action, provide self-reliance. The SHGs bring out the capacity of women in moulding the community in right perspective and explore the initiative of women in taking up entrepreneurial ventures. The SHGs empower women and train them to take active part in the socio economic progress of the nation and make them sensitised, self-made and self-disciplined. The SHGs have inculcated great confidence in the minds of rural women to succeed in their day-to-day life. Ahmed (1999) found that in Gossaigon sub-division under Kokrajhar district in Assam the number of SHG formed increasing at a faster rate by the influence of women empowerment. Murgan and Dharmalingam

(2000) add empowerment of women through Self Help Groups would lead to benefits not only to the individual women and women groups but also for the family and community as a whole through collective action for development. Empowering is not just for meeting their economic needs but also through more holistic social development. Manimekalai and Rajeswari (2000) examined the empowerment of women through SHGs in rural micro enterprises in Tiruchirapalli district of Tamil Nadu. They found majority of the women to be married and engaged in petty business, with the rest distributed across processing, production and service units. Most of them have primary education, while a few engaged in production units and services, and majority of them in petty business were illiterates. The dominant problem reported by them was shortage of capital, because groups received loans only under SHG through its banks. Further, the service units performed better and helped to repay the loan on time, where as the production units not only failed to generate its own capital but also affected loan repayment. Pattanaik (2001) stressed that “empowering women with property right and with savings and investment facilities would contribute much more to the household income. Women work participation in the income earning activities would raise the gender per capita income. Dhar & Sarkar (2006) found that there has been some advancement in household rights of the women after joining SHGs. Dubhashi (2002) has undertaken a study in the three talukas of Bhor, Velha and Haveli in Pune district with 160 SHGs to measure the impact of SHGs on women. He found out that all members of the SHGs are much more economically stable, active and successful today. Kulkarni. (2002) found that formation of SHG is not the end in itself but the means to facilitate the process of women empowerment. Rangi, Sidhu & Singh (2002) was undertaken specially with the objective to study the impact of SHGs on income generation for its members. And viewed that the amount of loans taken from the banks was high as compared to the internal borrowing from the SHGs. But rate of interest was low in the later category. Both types of loans to the members of the SHGs have benefited them directly and indirectly for their economic empowerment. Moreover, these rural women have been saved from social and economic exploitation by the moneylenders, big landlords and others .The additional income generated in this way with the help of SHGs have provided them big moral support and will to bring new changes in the rural economy of the state as well as to the country in future. Karmakar & Ghosh (2002) examined the impact of SHGs on the social and economic area of the life of women in Midnapur

district of West Bengal. And found that SHGs enhanced the quality of status of women as percipients, decision-makers and beneficiaries in the democratic, economic and socio-cultural life. The SHGs empower women and claim them self-made and self-disciplined. The SHGs had inculcated a great confidence in the minds of rural women to succeed in their day-to-day life. Sarkar (2005) found that women micro entrepreneurs in North Bengal in 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. Vijayanthi (2002) examined in his study on empowerment and levels of awareness creation, decision-making and self and group empowerment among women mobilizing into self-help groups (SHG) under a comprehensive community development programme. The Tamil Nadu Slum Clearance Board, a quasi-government organisation, implemented a project called Control of Diarrhoeal Diseases through Water and Sanitation (the CDDWATSAN project) between 1996 and 1999 in five slum areas of Pulianthope in Chennai with financial assistance from British Airways through UNICEF. In this project the inculcation of savings as a habit and the introduction of a credit management system among women have brought positive changes group cohesion and encouraged mutual dependence among members. The resource base of these groups has been strengthened, leading to increasing self-reliance. Commencing group action with the saving habit and imparting instruction on the management of issues related to water sanitation, health, and child and family welfare have served a intervention strategies for releasing the paradigm of sustainable development. The women have been trained to identify their needs and to find solutions to meet these by participating in the decision making process. These study group empowerment processes confirm that percipation in community and a self-development programme through organization is the only way out for voiceless women. Panda & Mohanthi (2003) found that in the light of economic empowerment of women, SHG is a novel initiative in providing easy credit to the poor vulnerable sections of society. Chiranchiranjeevule (2003) had undertaken a study in Andhra Pradesh to examine the impact of SHG movement on rural women. He found out that women have developed abundant self-confidence and self esteem through SHG movement. Not only economic poverty but also social and gender issues can be tackled effectively through this process. Manimekalai (2004) studied the empowerment of women through 'Mahalir Thittam'a Tamil Nadu Government project. Found that SHGs create an awareness of the various

opportunities of self-empowerment through micro enterprises. They motivate women to take up self-employment as a group venture. They also make women economically empowerment. Sarangi, Prasanta (2004) has undertaken a study in villages of Purushottampur block of Ganjam district of Orissa state to examine the socioeconomic impact of SHG on rural women. He found that SHGs in Purushottampur block are continuously striving for a better future for the rural women of the region by enhancing the status of women of the region by enhancing the status of women as participants, decision makers and beneficiaries in the domestic, economic, social and cultural sphere of life. Boraian (2003) examined the impact of SHGs, promoted by 8 leading Non Government Organizations in two southern states of India, namely Tamil Nadu Andhra Pradesh. The study has revealed that women's groups have succeeded in reversing the gender relations in their favour and proved that they can effectively replace the leadership in local institutions and provide better governance to the community. The other areas of success including regular savings, raised cash flow, redemption of debts, instant access on credit, interactive opportunities, political freedom, frequent mobility, joint decisions better articulation, making budgeting in family, boldness in public transactions, political freedom, community problem solving, decline in the incidence of alcoholism, decimation of private money lending practice, prevention of sexual exploitation, reduction in the incidence of child labour and drop out rate, spurt in school enrolment, adherence of small family norms. Dignity of widows and divorcees, threat to traditional and democratic leadership crackdown on crimes and violence against women, challenging the misuse of power by police and politicians, ensuring official's involvement in community problem solving and braving communal forces against local conflagration. Sen (2003) had undertaken a study in West Bengal on SHG and Microfinance in West Bengal. He found that 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. Davis, Lelamon and Antony Janey (2004) found that when SHGs are formed the agencies highlight the economic advantage for better response from the women. Thara, Karuppiyah and Geetha (2004) found that "group cohesiveness; group integration among the members is a positive impact of SHG. The saving and credit management have created self reliance in women as they have their own resource base. Their economic independence has elevated their level in the village. The women are trained to identify their needs and necessities and accordingly they are

participating in rural welfare activities after becoming the members of SHG". Dhar & Sarkar (2006) observed that the women have perceived that the programmes have enhanced their literacy level mobility and ability to deal with suppliers and government agencies. Most of the women under study have developed the ability to read and write, and do simple calculations.

e. NGOs and SHGs

Most SHGs have come up through the catalytic role played by the NGO in developing such groups, promoting, nurturing and linking of groups, acting as a change agent and in few cases as financial intermediaries. Since the early eighties, the NGOs have developed an approach of promoting informal group of poor, especially for women in the rural areas. Although the models of development varied among NGOs, the commonality of the basic philosophy of empowering rural poor runs through these organisations. NGOs were identified by NABARD as potential partners in its bank linkage programme. With the introduction of the pilot project, the traditional approach of the NGOs towards their SHGs also underwent a change. Realising the scope that the linkage programme could open up to the rural poor, NGOs also took step in effecting linkage of their SHGs with banks in addition to promoting and nurturing them. Schmid and Zeitingger (1996) stated that in the microfinance approach to poverty eradication NGOs are the most preferred intermediaries as they are particularly good providers of socially oriented financial services. Nanda, Y.C. (1999) found that NGOs such as PRADAN, MYRADA, MANAVODYA, FWFB and a few others have developed expertise in imparting training on the finer aspect of SHG-Bank linkage programme. These NGOs are used by NABARD for training of the bank officials, mainly branch managers, through what is called "sensitisation programme". These are set in the rural environment and organised generally, in the district head quarters with interface session with SHG. The above approach has helped to motivate the rural bankers to take up linkage programme more seriously. Puhazhendhi and Jataraman (1999) have evaluated the performance of informal groups promoted by NGOs, both in terms of empowerment of rural women through participation and employment generation. They found that the informal groups of rural poor with active intervention of NGOs, adequately supported by training and financial assistance, ensured and also significantly improved women's

participation both from economic and social aspect. Chiranjeevulu (2003) stated that Non-Government agencies could play a proactive role in mobilizing, organizing and sustaining SHGs. According to findings of a study in three state viz.; Karnataka, Andhra Pradesh and Tamil Nadu conducted by NABARD (2003) found that NGOs had been playing a pivotal role in ensuring proper training, coordination to the groups and putting them on a scientific approach. Group activities by the SHGs were encouraged by the NGO through its 'Seed Money Assistance' programme. The NGO provided training in maintenance of book of accounts at SHG level either at its training centre or through the village animator. The NGO had pledged the savings of all the members of the SHG as collateral for the loan availed even though at the SHG level only some of the members were financed. Most of the SHGs had undertaken group activities such as plantation, running of Balwadis and community development work with financial assistance acquired from the NGO. However bank finance was involved in undertaking these activities. NGO took 6 to one year for forming the groups. Sen (2003) stated that, as an alternative paradigm few non-government organisations in West Bengal were experimenting with organizing the poor based on participative financial management as grass root initiatives from the early 1990s. These NGOs were working mainly as social intermediaries but were more or less involved in income generating activities for the poor using mostly donor funds. Experiments in South Asian countries like Bangladesh, Indonesia, Sri Lanka, Thailand and also in Latin American Countries like Bolivia in the 1980s gave a flip to this organisations. Empirical studies indicate that social intermediation role of NGOs has created a positive impact on the lives of poor women and has generated a sense of self-confidence amongst them. The study revealed that involvement of NGOs accelerated the process of facilitation and helped in emergence of a civil society where the voice of the poor can be heard.

Srinivasan and Rao (1996) had undertaken a study to identify the policy and operational issues involved in financing of SHG by banks. Their study found that it was stated that it would be possible to evaluate the impact on the transaction and risk cost to bank if they financed in a large number of groups, as the impact of SHG lending on such cost of banks was not visible many branch managers who had linked only one or two SHGs. Such evaluation help to convince the banks and bankers about the efficiency of the route of financing the poor through SHGs.

The Bank Performance Improvement Study under the Maharashtra Rural Credit Project (MRCP) (BIRD, 1996) concluded that due to SHG intermediation, the transaction cost of advances of rural branches of commercial banks could be brought down considerably and the benefit could be maximized, if over a period of time, there is an increase in the number of SHGs per branch and the loan amount per SHG increases.

NABARD (2004) has recently conducted a study to quantify the effect of intermediation by NGOs/SHGs on transaction cost. The study found that, the intermediation of SHG led to reduction in time spent by bank staff on identification of borrowers, documentation follow-up and recoveries. This resulted in 40% reduction in transaction cost, which could increase further with increase in loan sizes. The intermediation also significantly reduced transaction cost for the borrowers to elimination of cumbersome documentation procedure and time spent and cost incurred on repeated visits to banks etc.

Girija and Satish (2001) assessed the impact of linking a large number of groups to banks, on the transaction and risk costs of the branches. And quantified the cost of credit delivery under four different models of lending viz., bank lending to

- (i) Individuals under normal bank lending programmes.
- (ii) Individuals under IRDP lending.
- (iii) SHGs without financial intermediation by NGOs.
- (iv) NGOs for onward lending to SHGs.

Eight branches, four each of Regional Rural Bank (RRBs) and Commercial Banks, were studied: seven NGOs and 22 groups were also covered under the study.

The study reveals that lending through SHGs and NGOs bear the least cost to the lenders when compared to other types of bank lending .the risk cost is also reduced to between 0.03 and 0.27% in case of lending through SHGs, where as it is as high as 7.88% in normal bank lending. The study observed that the linkage between banks and SHGs works out to the advantage of both the bank and the borrower. It is, therefore necessary that bankers build up on this advantage and link up with a large number of SHGs for reducing their transaction costs in rural lending.

f. Working of SHGs and role of group leaders

Several studies have been conducted on the working of rural SHGs in India. Kumaran (1997) made a case study of three SHGs, viz., active, passive and dissolved, in rural Tirupatirole block of Andhra Pradesh to understand the process of their development, structure, function, and factors contributing to group formation and resource mobilization besides participation of the members in decision making and socio economic activities. He found that the main factors responsible for active functioning of SHGs were solidarity and cohesiveness, whereas passivity was mainly on account of irregularities in savings and repayment of loan and lack of mutual trust and confidence among the members. As regard the dissolved groups regular defaulting by some members and irregularity in loan repayment were the major factors responsible for it.

Datta and Raman (2001) studied SHGs under Rastriya Seva Samithi (RASS) at Tirupati in Andhra Pradesh. The primary data were collected from a random sample of 30 SHGs from eight clusters during December 2000 to January 2001. The authors concluded that the success of SHG in term of high repayment was mostly related to social cohesion found among the members, springing not only from their diverse background of knowledge base, skills, occupations and income levels, but also the successful completion of loan repayment. This study also indicate that lesser dependence of SHGs on external resources, higher loan provided in the current year and lower SHG expenditures contributed to higher net income per member.

Nirmala, Bhat and Buvanewari (2004) studied the determinants of earnings of rural women under SHG schemes in the Pondicherry. It also surveyed the benefits and problems experienced by them under the scheme. Interview schedules were used for data collection from a randomly selected sample of 134 SHG members during March 2002. The findings showed majority of the respondents to be engaged in non-firm activities, which were largely traditional and a less remunerative in nature. It revealed that nature of occupation, higher asset possession, and large credit amount significantly reduced the respondents' monthly earnings, while higher income of husband significantly raised it. The main benefit of SHGs were increased participation in social services and organised action, having received new skills/ training and better access to credit facilities. Whereas, the major problems encountered by them in

conducting their production activities were loans not receiving on time, difficulty in getting raw materials, and labour and marketing problems.

Micro- finance exponents have realized that marketing is the main problem for the micro enterprises all over the country. Hofstede et al. (1996) argue that working in remote villages far away from market centres limits the scope for identifying and initiating viable income generating activities. Income Generating Activities do not automatically bring overall economic development, but they need markets where people with disposable cash will buy goods and services. Therefore, it is recommended that programmes should focus more on promoting Income Generating Activities near markets in semi- urban areas, market centres and larger villages. Purushotham (2004) found out that in want of innovative marketing support, savings of many SHGs were either under-utilised or unutilised, as these could not be canalised into viable economic avenues. He suggested that SHGs could follow strategies like market penetration and market creation.

Performance of group depends on the performance of the leader. Group leader plays a crucial role to form a highly cohesive group. Tamil and Krishna (2004) stated that within the SHG, the group leader is a key person on which the success of the SHG depends. This study in Salem district has examined the performances of SHG leaders and identified the activities, which are essential for the health of SHGs. It revealed that majority of the SHG leaders performed the seven roles, viz., ensuring the participation of all in every meeting, ensuring regular group savings by members, convincing the members for conduction of meeting at regular intervals, work for improvement of literacy of the group members, creating awareness of present social position, disseminating information received during training sessions to SHGs members and motivating the members towards collective thinking and action. These seven roles were necessarily to be performed in order to obtain desired development of SHGs. Kannan, Ramya (2004) stated that SHG leader with the members keeps a watch on every pregnant women in the area, monitor her health and nutrition status and accompanies her to hospital. SHG have significant contribution on the empowerment of women to change the attitude of the rural society about the women.

2.2 Objective and scope of the study

As evident from the review of literature there has been sizeable number of research studies carried out on the Microfinance Programmes and SHG movement in different countries. Many studies concentrated on diverse topics in the areas of outreach of programmes in certain areas, problems of women microentrepreneurs, SHG- Bank linkage models role of Banks and MFIs, role and problems of SHGs, empowerment of women through microfinance schemes etc. However, except one or two studies, no focus has been made particularly on the outreach, operations and impact of microfinance in West Bengal, on wholistic basis. Further, wholistic studies on microfinance in North Bengal have not been carried out so far. This study, focussing particularly on one district in North Bengal can be claimed to be gap filler in this respect.

This study has taken a wholistic approach to study the microfinance programme as adopted under SGSY with special reference to the Jalpaiguri. The study embarks to focus on the growth of SHGs, finance, outreach, bank linkage systems, and operation of SGSY in India with special reference to Jalpaiguri district. The study examines these issues also on disaggregated basis by examining the situations in all blocks of the district.

2.2.1 Major objectives of the study

1. To critically examine the component of SGSY which has lent a distinctive microfinance programme characteristic to it.
2. To identify the outreach of the programme via growth in number of groups.
3. To examine the financing pattern of this programme by the government, the operations of SHGs under SGSY and problem of SHG Bank linkages.
4. To find out the problems regarding promotion, formation and linkage of SHGs with banks.
5. To examine the activities taken up by the beneficiaries, their perceptions about the programme, problems and strategies adopted by them for socio – economic empowerment.

6. To study the role-played by bankers, NGOs, and Government agencies in the operations of the programme.
7. To assess the impact of the SGSY programme on the beneficiaries by constructing indices and analysing specific cases.
8. To find out policy gaps after analysis of the current situation and recommend measures to create an enabling policy environment
9. To suggest viable alternatives for effective delivery of microfinance through the existing mechanism.

2.2.2 Research Questions

This study therefore tries to delve into all aspects of the microfinance movement and advance suggestions to make recommendations for future strategic planning for effective microfinance delivery. The principal hypothesis of the study is that the microfinance system delivered by the SGSY has been effective in terms of outreach, participation of stakeholders and impact on beneficiaries. Other subsidiary hypotheses have been formulated relating to specific issues in the study and tested accordingly. The following research questions have been constructed for addressing the objectives:

1. What is the outreach of the SGSY programme in terms of number of SHGs formed, growth rate of SHGs formed and number of SHGs linked with banks in Jalpaiguri since inception?
2. How was the growth in SHGs influenced by demographic and geographic characteristics of the district?
3. What is the role of clusters and federations in integrating SHGs and what was the extent of development of these organisations in Jalpaiguri district?
4. What was the pattern of fund inflow from different sources under SGSY in this district and what was the pattern of expenditure under different heads?
5. To what extent was parity between the pattern of funds inflow and outflow maintained under the Yojana in the district?

6. What was the composition in terms of number and demographic characteristics of members who formed SHGs?
7. What was the financial and operational characteristics of SHGs in the district?
8. How do groups decide on thrift and interloaning policies and how do such policies affect the amount and frequency of microsavings?
9. How does the vintage of SHGs affect the amount of group corpus and amount of interloans in the SHGs?
10. How are bank linkages made by SHGs and what are the problems that beneficiaries face in establishing savings- credit linkages with banks?
11. What is the volume of cash credit disbursed to SHGs by the different banks in this district and is there any relationship between disbursement of cash credit and revolving fund in Jalpaiguri district?
12. How are SHGs assessed / graded by DRDC & bank officials for establishing credit linkages and what are the issues related to grading exercises?
13. What are the economic and social activities taken up by SHGs in the district?
14. How do the Swarozaries market their products, what problems do they face regarding marketing, their products and what support do they receive from DRDC in this respect?
15. What is the role played by DRDC officials, bankers and NGOs in acting as SHPIs, group nurturers and group counsellors?
16. What are the perceptions and problems of bankers regarding the SHGs linkages under SGSY?
17. What types of training are imparted for the beneficiaries under SGSY in this district and what are the trades in which they were trained?
18. What is the effectiveness of training of beneficiaries i.e. do the beneficiaries put to use the skills acquired during training?
19. What is the perception of NGOs regarding the future prospect of SGSY in this district?

20. What has been the impact of SGSY on beneficiaries in the district in terms of different socio economic attributes and empowerment of women?
21. Whether the microfinance delivery system has been able to free the beneficiaries from the clutches of moneylenders and pawnbrokers?

2.2.3 Scope of the Study

The study covers all aspects related to SGSY i.e. the scope of the study extends from outreach of the programme in Jalpaiguri district, issues relating to operational aspects and formation of groups, grading of groups, SHG-Bank linkage, training of groups, economic and social activities of the groups, problems in marketing of SHG products, marketing support for the SHGs products, funding and expenditure pattern under this scheme, role of bankers and NGOs in formation and linkage of groups, problems faced by bankers to impact of the programme on the beneficiaries. The scope of the study therefore entails a holistic investigation of the scheme. The study has been conducted taking Jalpaiguri district as the catchment area of the study. The reasons for choosing this catchment area can be well gauged from the characteristics of the area which is described below.

2.2.3.1 Characteristics of catchment area of study.

The district of Jalpaiguri in West Bengal flanks the foothill of the Himalayas. The area forms a part of what is well known in literature as 'Dooars'. The vital part of geomorphological, hydrological and physical set up of the Quaternary terrain comprising the interfluvial area of the main snow-fed rivers of the Himalayas like Teesta, Mahananda Torsha, Jaldhaka, Sankosh, Kaljani and other rivers. These rivers are characterised by erratic changes in their courses and flooding. The Jalpaiguri district lies between The Jalpaiguri District lies between $26^{\circ} 16'$ and $27^{\circ} 02'$ north latitude and between $88^{\circ} 4'$ and $89^{\circ} 53'$ east longitude covering an area of 6,245 sq. km.

A large part of geographical area of Jalpaiguri district is covered by forests and tea gardens. The total geographical area of this district is 6245 sq kilometres. Out

of which 1987 sq kilometres i.e. 31.82% of total area is covered under tea garden. On the other hand, 1790 sq kilometres i.e.28.66% of total area is covered under forestland. The statistics shows that altogether total 60.48% of total geographical area is covered by non-agricultural land. Only less than 40% of total area is available as agricultural land. Annual action plan of DRDC of Jalpaiguri has published the fact that, net cropped area is 329850 hectares. On the other hand, area of fallow land is 4190 hectares.

The administrative and district headquarter located in Jalpaiguri town. This district divided into three subdivisions accompanied with 13 blocks, 13 Panchyat Samities, 146 Gram Panchayats and 774 Mouzas. This district has 743 Inhabited Villages and 174 Forest Villages. Total Mouzas of Jalpaiguri districts is linked with 146 Gram Panchayats and 2127 Gram Sansads.

In forest region, a very minimum area is used for agriculture purpose. Very often in most of the cases different animals destroy the cultivated crops. So the income level of families in 147 forest villages in this district is very low.

The census report (2001) noted that the total population stood at 3403204 and population density of this district was 547 per sq kilometre. This large volume of population reside in the cultivated areas. As a result population density in the cultivated areas was more than the reported number.

According to census report (2001) a total population 270000 peoples were engaged in cultivation of crop, out of which 1460000 people were small and marginal farmers. Total 230336 people worked as agriculture labourers. A significant point that can be noted is that a large volume of people did were not employed in any sector at all. The numbers of these non-working people were stood at 2097536.

Literacy is a significant factor for upliftment and well being of a particular society. So far as literacy in Jalpaiguri district is concern, male literacy rate stood at 54.24% where as female literacy rate stood at 30.67%. The gender gap in literacy denoted in the census report is 20.62%.

The special characteristic of Jalpaiguri district which makes it co suitable for application of microfinance programmes is the large section of people

living below poverty level. Though the percentage of Below Poverty Line (BPL) families decreased from 62.01% (1997) to 59.53% (2002) in the district, a total 239236 people still belongs under BPL categories. Blockwise distribution of BPL category people is given in the following table.

Table No: 2.2.A
Blockwise distribution of number of BPL people

| Name of the block | No of BPL people |
|--------------------------|-------------------------|
| Sadar | 28377 (11.86%) |
| Rajganj | 19554 (8.17%) |
| Maynagury | 28336 (11.84%) |
| Dhupgury | 32939 (13.77%) |
| Malbazar | 23750 (9.93%) |
| Matiali | 4663 (1.95%) |
| Nagrakata | 6127 (2.56%) |
| Falakata | 20154 (8.42%) |
| Madarihat | 9840 (4.11%) |
| Kalchini | 19343 (8.08%) |
| Alipurduar-I | 10724 (4.48%) |
| Alipurduar-II | 18806 (7.86%) |
| Kumargram | 16623 (6.95%) |
| Total | 239236 |

Source: Action Plan of DRDC, Jalpaiguri (2007).

*** Figure in the parenthesis shows % of total BPL in the district.**

The above table depicts that highest number of BPL people lived in Sadar block followed by Maynagury block.

Further, the West Bengal Human Development Report- 2004 reported that the Human Development Index of Jalpaiguri district was 0.53. Gender Development Index of this district was 0.45 and Income Index of this district was only 0.38. The economic condition of all the villages in this district shows substantial variation because of geographical location, demographic factors, social status, level of education of the people etc. For the development purpose, a list of backward village

has been identified. A thorough analysis of backward villages in Jalpaiguri district is discussed below.

The Department of Panchyat and Rural Development has identified 79 villages of this district as backward from socio economic point of view. Some salient features relating to backwardness of those villages are: -

1. Geographical impediments.
2. Lack of infrastructure facilities.
3. Typical character of tea garden and forest areas.

Table No: 2.2.B

Blockwise nature of backward villages is given in the following table.

| Name of the Block | Types of backward villages | | | Total |
|-------------------|----------------------------|-----------------|-----------------|-----------|
| | Tea garden Villages | Forest Villages | Other Villages | |
| Sadar | Nil | Nil | Nil | Nil |
| Rajganj | Nil | Nil | Nil | Nil |
| Maynagury | Nil | 1 | 1 | 2 |
| Dhupgury | 7 | 1 | Nil | 8 |
| Malbazar | 11 | 1 | 9 | 21 |
| Matiali | 6 | Nil | 1 | 7 |
| Nagrakata | 7 | Nil | 2 | 9 |
| Falakata | 5 | Nil | Nil | 5 |
| Madarihat | 6 | 3 | 2 | 11 |
| Kalchini | 3 | 1 | 2 | 6 |
| Alipurduar-I | Nil | Nil | 1 | 1 |
| Alipurduar-II | 1 | Nil | 2 | 3 |
| Kumargram | 1 | Nil | 2 | 3 |
| Total | 50 (63%) | 8 (10%) | 21 (27%) | 79 |

Source: Action Plan of DRDC, Jalpaiguri (2007).

Above table shows that among the total 79 backward villages, 50 villages are tea garden villages, which represent 63% of total backward village. These tea garden

villages are located in nine blocks of this district, whereas only 10% of total backward villages are forest villages and these are located within five blocks of this district. . Total 230939 peoples of 45187 households live in these backward villages. Blockwise description of total population, total households and literacy rates, SHG formations etc. are given below.

Table No: 2.2.C

Demographic Status of Backward villages in Jalpaiguri district

| Block | Total backward Village | Total Hous ehold | Total population | Literacy Rate | SGSY information | |
|---------------|------------------------|------------------|------------------|---------------|------------------|----------------------|
| | | | | | SHGs formed | Households involved |
| Maynagury | 2 | 164 | 730 | 38 | 6 | 60 (3.66%) |
| Dhupgury | 8 | 6532 | 33474 | 34 | 130 | 1300 (19.90%) |
| Malbazar | 21 | 8663 | 44652 | 29 | 149 | 1490 (17.20%) |
| Matiali | 7 | 4682 | 22531 | 32 | 67 | 670 (16.23%) |
| Nagrakata | 9 | 6178 | 32719 | 30 | 102 | 1020 (16.51%) |
| Falakata | 5 | 3277 | 17204 | 31 | 60 | 600 (18.31%) |
| Madarihat | 11 | 6139 | 31147 | 32 | 132 | 1320 (21.51%) |
| Kalchini | 6 | 4764 | 24488 | 31 | 78 | 780 (16.37%) |
| Alipurduar-I | 1 | 222 | 1186 | 27 | 10 | 100 (45.05%) |
| Alipurduar-II | 3 | 968 | 4232 | 28 | 23 | 335 (34.61%) |
| Kumargram | 3 | 3598 | 18576 | 31 | 59 | 610 (16.95%) |
| Total | 79 | 45187 | 230939 | 31 | 816 | 8285 (18.33%) |

Source: Action plan of DRDC, Jalpaiguri (2007).

The above table depicts that a large volume of population lived in 79 backward villages. The literacy rate of the people in backward villages ranges from 27-32. The SHG movement has been taken as an instrument to uplift the socio-economic environment of these backward villages. Till the end of 31st March 2007, only 816 SHGs have been formed, in which 8285 households were involved. The statistic of the above table shows that only 18.33% of total households of these backward villages were involved.

Another characteristic which makes Jalpaiguri, a suitable catchment area for studies on microfinance programme is the worsening condition of poor people in tea garden in the district.

The percentage of BPL families in Tea Garden area remained at a dismal level of 67.07%. Tea garden worker get lower effective wage in relation to labourers of other spheres. The feudalistic character of tea garden management in many gardens

still treats them as their bonded labours. Though amenities are to be provided as per rule to the labours they are virtually absent in many tea gardens. Though tea gardens were brought under Panchayat system since 1997, yet the Panchayats could not extend much means for their development or make any expenditure for the betterment of the people in the tea garden area. The contradiction of the two rules i.e. Tea Plantation Act and the Panchayat system created administrative ambiguity. As a result which no development has taken place for the tea garden people and their spouses, which ultimately leads to a regional imbalance even within the district. To speak of the social backwardness of the tea garden people the incidence of witch-hunting is still in (vogue in) these days of the 21st century. Even in the year of 2002 several cases have occurred, of which one at Kalchini block and other at Kilkot tea garden in Matiali block hit the headlines of the newspapers.

As a tool to fight poverty in these areas the district administration has taken steps to spearhead the SHG movement in these tea gardens, specially those which have been closed for some time.

However, concerned block officials and other SHPIs have identified administrative difficulties in-group formation in tea garden villages. Very often SHPIs had to face hindrances from the tea garden administrators. Due to lack of proper ration cards and other identity cards, the people of the tea garden village were not able to form SHGs easily. Tea garden administrators did not issue “No Objection Certificate” for the land, which a group member could use for the income generating economic activities.

A large numbers of tea gardens have been closed for a long time. A large chunk of people in closed tea garden areas has lost their jobs in the tea garden. On the other hand, they do not have any other sources of livelihood. As a result, most the families in these villages are suffering from malnutrition. Even a large part of these families were not able to earn a single coin for their families. As a developmental activity, total 273 SHGs have been formed in 14 closed tea garden. A detailed analysis about the SHG movement in closed tea garden villages is given in the later section.

The characteristics depicted above reveal adequately that the district is bounded by huge unemployment, specially in tea gardens, large number of people

living poverty level and very low female literacy rates. Because of these factors it was considered to spearhead the SHG movement under SGSY with a greater zeal. Over the years, the number of SHGs has grown at an exponential rate, and the growth rate is highest in West Bengal.

It is because of these characteristics the Jalpaiguri district was taken as the catchment area of the study.

2.3 Research Methodology

2.3.1 Data sources

Research on Microfinance involves analysis and interpretation of a vast amount of data generated from primary sources supplemented by relevant secondary data on outreach, financing and bank linkages.

The methodology of the study is based on the principles of impact assessment as defined by Hulme (2002). In accordance, a structured questionnaire was administered to a random sample of 238 SHGs under SGSY in Jalpaiguri district. The questionnaire was supplemented by interviews and formal discussion with the group members of SHGs. The questionnaire contained several questions related to aspects like; material benefits, problem of bank linkages, operational aspects, perception about the scheme etc.

At the initial stage, a list of SHG under SGSY & NGOs working with SHGs in Jalpaiguri District was obtained from the DRDC, Jalpaiguri. SHGs under SGSY are enlisted in DRDC, Jalpaiguri and the register of SHGs contains the name, address, amount of revolving fund received by each group, activities taken over by each SHG. There were some SHGs, which were not listed in the DRDC. These SHGs were not considered for the study, as it was usually difficult to trace the unregistered SHGs.

After obtaining the list of SHGs, some SHGs were approached and informal discussions were conducted about operations, benefits and problems in their group, problems relating to finance, access to revolving fund, problem relating to credit, training problem, grading problem etc to obtain a first hand knowledge about the working of SHGs, group meetings, grading procedures etc.

Regarding the system of financing of SHGs, preliminary interviews were also carried out with officials of the Banks to gain some knowledge about financing

schemes and to find out their attitudes about lending to SHG. Annual bank statements of different banks were extensively consulted for secondary sources of data and information. The most difficult part was the tracing of group wise actual amount of disbursement of fund for different banks. However with the help of the DRDC officials it became possible to solve this problem.

Pilot surveys were conducted after the preliminary interview with SHG- group leader, DRDC officials, Bank officials etc. Based on these preliminary discussions and interviews, three sets of questionnaires were prepared for SHG members, NGOs and Banks. After pretesting them, four separate set of the questionnaire for SHGs, NGOs, Banks and DRDC officials respectively were finalised.

Secondary data sources

An adequate volume of secondary data has been used for this study. Annual Reports of DRDC, Jalpaiguri on SGSY, Annual Action Plan of DRDC, Jalpaiguri. Annual Report of concerned Banks. Annual Report of NABARD. Guidelines of SGSY (both original and amended). 54th Standing committee Report (2004) issued by Ministry of Rural Development. Report on Comparative Backwardness of North Bengal (2004). Census Report 2001, District Gazetteer etc. were used for the purpose of getting data.

2.3.2 Sampling procedure

i) **SHGs:** Till the end of 31st March 2006, the cumulative number of SHGs enlisted was 14044. However field survey for this study commenced in 2005. The cumulative figure on the number of group formed as on 31st March 2005 stood at 8684. Out of this near about 55% had been graded with grade I level. These 1st graded groups have been taken as population since it had crossed a vintage period of six month or more and it could start economic activities as prescribed by SGSY. The population of the grade I groups were then segregated according to different blocks. From each block a random sample representing 5% of the block population (i.e. grade I groups in a block) was taken. The final sample of 238 groups therefore represented 5% of the district population of grade I SHGs. The distribution of the sample is shown below.

Table No: 2.3. A
Block wise distribution of the sample SHGs

| Block | No of SHGs | |
|--------------|---|------------|
| | No of 1 st graded group as on 31-03-2005 | Sample |
| Sadar | 400 | 20 |
| Rajgang | 320 | 16 |
| Maynagury | 540 | 27 |
| Dhupgury | 580 | 29 |
| Mal | 200 | 10 |
| Matiali | 180 | 9 |
| Nagrakata | 500 | 25 |
| Falakata | 520 | 26 |
| Madarihat | 260 | 13 |
| Kalchini | 280 | 14 |
| Ali-I | 340 | 17 |
| Ali-ii | 340 | 17 |
| Kumargram | 300 | 15 |
| Total | 4760 | 238 |

ii) **NGOs:** More than 32 NGOs are working in this district in diversified fields. Out of this near about 25 NGOs are involved in SHG movement in different blocks in Jalpaiguri district. All these NGOs were approached for interviews and for responses to the questionnaire. However only 15 NGOs (having promoted a large number of SHGs) responded and was taken as sample NGOs for the study. District head quarters of these NGOs were visited to know their role and performance in SHG movement. Primary data from the NGOs has been collected through the well-structured questionnaires and interviews.

iii) **Banks:** 137 branches of 12 banks are involved in SHG- Banking. Most of the bank branches are scattered in remote areas. A random sample of 50 branches

was initially drawn. However after initial contact with the branches, it was found that only 34 would respond to the questionnaire and give some time for interview.

Accordingly, questionnaires were administered and interviews were conducted with the branches, except two branches which could not be accessed finally due to their remote locations. The final sample therefore stood at 32 branches.

Table No : 2.3. B

Sample of Bank Branches

| Sl. No. | Name of the Bank | No. of Bank Branch | Sample |
|----------------|------------------------------|---------------------------|---------------|
| 1 | State Bank of India | 23 | 5 |
| 2 | Allahabad Bank | 6 | 2 |
| 3 | Bank of India | 2 | 1 |
| 4 | Central Bank of India | 40 | 8 |
| 5 | Indian Bank | 1 | 1 |
| 6 | Indian overseas Bank | 1 | 1 |
| 7 | Punjab National Bank | 3 | 1 |
| 8 | Syndicate Bank | 1 | 1 |
| 9 | United Bank of India | 13 | 2 |
| 10 | UCO Bank | 4 | 1 |
| 11 | Co operative Bank | 3 | 1 |
| 12 | UBKGB (RRB) | 40 | 8 |
| | Total | 137 | 32 |

2.3.3 Analysis of data

The data collected on 238 SHGs, all 15 NGOs and 32 bank branches were tallied and tabulated based either on date of formation and/or region and/ or activities taken over. The descriptive tables were then analysed with the help of Microsoft Excel software.

The MS Excel was specially used for measures of central tendency and ranking, while the SPSS was used for Chi-Square test, linear regression analysis and ANOVA.

2.3.4 Time period of study

The time period of the study was from the year of inception of SGSY, i.e. 1999 to March 2007. The growth, outreach, financing of the scheme was studied during this period. The field survey commenced on March 2005 and ended on December 2006. Since a large number of questionnaires had to be personally administered, interviews and group discussions made personally or with the help of panchayat members or DRDC officials, the survey took a period of two years.

A number of problems were confronted during the survey: the villages in this district are situated in remote places. It was very difficult to contact to the SHGs in those villages; Group members were often reluctant or even shy or out of station and required visit to the same groups a number of times. Some officials could not spare the time to honour the appointment. Instances were not rare where few group members were rude, and often lost their patience. It was tough locating many units, as they did not have the same address provided either by DRDC in database or block development offices; it was time consuming to relocate them.

2.3.5 Plan of the study

The study has been divided into ten chapters for examining different issues.

The first chapter deals with the conceptual framework and background of the study. Second chapter deals with the review of literature, objective of study and research methodology of the study. Third chapter deals with salient features of SGSY and monitoring & integrating system under SGSY. Fourth chapter deals with the outreach of microfinance programme under SGSY district and funding pattern of SGSY in Jalpaiguri district. Fifth chapter deals with thrift and credit operation of SHGs under SGSY in Jalpaiguri district. Sixth chapter deals with SHG-Bank linkages under SGSY in Jalpaiguri district. Seventh chapter deals with the training and capacity building of Swarojgaries under SGSY. Eighth chapter deals with the role of NGOs as facilitator in SGSY in Jalpaiguri district. Ninth chapter deals with the impact assessment of microfinance programme under SGSY in Jalpaiguri district. Last chapter of this study deals with the conclusions and policy recommendations.

CHAPTER – III

THE SGSY – A REVIEW OF IT'S SALIENT FEATURES, MONITORING & INTEGRATING SYSTEMS

3.1. Introduction

Swarnajayanti Gram Swarozgar Yojana (SGSY) is the brainchild of S.R. Hashim Committee on rural development and poverty alleviation programme. Following a review of various antipoverty programmes in February 1997, the committee recommended a single self-employment programme for the rural poor and adoption of a group approach instead of targeting individual beneficiaries. This endeavour marked the new era of rural development which gives new momentum to entrepreneurship development for the rural vulnerable section society. The committee admitted that the ongoing various complementary programmes started operating as separate individual programmes without proper linkages resulting in a lack of focus. The committee argued that this new programme is a holistic programme for micro enterprise development in rural areas which envisages social mobilization of the rural poor as a prerequisite for providing them assistance. The committee also highlighted that this new programme covers different aspects of self-employment, viz. organization of the rural poor into self-help groups (SHGs) and building their capacity, planning of key activities and activity clusters, providing the required infrastructure, technology, credit and marketing.

The scheme aims at establishing a large number of micro enterprises in the rural areas under the close supervision of Gram Panchayats, block level official, district nodal agencies (DRDC), etc. The significant aspect of SGSY is that it aims to bring every assisted family above the poverty line in three years, by creating a monthly income from the activity undertaken of not less than Rs. 2,000 net of repayment of the bank loan

The SGSY offers credit-cum-subsidy to the beneficiaries, and banks will be involved in this process. It seeks to promote multiple credits rather than a one-time credit 'injection'. The credit requirement of the beneficiaries will be assessed and they will be encouraged to increase their credit intake over time.

The SGSY provides for skill development through customised training courses, along with appropriate technology inputs and marketing support through the market development initiatives including marketing information, consultancy services as well as institutional arrangements for marketing of the goods.

As a multiplicity of self employment programmes launched by the Government had resulted in a lack of proper social intermediation and absence of desired linkages among these programmes, Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched by the Government of India from 1 April 1999 as a single holistic programme to cover all aspects of self employment for the rural poor by restructuring existing antipoverty programme such as IRDP, DWCRA, SITRA, TRYSEM, GKY, MSW. The funding pattern of the programme was to be shared by the Centre and the State in the ratio 75:25. The unspent balances as on 1.4.99 under these erstwhile programmes have been pooled under the head SGSY. This was not strictly followed and there was a significant shortfall in the release of matching State share particularly by the special category States. There were large scale diversions, misutilisation and parking of funds curtailing the actual funding for the programme.

The Guidelines of SGSY, issued by the Ministry of Rural Development-GOI, described that the objective of Swarnjayanti Gram Swarozgar Yojana is to bring every assisted family above the poverty line within three years, through provision micro-enterprise. SGSY seeks to develop close linkages with credit mechanism in such a manner as would promote multiple credit rather than a one time credit injection. Multiple doses of credit would mean assisting a Swarozgari over a period of time with a second and subsequent dose(s) enabling him/her to access higher amount of credit.

The SGSY programme was implemented with the following specific objective: -

1. Poverty Eradication.
2. Women's Empowerment.
3. Asset Building.
4. Establishment of Human Rights of vulnerable sections.
5. Market economy reaching the informal sector.

The aim of SGSY is to promote Micro Enterprises in rural areas by concentrating upon people living below the poverty line. The beneficiaries could be either families falling within the BPL and members of existing groups, in which case, individual loan and subsidy would be provided to them which could be rooted through the group. Besides, groups of BPL families would be provided group loan -cum- subsidy, not exceeding Rs 2.5 lakhs.

Only one member in the family can avail of SG SY of which 75 percent would be in the form of the group loan. Defaulters are excluded from the scheme. The scheme aims to concentrate on a few key activities for each block and providing infrastructure, training, marketing and other backward and forward linkages for the same. Instead of giving one-time credit, multiple credit would be given, and the supervision of back-ended subsidy is to reduce the risk of the non-utilisation, as evidenced in the IRDP. Besides, provision has also been made for skill development through training with 10 % of the total project cost, allocated as training fund.

3.2. The Salient Features Of The Swarnjayanti Gram Swarozgar Yojana (SGSY):

- The SGSY is a credit-cum-subsidy Programme. However, credit is the critical component of the SGSY, subsidy being a minor and enabling element. Accordingly, the SGSY envisages greater involvement of the banks. They are to be involved closely in the planning and preparation of project reports, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs, selection of individual Swarozgaris, pre-credit activities and post credit monitoring including loan recovery. SGSY seeks to promote multiple credit rather than a one-time credit 'injection'. The credit requirements of the Swarozgaris need to be carefully assessed; the Swarozgaris are allowed and, in fact, encouraged to increase credit intake, over the years.
- SGSY focuses on Group approach. This involves organisation of the poor into self-help groups (SHGs) and their capacity building. Efforts are made to involve women members in each SHG. Besides, exclusive women groups are also to be formed. At the level of the Block, at least half of the groups should be exclusively women groups. It can be highlighted in this respect that, it is observed that more than 95% of SHGs were exclusively women group. Group activities are given preference and progressively, majority of the funding should be for Self-Help Groups.
- The Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro enterprises in the rural areas, building upon the potential

- of the rural poor. SGSY will seek to cover the rural artisans in a significant manner, enabling them to utilise the inherent skill to overcome poverty.
- The SGSY adopts a Project approach for each Key Activity. Project Reports are to be prepared in respect of each of the identified Key Activities. The Banks and other financial institutions have to be closely associated and involved in preparing these Project Reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing.
 - A gradation exercise would be undertaken in order to assess the potential of the group at each stage, to undertake the activity of Micro enterprise and qualify the group to get multiple doses of credit. Banks, DRDC as well as the agency working for the promotion and development of SHG, would be involved in this grading exercise.
 - SGSY will seek to ensure that the infrastructure needs for the identified activities are met in full so as to enable the poor to drive the maximum advantage from their investments. The state will strive to provide necessary investments as part of their plan when efforts of the respective departments. Critical gaps in investments have to be made up under the SGSY, subject to a ceiling of 20% (25% in the case of North Eastern States) of the total allocation made under the SGSY for each District. This amount is maintained by the DRDCs as 'SGSY - Infrastructure Fund'.
 - Closer attention to technology and marketing needs of the Swarozgaris would be the hallmark of SGSY. Technology intervention will seek to add value to the local resources, including processing of the locally available material from natural and other resources for local and non-local market. SGSY will provide for promotion of marketing of the goods produced by the SGSY Swarozgaris. This would involve market intelligence, development of markets, consultancy services as well as institutional arrangements for marketing of the goods including exports.
 - The SGSY is implemented by the DRDCs through the (Block) Panchayat Samitis. The process of planning, implementation and monitoring integrate the Banks and other financial institutions, the Panchayati Raj Institutions (PRIs), Non-Government Organisations (NGOs), as well as Technical

Institutions in the District. Care is necessary to involve them right from the conceptualisation stage so that they work as a team for the success of the programme.

- The Gram Sabha will authenticate the list of families below the poverty line identified in the BPL census. Identification of individual Swarozgaris will be made through a participatory process.

3.3 Monitoring of SGSY

For the success of Swarnjayanti Gram Swarozgar Yojana a close involvement of different agencies is very much essential. The District Rural Development Agencies (DRDAs) through the Panchayat Samithis and, with the active involvement of other Panchayat Raj institutions, the banks, the line departments and the NGOs SGSY is implemented

A comprehensive system of monitoring has been adopted under the SGSY. The programme is monitored from the Central level down to the grass-roots level. At the Central level, the Central Level Co-ordination Committee (CLCC) monitors and reviews the implementation of the Programme and lays down Policy Guidelines for all aspects related to credit linkages for the SGSY. The Performance Review Committee of the Department of Rural Development also reviews the implementation of the SGSY. At the State level, a State Level Coordination Committee (SLCC) monitors the Programme. In addition, the progress under the SGSY is monitored periodically through reports and returns submitted by DRDCs/States. Detailed monitoring formats for reporting progress of the Programme have been circulated to all the DRDCs. Implementation of the programme is monitored and reviewed through the Project Directors' Workshops and periodic Meetings with the State Secretaries. At the Block/DRDA level, monitoring is done through field visits and physical verification of assets. Efforts are underway to bring all the DRDCs of the country within online networks for smooth flow of information from the Districts to the Centre and the States/UTs.

NGOs have become an indispensable arm of the government in implementing the SGSY. Therefore, a number of NGOs with experience in the formation of self-help groups have been approached too assist the implementation of the scheme.

Government based funding support to NGOs is increasing, as the government is discarding its restrictive character, increasingly realising its limitations as an implementing agency.

The role of NGOs would be crucial in the implementation of the scheme. As an 'external facilitator working closely with the communities at grass root level' it has been assigned the task of the group formation and capacity building of the group, which is not a spontaneous process. It is hoped that NGOs would ensure a degree of the participation and transparency in the loan disbursement. With wider outreach and useful delivery mechanisms, they can participate in generating an awareness and affirmation of viable groups.

SGSY envisages the close association of bankers at all stages of the programme implementation, right from the imparting training to the swarozgaries, identification of key activities, clusters, self-help groups, identification of individuals swarozgaris as well as planning for all the elements of the key activities. An elaborate mechanism has been put in place to ensure post-credit monitoring as well as for loan recovery.

The Line departments play pivotal role in the entire exercise, for they are responsible for implementation and monitoring of respective sectoral activities. SGSY needs a very close collaboration between the implementing agencies and the line departments. This collaboration starts with the identification of key activities and preparation of project reports.

The line departments are responsible for planning and creation of the infrastructure required to make the key activity successful. In addition, once the bank has sanctioned the loan, the line departments must ensure that all facilities including technical guidance are provided to the Swarozgaris.

The programme consequently involved a complex network involving the Central Ministry, State Governments and their line departments, local bodies, district agencies and the banks. Often, agencies had overlapping roles at various stages of implementation.

3.4 Provision And Utilization Of Resources

Funds under the programme were to be shared between the Centre and the States in the ratio of 75:25. The Central allocation earmarked for the States was

related to the incidence of poverty in the States besides additional parameters like their absorption capacity (based on past trends in utilisation of SGSY funds) and their special requirements. Funds were to be released directly to the DRDAs in two instalments (except in the case of snow-bound districts where the working period was restricted to a few months and the entire Central share could be released in one instalment) and was to be followed immediately with the releases by the States. The Ministry was also to set aside 15 *per cent* of the funds under SGSY for Special Projects.

The funds available with the implementing agencies (DRDAs), therefore, had four components:

- i) Central Share
- ii) State Share
- iii) Miscellaneous receipts in the shape of accrued interest on amounts deposited with banks
- iv) Unspent balances under erstwhile programmes.

The available funds were to be utilized for subsidy on economic activities (60 per cent of SGSY allocation; 55 per cent in the case of North Eastern States), expenditure on infrastructure (20 per cent of the allocation; 25 per cent in the case of North Eastern States), training (10 per cent) and creation of a revolving fund (10 per cent).

3.5 Clusters And Federations - Integrating SHGs Under SGSY

3.5.1 Clusters of SHGs

After a long journey, the SHG movement under SGSY has spread its cobweb into each GP in all the blocks in India. By virtue of the provision of SGSY, all the groups can engage in small-scale microenterprises. It has been observed that capital base of a single group being small, the beneficiaries could not substantiate a large-scale financial need for up scaling their microenterprises. In addition to this, there are many constraints of single SHG related to marketing of output, procurement of materials, training, infrastructure facilities, etc. The endeavours of single group or combination of two or three groups are not sufficient for even middle scale activities. Therefore all the groups in the same locality can be linked to establish a common network system to get the benefits of scales of production and other synergy benefits. It is very much

essential for the nourishment of groups rather than formation of large volume of SHGs.

It has been witnessed that many groups in different area have already started to operate jointly with other SHGs in the neighbourhood. This integration of groups, either vertically or horizontally has given rise to cluster and in larger forms, federation.

The cluster of SHG, is an organisation of SHGs in which all the members can solve their problems through their common effective network and actively participate to enhance their earning capacity, social development, etc. This is a particular organisation, which can augment the strength of SHG movement.

The SGSY Guidelines have identified the need for forming clusters and federations.

Guidelines of SGSY, issued by the Ministry of Rural Development-GOI, envisaged that the scheme lays emphasis on activity clusters. Four to five key activities are identified for each block based on the resources, occupational skills of the people and availability of markets. The selection of economic activities is done with the approval of the Panchayat Samitis at the block level and the District Rural Development Agency (DRDA) / Zila Parishad at the district level.

A block having more than 100 SHGs and the GPs of this block having 20/30 groups are identified and selected for the formation of cluster. This number may change according to the situation and demographic character.

The size of cluster should not be too small or too large. Both of them have drawbacks, which may hinder to achieve the goal.

The existing group at the GP level forms required number of cluster. In case of large number of groups at the GP, cluster is being formed at the Gram Samsad level. It helps to formulate and initiate the plan for each Gram Samsad. On the other hand, more than one cluster is formed in a GP due to its large number of existing group.

3.5.1.1 Objective of Clusters

The main objective of this new approach to SHG movement is the empowerment of rural poor women. It means that, increase of individual and group awareness and affordability. The guidelines of SGSY, issued by the Ministry of Rural

Development highlighted that SGSY lays stress on cluster approach. What this means is that instead of funding diverse activities, each block should concentrate on a few select activities (key activities) and attend to all aspects of these activities, so that the Swarozgaris can draw sustainable incomes from their investments. These key activities should preferably be taken up in clusters so that the backward and forward linkages can be effectively established. This would facilitate not only monitoring but also more importantly provision of various services required by the swarozgaris.

Specific aim of cluster formation is summarised below:

1. Effective communication network of cluster helps to share resources and information among the member SHGs. It can solve the intra-group and inter-group problem.
2. All the member SHGs can be able to know the essential information about the various financial benefits and non-financial services from the Central and State Government.
3. Enhancement of the earning capacity of the member for the employment of their full potentiality.
4. Formation of new groups with the help of this organisation as all the members become experienced in this field.
5. It helps the member SHG to establish link with other organisation as per their requirements.
6. Awareness generation of the cluster member related to different types of social evils, environment protection, health care and family planning etc.
7. Establishment of co-operative environment with the neighbourhood groups in the same locality.

3.5.1.2 Role of Clusters

1. Basic information is collected from the SHG member about their personal life as well as their group.
2. Supervisory work of cluster:

Cluster is a formal organisation, which is organised to monitor and supervise the role and activities of SHG members in the same locality. So it always keep close eye on the activities of the SHG member.

- a. Whether the group members are able to perform their social responsibilities related to family planning, child education and health care.
 - b. Whether the groups are use to save and deposit to bank on a regular basis.
 - c. Whether the member groups are able to utilise their voluntary savings properly.
 - d. Whether the group members are use to repay their loan from their groups.
 - e. Whether the group members are able to exploit the opportunities.
 - f. Whether the group members are able to identify the financial and social needs.
3. Establishment of linkage among the SHGs and other SHPIs.
 4. Acquire the knowledge and perception about the social and natural resources in the locality.
 5. Motivate the group to start micro enterprises with the help of available local resources. Cluster can arrange require technical support for their groups.
 6. Awareness generation of the SHG member about different types of public services, cluster takes proper step so that the group member can avail the benefit of these services.
 7. It makes arrangement for the training of members.
 8. It finds the solution of inter group problems which the concern group did not able to do.
 9. It motivates all the members to attend and deliver the speech at the Gram Samsad meeting.

10. Strengthen the weaker SHGs in the cluster.
11. It assesses the performance of the member SHGs within a cluster.
12. It also takes initiative to form new group in the locality.
13. Sometimes it manages the additional fund requirements of the member SHGs in a cluster.

3.5.1.3 Structure of Clusters

Cluster is a separate formal organisation. So it must have a synthesis. Its organisation structure is given below:

1. General assembly:

Every individual member of cluster member SHGs is a general member of a cluster. A high level committee is constituted with the general member of the cluster.

2. Executive Committee:

A responsible board of 7-11 selected members manages the cluster.

3. Formation of Executive Committee:

The executive committee is formed through the following steps:

- a. All members of the cluster member SHGs select two representatives.
- b. Out of these one member may be group leader or cashier and other is a general member of the group.
- c. These representatives select the seven members for the formation of the executive committee.
- d. Women and child development convenor of Gram Panchayat is acted as a nominated member in the executive committee of the cluster.
- e. The executive committee select the office bearer for their cluster. It consists of three members, President, Secretary and Cashier.

- f. The tenure of committee is two years. According to the decision of general assembly, the composition of executive committee is changed. As per the provision of this approach, the executive committee can be changed and reformulated within one year.

3.5.1.4 Financial Management of a Cluster

The cluster generates fund from the entrance fees and monthly subscription of its general members. Additional fund raised by the cluster to augment the resource base from the different non-traditional activities. The concern cluster takes decision in this regard. The executive committee is responsible to open a bank account with the nearest bank branch and deposit the collected amount there. Two members out of three-office bearer are responsible to operate this bank account. Executive committee takes decision on the heads of expenses. It helps the committee to prepare the income-expenditure statement for the cluster. It is very much necessary to show the statement once in a year. Every cluster can maintain an emergency fund in order to meet the emergent credit needs of the member.

3.5.2 Federation of SHGs

A federation is an association of large number of SHGs, small informal organizations. SHGs federate to realize economies of scale or to gain strength as an interest group. Federation of SHGs helps to reap the benefits of a larger organization, without losing the advantages of small groups.

The pioneering effort has been made by two large NGOs e.g., Professional Assistance for Development Action (PRADAN) and Mysore Resettlement and Development Agency (MYRADA) to establish the concept of SHGs and they were also the earliest agencies to promote SHG federations. However, the model of federation promoted by the two differed significantly. PRADAN promoted Sri Padmavathy Abyudaya Sangam (SPMS), in 1992. Development of Humane Action (DHAN) Foundation, a spin off organization of PRADAN that took over PRADAN's programs in South India, has since refined the SPMS model, and promoted 20 more federations. It is currently promoting an additional 30 federations. Each of the federation has more than 200 SHGs as members, and is a formally registered organization. These federations involve in financial intermediation. Federations

promoted by MYRADA are unregistered associations of 15-25 SHGs each. The MYRADA federations primarily focus on building solidarity, addressing delinquency and dealing with social issues. This federation empowers the women in its member SHGs to agitate against illegal liquor sale in the village, identifies children for sponsorship support from MYRADA, and has collected funds for a maternity ward for the local hospital

3.5.2.1 Purpose of federation

The primary objective of federating SHGs is to ensure their sustainability. Though the SHG model of microfinance has been significantly successful in terms of its outreach, resource generation, and use of funds, SHGs are unlikely to be sustainable if they are not federated. In the absence of federations, both formation and most of the maintenance costs of SHGs have to be permanently borne by themselves, rendering the system inherently unsustainable. SHG federations not only ensure that SHGs bear all their maintenance costs but also absorb part of the costs of promoting new SHGs.

Sustainability though, is not just an issue of cost coverage. Federations help SHG members to see SHGs as part of a larger organization. They provide a sense of solidarity among members of different SHGs in an area, and helps build membership stake in the SHGs. Creating a sense of ownership is important since SHGs are not self-promoted organizations, and the small size of SHGs makes it difficult for their members to visualize them as sustainable organizations. Nair (2001) found “SHGs federations help SHGs internalize their costs, and thereby make them financially viable. In contributing to their sustainability, SHG federations provide SHGs with an organizational identity, generate economies of scale, and provide value added services. SHG federations also reduce the transaction costs of lenders and other service providers, enhance local human capital, and reduce the cost of promoting SHGs. Some limitations to promoting more SHG federations are insufficient clarity regarding the role of SHGs among stakeholders, insufficient capacity of the promoter agencies and an unclear legal framework”.

This section discusses specific factors that enable SHG federations to contribute to SHG sustainability.

a) Economies of scale: - Federations facilitate sustainable provision of

essential services such as accounting, auditing, conflict resolution and performance monitoring to the SHGs. They build SHG capacity by facilitating planning and review processes, and by organizing regular training and mutual learning events. In the absence of federations, these services are provided by the promoter agencies, an inherently unsustainable mechanism.

b) Reduction of transaction costs: - Federation reduce the transaction cost of financial institutions that do business with the SHGs and that of the SHGs themselves. They reduce the cost of financial institutions by acting as intermediary organizations or by providing social collateral that substitutes for costly loan appraisals and supervisions. They reduce costs of SHGs by providing an institutional mechanism for sharing the costs of many essential services.

c) Reduce default rates: -Federation reduce the default rates at all levels – from SHG members to SHGs, and from SHGs to banks. They do so by monitoring and through positive and disciplinary effort that encourages prompt repayment of loans. In the long run, the reduced transaction costs and improved repayment rates should lead to reduced interest rates for the SHGs.

d) Provide value-added services:- Federations provide value-added services. The value added financial services include special loan products such as housing loans and microinsurance products for members and livestock. Non-financial services include primary education, healthcare, livestock care, and technical assistance for house construction.

e) Reduce the cost of forming new SHGs: - Federations reduce the cost of forming new SHGs because of their information advantage, low staff costs, and volunteering by SHG members and office-holders. This enhances the replicability and sustainability of the model.

f) Empowerment of the poor women: - Federating enhances empowerment of the poor. Federations develop local human capital as SHG leaders take up leadership positions in the federations, and when they recruit local youth as staff. Furthermore, federations enhance empowerment of the poor by providing the poor a collective voice and negotiating power that is much larger than that provided by SHGs.

In order to attain these above objectives, SGSY is much in favour of federates the SHGs. The representative of the cluster members' SHGs are the primery

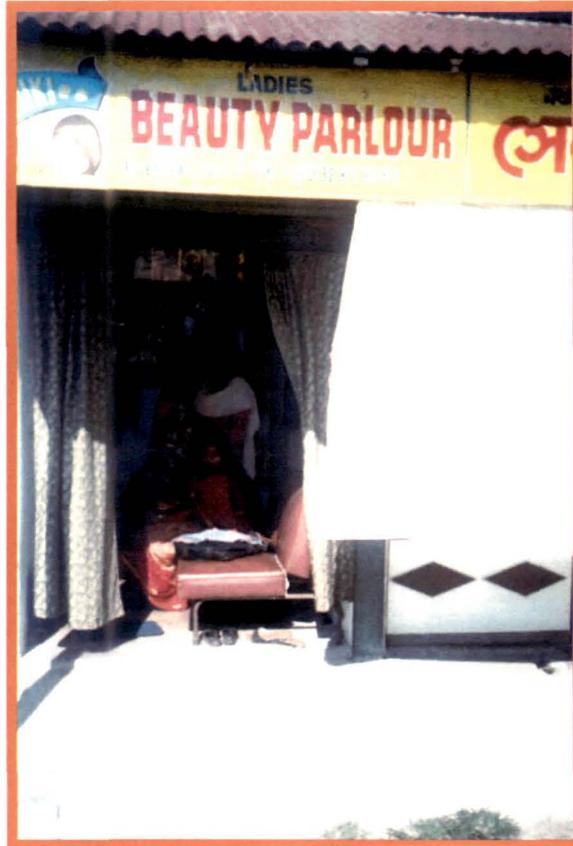
stakeholders of the governance of federation.

Governance in SHGs is primarily the responsibility of all members since all members decide jointly on most issues like as, loans to members, applying for bank loans, membership in federation, expenses, etc. The SHG officeholders facilitate group meetings (during which savings and loan are made), represent the SHG at the general body meetings of the federation and on transactions with banks, communicate information from the federation to the SHGs, and resolve conflicts among members, collect thrift funds from the SHGs/ federation to pooled resource. The federations have an executive committee of 12 members with President, Secretary, and Treasurer elected from among them. This executive committee of a federation constituted by the elected members of clusters.

In the federations, governance is shared between the general body and governing body. As for example, in SPMS, KVK and SVAWTC, the general body meets once a year, but in SMMS it meets every month. The governing body meets at least once a month in all the federations. In federation of SHGs, the governing body members can remain in the board for a maximum of three years on being elected; they can however be re-elected again. The position of the President, Secretary and Treasurer has to compulsorily change every year or can remain few years, that depends upon the circumstances. This design feature is adopted to provide opportunity for more people to hold leadership positions and prevent problems of entrenched leadership. However, the short period is inadequate for the leaders to learn their roles and start performing functions.

3.6 Conclusion

This chapter has reviewed in brief basic features of the SGSY with the objective that it will lead to a better and comprehensive of the survey findings. Discussions on cluster and federations have highlighted their purposes and structural dimensions. These discussions have been extended in the next chapter where the operations of clusters and federations in Jalpaiguri have been discussed.



SHG members as beauticians - Keeping pace with modern times.



Floriculture provides better business avenues for SHG women

CHAPTER – IV

SPREAD OF SHGs, DEVELOPMENT OF CLUSTERS, FUNDING MECHANISMS AND EXPENDITURES FOR SGSY IN JALPAIGURI DISTRICT

4.1 Spread of SHGs under SGSY in Jalpaiguri.

The Swarnajayanti Gram Swarogari Yojona was launched in Jalpaiguri district in April 1999. In the initial year, the policy makers at the district level as well as concerned functionaries of this scheme were in dilemma as to whether another new scheme could be implemented and administered, specially in the atmosphere of high degree of poverty and unemployment in rural areas of this district. The bankers, government agencies and beneficiaries did not quite yet forget the experiences of previous antipoverty programmes like IRDP and DWCRA. At the time of implementation of SGSY a large number of IRDP defaulters lived in the district. Much time appears to have been absorbed in clearing the financial liabilities of the old schemes and rearranging the financial and administrative aspect of the new scheme. The concerned different functionaries had spent the year 1999-2000 to study, understand and imbibe the nuances of the entire mechanism of the scheme. A large number of meetings were held at all stage from state level to gram panchayat level with the Panchayats, NGOs, Government Agencies including line departments and banks. Formation of Self-help group under the Swarnajayanti Gram Swarogari Yojona just began in a few blocks in this year a number of erstwhile DWCRA groups were converted into self-help group. The task is easier said than was done because of a transition from one scheme to another with a large number of defaulters. Yet at the end of March 2000, 42 SHGs were formed. The following table describes the pattern of group formation in Jalpaiguri district since inception to till the end of 31-03-2007.

Table No: 4.1.A

Yearwise formation of SHGs in Jalpaiguri district.

| Year | No of Groups Formed (Cumulative figure) | Annual Rate of growth (%) | % Of total group formed |
|-------------|--|--------------------------------------|------------------------------------|
| 1999-2000 | 42 | ----- | 0.24 |
| 2000-2001 | 112 | 166.67 | 0.39 |
| 2001-2002 | 776 | 592.85 | 3.72 |
| 2002-2003 | 1850 | 138.40 | 6.01 |
| 2003-2004 | 4007 | 116.59 | 12.08 |
| 2004-2005 | 12009 | 199.70 | 44.81 |
| 2005-2006 | 14044 | 16.94 | 11.40 |
| 2006-2007 | 17855 | 27.14 | 21.34 |

Source: Compiled from Annual Action Plans of DRDC (different years)

The above table depicts a clear picture about the chronicle of amplification of SGSY programme in Jalpaiguri district since its inception. In the initial year, the DRDC, Block and panchyat officials with their combined great endeavour converted only five erstwhile DWCRA group into Self Help Group under Swarnajayanti Gram Swarojgar Yojana. The socio-economic condition of rural families of entire Jalpaiguri district were entangled by frightful poverty coupled with severe unemployment.

Above table shows that SGSY has started its journey in Jalpaiguri district in the year 1999-2000 with a very negligible numbers of erstwhile DWCRA converted groups .The total number of self-help group at the end of 31st March 2007 stood at 17855. In the 2nd year of its inception (2000-01) only 53 new groups were formed and 17 erstwhile DWCRA group has been converted Self Help Group under SGSY. During 2001-2002 a lot of time was spent for arranging all necessary organizational structure to gear up the new scheme. Total 664 new self-help groups were formed in this year, as a result total cumulative number stood at 776 which was 3.72% of the total group formed till the end of 31st March, 2007. Cumulative number of group formation during 2002-03 stood at 1850, which was 6.01% of the total numbers of group formed upto 31st March 2007. The rate of group formation got momentum in the year 2003 – 2004, total 2157 new women self-help group were formed during this year, which was double of last year. The status of SHG movement in this district will be recognised through the comparative analysis between group formation in India and Jalpaiguri. With this objective, growth rate of SHGs formation in Jalpaiguri and India is given in the following table.

Table No: 4.1.B
Yearwise distribution of growth rate SHGs in Jalpaiguri and in India.

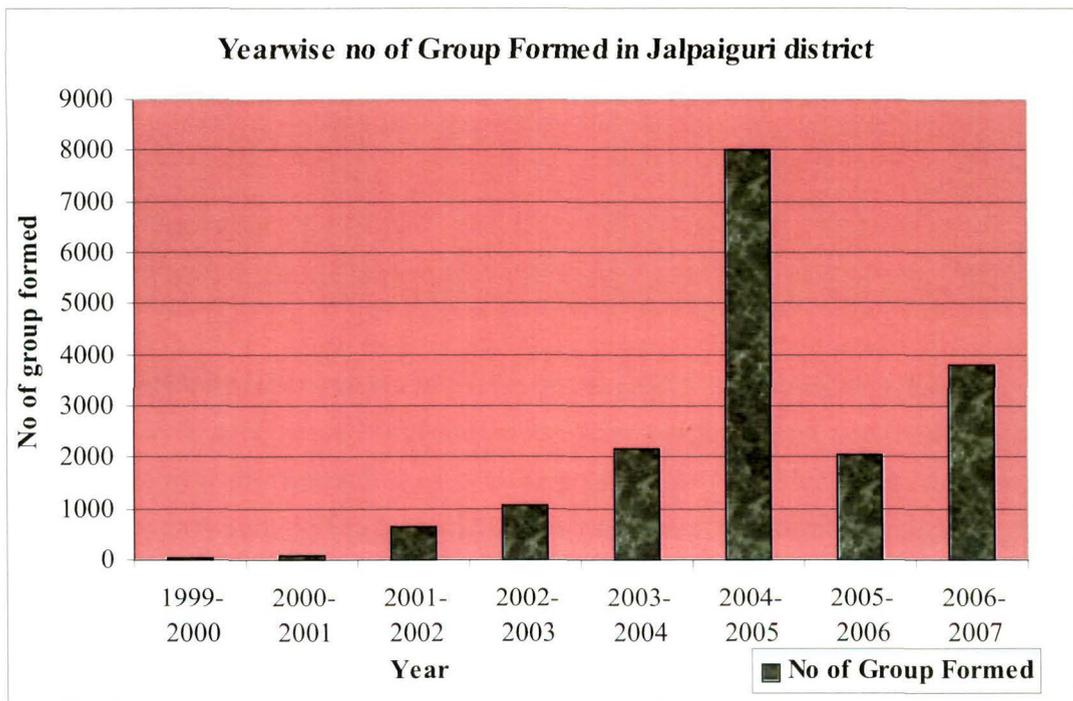
| Year | No of Groups Formed (cumulative figure) | | Annual Rate of growth (%) | |
|-----------|--|---------|---------------------------|-------|
| | Jalpaiguri | India | Jalpaiguri | India |
| 1999-2000 | 42 | 292426 | ----- | ----- |
| 2000-2001 | 112 | 515691 | 166.67 | 76.35 |
| 2001-2002 | 776 | 950078 | 592.85 | 84.23 |
| 2002-2003 | 1850 | 1348951 | 138.40 | 41.98 |
| 2003-2004 | 4007 | 1740917 | 116.59 | 29.05 |
| 2004-2005 | 12009 | 2063763 | 199.70 | 18.00 |
| 2005-2006 | 14044 | 2263565 | 16.94 | 9.00 |
| 2006-2007 | 17855 | 2501623 | 27.14 | 9.52 |

Source: Compiled from Annual Action Plans of DRDC & Annual Reports of SGSY (different years)

The above table shows a comparative figure of growth rate of SHG formation in Jalpaiguri as well as in India. It shows that the growth rate of SHG formation in Jalpaiguri is much higher than that of the growth rate of SHG formation in India as a whole. Highest number groups were formed in Jalpaiguri during 2004-05. Where as, highest numbers of new groups were formed in India during 2001-02. Due to regional disparity and administrative difficulties in the different states, the SHG movement in India had grown at with slow speed. Where as, due to socio economic feature and demographic peculiarity of Jalpaiguri district, the SHGs were formed in this district at an amazing speed.

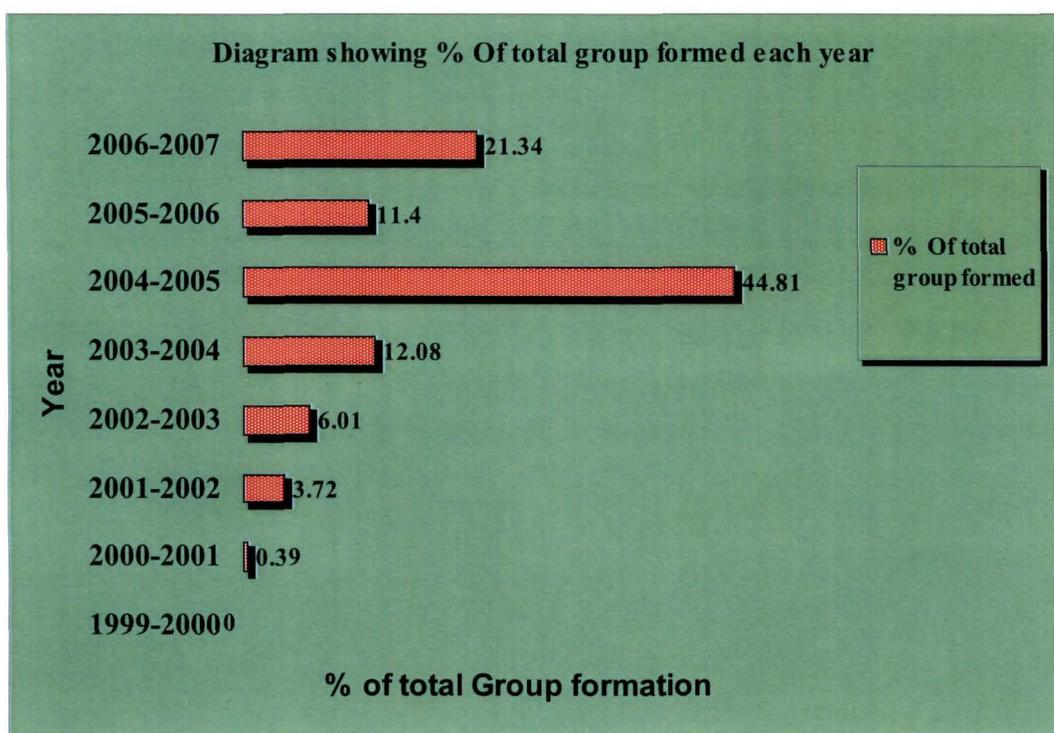
Group formation in Jalpaiguri district had grown at an exponential rate. In some cases it had grown more than the exponential rate. Consequently, significantly large numbers of groups were formed during 2004, 2005 and 2006. Sen (2004) stated that number of group formation will grow at an exponential rate and accordingly he has made a district wise projection of SHG formation for 2004, 2005 and 2006. Where as the number of actual groups were much higher than the projected figure.

The following diagram shows a bar graph of number of group formed.



During the year 2004-2005 total 8002 new SHG has been formed, which in turn cumulative figure had reached at 12009, i.e. 44.81% of total groups. Growth rate of SHG formation in that year had reached at 199.7%, which was 71.28% more than the growth rate of 2003-04. A graphical representation of year wise growth rate is given below.

During 2005-06, 2035 new SHGs were formed which was 16.94% of total group of the district upto 31 March, 2007. The following graph depicts the proportion of group formed in different year.



4.1.1 Blockwise Distribution of SHGs under SGSY in Jalpaiguri District.

Micro Finance movement started its journey in Jalpaiguri district since first 1st April 1999 with the formation of Self-help group in four blocks e.g. Maynaguri, Sadar, Dhupgury and Malbazar block. DRDC of Jalpaiguri district had initiated group formation especially in Maynaguri block as a pilot project. This block had been selected by the DRDC as one of the pilot project blocks in the West Bengal. The blockwise group formation in different year in cumulative figure is given in the following table (No: 4.1.C).

Table No: 4.1.C
Block wise SHGsformed since inception

| Block | Years | | | | | | | |
|-----------|-----------|---------|---------|---------|---------|---------|---------|---------|
| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| Sadar | 22 | 20 | 114 | 64 | 170 | 617 | 218 | 500 |
| Rajgang | 5 | 4 | 17 | 80 | 80 | 640 | 144 | 149 |
| Maynagury | 12 | 21 | 193 | 106 | 468 | 691 | 174 | 500 |
| Dhupgury | 0 | 2 | 82 | 146 | 295 | 916 | 127 | 233 |
| Mal | 3 | 3 | 9 | 25 | 366 | 649 | 118 | 124 |
| Matiali | 0 | 1 | 11 | 78 | 10 | 373 | 139 | 163 |
| Nagrakata | 0 | 0 | 16 | 12 | 32 | 353 | 162 | 78 |
| Falakata | 0 | 0 | 22 | 201 | 212 | 1011 | 150 | 448 |
| Madarihat | 0 | 0 | 6 | 17 | 82 | 601 | 120 | 300 |
| Kalchini | 0 | 10 | 111 | 84 | 153 | 333 | 176 | 135 |
| Ali-1 | 0 | 3 | 27 | 71 | 93 | 652 | 182 | 396 |
| Ali-ii | 0 | 4 | 21 | 99 | 86 | 671 | 160 | 282 |
| Kumargram | 0 | 2 | 35 | 91 | 110 | 495 | 171 | 497 |
| Total | 42 | 70 | 664 | 1074 | 2157 | 8002 | 2035 | 3811 |

Source: - Action Plans of DRDC, Jalpaiguri, for different years.

The above table depicts that due to the combined effort of DRDC & Block officials and Gram Panchayat, total 42 SHGs had been formed out of which 22 were in Sadar, 5 were in Rajgang, 12 were in Maynaguri and 3 were in Malbazar block in the initial year. In 2000-01, it has been started in all the blocks of this district except three blocks- Nagrakata, Falakata, Madarihat. During this year, total 70 SHGs have been formed in Jalpaiguri district. Sadar block contributed a large extent, which accounted for 60% of total group formed. In Maynaguri block 33 SHGs have been formed which was the second largest contribution for that year. In the third year since its inception, group formation has been started in all the blocks in this district.

In the third year (2001-2002) of SHG movement in Jalpaiguri district, total numbers of 664 new SHGs had been formed which was 3.72% of cumulative figure (17855) of entire district. Highest numbers (226) of SHGs had been formed in the Maynaguri block which represents 27.25% of total of group formation during that

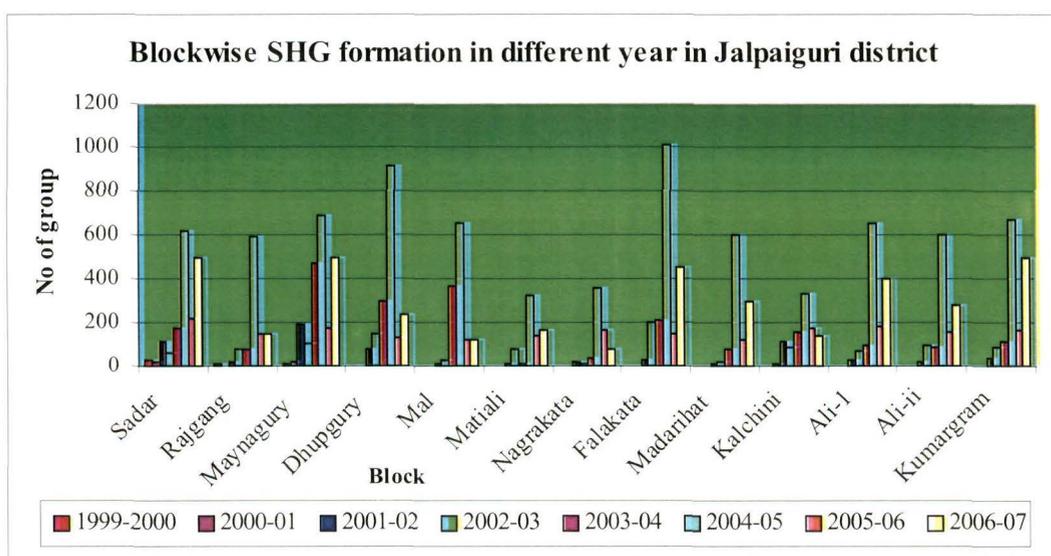
year. Group formation has been initiated in Madarihat block in 2001-02. Only six groups had been formed in its initial year. A significant number (111) of new groups had been formed in Kalchini block during that year. 92 (13.85% of total 664) groups had been formed in Sadar block in that year. In the Rajgang block 12 (1.81% of total 664) SHGs had been formed under the close supervision of DRDC and block officials and NGOs. In Dhupgury block 82 (12.35% of total 664) SHGs had been formed as a landmark of 2nd year of its journey in this block. It is important to note that only two SHGs had been formed in the previous year. Only 9 SHGs had been formed in the Malbazar block whereas that number was 11 in the Matiali block in this year. In the Nagrakata block 16 SHGs had been formed and 22 SHGs had been formed in the Falakata block. In the Alipurduar- 1 block 27 SHGs had been formed which was seven times of previous year. Whereas 21 SHGs had been formed in Alipurduar-11 which was more than five times of previous year. In the Kumargram block, as 2nd year of its journey 35 SHGs have been formed which was more than six times of previous year.

In 2002-03 total 1074 new groups had been formed in Jalpaiguri district which was 138.40% of previous year level. To constitute that number, the Falakata block had contributed significantly by 201 (18.71% of total 1074) SHGs. Dhupgury block occupied second position in respect of group formation. Total 146 SHGs had been formed in Dhupgury block which was 178.05 times of its previous year level. Though number of group formation had increased in nine blocks of this district, this number decreased in four blocks of this districts e.g. Sadar, Maynaguri, Nagrakata and Kalchini block.

In 2003-04 total number of new SHG has been increased by 1083, which was 100.84 % of previous year level. To build this amount, the contribution of Maynaguri block was significant (21.70% of total 2157). The number of groups formed has been increased in eleven blocks of this district e.g., Sadar, Rajgang, Maynaguri, Dhupgury, Malbazar, Nagrakata, Madarihat, Falakata, Alipurduar-I, Kalchini and Kumargram block whereas this number has been decreased in remaining six blocks e.g., Matiali, Alipurduar-II block. Total 366 SHGs had been formed in Nagrakata block which represent 16.97% of total 2157. Whereas 295 SHGs had been formed in the Dhupgury block which was 13.68% of total group formation in that year.

The year 2004-05 has been marked as year of SHG revolution in Jalpaiguri district. The number of groups formed reached at a new peak of 8002 which represents 3.71 times of the number of groups formed in the previous year SHG level. At the end of 8th year since its inception total 17855 SHGs have been formed in Jalpaiguri district out of which 44.81% of the total number had been formed during the year 2004-05. The number of groups formed had increased in all the 13 blocks of this district at an amazing rate. The Government of West Bengal had given a target number of SHGs to be formed to all the DRDCs of respective districts in West Bengal. In order to attain that standard, the DRDC of Jalpaiguri district had designed a framework and action plan. According to that action plan a target has been given to every block. All the concerned functionaries e.g., DRDC, Bank, block officials and NGOs had been taken serious effort to meet the selected target. The highest number of groups had been formed in Maynaguri block which was 12.13 % of the total 17855 and 3.17 times of previous year (2003-04). Number of group formation has been increased to about six times of previous year for five blocks e.g., Rajgang, Madarihath, Alipurduar-1 and Alipurduar-11 Kumargram. Where as, number of group formation had been increased to about six times of previous year for Nagrakata block.

The year 2004-05 was therefore a landmark year for the SHG movement in Jalpaiguri. The high growth rate gave a vital push for spreading the microfinance programme throughout the length and breath of the district. The phenomenon of 2004 is shown in the following diagram.



In order to through more light on to the matter of discussion a table containing blockwise total groups formed, growth rate of SHGs formed and percentage of total group formed is given bellow.

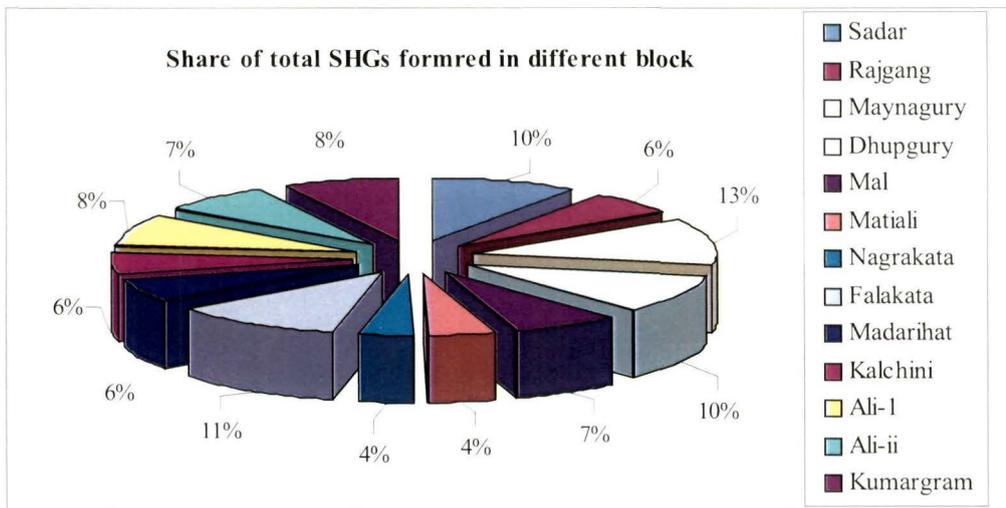
Table No: 4.1.D

Blockwise percentage of total groupsformation upto 31-03-2007

| Block | No of SHG formed since inception | % Of total SHG formed in Jalpaiguri | Growth rate of group formation |
|--------------|---|--|---------------------------------------|
| Sadar | 1725 | 9.66 | 70.84 |
| Rajgang | 1119 | 6.27 | 42.58 |
| Maynagury | 2165 | 12.13 | 71.87 |
| Dhupgury | 1801 | 10.09 | 58.42 |
| Mal | 1297 | 7.26 | 43.85 |
| Matiali | 775 | 4.34 | 33.92 |
| Nagrakata | 653 | 3.66 | 28.42 |
| Falakata | 2044 | 11.48 | 85.05 |
| Madarihat | 1126 | 6.31 | 54.16 |
| Kalchini | 1002 | 5.61 | 29.99 |
| Ali-1 | 1424 | 7.98 | 66.24 |
| Ali-ii | 1323 | 7.41 | 55.85 |
| Kumargram | 1401 | 7.85 | 64.06 |
| Total | 17855 | 100 | ----- |

Source: - Compiled from Action Plan of DRDC, Jalpaiguri district, 2007.

The above table (No: 4.1.D) shows that highest proportion of SHGs (12.13%) was formed in Maynaguri block. It is important to note that lowest proportion i.e. 3.66% of groups was formed in Nagrakata. In this respect, it can be highlighted that the proportion of group formation in the different blocks ranges from 3.66%-12.13%. The number of groups formed in the district continued to increase, but not at the pace of 2004-05. In the year 2005-06, 2035 groups were newly formed. At the end of 2006-07 the share of different blocks were as shown in the following diagram.

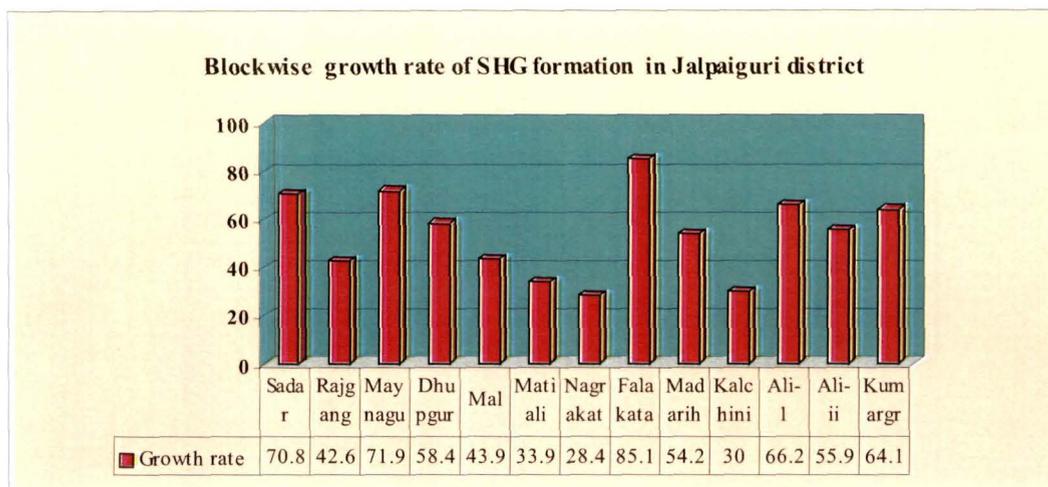


The above diagram and discussion clearly shows that the numbers of groups in all blocks are not uniform. This is because the growth rate was not uniform in all blocks. The discussions made above would be more transparent if the growth rate of group formation is calculated for the blocks individually. The annual growth rates were calculated using the following methodology

Growth rate of SHG formation was calculated on the basis of data on yearly group formation, which has given in table (No: 4.1.D). The reported growth rates have calculated through the use of time series analysis method with the help of SPSS software package.

The yearly growth rate of SHGs formation, as given in the above table, has shown highest percentage (85.05%) for Falakata block. On the other hand, the growth rate of SHG formation was significantly higher for Maynaguri block and Sadar block, which was 71.87% and 70.84% respectively. It is surprising to note that the growth rate of SHG formation was below 50% level for five blocks e.g. Rajgang, Malbazar, Matiali, Nagrakata and Kalchini. The growth rate of group formation was also lowest in this block.

Blockwise growth rate of SHG formation in Jalpaiguri district is shown in the following diagram.



The above table and figure shows that different blocks had different growth rates. This unequal growth rate of SHGs formed among the different blocks may be due to its atypical characteristic of different blocks in Jalpaiguri district. These are like as areas, number of female population, number of bank branches and number of GPs etc. The causal relationship among the above different factors with the number of groups formed is assessed in the following section.

Table No: 4.1.E

Blockwise distribution of total SHGs formed upto 31-3-07, areas, female population, BPL families, No of bank branches, No of GPs.

| Blocks | No of groups | Geographical Areas (Hec.) | BPL families | Female population | No of bank branches | No of GPs |
|-----------|--------------|---------------------------|--------------|-------------------|---------------------|-----------|
| Sadar | 1725 | 49715 | 21658 | 170984 | 16 | 14 |
| Rajgang | 1119 | 62924 | 24921 | 148758 | 11 | 12 |
| Maynagury | 2165 | 64384 | 33703 | 113598 | 11 | 16 |
| Dhupgury | 1801 | 55500 | 28750 | 166793 | 13 | 17 |
| Mal | 1297 | 53734 | 5502 | 120859 | 11 | 12 |
| Matiali | 775 | 20377 | 4150 | 45551 | 4 | 5 |
| Nagrakata | 653 | 27315 | 5886 | 49300 | 5 | 5 |
| Falakata | 2044 | 31385 | 15901 | 99487 | 11 | 12 |
| Madarihat | 1126 | 37606 | 9278 | 73684 | 7 | 10 |
| Kalchini | 1002 | 88166 | 16761 | 98677 | 7 | 11 |
| Ali-I | 1424 | 35908 | 19322 | 84065 | 8 | 11 |
| Ali-II | 1323 | 33186 | 19683 | 113370 | 10 | 11 |
| Kumargram | 1401 | 49817 | 15786 | 74080 | 7 | 11 |

Source: - Compiled from Action Plan of DRDC, Jalpaiguri district, 2007.

In order to find out whether the number of groups formed depended on the factors given in the table (No: 4.1.E), a regression equation was formed after a careful consideration of the relationship between the demographic factors and number of group formed. Number of groups formed, Y was taken as independent variable and explanatory variables were identified and defined as follows:

A = Geographical area per block.

W = Female population per block.

N = Number of bank branches per block.

G = Number of GPs per block

The hypothesis tested was

H_0 = No of groups formed does not depend on A, W, N, G.

H_1 = No of groups formed depends on A, W, N, G.

The numbers of BPL families were not included in the explanatory due to the following reasons – i) there were reported disputes and anomalies in the list and ii) there were some BPL families who had only male members and the groups were mainly women groups.

The regression equation as follows;

$$X = B_0 + B_1 A + B_2 W + B_3 N + B_4 G$$

All the explanatory variables have been logically combined to form above regression equation.

The calculated regression equation is given below;

$$Y = 62.544 - 0.0031 A - 0.0142^b W + 143.047^b N + 142.991^b G$$

(0.059) (-5.576) (-4.031) (3.116) (5.738)

- Figures in the parenthesis represent 't' values of the coefficients.
- $R^2 = 0.941$, $F^b = 31.884$. $D.W. = 1.93$
- b = significant at 1%.

The value of coefficient of determination (R^2) shows that the explanatory variables account for 93% of the variance in the number of group formed. However the regression coefficient for area is not significant and indicates that area of the blocks is not a determining factor for formation of SHGs.

The spread and outreach of SHGs in the different blocks of this district will be analysed with the help of different indicators. These indicators are – a) area per SHGs, b) population coverage per SHG, c) female population coverage per SHG, d) number of female population per SHG.

The outreach of SHGs in a block will be examined on the basis of its density, i.e. average area coverage of each SHG number of female population, number of bank braches etc. Blockwise different factors of outreach of SHGs is given in following table.

Table No:4.1.F

Blockwise different factors of outreach of SHGs.

| Block | Area per SHG (Sq Kms) | Share of Population per SHG | Share of female population per SHG | No of SHG per GP | No of BPL families per SHG |
|--------------|------------------------------|------------------------------------|---|-------------------------|-----------------------------------|
| Sadar | 28.82 | 191.37 | 99.12 | 123.21 | 12.56 |
| Rajgang | 56.23 | 280.74 | 132.94 | 93.25 | 22.27 |
| Maynagury | 29.74 | 110.00 | 52.47 | 13.31 | 15.57 |
| Dhupgury | 30.82 | 191.76 | 92.61 | 105.94 | 15.96 |
| Mal | 41.43 | 193.05 | 93.18 | 108.08 | 4.24 |
| Matiali | 26.30 | 120.32 | 58.77 | 155.00 | 3.54 |
| Nagrakata | 41.83 | 155.86 | 75.50 | 130.60 | 9.01 |
| Falakata | 15.35 | 101.51 | 48.67 | 170.33 | 7.78 |
| Madarihat | 33.40 | 135.16 | 65.44 | 122.60 | 8.24 |
| Kalchini | 87.00 | 202.64 | 98.48 | 91.01 | 16.73 |
| Ali-1 | 25.22 | 122.96 | 59.03 | 129.45 | 13.57 |
| Ali-ii | 25.08 | 177.84 | 85.69 | 120.27 | 14.88 |
| Kumargram | 35.56 | 109.84 | 52.87 | 127.36 | 11.27 |

Source: - Compiled from Action Plan of DRDC, Jalpaiguri district, 2007.

Above table depicts that the value of SHG density ranges from 15.87 and also highlighted that this density was very high in Falakata block meanwhile it was very low in Kalchini block. The most glaring cause behind low SHG density was the demographic peculiarity. The lion share of geographical areas of this block is covered by tea garden and forest. It can also be highlighted that the value of the density was same for Alipurduar-I and Alipurduar-II. On the other hand this level of density was near about equal (41.83%) for Malbazar and Nagrakata block.

Share of total population coverage per SHG as an important indicator is used to assess the depth of outreach of SHGs. The performance of outreach of SHGs is comparatively better if it covers comparatively lower amount of people. Above table shows that share of total population per SHG was comparatively very high in Rajgang block followed by Kalchini block. It signifies that there was ample scope to form new groups. Total population coverage per SHG was comparatively low in Falakata, Kumargram and Maynaguri block. It is interesting to highlight an important fact which depicts in field survey that a group in this district has on an average 12 members and they have 4-5 members in their family. This means that on an average 50-60 people may be linked with a SHG. It may be a standard that a SHG covers 50-60 people. It was evident that the share of total population per SHGs was much higher than 50-60 for all blocks in this district. Therefore lot of work has to be done to improve the situation.

The aim of group based modern microfinance programme is for feminisation of microfinance. To attain this goal, much effort had been taken to bring in more and more female member under the ambit of this industry through the development of women micro entrepreneurship in the rural areas. The guidelines of SGSY issued by the Ministry of Rural Development, Government of India, had also mentioned to form and more women SHGs in every block. As per this guidelines initiatives have been taken in different blocks in this district since 1999 to spread the outreach of SHG movement. Extent to which it was able to fulfil this objective will be assessed in the next section. Share of female population per SHGs in different blocks in this district is given in the above table.

The table (No: 4.1.F) depicts that this share of female population per SHG was comparatively very high in Rajganj block followed by Sadar, Kalchini Malbazar and Dhupgury block respectively. The field survey depicts an important fact that, on average a group has 12 members and each members' family has at least 3 women folk. Therefore, as a general phenomenon a SHG can covers at least 36 female in the society. Where as the above table shows that the share female member per SHGs for all the blocks ranges from 48-132. As it was stated earlier more than 98% of the SHGs formed were exclusively women groups. Therefore the figure calculated in the above table may increase if only female groups are considered for the analysis. Enthusiastically continuous effort is needed to increase the outreach of the microfinance movement through the reduction of share of female population per SHG.

Another limiting factor is used to assess the extent to which the SHG movement spread its cobweb among the BPL families in different blocks in this district. The guidelines of SGSY clearly described the maximum number of BPL members in a group. Therefore, out of a group of 12 members at least 8 members will be in BPL category. In this way, at least 8 BPL families is involved in a group. The table No (No: 4.1.F) Share of BPL families per SHG for five blocks were less than eight. Where as, the value of this share was comparatively higher in eight blocks in this district. In this case the SHPIs will have to take necessary steps to motivate the BPL family members to participate in the microfinance movement.

Another important factor is used to assess the extent of outreach of group formation in this district on the basis of SHG per GP. Blockwise number of SHGs per GP is given in the above table (No: 4.1.F). The table (No: 4.1.F) shows GP wise highest numbers of SHGs were formed in Falakata block followed by Matiali, Nagrakata Maynaguri block. This figure was comparatively low in Kalchini block. One of the glaring reasons behind this low performance was that, approximately 80% of the villages in this block are covered by tea garden. As it was stated earlier that SHGs formation in teagarden were started in 2006-07 and a very minimum number of groups were formed so far. Considerable amount of effort have to be taken for implementation of SGSY at full fledge in this block. All the concerned SHPIs have to

be taken aggressive steps to solve all kinds of administrative difficulties regarding group formation in the tea garden areas.

4.2 Cluster & Federations of SHGs in Jalpaiguri District

The status of clusters in Jalpaiguri district is discussed in the following section. The SHG based microfinance movement had been initiated in Jalpaiguri district in 1999. Till 31st March 2007, total number of SHG in this district have mounted to 17855. Effective monitoring and supervision is very much essential for the upliftment of the condition of the SHG members. In order to ensure effective monitoring of SHGs in the same locality, a formal organisation is formed. Cluster formation has started in Jalpaiguri district in 2003-04. As a pioneering effort, cluster formation was started in Maynaguri and Dhupgury block in this district. Yearwise cluster formation in different blocks is described below.

Table No: 4.2.A

Blockwise distribution of clusters in different years

| Block | Year | | | | Total |
|---------------|----------|-----------|-----------|-----------|------------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | |
| Dhupgury | 4 | 8 | 3 | 13 | 28 |
| Maynagury | 5 | 2 | 26 | 7 | 40 |
| Falakata | 0 | 0 | 5 | 6 | 11 |
| Malbazar | 0 | 0 | 11 | 2 | 13 |
| Matiali | 0 | 0 | 5 | 1 | 6 |
| Alipurduar-I | 0 | 0 | 0 | 6 | 6 |
| Alipurduar-II | 0 | 0 | 0 | 6 | 6 |
| Kumargram | 0 | 0 | 0 | 4 | 4 |
| Rajgang | 0 | 0 | 0 | 5 | 5 |
| Sadar | 0 | 0 | 0 | 2 | 2 |
| Kalchini | 0 | 0 | 0 | 2 | 2 |
| Madarihat | 0 | 0 | 0 | 2 | 2 |
| Nagrakata | 0 | 0 | 0 | 5 | 5 |
| Total | 9 | 10 | 50 | 61 | 130 |

Source: - Action plans of DRDC, Jalpaugiri, (Different years).

Above table shows that, till the end of 31st March 2007, total 130 clusters have been formed in all the blocks of this district. Most of the blocks in this district have started to form clusters in 2007, though it had started in two blocks since 2003-04. The following table depicts that total 2920 SHGs become the members of clusters. Total 31677 beneficiaries in this district become the general members of clusters. The following table also depicts about 16.35% of total SHGs in this district have been working under different clusters. Among the all blocks in this district, highest number of SHGs of Maynagury block have been able to form clusters. Where as lowest number of cluster have formed in Sadar block, Kalchini and Madarihat blocks. In response to the query as to why these blocks were lagging behind in cluster formation, the concern block officials have stated that a large number of clusters are under process and will be formed very soon.

Table No: 4.2.B

Blockwise comparison between total SHGs and cluster member SHGs

| Block | Total SHGs formed since inception | Total cluster member SHGs | Cluster members SHGs as % of total SHGs |
|---------------|--|----------------------------------|--|
| Dhupgury | 1801 | 675 | 37.48 |
| Maynagury | 2165 | 961 | 44.39 |
| Falakata | 2044 | 246 | 12.04 |
| Malbazar | 1297 | 258 | 19.89 |
| Matiali | 775 | 127 | 16.39 |
| Alipurduar-I | 1424 | 121 | 8.50 |
| Alipurduar-II | 1323 | 121 | 9.15 |
| Kumargram | 1401 | 80 | 5.71 |
| Rajgang | 1119 | 104 | 9.29 |
| Sadar | 1725 | 42 | 2.43 |
| Kalchini | 1002 | 41 | 4.09 |
| Madarihat | 926 | 41 | 4.43 |
| Nagrakata | 853 | 103 | 12.08 |
| Total | 17855 | 2920 | 16.35 |

Source: - Source: - Action plans of DRDC, Jalpaiguri, 2006-07.

4.2.1 Operational Dynamics of Cluster

As per the guidelines, each member SHG has selected 2 representatives for the cluster. Those representatives have selected 11 members for the executive committee, except Dhupgury which has 9 members in their clusters. Field survey disclosed that, the executive committees of all clusters are very active in supervising the operation of

SHGs. The SHGs in a cluster are located in different mouzas of a Gram Samsad. On the other hand, in most of the cases block office and other concerned offices are far away from the residence of SHG members. So for effective communication and supervision it involves time and cost. For the purpose, DRDC has given Rs. 7500/= per cluster as supervision expenses. Executive committee of most of the cluster argued that this fund was inadequate.

Cluster of this district operate in the rural areas through its hierarchical network. The executive committee use this network to spread the information among its member beneficiaries. In the same way, the members are able to fixed their information needs. The field survey highlighted that each cluster meet regularly to share the views and ideas. As per the mutual consent, all the groups pay their annual subscription to their cashier. Most of the groups in this district have settled their amount of annual subscription to Rs50 where as few others have fixed it to d Rs 150. The amount of admission fees for most of the clusters is Rs50 and Rs 100 for few SHGs.

As mentioned earlier in this chapter, a cluster may consist of 20-30 SHGs: It also proclaimed that, this number could be increased or decreased according to needs and situation.

The composition of cluster in Jalpaiguri district is discussed in the following section.

Table No: 4.2.C

Composition of clusters in Jalpaiguri district

| No of SHGs in a cluster | No of clusters |
|--------------------------------|-----------------------|
| Less than 20 | 3 (2.3%) |
| 20-22 | 68(52.3%) |
| 23-25 | 20(15.3%) |
| 26-28 | 19(14.6%) |
| 29-31 | 17(13.0%) |
| More than 32 | 3(2.3%) |
| Total | 130 |

Source: - Action plan of DRDC, Jalpaiguri 2007-08. (% Shows in the parenthesis)

The above table depicts that maximum number of total cluster in this district has been formed with 20-22 SHGs. A few clusters have been formed with less than 20 SHGs. On the other hand only 2.35 of total clusters have been formed with more than 32 members. This means that 94% of the clusters in the district with 20 to 30 members. This practice is in line with the policies and norms of DRDC.

The guidelines stated that comparatively old edged and potential SHGs in a GP would be taken under a common shed to augment the sustainable development of its all members. The aim of this approach is to ensure the equitable development of all the groups in the same GP. The amended guidelines (2006-07) stated that instead of cluster at the GP level, sub cluster is to be formed at each Samsad where a GP has more than 100 SHGs. This guideline have only been implemented in 2007-08, so upto 31st March 2007 all the cluster have been formed at the GP level instead of sub cluster. The following table shows that maximum number of cluster has been formed with 2-3 years old aged group. On the other hand minimum number of cluster have been formed with more than 5 years old aged group. From the following table it can be concluded that most of the clusters have been formed with SHGs having 2-4 years vintage period.

Table No: 4.2.D

Distribution of clusters on the basis of vintage of member SHGs

| Vintage of member SHGs (on Average) | No of clusters |
|--|-----------------------|
| Upto 2 years | 20 |
| More than 2-3years | 72 |
| More than 3-years | 20 |
| More than 4-5 years | 9 |
| More than 5 years | 9 |
| Total | 130 |

Source: - Action plan of DRDC, Jalpaiguri, 2007-08.

As per the guideline of SGSY, every cluster has to open a bank account with the local bank branch as per their convenience. Banks play catalytic role in fostering cluster base SHG movement. Bank is instrumental to sensitise and stabilise the SHGs

so that every member can acts as an effective stakeholder of cluster. The performance of different banks in Jalpaiguri district is examined with the help of following table.

Table No: 4.2.E
Bank wise distribution of clusters

| Name of the bank | No of cluster |
|------------------|---------------|
| SBI | 26 |
| CBI | 24 |
| UBKGB | 52 |
| PNB | 4 |
| SYND | 7 |
| UBI | 4 |
| UCO | 9 |
| ALLB. | 4 |
| Total | 130 |

Source: - Action plan of DRDC, Jalpaiguri, 2007-08.

Total 149 branches of 18 banks are operating through in this district in different blocks. As stated in the Bank Linkage chapter that every branch has a sizable number of SHGs but only eight banks have been involved in cluster formation so far. The table depicts that highest number of clusters in this district have been linked with the UBKGB. On the other hand, five banks e.g. Punjab National Bank, Syndicate Bank, United Bank of India, UCO Bank and Allahabad bank has very few clusters. The banker of respective banks has argued that a large number of applications for cluster formation is pending and lies in the hand of bank branches. It will be cleared as soon as possible.

Cluster formation is a new phenomenon in this district. The aim is to form horizontal integration of SHGs. It has been observed that very few clusters have initiated economic activities, most of them are acting as a coordinating bodies for social activities. Since economic activities are diversified even within a GP, it is somewhat difficult to horizontally integrate the SHGs. However, success stories of social activities of clusters can now be heard. For example, Mangaldeep cluster of Jharalta II GP in Dhupgury block have given the members required confidence to get

involved indifferent social activates like pulse polio programme and sanitation works. Organised efforts of women beneficiaries of clusters have stopped liquor and drug trading in the villages on several occasions. They remain ever vigilant against the possibility of occurrence of any social evils. Other clusters like Akashdeep and Subhadeep clusters also extended helping hand to the society in the form of organisation of blood donation camps, conducting blood test in the malaria prone areas in this district.

As a lager integrating body of SHGs only two federations were formed in Jalpaiguri – one in Maynagury and another in Dhupgury block. The federation in Dhupgury block consisted of 110 SHGs with 2332 beneficiaries and the federation in Maynagury block consisted of 121 SHGs with 2826 beneficiaries. The executive committee of the federation organised meetings on the 7th day every month at the Federation House which has been established by out of the infrastructure development fund of this districts. Rules and standards have been established by the executive authority with the consultation of DRDC Jalpaiguri. These federations operate on the basis of defined standards and norms. Executive body collects yearly subscription at their annual general meetings which they use to keep in bank in the name of federation. As per the recommendation of executive body and demand from the beneficiaries, the federations provide loan to the beneficiaries / SHGs for their social and economic activities. The federations are however only in an infant stage and not been able to initiate and integrate the economic activities of SHGs on large scale.

4.3 Funding Pattern and Financial procedure

The spread and success of the SGSY cannot be comprehensively assessed if the funding pattern and expenditure patterns are taken into consideration. The government of India has been stressing on this programme and allocating increasing amount of funds for spread of more and more SHGs in India. SGSY has taken 3 years of the Ninth Plan and the full Tenth Plan period to reach the existing level of progress. Total allocation during Tenth Five Year Plan period towards this scheme Rs 5,954 crore, out which central allocation and state allocation was Rs 4,468 crore and Rs. 1,486 crore respectively. Total investment during 10th plan was Rs 12,363 crore, of which credit disbursement was Rs 8,229 crore and Subsidy disbursed - Rs. 4,034 crore (Tenth Five year Plan document)

The guidelines of SGSY (issued by the Ministry of Rural Development, Government of India, dated 28-05-2002) describe that Swarnajayanti Gram Swroozgar Yojana is a centrally sponsored scheme and the financing of the programme will be shared between the Centre and the States in the ratio of 75: 25. The central allocation earmarked for the state will be distributed in relation to the incidence of poverty in the States. However, additional parameters like absorption capacity and special requirement will also be taken into consideration during the course of the year. Devolution of funds to the district will be indicated by the states and approved by the Government of India. Government of India will release the funds directly to the DRDCs. Devolution to the blocks may be decided by the governing body of the DRDC based on level of poverty and other local factors. Re allocation may be made by the DRDC within a district. This can be made during January for the remainder of the financial year.

Concentrating on Jalpaiguri it is encouraging to find that that the funds have been increasing as evident from the table.

Table No : 4.3.A

Yearwise release of funds from different sources (Rs. In Lakhs)

| Release | Years | | | | | | | |
|---|----------------|---------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| Opening Balance (1 st April) | 497.941 | 602.57 | 536.144 | 553.934 | 499.734 | 331.694 | 24.59 | 14.6 |
| Release | 7.393 | Nil | Nil | Nil | Nil | 68.20 | 119.80 | 126.58 |
| Misc. Receipts | 4.888 | Nil | Nil | Nil | 28.42 | 10.15 | Nil | 34.91 |
| Central Release | 173.32 | Nil | 50.38 | Nil | Nil | 123.60 | 329.42 | 379.75 |
| Total | 683.542 | 602.57 | 586.524 | 553.934 | 528.154 | 533.644 | 473.81 | 555.84 |

Source: - Compiled from Annual Reports of DRDC, Jalpaiguri (Different years)

In the initial year (1999-2000) total available fund for Jalpaiguri district was Rs. 683.542 lakh with the opening fund Rs 497.941 lakh which mounted to 72.84% of total available fund. This opening balance was composed with the unused funds of previous antipoverty programmes like IRDP, MWS etc those were converted into

SGSY fund. Total Rs180.713 lakh was contributed by the Centre and state during 1999-2000 in the ratio of 23.44: 1. The first year of SGSY ended with the closing balance of Rs.602.57 lakh. In the initial year, due to lack of proper planning about the flow of funds, a huge amount of available funds became idle. Which in turn, nothing has released by both of the authority in the second year i.e. 2000-2001. As a result all expenditure in second year has been made with the unused fund of first year i.e. Rs. 602.57 lakh. Improper financial management at the takeoff stage in the 2nd year resulted into a big amount of unexploited funds. Third year (2001-2002) of journey of SGSY in Jalpaiguri district begun with the opening balance of Rs.536.144 lakh. A very small amount was released by the Central Government to run this scheme as smoothly as possible.

Total expenditure made in the year 2001-2002 was not up to the level to use the released fund of earlier years, as a result of which total closing balance at the end of 2001-2002 mounted to Rs. 553.934 lakh.

The entire activities of SGSY in the Jalpaiguri district have been performed in 2002-03 with the available opening balance which has not been used in the previous year. Nothing had been released by both of the authority; central as well as state, as SGSY fund for this district during 2002-2003. It is important to note that the total expenditure of that year could not consume the total fund available for the same. The total available fund for the next year i.e. .in 2003-2004 stood at Rs.528.154 lakh which included Rs 28.42 as interest on deposit and remaining amount Rs 449.734 lakh as opening balance. The journey of SGSY in Jalpaiguri district for the year 2004-2005 begun with the opening balance of Rs 331.694 & ended with the closing balance of Rs 24.59 lakh. Total available funds during 2005 –2006 stood at Rs. 473.81 lakh. Year wise vivid information about the different heads of expenditure with its share in total expenditure is given in the following table.

Table No: 4.3.B**Yearwise different heads of expenses (Rs. In Lakhs)**

| Heads of Exp. | Year | | | | | | | | Total |
|----------------------------|-------------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 | |
| Revolving Fund | Nil | 7.300 (11) | 9.300 (28.5) | 11.289 (20.83) | 80.37 (28.7) | 108.49 (20.64) | 188.05 (36.89) | 217.29 (40.61) | 622.089 (30.09) |
| Subsidy | 36.88 (45.5) | 4.523 (6.8) | 7.400 (22.7) | 10.108 (18.65) | 21.44 (7.65) | 63.34 (12.05) | 38.67 (7.58) | 52.52 (9.81) | 234.881 (11.36) |
| Infra. Dev. | 0.970 (1.2) | 12.40 (18.7) | 12.31 (37.7) | 13.510 (24.92) | 139.62 (49.81) | 106.12 (20.19) | 54.91 (10.77) | 125.13 (23.39) | 464.97 (22.49) |
| Training/BOP | 0.101 (0.12) | 3.071 (4.6) | 3.080 (9.4) | 3.540 (6.53) | 10.15 (3.62) | 176.5 (33.58) | 162.25 (31.82) | 101.47 (18.96) | 460.162 (22.26) |
| 2nd Dose | Nil | Nil | Nil | Nil | 11.60 (4.14) | 25.3 (4.81) | Nil | Nil | 36.9 (1.78) |
| Misc. Exp. | 0.576 (0.71) | 0.109 (0.2) | Nil | Nil | 16.84 (6.00) | 45.86 (8.73) | 27.54 (5.40) | 38.67 (7.23) | 129.595 (6.27) |
| Adm. Exp. | 36.486 (45.04) | 38.98 (58.7) | NA | 15.753 (29.2) | NA | NA | 27.20 (5.34) | NA | 118.419 (5.73) |
| Total Exp. | 81.01 | 66.38 | 32.59 | 54.20 | 280.3 | 525.61 | 509.74 | 535.08 | 2067.01 |

Source: - Compiled from the Annual Reports of DRDC, Jalpaiguri (different years)

* Figure in the parenthesis shows percentage of total expenditure

The table shows that in 1999-2000, lion share of SGSY fund was spent as Subsidy and Administrative expenditure. Though, SGSY guidelines have clearly stated the phase of subsidy disbursement. According to it, subsidy will be disbursed to the 2nd graded SHGs. Where as, full amount of subsidy i.e. Rs 36.88 lakh was disbursed to the erstwhile DWCRA groups for their revival. The purpose of subsidy for the 2000-01 was same, i.e. it was also for the revival of erstwhile DWCRA groups. It can be highlighted from the above table that 11.36% of the aggregate expenditure of eight years was spent as subsidy.

Revolving fund, interest free financial assistance, is provided to 1st graded groups under SGSY in order to increase their resource base. The SGSY guidelines have defined the maximum ceiling of provision for revolving fund i.e. 10% of the allocation. Proportion of Revolving Fund as a percentage of total expenditure per year was ranging from 11%-30.09%. It was reached at its peak during 2006-07 with 40.61%. It was because of large number of SHGs had been passed their 1st grading test during the last quarter of 2005-06. As a result, revolving fund had issued to them during 2006-07 and quantum of revolving fund was increased.

There is a provision of training fund under SGSY for the upgradation of skill of the swarozgaries. The guidelines of SGSY has described that 10% of the SGSY fund will be allocated for training expenditure. It is shown from the above table that the share of training expenditure to total expenditure in Jalpaiguri was within the range of 0.12%- 3.62% during the first five years. DRDC and other SHGs monitoring agencies were unable to arrange training programme for the beneficiaries. They were mainly busy to form new groups to fulfil the proposed target. The qualitative aspect of SHG movement was not in focus. Later on, it had given more emphasis on the sustainability of SHG movement from 2004-05 and afterward. Nodal agency of SGSY and other monitoring agencies had given aggressive step to make arrangement for the training. They had selected various training organisation for skill development training and also identified resource persons for imparting training in different places. The share of training expenditure to aggregate total expenditure of eight year stood at 22.26%. It was quite higher than the quantum of expenditure that was specified in guidelines. Details in this regard have given in the training chapter of this study.

The significant point to note that after 2004-05, despite the increase in central & state releases, the closing balance declined, indicating that the fund received was expended for different purposes under the Yojana. It would therefore be interesting to explore into the volume and pattern of expenditure made for operation of SGSY in the district.

4.3.1 Pattern of Expenditure for SGSY in Jalpaiguri district

Questions are often raised as to whether the funds released are appropriately utilized. There are two dimensions related to the answer to the question. The first deals with the volume of expenses made as a % of total fund available and the second

dimension deals with the facts whether the expenses have been appropriated in the guidelines. Regarding the first dimension, following table analyses the % of expenditure to total funds available.

Table No: 4.3.C
A distribution of yearwise expenditure on the basis of total available funds

| Year | Total available fund | Total expenditure | % Of total available fund |
|-----------|----------------------|-------------------|---------------------------|
| 1999-2000 | 683.542 | 81.01 | 13.44% |
| 2000-2001 | 602.57 | 66.38 | 11.5% |
| 2001-2002 | 586.524 | 32.59 | 5.24% |
| 2002-2003 | 553.934 | 54.20 | 9.41% |
| 2003-2004 | 528.154 | 280.3 | 33.9% |
| 2004-2005 | 533.644 | 252.61 | 91.24% |
| 2005-2006 | 473.81 | 509.74 | 88.44% |
| 2006-2007 | 555.84 | 535.08 | 96.26% |

Source: - Annual Report of DRDC, Jalpaiguri (Different years)

The table reveals that, in the initial year, only 13.44% of total available fund were used for the different heads of expenditure. This proportion came down to 5.24% in the third year i.e. in 2000-2001 and raised the eyebrows of mans. The volume of total expenditure has taken an upward trend since 2003-04 and onwards. The rate climbed to 91.24%in 2004-05, 88.44% in 2005-06 and 96.26% in 2006-07 respectively showing that with maturity of the scheme, the utilization of the funds were being made to the full. Regarding the second dimension i. e. appropriation of fund under different heads and their utilization the following discussion would be of considered weight.

Ordinarily DRDCs are expected to take prompt action for the judicious allocation of funds towards the different heads of expenditure among the different blocks. To allocate the fund among the different blocks, DRDC of Jalpaiguri district prepares budgets/ action plans regularly in advance for the next financial year.

Funds are required for training and capacity building including basic orientation, skill development entrepreneurship development, revolving fund for SHGs, subsidy for economic activities, infrastructure development and various type of administrative expenses. Among the different heads of expenditure, basis of priority of expenditure may vary from state to state because of heterogeneity of socio

economic status among the states. The amended guidelines of SGSY (28th May2002) should be highlighted in this regard.

The guidelines of SGSY clearly stated few eligible items of expenditure. To describe these, the guidelines pointed out that; each DRDC may incur expenditure on the following items only from the funds provided for SGSY.

- 1) SGSY Training Fund.
- 2) SGSY Infrastructure Fund.
- 3) Provision for revolving fund to SHGs.
- 4) Subsidy for economic activities.

For administration, separate funds through a distinct centrally sponsored scheme of 'DRDC administration' will be provided.

The amended guidelines stated that the DRDCs may prioritize the expenditure on different components i.e. training on capacity building, revolving fund and subsidy for economic activity, based on the local requirements and different stages of group formation.

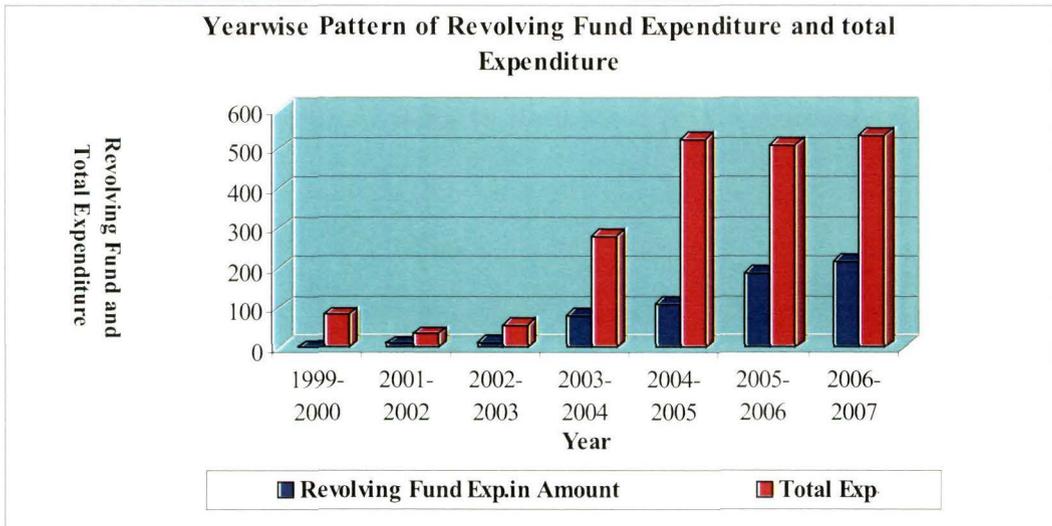
The DRDCs may, however, ensure that there is a balance between the expenditure proposed for different items. The prioritization may be done at the commencement of the year and the expenditure monitored on the basis. However, the expenditure on infrastructure will not exceed 20 % of the total annual allocation. Asset creation for the Swarozgaris is one of the core objectives of the SGSY. The prioritization of expenditure on the various items should therefore be done in such a manner that the amounts earmarked towards subsidy for asset creation are not only sufficient to meet the requirements of the SHGs which are ready for economic activities but also of the individual Swarozgaris whose home viable projects have been identified. An amount up to Rs 5 lakhs annually may be spent from the funds available under the scheme on management of professional input related to marketing research, value addition or product diversification or any other input which would facilitate marketing of the procedure ultimately in additional income to the Swarozgaris.

The different heads of expenditure needs to be discussed in detail so as to bring out the utility of making expenses under these heads. Attempt will be made to explore the relationship between the fund expended and the proportion of groups.

4.3.2 Revolving fund

Every SHG that is in existence at least for a period of six months and which has demonstrated the potential of a viable group receive a revolving fund. Amount of this fund is issued by the DRDC to the respective bank. The quantum of revolving fund was Rs 10000/- initially. This trend had continued to the end of the year 2004-2005. The quantity of this fund had been revised in the amended guidelines, which was issued by the Government of India. The new guidelines established a relationship between group corpus and quantum of revolving fund. The maximum ceiling of revolving funds for a group became Rs 5000. This quantity will be less if the quantity of group corpus is less than Rs5000. As a result, during the first few years, comparatively larger amount had been spent as revolving fund to cater the lesser number of groups. At this juncture it is important to highlight the status of revolving fund in the Jalpaiguri district.

In the initial year, only a handful of new SHGs had been formed and a negligible number erstwhile DWCRA group had been converted into SHG under SGSY. The functionaries of SGSY were busy to formulate the plan for future activities. There was no first graded group during 1999-2000 in this district. Virtually there was no question of Revolving Fund in that very year. First grading of SHGs has been initiated in this district during 2000-01 and lead to granting of revolving fund. Share of this expense out of total expenses in 2001-2002 had reached at the peak level with 28.536% (noted in Table No: 4.3.B). The quantum of revolving fund expenditure increased gradually and reached at highest level in 2006-07 with Rs. 217.29 lakh. As total expenses in 2006-07 became highest (Rs. 535.08 lakh) the amount of revolving fund expenditure also climbed up. The following figure describes the pictorial representation of pattern of Revolving Fund expenditure.



In the above figure, we have taken yearwise total amount of Revolving Fund expenditure and the proportion of Revolving fund out of total expenditure of each year. It is clear from the above figure that total amount of revolving fund expenditure was lower than the proportion of total expenditure. It signifies that, comparatively lower amount has been spent on RF during the first three years but the proportion of RF to total expenditure was higher in the later year.

Yearwise distribution of amount Revolving Fund, total 1st Graded Groups and Total available Funds is given in the following table (No: 4.3D)

Table No :4.3.D
Yearwise distribution of amount Revolving Fund, total 1st Graded Groups and Total available Funds (Rs. in lakh)

| Year | Revolving Fund | No of 1 st graded group | Total available fund |
|-----------|----------------|------------------------------------|----------------------|
| 1999-2000 | 0 | 0 | 683.542 |
| 2000-2001 | 7.3 | 123 | 602.57 |
| 2001-2002 | 9.3 | 276 | 586.524 |
| 2002-2003 | 11.289 | 460 | 553.934 |
| 2003-2004 | 80.37 | 1061 | 528.154 |
| 2004-2005 | 108.49 | 2027 | 533.644 |
| 2005-2006 | 188.05 | 3838 | 473.81 |
| 2006-2007 | 217.29 | 4346 | 555.84 |

Source: - compiled from Annual Report of DRDC Jalpaiguri (Different year)

Out of different heads of expenditure, subsidy as another head of expenditure is discussed in the next section

Since, revolving fund is given to the 1st graded groups only, it can be presumed that as the number of groups with 1st grading increase the amount of expenditure under this head also increases. To test this, the following hypotheses were formulated.

Null Hypothesis: The quantum of Revolving fund does not depend upon the number of 1st graded groups and total available fund.

Alternative Hypothesis: The quantum of Revolving fund depends upon the number of 1st graded groups and total available fund.

Regression analysis results

| Explanatory variables | Beta co-efficient | (t) | R-Square | F* |
|-----------------------------|-------------------|--------|----------|---------|
| Number of 1st graded groups | 0.966* | 12.607 | 0.983 | 144.553 |
| Total available funds | -0.038* | -0.499 | | |

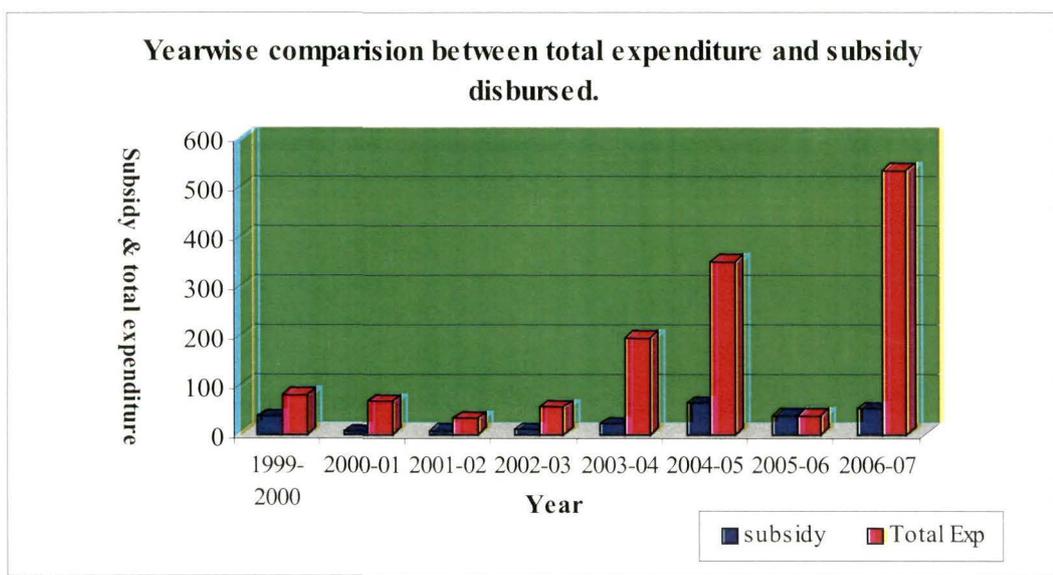
* Significant at 5% level

Taking the number of 1st graded groups and total available funds as the independent variables and the amount of revolving funds as the dependent variable, regression analysis was carried out taking the total sample SHGs. The results are given above in the table form. The results shows that the β co-efficient is negative for total amount of funds indicating that with the rise of total available funds, amount of revolving fund expenditure decreases. Where as β co-efficient is positive for total numbers of 1st graded groups indicating that amount of revolving fund depends on the numbers of 1st graded group. R- square point out that more than 98% of the variation in amount of revolving funds is explained by the amount of total available funds and total number of 1st graded groups which is significant.

4.3.3 Subsidy

The SGSY provides subsidised financial assistance to the legitimate beneficiaries. A group will be entitled to consume subsidy after successful completion of its 2nd grading, which is the litmus test of viability. The group has to put forward a

project proposal that they desire to start and it is noted in time of 2nd grading. Subsidy under the SGSY for group of Swarozgaris (SHGs) would be 50% of the project cost subject to per capita subsidy of Rs 10000/-or Rs125000/-whichever is less. There is no monetary limit on subsidy for irrigation projects. The following table (No:4.2.E) depicts the pattern of a disbursement of subsidy in the different year in the district. It is clear from the above table that highest amount of subsidy disbursed in the initial year as Rs36.880 lakh. This amount disbursed mainly to the individual Swarozgaris because there was no second graded group in that year. Afterward this amount ranges between Rs 4.52 lakh to Rs 63.34 lakh. The mount of subsidy disbursed in 2001-02 stood at Rs 7.4 lakh. Out of the all years, highest amount of subsidy had been described in 2004-05 which was Rs.63.34 lakh. The following diagram depicts the comparison between the pattern of total expenditure and subsidy disbursed.



Subsidy, a financial support, provides to the 2nd graded SHGs so that they will be capable to run microenterprises smoothly.

The causal relationship among the quantum of subsidy and number of groups as well as amount of total available fund will be established in the following section. The yearwise distribution of amount of subsidy and number of 2nd graded group is shown in the following table.

Table No: 4.3.E
Yearwise distribution of amount of subsidy and total amount of available fund and number of 2nd graded group

| Year | Subsidy (Rs. in lakh) | No of 2 nd graded SHGs | Amount of available fund (Rs in lakh) |
|-----------|-----------------------|-----------------------------------|---------------------------------------|
| 1999-2000 | 36.88 | 0 | 683.542 |
| 2000-2001 | 4.523 | 0 | 602.57 |
| 2001-2002 | 7.400 | 0 | 586.524 |
| 2002-2003 | 10.108 | 1 | 553.934 |
| 2003-2004 | 21.44 | 18 | 528.154 |
| 2004-2005 | 63.34 | 94 | 533.644 |
| 2005-2006 | 38.67 | 86 | 473.81 |
| 2006-2007 | 52.52 | 811 | 555.84 |

Source: - Compiled from Annual Report of DRDC Jalpaiguri (Different years)

Since, subsidy is given to the 2nd graded groups only, it can be presented that as the number of groups with 2nd grading increase the amount of subsidy also increases. On the other hand the amount of any expenditure is logically based on availability of funds. Base on the above premises, the following hypotheses was framed.

Null Hypothesis: The quantum of subsidy does not depend upon the number of 2nd graded groups and total available fund.

Alternative Hypothesis: The quantum of subsidy depends upon the number of 2nd graded groups and total available fund.

Regression analysis was carried out taking numbers of 2nd graded groups and amount of total funds available funds as independent variable and amount of subsidy as dependent variable.

Regression Analysis Results

| Explanatory variables | Beta co-efficient | (t) | R-Square | F* |
|--|-------------------|--------|----------|-------|
| Numbers of 2 nd graded groups | 0.433* | 1.106 | 0.237 | 0.778 |
| Total available funds | -0.191** | -0.487 | | |

* Significance at 1% level. ** Significant at 5% level

The results are given above in the table form. The results shows that the β co-efficient is negative for total amount of funds indicating that with the rise of total available funds, amount of subsidy decreases. Where as β co-efficient is positive for total numbers of 2nd graded groups indicating that amount of subsidy depends on the numbers of 2nd graded groups. R- square point out that only 23% of the variation in amount of subsidy is explained by the amount of total available funds and total

number of 2nd graded groups. But the results are not significant and the null hypothesis is accepted.

4.3.4 Infrastructure development

The success of Micro Enterprises depends upon a very essential component that is proper and effective infrastructure. The infrastructure may be either for production, processing, quality testing, storage or marketing. It should be noted that the funds available for providing infrastructure support under SGSY are primarily to bridge small gaps in infrastructure which can make the programme implementation more effective. Funds for infrastructure development should, in no case be used to augment resources of the state government for development of general infrastructure. In order to meet expenditures on such infrastructure, SGSY will provide for a fund, which will be known as SGSY infrastructure fund. The DRDCs are advised to utilise this fund to generate additional funding wherever feasible.

The table (No:4.3.F) depicts the pattern of expenditure on infrastructure development in Jalpaiguri district. At the beginning, the quantum of this expenditure was very minimum because of initialization of this project in the district. The total expenditure in 1999-2000 was Rs 81.013 lakh whereas expenditures on infrastructure development stood at the Rs 0.970 lakh which was 1.2% of total expenditure. Initially the policymakers at the district level were in dilemma to pave the way for future. The above table shows that this expenditure fluctuated in different years since inception of this scheme. This expenditure reached the summit in 2004-05 with Rs 139.62 lakh followed by Rs 125.13 lakh in 2006-07. It is important to note that, the highest proportion of total expenditure made on this head in 2003-04 with 49.81 % followed by the 37.7 % in 2001-02. The amount of expenditure was approximately same in 2nd, 3rd, and 4th year. Huge amount of fund was spent in 2003-04 and 2004-05 to provide infrastructure facility to the Swarozgaris as construction of training hall, Swambhar Vaban, laboratories for mushroom spawn and others purposes and to provide marketing support to the beneficiaries. A detail of infrastructure development under SGSY in different blocks is shown in the following table.

Table No: 4.3.F

Blockwise infrastructure development under SGSY (Rs in Lakh)

| Block | Swayambhar Bhawan | | Hat Shed, Stalls & Wayside Amenities Centers | | | | Picnic Spot | |
|-----------|-------------------|--------|--|-------------|-----------------|-------|-------------|-------|
| | No | Amt | Hat (No) | Stalls (No) | Am. Centre (No) | Amt | No | Amt |
| Sadar | 2 | 12.00 | 2 | 2 | 2 | 8.00 | 0 | 0 |
| Rajganj | 2 | 12.00 | 1 | 1 | 3 | 12.00 | 0 | 0 |
| Maynaguri | 2 | 12.00 | 2 | 2 | 2 | 8.00 | 3 | 17.00 |
| Dhupguri | 3 | 18.00 | 1 | 1 | 2 | 8.00 | 0 | 0 |
| Mal | 2 | 12.00 | 2 | 1 | 3 | 12.00 | 1 | 3.50 |
| Matiali | 2 | 12.00 | 2 | 1 | 1 | 4.00 | 1 | 4.00 |
| Nagrakata | 2 | 12.00 | 1 | 1 | 2 | 8.00 | 0 | 0 |
| Falakata | 2 | 12.00 | 2 | 2 | 1 | 4.00 | 1 | 2.00 |
| Madarihat | 2 | 12.00 | 2 | 1 | 2 | 8.00 | 1 | 6.00 |
| Kalchini | 2 | 12.00 | 1 | 1 | 1 | 4.00 | 0 | 0 |
| APD-I | 2 | 12.00 | 2 | 1 | 1 | 4.00 | 2 | 5.97 |
| APD-II | 2 | 12.00 | 2 | 1 | 0 | -- | 0 | 0 |
| Kumargram | 2 | 12.00 | 2 | 1 | 0 | -- | 0 | 0 |
| Total | 27 | 162.00 | 22 | 16 | 20 | 80.00 | 9 | 38.47 |

Source: - Compiled from Annual Report of DRDC Jalpaiguri (2006-07).

Above table shows that at least two Swayambhar Bhawans were constructed in each block in this district so far as to provide infrastructure support to the SHGs. All the SHGs have been using this infrastructure for their meetings, workshop and training programmes etc. To provides marketing support, total 22 hats and 16 stalls has been constructed so far. Nine picnic spot has been developed by the different groups in this district with the help of infrastructure fund. In most of the cases, 10 to 15 groups jointly have been initiated this type of venture.

4.3.5 SGSY Training Funds

The success and sustainability of any kind of self-employment depends to a large extent on the skills of the beneficiaries. SGSY provides a number of measures for upgrading the capacity of Swarozgaris both in individual as well as group oriented activities. It involves a two fold training system. The Swarozgaris are put through a basic orientation programme after the loan is sanctioned and before it is disbursed. This mandatory programme may be organised at the block headquarters, not far from the place of residence. This basic orientation seeks to familiarize the Swarozgaris with

SGSY and its objectives, the responsibilities of Swarozgaris with the SGSY and its objectives, as well as the behavioural aspects. Training Expenses like training material, honorarium to resource persons, travel and food expenses of Swarozgaris can be met by DRDC from SGSY Training Fund. The stipend for the Swarozgaris is not admissible in this Basic Orientation Programme under SGSY.

In the next stage, Skill Development Training provides to upgrade the skill and knowledge of the identified Swarozgaris those who want to start new economic key activities. The objective of this training is to ensure that the Swarozgaris possess the Minimum Skill Requirement (MSR). For this training Swarozgaris are entitled for financial assistance if they are required to undergo training or more than a week. The rate of assistance may be fixed locally. Government institutions like engineering colleges, ITI's, polytechnics, universities, and NGOs may be approached to imparting training. The DRDC is authorised to meet the expenses, incurred by the training institution for conduct of the training programme, from out of the SGSY- Training Fund, but such expenses should not exceed Rs 15 per trainee per day.

The guidelines clearly defined that, upto 10% of SGSY funds will be set aside as training fund and will be utilised to provide both orientation and training programmes to the Swarozgaris. The DRDC is entitled to meet the expenses, incurred by the training institutions through the basic orientation and skill development training from out of the SGSY-Training Fund in the following manner: --

(i) The institutional training cost may be fixed at Rs 15 per day per trainee only for imparting training, if no boarding and lodging facility is provided to the participants, and at Rs 25 (amended to Rs 35 from 2002) per day per trainee in case the institution provides boarding and the lodging also with training.

(ii) If the institution does not provide boarding and lodging then the participants may be paid Rs 15/- (amended to Rs 25 from 2002) per day per trainee to meet the cost of boarding and lodging.

(iii) Swarozgaris may be allowed one time to and fro travelling cost from their place of residence to the Training Institute.

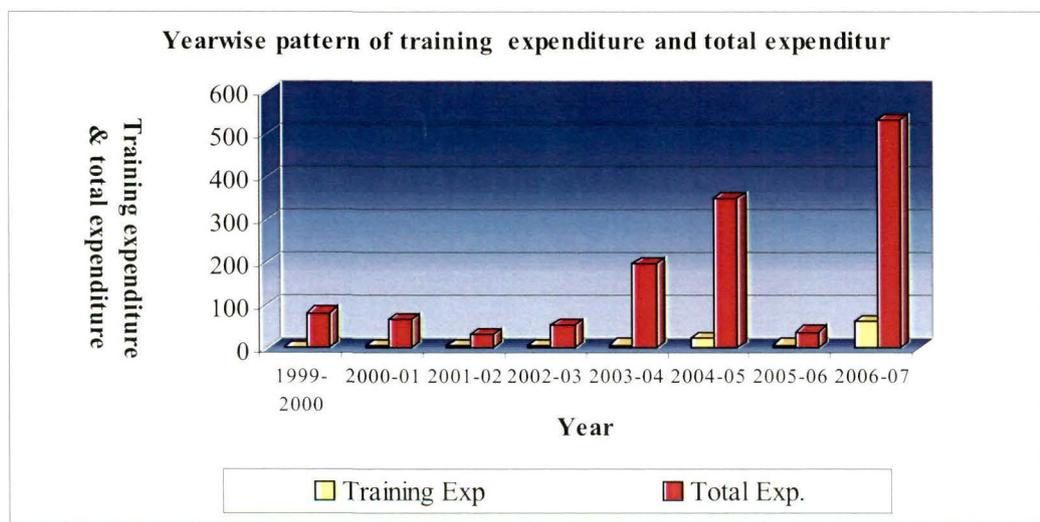
(iv) Duration of skill development training will be decided by the state government depending upon the activities and in order to ensure uniformity of the duration of training for all the districts.

The amended guidelines have made few additions to the existing one. According to this DRDC may incur an expenditure of Rs 200/- per trainee per month for

Payment of honorarium to master craftsman engaged for imparting skill development training to Swarozgaris identified and selected for economic activity and Rs100/- per month per trainee, as allowance for raw materials required for the training. However, the total expenditure on basic orientation and skill development training will not exceed Rs 5 000/-per trainee.

The table (No: 4.2.G) depicts the pattern of training expenditure in this district. In the initial year, the training expenditure was minimum as compared to all other years. The volume of expenditure increased gradually over the different year. This expenditure reached its highest level in 2004-05 by Rs. 22.32 1lakh which was 6.378% of total expenditure and 5.837% of total available fund for that year. The number of groups formed was also maximisation in that very year. The DRDC officials stated that the lion share of training expenditure was made towards the upgradation of skills of Swarozgaris required for performing identified key activities.

A large chunk of groups qualified second grading test and all these qualified groups submitted project proposal which they wanted to take as economic activities. To upgrade the skill and knowledge of the swarojgaris, the different batches of selected Swarozgaris were send to different training institutes. The following graph may convey better information about the pattern of training expenditure in this district as compared to the total expenditure.



The above graph shows that the training expenditure was minimum upto the end of 31-03-2003. The amount of training expenditure during 2000-01, 2001-02 &

2003-04 years was apparently constant. Though amount of total expenditure decreased during 2001-02, but the amount of training expenditure was same as before. Total expenditure as well as training expenditure reached the summit during 2005-06. Amount of training expenditure depends on many factors. The degree of association between the amount training expenditure and total number of group formed is examined in the following section. Yearwise distribution of amount of training expenditure and total groups, total number of members trained and amount of available fund is given following table.

Table No: 4.3.G

Yearwise distribution of amount of training expenditure, total groups, total number of members trained and total amount of available fund

| Year | No of SHGs formed | Total amount of available fund (Rs in lakh) | No of members trained | Amount of Training Expenditure (Rs in lakh) |
|-----------|-------------------|---|-----------------------|---|
| 1999-2000 | 42 | 683.542 | 12 | .101 |
| 2000-2001 | 70 | 602.57 | 42 | 3.071 |
| 2001-2002 | 664 | 586.524 | 171 | 3.080 |
| 2002-2003 | 1074 | 553.934 | 640 | 3.540 |
| 2003-2004 | 2157 | 528.154 | 1210 | 10.15 |
| 2004-2005 | 8002 | 533.644 | 4488 | 176.5 |
| 2005-2006 | 2035 | 473.81 | 15540 | 162.25 |
| 2006-2007 | 3811 | 555.84 | 11897 | 101.47 |

Source: - Compiled from Annual Report of DRDC Jalpaiguri (Different Years).

Training under SGSY is given to the beneficiaries to upgrade their skills and knowledge which is required for smooth functioning of groups and for their income generation through microenterprises. Various factors affect the amount of training expenditure. The causal relationship among the above different factors with the amount of training expenditure is assessed by forming regression equation by taking amount of training expenditure, Y as independent variable and the following as explanatory variables:

F = Amount of total available funds.

L = Number of members trained.

P = Total number of SHGs formed.

The regression equation is as follows;

$$Y = B_0 + B_1 F + B_2 L + B_3 P$$

It was hypothesised that;

H_0 = Training expenditure dose not depend upon total available funds, number of members trained and total SHGs formed.

H_1 = Training expenditure depends upon total available funds, number of members trained and total SHGs formed

The calculated regression equation is given below;

$$Y = \begin{matrix} 38.775 \\ (0.460) \end{matrix} - \begin{matrix} 0.0949^c F \\ (-0.603) \end{matrix} + \begin{matrix} 0.01745^b P \\ (4.014) \end{matrix} + \begin{matrix} 0.07034^b L \\ (3.700) \end{matrix}$$

- Figures in the parenthesis represent 't' values of the coefficients.
- $R^2 = 0.924$. $F^c = 16.151$
- b = significant at 5%. c = significant at 10%

The value of coefficient of determination (R^2) show that the explanatory variables account for about 93% of the variance in the number of group formed. The above table is significant and accept the alternative hypothesis.

4.3.6 Administrative Expenditure

Implementation of SGSY in India and spread the concept of this new scheme to every parts of the country involve high degree of administrative effort. A combined endeavor of all the functionaries in administrative hierarchy is required to mould all the previous old concepts, belief & perception of past of antipoverty programmes to make them ready to accept the new scheme. From the desk of central government to GP level, different departments are involved to administer the scheme. Among them, DRDC of the respective district as a nodal agency play the pivotal role in the administrative mechanism. DRDC spends administrative funds under different heads. These heads of administrative expenses are listed below.

Expenses on Administration

(a) Salary and Allowances

- (b) Travelling Expenses
- (c) Rent, Rates and Taxes
- (d) Printing and Stationery
- (e) Publicity and Advertising
- (f) Postage
- (g) Telephone
- (h) Leave Salary and Pension Contribution
- (i) Motor Vehicles maintenance and repairs
- (j) Office contingencies
- (k) Dead Stock
- (l) Any other item related to administration of the said scheme.

4.4 Conclusion.

This chapter has dealt with growth and outreach of SHGs under SGSY in Jalpaiguri district. Spread of SHGs in this district was examined through the year wise growth, block wise growth in different years. The factors influencing the formation of SHGs was tested using regression analysis. The operation of clusters in Jalpaiguri district was also reported. This chapter also dealt with the funding mechanisms and pattern of expenditure under SGSY in this district, factors determining the amount of revolving fund training expenditure and subsidy was examined and corresponding hypothesis was tested.

Important findings of this chapter include a very high growth rate of SHGs in Jalpaiguri district specially after 2002-03. The number of SHGs in a block was influenced by the female population, number of GPs and number of bank branches. Area of each block was not found to be a determining factor, probably because a large part of the district is covered by forests and tea gardens. Clusters have been formed and have started operations, but more dynamism and operational mechanisms are needed to bring about horizontal integration of economic activities. The thrust on activity clusters is however easier said than done. The funding mechanisms need to be streamlined and regularized so that DRDC do not choke due to want of funds. On the

other hand a better control system is wanted for expenditures under different heads so that they are need based as well as they cater to the guidelines.



SHG members assemble to discuss about cluster formation.



SHG members assemble at Kukurjan G.P. to have their groups graded.

CHAPTER-V

THRIFT- CREDIT & OPERATIONS OF SHGs IN THE DISTRICT - FINDINGS OF THE SURVEY

5.1 Introduction: -

The principal pillars on which microfinance schemes are built are thrift and credit. The building blocks of Self Help groups are therefore their inbuilt mechanisms of Microsavings and micro loans. The financial discipline, ability to build a group corpus and capacity to monitor the transactions related to thrift and credit are absolute essentials which contribute to the economic prosperity and sustainability of a group. It is therefore a necessity that the operational features, specially selected to savings, interloaning, building of corpus, conduct of meetings, documentation etc. be studied in detail. This chapter details out these perspectives.

However, before embarking on a discussion about operational features and group characteristics, it would be worthwhile to have an idea about the characteristics of the sample groups and their constituent members. The sample has been described in terms of group vintage, number of members, distribution of members etc.

5.2 General & Demographic Characteristics of SHGs.

The characteristics of the SHGs have been studied with respect to their vintage, membership status, marital status of members, literacy levels, criteria for selection as members etc. These are described below.

5.2.1 Vintage of groups

Vintage means age of the SHGs. It was stated in sample description that, the sample constituted of groups having grade 1 or more i.e. vintage period of more than six months. A distribution of SHGs on the basis vintage reveals that majority of them have completed three years. The vintage of more than 57% of sample group lies between nineteen months to 36 months. This signifies that, though the movement in this district was started in 1999 but it has picked up lately. In spite of this, present trend shows that there is exponential growth rate (discussed in 2nd chapter) in group formation. Following table (No:5.2.A) highlights the distribution of SHGs on the basis of vintage of the groups.

Table No: 5.2.A
Percentage of SHGs on the basis of vintage of the groups

| Vintage of the group | No of SHGs | % of total |
|----------------------|------------|------------|
| 6-----12 Month | 12 | 5.263 |
| 13-----18 Month | 14 | 6.140 |
| 19-----24 Month | 41 | 17.982 |
| 25-----30Month | 56 | 24.561 |
| 31----36 Month | 76 | 33.333 |
| 37-----42 Month | 11 | 4.825 |
| 43----48 Month | 6 | 2.632 |
| More than 48 Month | 12 | 5.263 |
| Total | 238 | |

Source: Field Survey

The distribution shows that more than 75% of the groups were in the vintage category of 19 to 36 months, indicating that the study dealt with mature groups.

5.2.2 Number of members

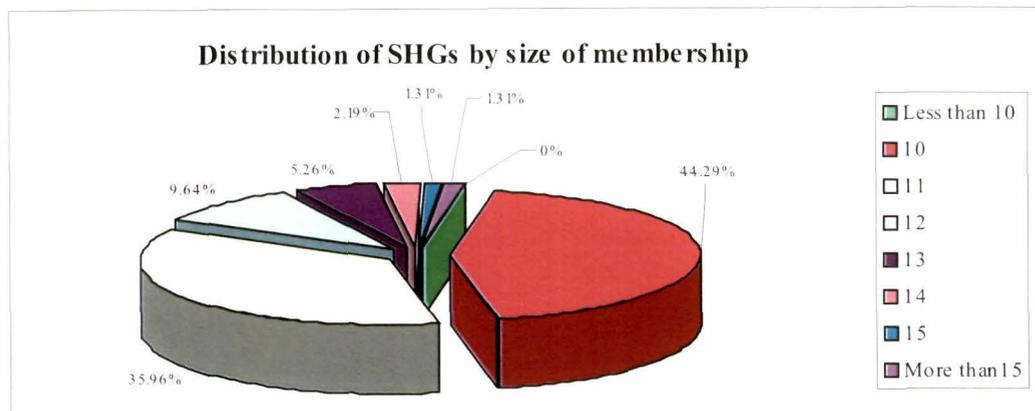
Self Help Group sizes are contemplated to be 20 members. However in reality the actual number of members is half the contemplated number in most of the cases. A distribution according to size of membership indicates that the majority of the groups have been formed with 10 members. More than 80% of the groups have members upto 11 in a group and only 1.316% have membership of more than 15. Other than the questionnaire, from the discussion with the group members and the SHPIs, it was found that they formed small size SHGs with 10-12 members only on the basis of two considerations-affinity and the operational benefits. Distribution of SHGs according to the size of membership is given in the following table. It has also been found that more than 98% of the members are female and most of the groups are purely women groups. There are some groups which have both male and female members.

Table No: 5.2.B
Distribution of SHGs by size of membership.

| Number of Members | No of SHGs | % of total |
|-------------------|------------|------------|
| Less than 10 | Nil | Nil |
| 10 | 101 | 44.298 |
| 11 | 82 | 35.965 |
| 12 | 22 | 9.649 |
| 13 | 12 | 5.263 |
| 14 | 5 | 2.193 |
| 15 | 3 | 1.316 |
| More than 15 | 3 | 1.316 |
| Total | 238 | |

Source: Field survey

A pictorial representation of above table is given below.



5.2.3 BPL categories

As stated earlier the main aim of microfinance is to provide adequate livelihood for the rural people those who live “Below Poverty Line” (BPL). The Government has been giving different incentives through various schemes for the upliftment of BPL families. SGSY is a special type of microfinance scheme which provides financial and nonfinancial benefits for the SHGs having more than 70% BPL members.

A distribution of SHGs on the basis of ratio of BPL member in a group is shown in the following table. It reveals that more than 38 percent of sample SHGs have 100 percent BPL members and 11 percent of sample SHGs have 70-79% percent BPL members. Guidelines of SGSY also stated that a group must have at least 70% members under PBL category. Back-ended subsidy after 2nd grading under SGSY depends upon number of its BPL members. Therefore, a group can enjoy the benefits of having maximum BPL members in their group. Where as, the following table shows that approximately 69% SHGs have 90-100% members under BPL categories.

Table no: 5.2.C
Distribution of SHGs on the basis of percentage of BPL categories

| Proportion of BPL member | No of group | % of total |
|---------------------------|-------------|------------|
| 100% BPL Members | 92 | 38.65 |
| 99%-90% BPL Members | 72 | 30.25 |
| 89%-80% BPL Members | 46 | 19.32 |
| 79%-70% BPL Members | 28 | 11.76 |
| Less than 70% BPL Members | Nil | Nil |
| Total | 238 | |

Source: Field survey

5.2.4 Age of group members

SGSY provides financial and technical assistance with the aim of transforming ordinary rural women into women entrepreneurs. Self Help Groups provide avenues for the development of microenterprises, where women of different ages jointly can float microenterprises. For this purpose, age is not a bar. All members can share group activities among them. The age distribution of sample microfinance beneficiaries in Jalpaiguri district is given in the following table (No: 5.2.D). The table depicts that about 66 percent of sample beneficiaries belong to the age group of 36 year to 50 year. It is important to highlight that about 6 percent of sample beneficiaries are more than 51 year old. Where as a limited portion (0.39%) of beneficiaries belong to less than 18 years old. It signifies that, women of a particular age group (36-50 year) are very much interested to become empowered through the SHG.

Table No: 5.2.D
Distribution of members on the basis of age group (N=2530)

| Age group | No of Respondents | % of total |
|-------------------|-------------------|------------|
| Below 18years | 10 | 0.395 |
| 18Years--35Years | 680 | 26.877 |
| 36Years-- 50Years | 1682 | 66.482 |
| 51Years and Above | 158 | 6.245 |

Source: Field Survey

5.2.5 Literacy Level

The weaker sections that are the focus of the SHG based microfinance programme are generally characterised by high levels of illiteracy without any formal education. An analysis of the educational status of the sample beneficiaries is shown in the following table (No: 5.2.E) which reveals that about 33 per cent of them were illiterate. About 45 per cent of the sample beneficiaries passed primary level only. Members who studied up to secondary and higher secondary levels were reported at 14 per cent and 4 per cent respectively. The picture is not bleak considering that about 66% of the members of the sample groups are literate can therefore at least understand basic mathematics, read figures in their pass books and sign.

Table No: 5.2.E
Distribution Beneficiaries on the basis of educational qualification (N=2530)

| Educational Qualification | No of members | % of total |
|----------------------------------|----------------------|-------------------|
| Illiterate | 842 | 33.28 |
| Primary | 1145 | 45.26 |
| Secondary | 369 | 14.58 |
| Higher Secondary | 122 | 4.82 |
| Upto Graduate | 52 | 2.06 |

Source: Field Survey (2006)

5.2.6 Marital status of members

An analysis of marital status of the beneficiaries (Table No: 5.2.F) indicates that about 85% of the group members are married. Whereas about 3% of total respondent members are unmarried. It has been found through discussion that there is a general perception that, unmarried women have to change her residence after marriage which creates operational problems. So the married women and widows in a group do not want to include an unmarried woman as a member of their SHG. It is interesting to note that about 11% of total respondents are widows. These widows had to depend on her sons for all kinds of financial and nonfinancial matters prior to joining SHGs. Very often other members of a widow's family did not co-operate with her. SHGs provide an alternative source of livelihood where they can generate income on their own to reduce dependency.

Table No: 5.2.F
Distribution of SHGson the basis of marital status

| Martial status | No of respondent | % of total |
|-----------------------|-------------------------|-------------------|
| Married Members | 2156 | 85.217 |
| Unmarried Members | 92 | 3.636 |
| Widows | 282 | 11.146 |

Source: Field Survey

5.2.7 Size of Family

An analysis about the number of children per member has given in the following table (No: 5.2.G). Nearly 51 per cent of the sample beneficiaries have 3-4

children per member and 24 per cent reported a family size of more than 5 children. After joining SHGs the members have taken active steps to create awareness regarding family planning among the members and others in the locality. As a result it was found that some group members have kept their family size restricted to one or two children.

Table No: 5.2.G
Distribution of SHGs on the basis of number of children per member (N=2530)

| No of children per member | No of respondents | % of total |
|---------------------------|-------------------|------------|
| 1-2 children | 632 | 24.98 |
| 3-4 children | 1280 | 50.59 |
| More than four | 526 | 24.43 |

Source: Field Survey

5.2.8 Cast Composition

The programme envisaged the covering of socially and economically weaker sections, particularly social groups like SCs/STs and Other Backward Classes (OBCs). The distribution of sample households according to social groups revealed that the proportion of members belonging to SCs/STs accounted for 56 per cent followed by backward classes at 16 per cent. Among the sample SHG members (2530) only 27 per cent belonged to general castes (Table No: 5.2.H).

Table No: 5.2.H
Distribution of SHG members on the basis of castes (N =2530)

| Cast | No of beneficiaries | % of total |
|---------|---------------------|------------|
| General | 702 | 27.75 |
| SC/ST | 1422 | 56.21 |
| OBC | 406 | 16.05 |

Source: Field Survey

From sources other than survey, it was found out that the coverage of weaker sections in SHGs over the years increasing, thus covering more and more weaker sections in the programme.

An analysis about the composition of SHGs is shown in the table (No: 5.2.I). It indicates that SHGs consist of beneficiaries of different caste. Rural economy is

entangled by the acute problem of caste system. It was observed during the field survey that no discrimination is made of caste and religion. Following table described that, about 54 percent of sample SHGs were formed with the combination of beneficiaries having different castes. This phenomenon helps to reduce the caste problem in the rural society. Following table shows that there are also significant numbers of groups consist of same categories members. This is because of existence of same categories of caste and religion the village or locality.

Table No: 5.2.I
Distribution on the basis of proportion of caste of the members (N=238)

| Proportion of SC on the basis of total | No SHGs | % of total |
|---|----------------|-------------------|
| 100% SC & ST members | 68 | 28.57 |
| 99%---80% SC & ST members | 40 | 16.80 |
| 79%---60% SC & ST members | 36 | 15.12 |
| 59%---40% SC & ST members | 28 | 11.76 |
| 39%---20% SC & ST members | 12 | 5.04 |
| 19%---Nil SC & ST members | 12 | 5.04 |
| 100% General members | 42 | 17.64 |

Source: Field Survey

5.2.9 Selection criteria of members

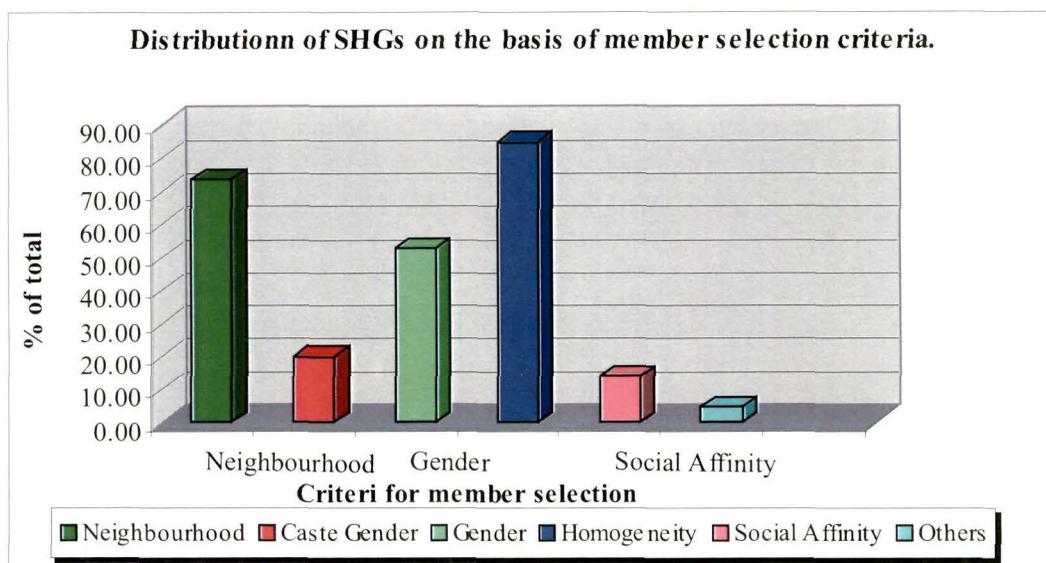
Field survey reveals that all SHPIs have used some criteria for the selection of beneficiaries for a particular group. Those criteria are categorised into few broad heading like, neighbourhood, caste, gender, homogeneity, social affinity and others factors and responses have shown in the following table (No: 5.2.J).

Table No: 5.2.J
Distribution of SHGs on the basis of criteria for selection of members before group formation

| Criteria | No of SHGs | % of total |
|-----------------|-------------------|-------------------|
| Neighbourhood | 175 | 73.53 |
| Caste | 48 | 20.17 |
| Gender | 126 | 52.94 |
| Homogeneity | 202 | 84.87 |
| Social Affinity | 33 | 13.87 |
| Others | 11 | 4.62 |

Source: Field Survey

The table depicts that the basic criteria for selection of members before forming the group was economic homogeneity, neighbourhood and gender. This following table also depicts that caste is a hardly matter for the selection of members before forming the group. A pictorial representation of above table (No:5.2.J) is given below.



5. 2. 10 Occupation of spouses

This study has taken into consideration women beneficiaries only. In the pre SHG period the women members of the family were busy with their traditional family chores. The male members were only earning members of the family. Therefore, for any expense, a female member depends on the earnings of the male members in the family. It is an universal truth that the level of earnings depends on the occupation of the individuals. The varieties of occupations of the husband are listed in the following table (No: 5.2.K). An occupation wise distribution of 2156 members (female members only) is given below. It reveals that husbands of 31.36 % of sample respondents are marginal farmer and 33.95% are landless labourer. So this indicates that, income from above two occupations is very low and it is directly associated with poverty in rural areas. Naturally, female members of those families are always tried to find out the alternative source of livelihood which provides financial support to their families.

Table No: 5.2.K

Distribution of members of SHGs on the basis of occupation of their husbands (N=2156)

| Occupation | No of members | % of total |
|------------------------------|----------------------|-------------------|
| Landless agricultural labour | 752 | 33.95 |
| Artisan | 336 | 15.58 |
| Non farm labour | 140 | 6.03 |
| Petty trader | 260 | 9.83 |
| Marginal farmer | 682 | 31.63 |
| Fishery | 28 | 1.30 |
| Services | 36 | 1.67 |

Source: Field Survey

5.3 Financial characteristics of SHG

Financial characteristics reveal the backbone of SHGs, as the sustainability and economic viability depend on them. For this purpose the group corpus, contribution pattern, savings mechanism and interloaning mechanism of the sample SHGs in Jalpaiguri have been examined in details.

5.3.1 Group corpus

As per the guidelines of SGSY, the members should build their corpus through regular savings. The group should collect this voluntary savings from all the members regularly. This savings will be linked with the concerned bank. The group should use this fund to advance loan to the members on the basis of fixed interest rate. Initially,

The amount of group corpus = savings + interest on savings + amount of interloan + interest on interloan.

After the 1st grading of the groups, DRDC of concerned district provides Revolving Fund (RF) to the groups to augment the group corpus. So after 1st grading,

The amount of group corpus = savings + interest on savings + amount of interloan + interest on interloan + revolving fund.

Therefore, the amount of group corpus is directly related with the vintage of the group and the amount of voluntary savings per member. A Distribution of sample SHGs on the basis of amount of group corpus is given in the following table (No.5.3.A).

Table No: 5.3.A
Distribution of SHGs on the basis of amount of group corpus

| Amount of group corpus | No of SHGs | % of total |
|-------------------------------|-------------------|-------------------|
| Upto Rs.25000/- | 67 | 28.151 |
| Rs.25001/----Rs.30000/- | 51 | 21.429 |
| Rs.30001/----Rs.35000/- | 28 | 11.765 |
| Rs.35001/----Rs.40000/- | 19 | 7.983 |
| Rs.40001/----Rs.50000/- | 20 | 8.403 |
| Rs.50001/----Rs.75000/- | 25 | 10.504 |
| Rs.75001/---Rs.100000/- | 21 | 8.824 |
| Rs.100001/---Rs.200000/- | 4 | 1.681 |
| More than Rs.200000/- | 3 | 1.261 |

Source: Field Survey

The above table shows that a large number of SHGs has corpus fund only upto Rs 25000. It is interesting to highlight that, about 1 per cent of sample SHGs have their corpus fund more than Rs 200000/-. A larger group corpus indicates the capacity of the group to take up larger projects or built up multiple microenterprises. It also indicates the capacity of the groups to make more interloans among the members. Moreover, a large group corpus is also result of more contribution from members. These aspects are examined below.

5.3.2 Frequency of collection of members' contribution

Under the SGSY system of mobilisation of savings, SHGs members deposit a fixed amount every month as thrift which is unanimously decided in their group meeting. Group meeting also decides the date of collection of this fund from the members and also decides the responsible person who will collect the fund. In most of the cases group leader or treasurer collect the fund at their predetermined date. In few cases, the members face difficulty in payment of their monthly contribution once in a

month. On the basis of economic condition of the members, fund collecting authority collects the fund on bimonthly or weekly basis. A distribution of SHGs on the basis of frequencies of thrift collection is given in the following table (No: 5.3.B)

Table No: 5.3.B
Distribution of SHGs on the basis of frequency of collection of thrift funds
(N=238)

| Frequency of collection | No of SHGs | % of total |
|-------------------------|------------|------------|
| Monthly | 198 | 83.193 |
| Bimonthly | 4 | 1.681 |
| Weekly | 36 | 15.126 |

Source: Field Survey

Above table reveals that about 83 percent of total sample SHGs paid towards thrift fund on monthly basis whereas 15 percent paid at their weekly group meeting and 1 percent paid at their fortnightly group meeting.

5.3.3 Contribution per member

SHG based modern microfinance scheme is based on the thrift fund which accumulates with the contribution of all the group members. Group members contributes equal amount from their emergent credit needs and it depends primarily on their family income. It has seen that (Table No.5.2.K), significant portion of members belong to a very low-income group as their husbands are landless labourers, marginal farmer and rural artisan etc. At the time of formation of SHG, all members unanimously decide their contribution rate towards their thrift fund (group saving). The amount of contribution per member differs on the basis of socio economic status of the SHGs. The field survey reveals that a significant number of SHGs reported increase in savings rate over a period of time. Different amount of monthly contribution per member is shown in the following table (No: 5.3.C). In some cases members of those SHGs which earlier deposited in fortnightly and weekly basis towards their thrift fund have converted into monthly basis. The contributions have been reported on monthly basis to maintain uniformity. For this, amount of fortnight and weekly contributions were multiplied by two and four respectively to get monthly contributions.

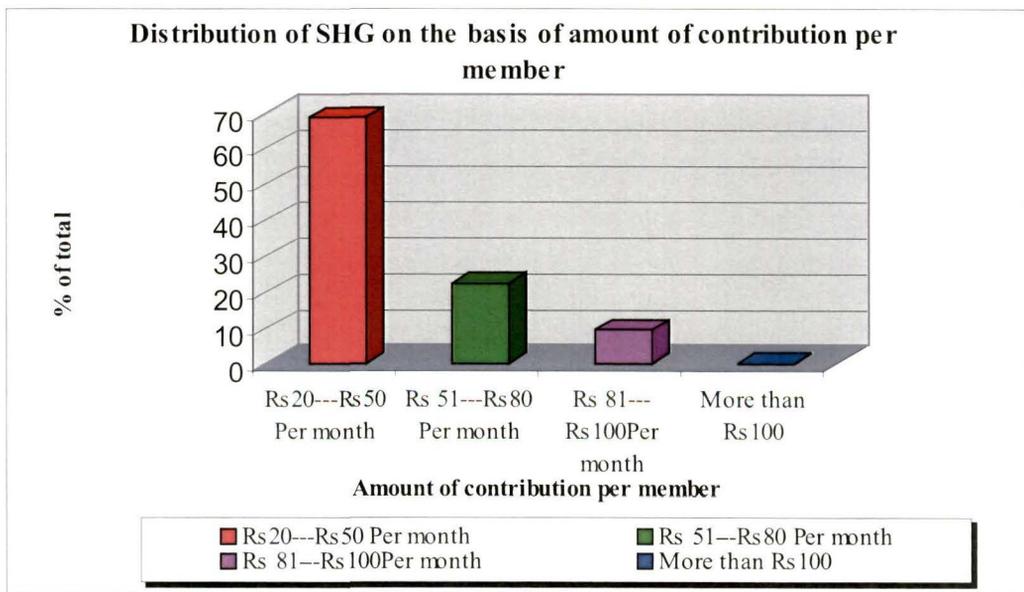
Table No: 5.3.C

Distribution of SHGs on the basis of members' contribution per month

| Contribution per month | No of SHGs | % of total |
|------------------------|------------|------------|
| Rs20---Rs50 Per month | 163 | 68.487 |
| Rs 51---Rs80 Per month | 53 | 22.269 |
| Rs 81---Rs100Per month | 22 | 9.244 |
| More than Rs100 | Nil | Nil |

Source: Field Survey

Above table shows that about 68% of sample SHGs have taken collective decision on their monthly contribution which ranges from Rs20-Rs50. Whereas, members of about 53% of sample SHGs contributed monthly which ranges from Rs51-Rs80. It is interesting to highlight that, there is no SHG whose members contributed more than Rs100 per month. A pictorial representation of above table is given below. Puhazhendi & Satyasai (200) and Puhazhendi & Badatya (2002) observed that in most of the cases members' contribution were in the range of Rs. 5 to Rs. 150 per month per member this study also shows that Majority of SHGs (48%) saved Rs. 10 to 20 per member per month. About 23 per cent of SHGs reported increase in savings rate over a period of time. The percentage of SHGs with increased savings rate over time.



Amount of Saving

A saving wise classification of SHGs is given in the following table (No.5.3.D). It reveals that a large numbers of SHGs have accumulated savings over Rs 25000/-. As stated earlier that, amount of saving accumulated with the help of members voluntary contribution per member per month. So the SHGs having comparatively longer vintage period save for longer period of time. .It can be noted that, about 1 per cent of sample SHGs have savings amount more than Rs 50000/-.

Table: 5.3.D
Distribution of SHGson the basis of amount of savings as on 31-03-06

| Amount of savings (31-03-06) | No of SHGs | % of total |
|------------------------------|------------|------------|
| Upto Rs5000/- | 62 | 26.050 |
| Rs5001/-----Rs 10000/- | 48 | 20.168 |
| Rs10001/-----Rs 15000/- | 34 | 14.286 |
| Rs15001/-----Rs 20000/- | 26 | 10.924 |
| Rs20001-----Rs 25000/- | 21 | 8.824 |
| Rs25001-----Rs 30000/- | 15 | 6.303 |
| Rs30001/----Rs 35000/- | 9 | 3.782 |
| Rs35001/----Rs 40000/- | 6 | 2.521 |
| Rs40001/----Rs 45000/- | 5 | 2.101 |
| Rs 45001/---Rs 50000/- | 8 | 3.361 |
| More than Rs 50000/- | 4 | 1.681 |
| Total | 238 | |

Source: Field Survey

5.3.4 Interloaning Operations

One of the important features of SGSY is that the amount of thrift fund rotates among the members as per their emergent credit needs. The group prioritise the loan application of the members. In the group meeting, all the members unanimously decide on the fixation of loan amount, interest rate, repayment period and other financial management norms.

A distribution of SHGs on the basis of amount of interloan per member is shown in the following table (No:5.3.E). It depicts that overwhelmingly large numbers of SHGs have average amount of interloan more than Rs 5000/-. It depends

on the quantum of available corpus fund of the group which is related with its vintage. It is interesting to note that, most of the SHGs made their internal lending from their group corpus.

Table No: 5.3.E
Distribution of SHGs on the basis of amount of interloan per member

| Amount of interloan (Average) | No of group | % of total |
|--------------------------------------|--------------------|-------------------|
| Less than Rs2000/ - | 54 | 22.689 |
| Rs2001-----Rs3000/- | 34 | 14.286 |
| Rs3001-----Rs4000/- | 12 | 5.042 |
| Rs4001-----Rs5000/- | 42 | 17.647 |
| Rs5001-----Rs6000/- | 28 | 11.765 |
| More than----Rs6000/- | 68 | 28.571 |
| Total | 238 | |

Source: Field Survey

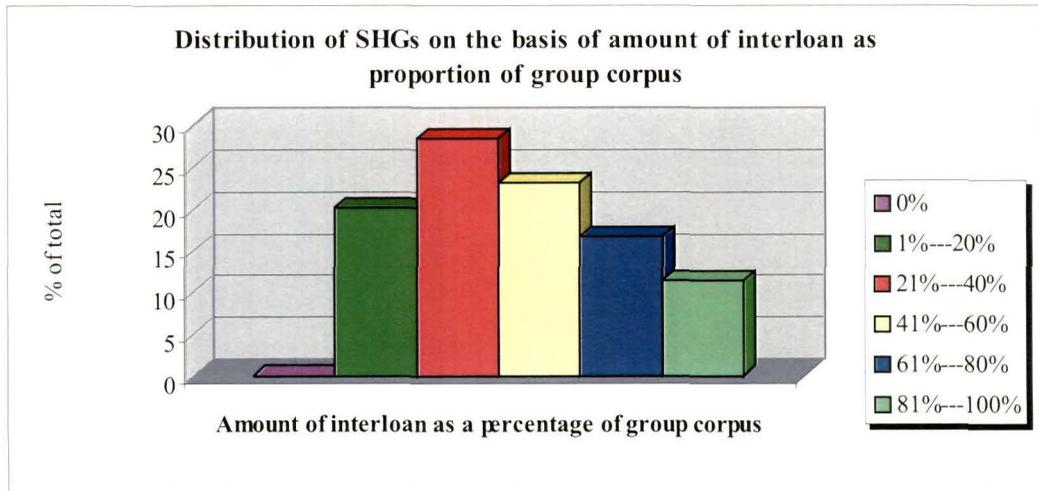
A distribution of SHGs on the basis of loan amount as a proportion of group corpus is shown in the following table (No5.3.f). The table depicts that, about 28% of sample SHGs have used 21% -40% of corpus fund for the purpose of internal lending among its members. About 11 per cent of sample SHGs reported that 81%- 100% of their group corpus fund had used for the purpose of internal lending. It signifies that, a large portion of group corpus either lies with their bank account or is used to finance their microenterprises

Table No : 5.3. F
Distribution of SHGs on the basis of proportion of interloan as a % of Group Corpus (n=238)

| Amount of interloan as a % of total corpus | No of SHGs | % of total |
|---|-------------------|-------------------|
| 0% | Nil | Nil |
| 1%---20% | 48 | 20.168 |
| 21%---40% | 68 | 28.571 |
| 41%---60% | 55 | 23.109 |
| 61%---80% | 40 | 16.807 |
| 81%---100% | 27 | 11.345 |

Source: Field Survey

A pictorial representation of above table is given below.



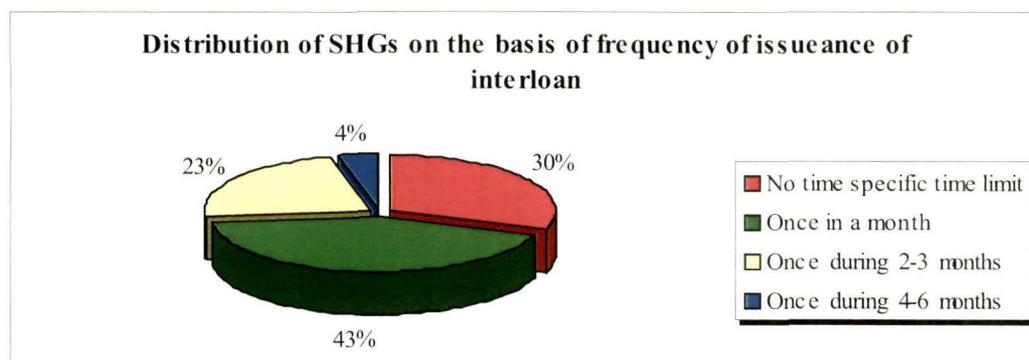
5.3.4.1 Frequency of Interloaning

A distribution of SHGs on the basis of frequency of interloaning is shown in the following table (No:5.3.G). The table depicts that a large percentage of sample SHGs issued loan to its members once in a month. In this case, atleast one member have taken loan from their group once in a month. About 3 %of sample SHGs did not have any specific time limit to issue such loan. About 23 per cent of sample SHGs issued loan once within 2-3 months. It is interesting to note that about 3 per cent of sample SHGs issued loan once within 4-6 months. Some times, due to lack of adequate fund they were not able to issue loan on time even though there was demand for loan. In another few cases, due to lack of initiative and demand for loan their loan issue period was high. Puhazhendhi & Badatya (2002) have studied the performance of bank linkage programme in Kalahandi- Koraput Koraput (KBK) region in Orissa. This study observed that, most of the loans were contracted for a period of less than 12 months both in terms of number of accounts (93%) and loan amount (78%). However, there was a tendency to converge towards 6 to 12 month period during post-SHG situation. For 6-12 months range of loan period, the number of accounts and loan amount was 57 per cent and 37 per cent during pre-SHG situation, which had increased to 80 per cent and 74 per cent during post-SHG situation. Further the option

of loan period of more than 2 years were not preferred by the members during post-SHG situation. MYRADA (2000) found that most loans were provided for a period of less than 12 months.

Table No: 5.3.G
Distribution of SHGs on the basis of frequency of interloaning

| Frequency of loan in month | No of SHGs | % of total |
|-----------------------------------|-------------------|-------------------|
| No time specific time limit | 72 | 30.252 |
| Once in a month | 102 | 42.857 |
| Once during 2-3 months | 55 | 23.109 |
| Once during 4-6 months | 9 | 3.782 |



5.3.4.2 Purpose of Interloan

The purpose of loan availed by the sample members were classified into six categories for this study. The income generating purposes include purchase of input for agriculture, petty trade and other non-firm activities. Loan for consumption purposes, loan for medical treatment of family members, loan for social function like, marriage and funeral ceremonies etc.

A distribution of group members on the basis of purpose of internal lending is shown in the following table (No: 5.3.H). The table depicts that interloans are mostly used for income generation purposes (62. 61%). About 11 per cent of sample members have taken loan for their health and sanitation. So it signifies that,

Microfinance economically empowers the members to take care about the sanitation facilities of their families and can go for medical treatment as and when required. It also motivated the members to send their children to school regularly as they became economically sound enough to purchase required study materials and able to pay tuition fees etc. It is interesting to note that, only a negligible portion of members have take loan from their group for consumption purposes. Puhazhendi & Badatya (2002) found that out of average amount of interloan 72 per cent was for income generating purpose which include purchase of inputs for agriculture, petty trade and other non-farm activities, Whereas the remaining 28 per cent was for consumption and other social functions and contingencies such as medical expenditure and other social functions like, marriage and funeral ceremonies, etc. This study also identified that the average share of borrowed funds reported to be used for production purposes increased from 56% to 72%; the share of loans used for consumption purposes came down from 44% to 28%.

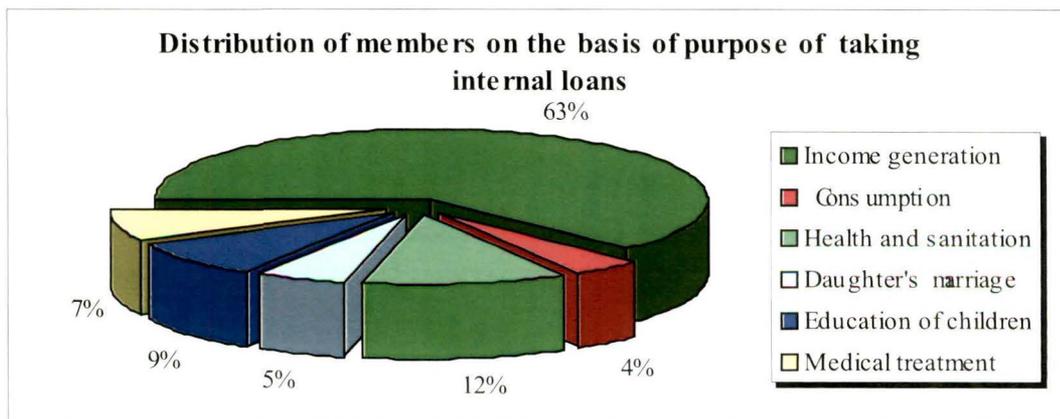
Table No: 5.3.H

Distribution of group members on the basis of purpose of interloan (N=2530)

| Purposes of interloan | No of members | % of Total |
|-----------------------|---------------|------------|
| Income generation | 1584 | 62.61 |
| Consumption | 102 | 4.03 |
| Health and sanitation | 303 | 11.98 |
| Social function | 132 | 5.22 |
| Education of children | 220 | 8.70 |
| Medical treatment | 189 | 7.47 |

Source: Field Survey

A pictorial representation of the above table is given below.



5.3.4.3 Interest on Internal lending

Interest rate is one of the basic issues being debated while assessing the programme. Interest on internal lending is an important ingredient of group corpus. As much as group corpus fund rotates among the members as internal loan, volume of interest income increases which in turn increases the quantum of corpus fund. Modern microfinance aims to disentangle rural poor from the aggressive moneylender and indigenous bankers who charged high interest rate on their loan amount. A distribution of SHGs on the basis of rate of interest charged by them on their interloan is shown in the following table (No:5.3.I).

Table No: 5.3.I
Distribution of SHGs on the basis of rate of interest on interloan

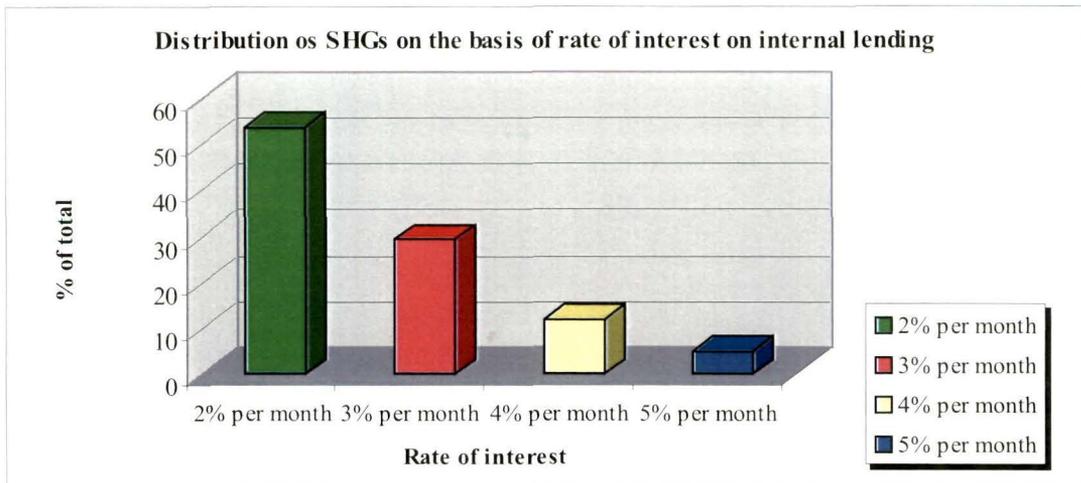
| % of interest per month | No of group | % of total |
|--------------------------------|--------------------|-------------------|
| 2% per month | 128 | 53.782 |
| 3% per month | 70 | 29.412 |
| 4% per month | 28 | 11.765 |
| 5% per month | 12 | 5.042 |

Source: Field Survey

This above table depicts that, rate of interest on internal lending ranges from 2%-5% per month i.e. 24%-60% per year. Out of this, about 53 per cent of sample SHGs charged interest @ 2 per cent month. Where as loan amount of 30 per cent of sample SHGs were contracted at the interest rate of 3 per cent per month. Other than the questionnaire survey, focus group discussion reveals that a significant portion of sample SHGs have reduced their interest rate over the time depending upon the volume of group corpus. Puhazhendi & Badatya (2002) found out an important fact that the groups were charging different interest rates for the corpus of funds mobilized through savings and bank loan. The average interest rate charged on the loan out of the group savings was reported at 2.56 per cent per month. It also observed that older SHGs had charged lower interest as compared to recently formed SHGs.

This analysis provided evidences for the positive impact of the programme in reducing the interest burden of the members and avoiding the exploitation of the poor by informal agencies, particularly moneylenders, commission agents, etc.

A pictorial representation of above table is given below.



5.3.4.4 Loan repayment period

Amount of interest on internal lending directly depends upon the duration of loan repayment period. Longer the repayment period, higher is the amount of interest earning. Following table shows that members of about 41 percent of sample SHGs repaid their loan within four to six months from the date of issue of loan. Where as members of about 32 per cent of sample SHGs have repaid their loan within 3 months from the date of issue of loan. Focus group discussion has revealed the fact that, the option of loan period of more than 2 years was not preferred by the members. Because the members argued that, this higher blockage period creates problem to rotate the funds among all the members of their own group.

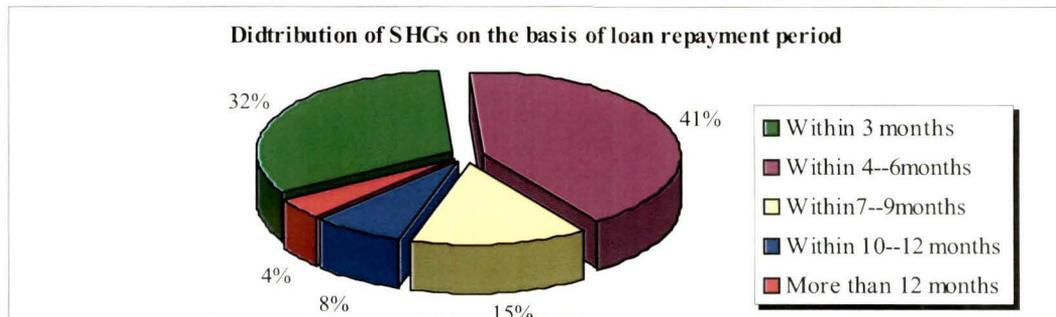
Loan repayment with in the due is the key indicator of the group performance. Adherence to group norms increase the morale of the members. Peer pressure and peer support play catalytic role in the group based microfinance system at the new paradigm. The peer pressure and peer support helped and motivated the members to repay the loan on time. Under this mechanism loan recover rate was mounted to 100%. Puhazhendi & Badatya (2002) observed that loan repayment was considerably satisfactory as 83.3 per cent of the groups had promptly repaid the loan and only 16.7 per cent of the groups reported late payments on current loans. The average loan period was fixed at 6-10 months with loans most commonly repaid in monthly installments. Sometimes loans were repaid much before the completion of the loan period. Cent percent SHGs reported closure of their previous accounts before going for another loan.

Table No; 5.3.J
Distribution of SHGs on the basis of repayment period

| Repayment period from the date of drawing | No of SHGs | % of total |
|--|-------------------|-------------------|
| Within 3 months | 77 | 32.353 |
| Within 4--6months | 98 | 41.176 |
| Within7--9months | 35 | 14.706 |
| Within 10--12 months | 18 | 7.563 |
| More than 12 months | 10 | 4.202 |

Source: Field Survey

A pictorial representation of above table is given below.



5.3.4.5 The association between vintage of groups and corpus of groups

Thrift habits of members result in regular savings thus leading to increase in the volume of the group corpus. As the vintage of the group increases, the amount saved also increased. It would therefore be prudent to examine whether the group corpus is associated with the linkage of the groups. Chi- square (2) test was used the to verify association between the vintage of groups and volume their group corpus. The hypothesis framed was:

H_0 : Amount of group corpus is not associated with the vintage of groups.

H_1 : Amount of group corpus is associated with the vintage of groups.

For the purpose of conducting the test the columns and rows of following table (No: 5.3.K) were coalesced so that 80% of the expected cell frequencies were above 5: columns 1 & 2 into one column, columns 4 & 5 into another column rows 1 & 2 into one row.

Table No: 5.3.K**Association between the vintage of groups and amount of group corpus**

| Vintage of group | Amount of group corpus (Rs) | | | | |
|------------------------|-----------------------------|------------|-------------|-------------|---------|
| | ≤ 5000 | 5001-10000 | 10001-15000 | 15001-20000 | ≥ 20000 |
| 6-----12 Months | 10 | 5 | 0 | 0 | 0 |
| 13-----18 Months | 6 | 8 | 6 | 1 | 0 |
| 19-----24 Months | 0 | 15 | 3 | 5 | 0 |
| 25-----30Months | 0 | 10 | 18 | 17 | 0 |
| More than 31 Months | 0 | 7 | 28 | 36 | 63 |

Source: Field survey.

$$\chi^2 = 131.6.$$

The value is significant at 1% level with 6 degree of freedom. Therefore, the null hypothesis is rejected and alternative hypothesis that the amount of group corpus is associated with the vintage of group is accepted. The findings clearly indicate that thrift habits are regular and as the groups mature, the group corpus expands. Had thrift habits been irregular, or had such habits been liquidated the association would not have been positive.

5.3.4.6 Association between the volume of group corpus and amount of interloan

Since groups issue loan from their corpus to the members, the amount of interloan is logically supposed to increase with the amount of group corpus. So it is worthwhile to know whether the amount of interloan is associated with the group corpus. To verify the association between the amount of interloan and the volume of group corpus, Chi- square (χ^2) is used. The hypothesis framed was:

H₀. Amount of interloan is not associated with the amount of group corpus.

H₁. Amount of group interloan is associated with the amount of group corpus.

For the purpose of conducting the test the columns and rows of following table (No:5.3.L) were coalesced so that 80% of the expected cell frequencies were above 5:

columns 4 & 5 into one column and rows 1 & 2 into one row and rows 4 & 5 into another row.

Table No: 5.3.M

Association between volume group corpus and amount of interloan

| Amount of group corpus | Amount of interloan | | | | |
|------------------------|---------------------|------------|-------------|-------------|---------|
| | ≤ 5000 | 5001-10000 | 10001-15000 | 15001-20000 | ≥ 20000 |
| ≤ Rs 10000 | 25 | 12 | 0 | 0 | 0 |
| 10001-15000 | 6 | 13 | 18 | 0 | 0 |
| 15001-20000 | 1 | 5 | 32 | 18 | 16 |
| 20001-25000 | 1 | 6 | 18 | 12 | 10 |
| ≥25000 | 0 | 0 | 0 | 20 | 25 |

Source: Field survey.

$$\chi^2 = 228.58,$$

The value is significant at 1% level. Therefore, the null hypothesis is rejected and alternative hypothesis that the amount of interloan was associated with the group corpus is accepted. This indicates that a very positive aspect of the success of the microfinance programme. The result indicates that the women beneficiaries have been able to inculcate good financial management practices and recycle the group corpus through interloans.

5.3.4.7 Association between the amount of group corpus and rate of interest on interloan.

Group members save equal amounts every month to build the group corpus, a part of which rotate among the members as interloan as per the unanimous decision of the members in group meetings where the rate of interest is also decided. It is a source of income for the group. Different groups charge different rates of interest. It was found that the quantum of corpus is associated on the vintage of the groups and amount of interloan is depends on the volume of group corpus. Therefore, it would also be interesting to know whether the rate of interest is associated on the quantum of group corpus. It would not be unnatural that higher rate of interest leads to large amount group corpus. In order to assess this association, Chi- square (χ^2) test was used with the total sample of SHGs. The hypothesis framed was:

H₀: Amount of group corpus is not associated with the rate of interest on interloan.

H₁: Amount of group corpus is associated with the rate of interest on interloan

The contingency table (No: 3.5.N) shows the association between the variables.

Table No: 3.5.N

Association between the amount of group corpus and rate of interest on interloan.

| Amount of group corpus | Rate of interest on interloans | | | |
|------------------------|--------------------------------|----|----|----|
| | 2% | 3% | 4% | 5% |
| ≤ Rs 10000 | 25 | 20 | 12 | 22 |
| 10001-15000 | 15 | 11 | 32 | 11 |
| 15001-20000 | 19 | 3 | 12 | 17 |
| 20001-25000 | 6 | 6 | 5 | 11 |
| ≥25000 | 2 | 3 | 2 | 4 |

Source: Field survey.

$$\chi^2 = 31.95.$$

The value is significant at 1% level. So, the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it can be conclude that the rate interest charged by the different groups on the basis of volume of their group corpus. This shows that SHGs have been charging higher rate of interloan for building up group corpus.

5.4 Self- governance of SHGs- operational characteristic.

A SHG is a self contained unit, the governance of which is bestowed with the members themselves. Usually, the team is guided by the group leader, who is the principal motivator and convenor of meetings. Though governance includes both formal and informal dimensions, group meetings, attendance of group meetings, agenda of meetings etc.

5.4.1 Conduct of Group meetings.

One of the important features of Self Help Groups are that, members have to sit jointly in a meeting at regular intervals monthly, fortnightly or weekly. Regular

meeting of group members is one of the activities of the SHGs, that ensure effective participation of members. SHGs have to function in a democratic manner. So, every activity of a group is depends on the unanimous decision in their group meeting. In the meetings the members discuss their common problems and other issues that need to be sorted out through the intervention of the group or other members. The group leader, secretary or any other responsible member of the group, calls this group meeting. In most of the cases members determined the schedule date of group meeting. Some times it may change according to the situation. Other than the concerned group members a representative gram panchyat, block officials, bank officials, NGO workers etc. attended the group meeting in some occasions. Those who are external, they discussed various new aspects about the present ongoing scheme. The members could get the satisfactory answer about the socio economic benefits of the beneficiaries and could solve the internal problems of the groups through the direct interaction with the externals. All members will be well acquainted with the progress of the group from the group meetings. Therefore frequent meeting is very much essential in order to ensure the transparency in the group operation.

A distribution of SHGs on the basis of frequency of group meeting held is given in the following table (No5.4.A). The table shows that meetings on monthly basis were observed to be the most common phenomena (37 %) followed by fortnightly (32%) and weekly meetings (11 %). Where as about 13 percent of sample SHGs meet irregularly without any proper schedule. It is interesting to note that, about 5 percent of sample SHGs did not conduct any kind of meeting. Where as Puhazhendi & Badatya (2002) observed that regarding the fixing of meetings, about 50 per cent of groups had a fixed date and timing while others had flexibility in their schedule of meetings suiting to the convenience of the members.

The group leaders of the SHGs who held meetings irregularly or did not hold meeting at all were asked as to why members were reluctant to attend meetings. The reasons they forwarded were as follows.

- (a) Inconvenience in date and time of meeting.
- (b) Difficulty in adhering to time schedules.
- (c) Preoccupation with domestic chores.
- (d) Perceiving the time spent for SHG meeting as wastage.
- (e) Resistance from spouse/ family members.

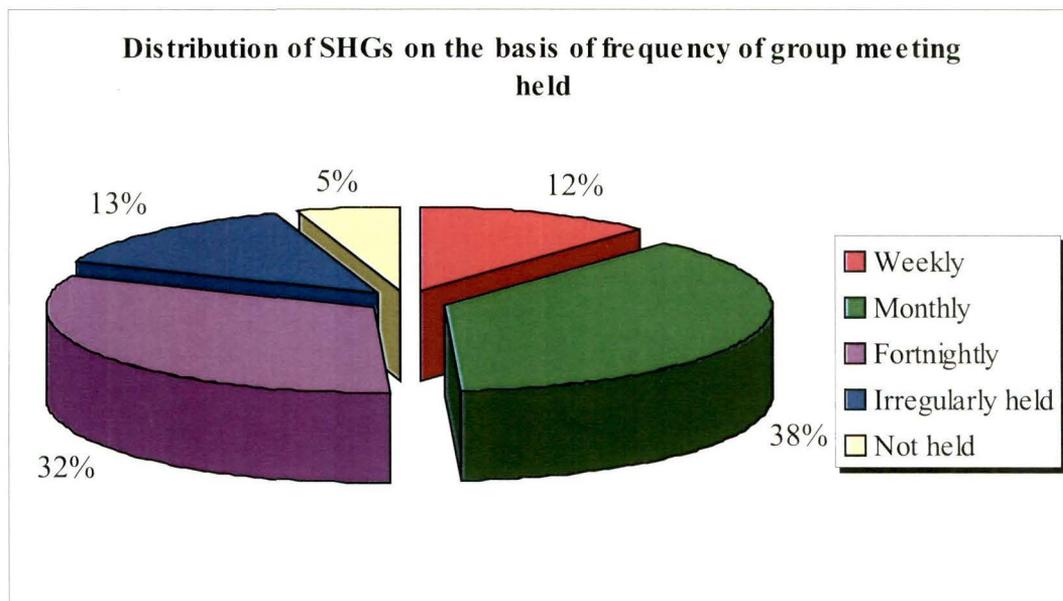
These difficulties are not insignificant and cannot be ignored as infrequent assemblies can result in loss of group cohesion and disintegrate the groups.

Table No: 5.4.A
Distribution of SHGs on the basis of frequency of group meeting held

| Frequency of meeting | No of SHGs | % of total |
|----------------------|------------|------------|
| Weekly | 28 | 11.765 |
| Monthly | 89 | 37.395 |
| Fortnightly | 77 | 32.353 |
| Irregularly held | 32 | 13.445 |
| Not held | 12 | 5.042 |
| Total | 238 | |

Source: Field Survey

A graphical representation clarifies the matters below.



5.4.2 Attendance of member in group meetings.

All members jointly sit for a meeting as per their predetermined date and place. Compulsory attendance of members in the meetings is one of the pre-requisites for the smooth functioning of the group. It is one of the indicators that ensure the active participation of members in the meeting of the group in a democratic manner.

Members can learn various facts about the socio economic environment of the society in which the group operates. Peer pressure plays active role to mobilise the members for meeting. Rural vulnerable women are often busy with their family chores and very often earn money as daily labourers and sometimes cannot find time to attend their group meetings. A distribution of SHGs on the basis of attendance of members in their group meeting is given in the following table (No: 5.4.B). The table reveals that the level of attendance was more than 100 per cent in case of about 32 per cent of SHGs and it was between 90-99% per cent in about 50 per cent of SHGs. It is interesting to note that, there is no SHG where less than 60% members have attended their group meeting. MYRADA (2002) and Puhazhendi & Badatya (2002) found that more than 90% of SHG member attended at least 70% of all meetings.

Table No: 5.4.B
Distribution of SHGs on the basis of attendance of members in their group meeting (N=226)

| % of members attended in group meeting | No of SHGs | % of total |
|---|-------------------|-------------------|
| Full strength | 74 | 32.74 |
| 99%---90% of Full strength | 112 | 49.56 |
| 89%---80% of Full strength | 28 | 12.39 |
| 79%---60% of full strength | 12 | 5.31 |
| Less than 60% of Full strength | Nil | Nil |

Source: Field Survey

The study shows that the level of attendance was more than 90% in case of approximately 82% of the sample SHGs. Attendance of maximum members in the group meeting indicates the cohesiveness of the group. Result of some of the study can be highlighted in this regard which identified the fact that “the level of attendance was more than 90 per cent in case of about 58 per cent of SHGs and it was less than 70 per cent in about 7 per cent of SHGs. The higher percentage of attendance could be attributed to imposing penalty or fine for late attendance or absence in the meetings. About 67 per cent of groups imposed penalty or fine for late attendance or absenteeism in the meetings. However, there were provisions in almost all SHGs of waiving the penalty or fine for genuine reasons like sickness, urgency of work, etc”.

5.4.3 Maintenance of resolution book and other documents

It is required to note all the decisions of group meeting in a separate book where every member put their signature as their attendance in meeting. Basic orientation training provides required skill in order to equip them to write this resolution properly. Resolution book is very important document which is needed for assessing the performance of the groups in time of gradation. The unanimous decision of the group is recorded in this book and all the members have to put signature in it. It is an essential document for transaction with the bank. Some of the bank use to keep Xerox copy of this relevant resolution. In time of bank transaction. It has seen that about 33 percent of sample respondents are illiterate. So, in many cases, those illiterate members have difficulties in maintaining the resolution book. A distribution of SHGs on the basis of maintenance of resolution book is shown in the following table (No:5.4.C). This table shows that about 92 percent of sample group maintained resolution book of their group meeting.

Table No: 5.4.C

Distribution of SHGs on the basis of maintenance of resolution book.

| Resolution book | No of SHGs | % of total |
|------------------------|-------------------|-------------------|
| Maintained | 220 | 92.437 |
| Not maintained | 18 | 7.563 |
| Total | 238 | 100.00 |

Source: Field Survey

As stated earlier that, a significant portion of rural people are illiterate or have primary education only. On the other hand, SGSY guidelines stated that the group should maintain simple basic records such as Minutes book, Attendance register, Loan ledger, General ledger; Cashbook, Bank passbook and individual pass books. All such books are needed to be examined for assessing the performance of the group. Without the proper maintenance of such documents a group could not qualify the 1st grading. Naturally, very often they face difficulty to keep the entire records of group activities and resolution book on their own. In this case they have to depend on the male folk of any member's family. Otherwise they had to ask for external help, voluntary or fee based. A distribution of SHGs on the basis of person who are responsible for documentation is given in the following table (No:5.4.D).

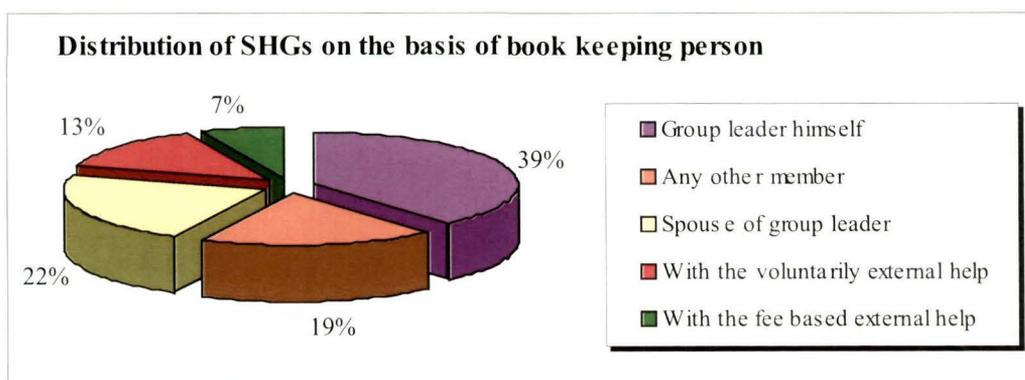
Table No:P 5.4.D
Distribution of SHGs on the basis of persons responsible for documentation

| Person | No of SHGs | % of total |
|------------------------------------|------------|---------------|
| Group leader herself | 92 | 38.655 |
| Any other member | 45 | 18.908 |
| Spouse of group leader | 53 | 22.269 |
| With the voluntarily external help | 32 | 13.445 |
| With the fee based external help | 16 | 6.723 |
| Total | 238 | 100.00 |

Source: Field Survey

The above table depicts that group leader or any other member maintained the record books for 56 percent of sample SHGs. On the other hand, spouse of the group leader maintained their record books for 22 percent of sample SHGs. It is interesting to note that, group members did not able to maintain their record books on their own and for that they had to take external help with a minimum fee. Therefore this documentation procedure urges the needs of being literate. In order to know the subject matters of the documents and to sign on the resolution, bank deposit and withdraw slip etc. members have to be literate. Therefore modern microfinance has indirect bearing on the literacy of the members.

A pictorial representation of above table is given below.



5.4.4 Agenda of Meeting

Group meeting is very much essential for smooth functioning of SHGs. Beneficiaries jointly discuss on various matters in their group meeting. A distribution

of SHGs on the basis of items of agenda in meeting is given in the following table (No:5.4.E). Every item of agenda of group meeting is given a value of '2' if it discussed regularly, '1' if it discussed irregularly, '0' if there is no discussion. A mean score is calculated on the basis of obtained score on the said scale. In order to assess the importance of the agenda, ranking of the calculated mean score has done. This table shows that economic factor like purpose of bank loan was discussed in the group meeting very frequently so it has given 1st rank. Side by side the individual and social problems also discussed in the group meeting with significant frequency which has given 2nd rank. Savings and bank loan and health and hygiene factors are the most common topics of discussion. Discussions on gradation processes are irregular having 7th rank. It is interesting to note that members are not only interested about the non-financial benefits rather than financial benefits.

Table No: 5.4.E
Distribution of SHGs on the basis of different agenda of meeting

| Agenda | Regular (2) | Irregular (1) | No discussion (0) | Mean Score | Rank |
|---|----------------|------------------|----------------------|---------------|------|
| 1) Individual contribution. | Nil | 12 | 226 | 0.050 | 12 |
| 2) Business plan. | 32 | 128 | 76 | 0.807 | 9 |
| 3) Bank savings linkage. | 13 | 158 | 67 | 0.773 | 10 |
| 4) Bank credit linkage. (n=95) | 10 | 42 | 43 | 0.261 | 11 |
| 5) Gradation process. | 11 | 180 | 47 | 0.849 | 7 |
| 6) Fixation of amount of interloan. | 4 | 204 | 30 | 0.891 | 5 |
| 7) Fixation of interest rate of interloan. | Nil | 208 | 30 | 0.873 | 6 |
| 8) Purposes of bank savings. | 192 | 46 | Nil | 1.806 | 1 |
| 9) Purposes of bank loan. | 28 | 186 | 24 | 1.017 | 4 |
| 10) Problem relating to Banking activities. | 5 | 185 | 48 | 0.819 | 8 |
| 11) Individual and social problems. | 192 | 34 | 12 | 1.756 | 2 |
| 12) Health hygiene and education. | 38 | 186 | 14 | 1.101 | 3 |

Source: Field Survey

5.5 Economic and social activities.

The basic objective of the SGSY was to help the poverty stricken people to atleast generate a monthly income of Rs 2000 per family. For this purpose the programme aimed at motivating the rural people, specially women to start microenterprises at group levels and also at individual levels. During the survey it was found that most of the sample SHGs had take up economic activities through groups, or individual activities coordinated by the group. The scale of activities, investment in each activity, nature of raw materials and markets and profits from the activities were so diverse in nature that it was not possible to rationally arrange these in any tabular form. Each group had its own peculiarities and problems of group based microenterprises or individual activities and can be best depicted in form of case studies. Some case studies are presented in Appendix-I

However, on the basis of the survey, a list of products made and services rendered by SHGs was prepared. The list will help to identify the economic activities the SHGs are engaged in.

- **List of products made:**

- i) Soft Toys. ii) Nylon Bags. iii) Jute products. iv) Woollen Products.
- v) Dal Bari. vi) Kanthastich Sharees. vii) Mushroom. viii) Paraffin Products.
- ix) Handloom products. x) Agarbati making. xi) Mekhla. xii) Endi Chadar.
- xiii) Horticultural products. xiv) Dairy products. xv) Poultry products. xvi) Wood Craft. xvii) Stone crushing. xviii) Piggery. xix) Goatery. xx) Shola Work. xxi) Sal leaf plate making. xxii) Food Processing, i.e. mainly of jam jelly pickles, papad etc. xxiii) Chanachur making,

Other than above listed economic activates SHGs have initiated various microenterprises to render services for generating income. A list of the types of services rendered by the SHGs in Jalpaiguri district is given below.

- **List of microenterprises in the service sector.**

- i) Beauty Parlour. ii) Maintenance of Picnic Spot. iii) Grocery Shop. iv) Telephone Booth. v) Tailoring. vi) Transport Service through Passenger Auto.

The peculiarity noticed in group based activities were that (i) some products were made totally by group effort, (ii) some products were made both by group efforts and also by individual efforts, (iii) some products were made entirely by individual effort, but marketing and interweaving facilities were provided by the group, (iv) some products were made by group effort and some other products made by individual efforts and marketed individually. This indicates the group corpus was utilized for financing group based activities as well as financing individual based activities through interloans. Some examples will make the above observations clear. Some SHGs producing mushroom through group effort also had members who produced mushroom at their own homes by taking interloan. Marketing in these cases were both by group and individual efforts. Again, it was found that SHGs engaged in producing soft toys or food processing as a group had member who had taken internal loans for rearing one or two milch cows or goats. In this case marketing of the soft toys or processed foods was through group efforts in fairs or hats and selling of milk was the effort of the individual member or her spouse. These examples are only indicative as to how the groups carry on the economic activities. There are many other cases where groups and members produce five to six types of products as well as render services.

The concept of SHGs is based on the philosophy that when women work in groups, it leads to both economic and social empowerment. The Grameen group model pioneered by Prof. Yunus had women working as a cohesive team not only for pursuing economic activities but also for acting as change agents of the society. There are numerous instances where members of Grameen groups have fought against the malpractices of dowry, child marriage, sexual abuse, racial discrimination, untouchability and alcoholism in addition to adopting safe and hygienic sanitation methods, family planning methods, child and adult education and other community services.

Self Help Groups in Jalpaiguri district have also been involved in a variety of social services. It has been found that when women work in a group, a motivation for a better social life drives them to take up social activities which they would not have

ventured to take up individually. Some of the social activities that the groups have taken up are.

- (i) conducting literacy programmes for women beneficiaries
- (ii) counselling on family planning methods
- (iii) participating in pulse-polio programmes
- (iv) organizing blood donation camps
- (v) arranging for marriages of down trodden women
- (vi) taking up health and hygiene programmes like cleaning of wells, ponds, spraying bleaching powder.

Co-operation from NGOs for organizing these programmes are worthy of mentioning. Co-operation from government agencies however needs to be geared up in some areas so that there activities can be strengthened. There activities have contributed to some extent to the social upliftment of women in the rural areas. The impact of being engaged in these social-economic activities by the SHGs will be objectively assessed in chapter nine.

5.6 Marketing for Micro Finance Beneficiaries under SGSY

The viability and sustainability of micro enterprises built and operated by the beneficiaries depend on the fact whether they can market their produce and generate a reasonable turnover. However, it has to be noted that these beneficiaries being from rural and remote areas of the country do not have the knowledge or the literacy to access formal marketing channels. Besides, their production in lower volumes and in some cases inferior quality; inferior packaging and absence of advertising support fail to compete with the marketing strategies adopted by large companies. Moreover, lack of adequate funds hamper their efforts to take up promotional campaigns and incur expenses on advertising. Micro- finance exponents have realized that marketing is the main problem for the micro enterprises all over the country. Hofstede et al. (1996) argue that working in remote villages far away from market centres limits the scope for identifying and initiating viable income generating activities. Income Generating Activities do not automatically bring overall economic development, but they need markets where people with disposable cash will buy goods and services. Therefore, it

is recommended that programmes should focus more on promoting Income Generating Activities near markets in semi-urban areas, market centres and larger villages. Purushotham (2004) found out that in want of innovative marketing support, savings of many SHGs were either under-utilised or unutilised, as these could not be canalised into viable economic avenues. He suggested that SHGs could follow strategies like market penetration and market creation.

Keeping these aspects in consideration, the provisions of SGSY have emphasized on providing marketing support to the Self-Help Groups. The SGSY guidelines state: “ For any goods or services that are produced, existence of a suitable market is essential. Traditionally, the self-employment programmes concentrated on the inputs rather than the outputs and their marketing. It was not uncommon to find production strategies in place overlooking the marketing aspects. One often finds that the recommendation of an activity is not preceded by the much needed market survey. There is false notion that market surveys are not required in case of self-employment opportunities of the rural poor. In fact, it is as critical, if not more for the poor. For he or she cannot sustain the loss arising out of a lack of market even for short periods. It is therefore necessary that the project profile of every key activity identify the market availability. The forecast of the incomes to be earned by the Swarojgari must take into account this factor and forecast incomes only on the basis of an assured market. This would be a critical factor in the choice of the key activity itself.” (SGSY Guidelines, chapter VII, 2004) The guidelines also stress the importance of exploring rural markets, urban markets, role of intermediaries for marketing SHG products outside the direct and support of the State Government and the Khadi and Village Industries Communication for marketing. Emphasizing on the importance of urban markets the guidelines state: “ The emerging urban markets can be a good area for developing clientele for the rural products. Provision of marketing infrastructure in this area can go a long way in enabling the rural poor to market their goods and at the same time building and identity for the products. The SHGs can be encouraged to try out this market on their own so that they slowly developed marketing skills. They can also starts marketing the goods of the individual Swarojgaries. Infrastructure Fund can be used for strengthening marketing infrastructure and related activities”. (SGSY

Guidelines chapter VII, 2004) Again highlighting the role of KVICI, the specially point out “ Organisation like Handicraft Boards and Handloom Corporations and also KVICI can play a prominent role in promotion of SGSY. The marketing outlets of KVICI, KVIB must be made use of for SGSY products. Keeping the market trend in view, linkages with apex bodies can ensure a stable market at remunerative prices. Such a link will also result in quality improvements while reducing market risks to the poor”. The guidelines also stress upon the role of NGOs in providing vital marketing support to the SHGs.

5.6.1 Marketing support for the Self-Help Groups in Jalpaiguri district.

Most of the SHGs in Jalpaiguri district are involved in traditional microenterprises like Chira Muri making, tailoring, dairy, poultry, cultivation of crops etc. The markets of these traditional products are restricted to local area. The producers generally adopt direct marketing to channelise their products in to the local market. They use to sell their products in the local market through weekly Hat, daily market or door-to-door selling. In order to facilitate the marketing of SHG products, Hat Shed and Stalls have been constructed in all the GPs in this district. In few cases, the producers supply their products to the local retailer on a regular basis. In this respect, the producers view that this marketing channel is very effective, but in few cases the retailers did not pay their dues on time. As a result, the producers face problem of liquidity and blockage of capital.

Other than those traditional items, a sizable number of SHGs in different blocks in Jalpaiguri district are involved in mushroom cultivation, cultivation of ornamental colour fish, Chanachur making etc. For this purpose, DRDC has selected few products and channelised them on regular basis. In order to marketise the SHG products, different fairs have been organised by the DRDC and trade Associations. As provided in restructuring support to the beneficiaries hut shed and stalls was build up in the local hats of GPs. Market outlet was established in few places in this district in order to channelise SHG products. The producers have used their special trademark as an identity of their products. A detail of infrastructure faculties which has provided under SGSY in Jalpaiguri district has given in 4th chapter. Blockwise infrastructure

facilities to provide marketing support for the SHG products are given in the following table.

Table No: 5.6.A
Blockwise infrastructure facilities to provide marketing support for the SHG products

| Block | Hat Sheds (No) | Stalls (No) | Picnic Sport (No) |
|--------------|----------------|-------------|-------------------|
| Sadar | 2 | 2 | 0 |
| Rajganj | 1 | 1 | 0 |
| Maynaguri | 2 | 2 | 3 |
| Dhupguri | 1 | 1 | 0 |
| Mal | 2 | 1 | 1 |
| Matiali | 2 | 1 | 1 |
| Nagrakata | 1 | 1 | 0 |
| Falakata | 2 | 2 | 1 |
| Madarihat | 2 | 1 | 1 |
| Kalchini | 1 | 1 | 0 |
| APD-I | 2 | 1 | 2 |
| APD-11 | 2 | 1 | 0 |
| Kumargram | 2 | 1 | 0 |
| Total | 22 | 16 | 9 |

Source: Annual reports of DRDC Jalpaiguri, 2007

5.6.2 Perception of Beneficiaries Regarding different Marketing Channels

The major problem in marketing lies in identification of the right marketing channel. Since SHG members have been using some of the marketing channels, their perception regarding the effectiveness of the channels were tested on a point Osgood's Semantic Differential Scale. This would give an idea about the marketing channel which was actually best suited for them and which they could further develop with help of government agencies and NGOs.

The marketing channels were first identified through observation and discussion with the SHG group leaders. For each of the channels, the seven point scale was attached with attributes such as "excellent" bearing a score and "vary poor" having a score zero. The mean score for each of the channels are reported below:

Table :5.6.B**Perception of SHGs about marketing channels**

| Sl. No. | Channels | Mean Score | Rank |
|---------|---------------------------------|------------|------|
| 1 | Door to door retail | 3.72 | 1 |
| 2 | Sales to whole seller | 2.96 | 4 |
| 3 | Sales to Cluster | 2.56 | 6 |
| 4 | Sales in village fairs and hats | 3.42 | 2 |
| 5 | Sale in sponsored fairs safe | 3.18 | 3 |
| 6 | Government outlets | 2.64 | 5 |

The above analysis shown that the most preferred channel is the door to door retail sells, followed by sale in village fairs and then sponsored fairs. Though, an analysis at the disaggregated level for each type of product would have been more informative and specific, however considering the variety in the product types making such type of detailed analysis was desisted from. However, the mean scores on the aggregative basis is also a good indicator which shows that on the whole the perception regarding all the marketing channels are for below excellence. This shows that the SHG member do here problem with the marketing of their products. The fact that their perception regarding government outlets and sale to cluster are low, points to the necessity of gearing up the government infrastructure for marketing and using the clusters for hither sales.

Other problems regarding marketing were identified by observation and discussion with members. There are listed below:

5.6.3 Problem of marketing of SHG products

Financial and technical assistance under SGSY helped the beneficiaries to increase the scale and variety of production, but they were no very successful to channelise their products in to the market. As a result SHGs could not attain the required level of sales volume. In this regard, following facts are highlighted.

1. Most of the SHGs are involved in traditional economic activities like Chira Muri making, goaterly, piggery, wool knitting, tailoring etc. These products are only sold in the local markets. It is very much difficult to expand the market to urban areas.
2. Due to globalisation and niche marketing strategy of big corporate houses, they able to target their products into local market segment. As a result, rural

customers also get products at their convenience. These big corporate houses have produced their products with the help of advanced technologies. Naturally the capital-intensive products of big corporate houses are well finished and good-looking. SHG products are inferior or in quality, finishing, packaging in comparison to products of corporate houses and do not find markets.

3. Effective marketing channel of large corporate houses induce them to produce at a large scale. This large-scale production helps to reap the benefits of economies of scale. The comparative cost of the SHG product is higher than the cost of large corporate products. Due this high price of the SHG products, demand is gradually decreases the scope of their market.
4. Market outlet like hat sheds etc. in the local market was very minimum, rather nil in most of the local markets. Consequently, the producers could not find avenues for marketing of their products.
5. Very few trade fairs were organised by the different agencies in this district. It was organised mainly in the festive season. This inadequate number of fairs could not able create the demand for their products.
6. Due to lack of proper training on packaging the products, the articles produced by the SHGs could not catch the attention of customers in the modern age.
7. In most of the cases, SHG products did not have any brand name. For this, customers could not find the brand name to identify the products.

Suggestions regarding solution of these problems are given in the last chapter.

5.7 Conclusion

This chapter has made an attempt to delve into the demographic characteristics of the members of the SHGs, The demographic characteristics like age, sex, marital status, family size etc are taken into consideration by microfinance practitioners for framing policies on delivery mechanisms. This study has found that more than 98% of SHGs are purely women groups and the number of female member per group is 10 to 11 on an average. These members are mostly middle-aged married women mainly belonging to the BPL categories and having low literacy levels. Alike all other countries, the targeted beneficiaries have the same characteristics and are therefore the ideal elements for microfinance programmes. The findings the thrift habits have developed among the members of the SHGs and the frequency of savings is quite

regular helps in establishing the fact that one of the major pillars of a microfinance system is gradually being well built up. Interloaning systems have been prevalent in nearly all the groups demonstrating the growing financial maturity of the members, through the rates at which the inter loans are made need to be reconsidered. Frequency of group meetings and attendance of members in these meetings are good, but need to be improved by intervention of government officials and NGOs so as to ensure cohesiveness and sustainability of the groups. Different economic and social activities have been taken up by SHGs. Economic activities have been found to be widely diversified. Though this is the natural characteristic of microenterprises, the problem lies in horizontal integration of their activities by building activity cluster. Economic activities need to be identified by DRDC on the basis of skills, availability of markets and raw materials and homogeneity of products so that scales of operations can be increased through integration. The SHGs also need to market their products and therefore there should be proper and accessible channels for them. Discussion in this chapter have revealed that though certain government infrastructures have been built, the perception of the swarozgaries regarding these channels are not encouraging, rather they prefer door to door sales. There are other problems regarding marketing their products which needs to be properly addressed and viable solutions searched for. Suggestions regarding improvement of marketing channels have therefore been given in the concluding chapter.



Mushroom cultivation is a popular and profitable economic activity for SHGs.



Young and old women join hands to run a dairy through a SHG in Salkumarhat.

CHAPTER – VI

SHG-BANK LINKAGE – PROGRESS AND PERCEPTIONS

6.1 Introduction

Banks have been major purveyors of micro finance in rural areas. "Institutional Fit" is extremely important for the successful implementation of any program. The ideal institutions to deliver financial services to smaller users is one which initiates, develops the activity and carries it on for as long as it is needed. In India, institutions like commercial banks, Regional Rural Banks (RRBs), Co-operatives viz. Central Co-operative Banks (CCBs), Primary Agricultural Credit Societies (PACS), Primary Land Development Banks (PLDBs) and State Level Development Banks (SLDBs) have deployed rural credit.

Commercial banks have the necessary outlets, security, equipment, hierarchy of administrative systems, record keeping, and efficient staff to manage savings and lending operations.

The co-operatives operate at ground level, they lend largely for farm activities in small amounts for purposes including: minor irrigation, land development, plantation, horticulture, fisheries, farm mechanization etc. Co-operative sector financing is in small amounts with exception of financing non-farming activities. The co-operatives have had a longer experience in delivering micro finance, but lack resources and dynamism and are subject to frequent interventions from government functionaries.

Government of India have issued guidelines and formulated various plans at the different levels of the administrative hierarchy. Till liberalization, public sector and co-operative banks operated in India with severe constraints in terms of regulations and government interventions. Earlier joint venture with government and priority sector impositions had hampered the banks profitability levels. The programs of rural development too have had limited success in terms of achieving income, employment and social benefits to the poor.

Despite the vast expansion of the formal credit system in India, the dependence of the rural poor on moneylenders continues especially for meeting emergent credit requirements. Such dependence is more pronounced in resource poor areas and in the case of marginal farmers, landless labourers, petty traders and artisans belonging to the socially and economically backward classes and the tribal population. The formal sector took the initiative to develop a supplementary credit

delivery mechanism by encouraging institutional arrangements outside the financial system to act as a facilitators or intermediaries. With a view to developing a supplementary credit delivery mechanism to reach the poor in a cost effective and sustainable manner, banks and other financial institutions had initiated strategic change to enter into the microfinance- individual as well as group based.

The SHG approach of lending was introduced to banks as a new micro finance approach with innovativeness and flexibility in order to enjoy certain benefits to the banks. Presently, the SHG-based microfinance is the main form of microfinance in India and it is well integrated into the formal banking system in India. The group based microfinance schemes have been introduced by the banks to cater cost effective finance which is anticipated to decrease the banker's burden of scrutiny of application, loan disbursements, monitoring and recovery of loan accounts. It is also anticipated that reduction in individual loan procedures is anticipated to reduce the cost to the banks, increase profits and small savings in rural areas. It is envisaged that this SHG based microfinance approach shall bring proximity and affinity between bankers and rural people.

6.2 Bank Linkage

The SHG-bank Linkage Programme has its origins in a Gesellschaft für Technische Zusammenarbeit (GTZ)-sponsored project in Indonesia. As a beginning in India, National Bank for Agriculture and Rural Development (NABARD) introduced a pilot project in Karnataka for linking 255 SHGs with formal banks in 1992 through the mediation through the NGO, Mysore Resettlement and Development Agency (MYRADA). This BANK-SHG Linkage project was introduced after thorough discussion with the Reserve Bank of India, commercial banks and NGOs. NABARD provides refinance facilities to banks for collateral free loans to groups, progressively up to four times the level of the group's savings deposits. SHGs thus "linked" became micro-banks and was able to access funds from the formal banking system.

It is not only the SHG-Bank Linkage-programme of NABARD that allows the SHGs to obtain loans from formal banking institutions. Harper (2002) viewed that the NABARD micro-finance programme was designed to benefit poor people by enabling them to access formal financial services, and to benefit the banks by introducing them to a new and potentially profitable market segment. People who do not need or do not

want such services are not NABARD's concern. Dadhich (200), Puhazhendhi and Satyasai (2001) and Puhazhendhi (2000) indicated a positive impact being experienced by the poor in terms of getting easy access to formal savings and credit facilities leading to improvements in the socio economic conditions. In another study

Special credit facilities to SHGs also provided by other apex development banks in India such as SIDBI, HDFC and government institutions like RMK, as well as private financial agencies such as BASIX. In order to ensure the financial viability and sustainability of SHGs as small informal organizations, these institutions also have started to promote SHG federations as a new strategy.

NABARD has issued flexible operational guidelines to enable the participating banks and field level bankers to innovate and contribute to building and strengthening the project concept. To state the advantages of linkages to the bank, the guideline shows that

"Under the linkage project, the main advantage to banks would be externalisation of a part of the work items of the credit cycle - assessment of credit needs, appraisal, disbursal, supervision and repayment, reduction in the formal paperwork involved and a consequent reduction in transaction costs. Improvement in recoveries and also in the margins would lead to a wider coverage of the target group. A larger mobilization of small savings would be equally advantageous. For the groups, advantages lie in the access to a larger quantum of resources as compared to their corpus generated through thrift, access to better technology and skill upgradation through different schemes of banking sector and a general improvement in the nature and scale of operations that would accelerate economic development"

Therefore, banks were not only to act as a credit disbursement mechanism but also as financial intermediators which attract more savings and stimulate internal banking by SHGs from internal and external bank sources to meet short-term emergent credit needs of their members.

The aim of SHGs intermediation between banks and the rural poor is to reduce the transaction costs for both banks and their rural clients. The objectives of the linkage programmes are:

- i) Establishment of the supplementary credit strategies for meeting the emergent credit needs of the poor by combining the flexibility, sensitivity

and responsiveness of the informal credit mechanism with the strength of technical and administrative capabilities and financial resources of the traditional formal financial institutions.

- ii) Development of mutual faith and confidence between bankers and the rural clients.
- iii) Give impetus to the banking activity, both on the thrift and credit sides, within a segment of the population that traditional formal financial institutions usually find difficult to attain.

Keeping in view these above objectives, the formal banking institutions have entered into micro banking activities through the intermediation of SHG. As a phenomenal change, traditional banking institutions have spread their cobweb to channalise the microfinance among the rural masses.

6.3 Attributes of successful Bank Linkage Programme.

The factors that contribute to successful SHG-Banking can be summarised as follows:

1) The SHG is an organizational framework that ensures members direct access to and control of additional financial resources borrowed from the bank. They participate collectively and willingly as the SHG-system is designed in ways conducive to their active participation, shared interest, responsibility and economic potential. These additional money resources can be managed by the SHGs without prescription of the bank about the purpose of use the loan. As a result, SHG members can use the money according to own economic inspiration and preference without any tight supervision by the bank personnel.

(2) The modern microfinance is based on the concept of saving first which had a much more decisive impact than anything else. This saving is the initial source of loanable fund and by transforming their savings plus the loan from the bank into interest bearing loans; the SHGs can increase their group corpus fund with retained earnings. The accessibility of banking services has increased the propensity to save. Self help, autonomy, flexibility and spontaneity may be determining factors for success.

(3) SHGs bank linkage programme facilitate wider outreach at lower transaction costs and much lower risk costs. The participating banks distribute loan at a low additional operational cost and marginal loan losses.

6.4 Formal Banking Vs SHG Banking

SHG-Banking has become a big challenge to the formal banking system in India. It has led to formulate new strategies through the process of “downscaling” and new capacity building in banks to handle SHG-Banking:

(1) SHG-Banking looks as an extension compartment of well established traditional banking practices, which required written contracts with individuals, a clearly defined project and activity for loan use, which has been exclusively one-purpose oriented, required legal identification of the borrower, collateral, etc. where as in SHG Banking, the most rigid requirements of the formal banking system have been overthrown; SHG-Banking is need based and multi dose credit policy with bankers to the poor approach. Therefore, SHG Banking is an extremely innovative approach in banking;

(2) The SHG banking focuses to operate target segment of in the low income client market segment with substantial freedom which was considered as unbankable so far. It operates with a dynamic and more unregulated service design and most flexible credit product design in order to fully meet the requirements of the low income strata and particularly of women.

(3) Different attitudes and different motivation of bank staff is required to perform social banking with the vulnerable section of the village society especially with women.

(4) The bankers, who deal with the SHG-Banking portfolio, enjoy a complete new banking experience. Since it involves very careful and sensitive loan applications by SHGs, high rate of loan recovery, development of financial management skill of poor people and their reliability, entrepreneurial capacity and dignity.

(5) As SHG-Banking is directly involved in social banking, so it gave the participating bankers a new dimension of job satisfaction that they never had experienced before in “directed lending regime.”

(6) SHG-Banking initiated a demand oriented service structures instead of supply oriented “directed” loan delivery structures. Formal banking system does not make provisions of continuous loan advisory services support to low income people.

(7) SHG-Banking needs to change the traditional bankers attitude of interference and belief that the banker has all the solution for his clients

(8) SHG-Banking focuses on feminisation of microfinance.

6.5 Banking Outreach

The vast network of commercial banks, cooperative banks and regional rural banks involved in SHG-Banking with 160,000 retail outlets is ready to cooperate. The following banking and non banking financial institutions are actually or can be potentially involved in Linkage Banking: some 94,000 cooperative societies or branches of cooperative banks, around 60,000 branches of 27 public sector commercial banks and 196 regional rural banks and another 4,700 branches of 55 smaller private banks providing financial services in India as well as other financial institutions (37,000 NBFCs) spread all over the country (partially involved in micro-savings). A large proportion of the population of the country are with in the ambit of the banks and agricultural cooperatives which cater semi-formal and formal financial services through banks and agricultural cooperatives are within physical reach (less than 5 km). Actually 444 Banks (121 RRBs, 209 cooperatives banks, all 27 public sector banks and 17 private banks) through their 17 085 branches are now involved in Linkage Banking. As an important part of the rural financial system, Regional Rural Bank has also received specific attention in the financial sector reform process and later on in SHG-Banking. National Bank for Agriculture and Rural Development [NABARD], as an institutional development agency for rural financial institutions, had assisted RRBs in formulation of its development action plans and facilitated the improvement of this segment of rural financial institutions. The action plans of RRBs also covered SHG financing as an integral part of its lending portfolio.

A special role in the implementation of Linkage Banking was the policy support of RBI. RBI gave appropriate guidelines and circulars to the banking system to take up the programme. The RBI’s initiative of permitting informal entities like

SHGs to open savings bank accounts in formal institutions was instrumental in providing the necessary thrust to the programme at the pilot phase itself. Further, it also enabled the banks to deregulate the lending conditions and to allow the interest rate to be fixed according to market conditions. The built-inflexibility for the start-up period of the programme has not yet been narrowed by restrictive regulations. SHG Banking was made a component of priority sector lending for Commercial Banks, for RRBs and for Cooperative Banks. The terms and conditions allowed banks to consider mainstream financing of SHGs as a business activity (not only because of the additional volume of lending). Special guidelines and circulars about the SHG banking under SGSY have been issued by the RBI on a regular basis.

SHG banking under SGSY got prominence in the prioritization of the banking activities in most of the cases. “Saving fist” is the main feature of SHG banking. After the formation of a group, members have to go bank to open a saving account for their group. All the members save as per their unanimously decided rate out of their emergent needs to build group corpus. The groups are formed and grew up under the close supervision of different concerned functionaries and monitoring agencies. Within the 1st six month of its vintage period a group learns various aspects of SGSY scheme and develops banking habits which are the main indicator of success. A panel of judges assesses the potentiality of the group. Bank provides multiple credits along with the interest free financial incentive to the groups as per the assessment report of the judges. In order to meet the large-scale credit needs of the groups, 2nd time assessment is needed. At this stage, again an assessment committee consists of DRDC officials, Bank officials and Block officials assess the sustainability of the groups through SWOT analysis. Track record and potentiality of the group, peer pressure and peer support are the principle factors of group lending. After the 2nd grading of a group, bank can go for schematic lending along with subsidy. Therefore, first saving linkage and thereafter credit linkage with back ended subsidy is the basis of SHG banking under SGSY.

6.6 Fine-tuning Future Strategy

The corporate mission for microfinance set by NABARD envisages reaching banking services to one-third of the very poor of the country, i.e., a population of

about 100 million rural poor through one million SHGs by the year 2007-08. The banking system has already reached microfinance services to 40 million poor through SHGs, reinforcing this commitment. NABARD and its partners are all set the required framework to traverse the path beyond the mid-mark. This is the right time to fine-tune the strategies for the future, based on the experiences of the past.

The overall strategy adopted by NABARD relies on two main bases: (i) formal and informal agencies can work as SHG promoting institutions through the expanding the range of operation and (ii) enhance capacities of the increasing number of stakeholders. Upgradation of skill and knowledge through the training and capacity building of various stakeholders including the SHG members themselves has been acting as the key to all such initiatives. The range of the capacity building is growing at a fast pace. The series of studies had undertaken which were oriented in this direction, and were expected to help NABARD and its partners in this process of fine-tuning their future strategies. Outcome of those studies highlighted the basic indicators of SHG Bank linkage programme.

6.7 Indicators of Bank Linkage

Kropp & Suran (2002) identified the following indicators for measuring the performance of SHG Bank Linkage programme:

1. Number of SHGs linked-which have taken loans from banks (which explains the great effort to form new SHGs) (“groups linked”).
2. Volume of micro credit extended to SHGs by the Formal Banking System (which explains the credit disbursement orientation of the Linkage Banking programme) (“money disbursed”)
3. Number of banks or bank branches involved

Bank linkage under SGSY has been started since 1st April 1999. Upto the end of 2006-07 total 2501623 SHGs were linked with the different banks in India. A proceeding of debate in Loksabha, July 2005, pointed out that the credit mobilization stepped up from 40-45% during 2000-2003 to 65% in 2004-05. Credit flow to SHGs increased from 20-25% during initial three years to over 60% during 2004-05. Agenda for the Tenth Meeting of the Central Level Co-ordination Committee (LCC), 702.2007 described that for the three quarters ending 31.12.2006 only Rs.1080.55

crore disbursed as loan by 2643 bank branches. During the current year 2006-07 4,18,203 loan applications have been submitted to the banks under SGSY but only 2,25,565 loan applications have been sanctioned and loan has been disbursed in respect of 1,92,499 loan applications. There were 1,92,475 loan applications which were pending with banks as on 31.12.2006. These trends point to the consolidation of group approach in the implementation process. Banking industry in India has been started to enter into the modern microfinance sector with a slow pace.

6.8 The fruits of SHG-Banking-Some Evidences.

Academicians and practitioners had studied various aspects of SHG-Bank Linkage programme and identified a list of emerging issues. Some of them, Kropp & Suran (2002), Wilson (2002), Harper (1998), Seibel & Dave (2002), Fernandez (1998), Jayaraman (2001) Tankha (2002), Karmakar (1999), NABARD (2001), Puhazhendhi & Satyasai (2000), Satish (2000), Dasgupta (2001), MYRADA (2002), Sharme, Ahmed and Rashid (2002), Puhazhendhi & Badatya (2002) etc. has made unbounded contribution in the field of SHG- Bank Linkage system.

Outcome of some of these studies have stated that SHG-Banking system provides a new dimension for the formal bank branches and bank branch managers. They feel comfortable and safe in their job with the new flexible SHG- Banking practice. This group based microfinance system has created a new vistas for the bank staff and manager to interact with the rural vulnerable section specially women. Peer pressure among the members plays the pivotal with in the group which ensure high loan recovery rate. This achievement gives inspiration to the bank staff and motivates them to serve the unbankable section with more faith and enthusiasm.

Some studies have found SHG Bank Linkage Programme approach is free from all kind of deficiencies of the Government directed credit programmes. The frustration of the traditional ordinary bank staff has not been transferred into the SHG Bank Linkage Programme approach. As a tactical measure, SHG Banking formulates new strategy to provide microfinance services through the already established Banking System. It reflects a break from the conventional wisdom of development banking and supply led finance schemes of conventional banks. The staff interacts with customers/ individuals in a very limited way and relationship is mostly impersonal. This social development function by providing financial services to SHGs

of poorer families exclusively (and paying them a visit from time to time) has been accepted by the banks and by the new clients.

Kropp & Suran (2002) observed that “a steady growth in number of new SHGs, an increase of the amount of loans disbursed and an excellent loan recovery performance has created a new job satisfaction among the bankers. It is a vital source of attainment of emotional needs of the bankers. Many bankers show great satisfaction to report about the socio-economic achievements of their groups. There are a number of indicators that highlighted the relative advantages of SHG banking and showing the gap between formal bankers and rural poor has been bridged:

- The number of civil suits and amount of NPA have reduced
- Overdue loans outstanding for longer periods are increasingly repaid
- People showing substantial interest in a permanent relationship with “their” bank.
- Songs and other PR-relevant measures of people praise the role of bankers
- More job satisfaction among the bankers involved in SHG-Banking
- Concept of cost externalisation of giving micro-loans to poor successfully implemented
- High potential for increased outreach of formal banking shared by the bankers”

These positive effects of SHG banking have been found in different areas in India and provide an encouragement or motivation to further the process of SHG-bank linkage. However, no study on outreach, impact, bankers involvement and perception has focussed on area of North Bengal. It is in this context that these aspects have been explored in Jalpaiguri district.

6.9 Grading of SHGs under SGSY- a sine quo non for bank linkages

Experience of previous poverty amelioration programmes like IRDP, DWCRA, etc. has brought to the forefront the need for assessment of potentiality and economic viability, cohesiveness, solidarity of the groups. Peer pressure and peer support are the main pillars of collateral free group based lending in the new paradigm of microfinance. Banks play pivotal role in the microfinance delivery mechanism

under SGSY. It is therefore necessary to assess the performance of various aspects of the SHGs specially under SGSY. The SGSY guidelines stated that, a group would be eligible for the assessment- 1st grading after the completion of vintage period of at least six months. It is mandatory for all groups under SGSY before the issue of revolving fund and bank loan for them.

Concerned functionaries at block level or at GP level is maintain database of the SHGs within its jurisdiction. These functionaries submit the list of eligible groups for 1st grading to DRDC at regular intervals. Accordingly nodal agency, DRDC, has to organise the grading activities and select the venue of grading with the consultation of concerned bank manager, block officials, GP officials, concerned NGOs or animator. Bank officials, DRDC officials and block level officials ask various oral questions to examine the various aspects of the groups likes- banking habit of the groups, interloaning performance, maintenance resolution books by the group members, regularity of meeting, involvement in social activities, group cohesiveness. DRDC has prepared a grading schedule with suitable marks for all the groups in the district. Full marks of the grading schedule is 36. The group which obtains above 25 is called a strong group and the group which obtains marks within 20-25 is called a moderate group. These two categories of groups are treated as 1st graded groups and are eligible for revolving funds and bank loans. On the other hand, the group that obtains less than 20 marks is treated as weak group. More time and effort is required is required for the development of this category of groups. A schedule which is used for the 1st grading of the groups under SGSY is given in the Appendix- A5. Grading activities have been carried out according to the guidelines of DRDC. All groups that have been assessed on the basis of scores specified by DRDC. Groups that have passed 1st grading are eligible for assessment after a period of one year. The grading process is also score based and a group can score upto sixty points. The schedule for 2nd grading is given in Appendix-A6

6.10 SHG- Bank Linkages – Progress and Perception in Jalpaiguri District

SHG- Bank linkage under SGSY was started in Jalpaiguri in 1999. By the end of 31st March 2007, this new programme has completed its 8th years journey in this district. A large number of groups were formed with the close supervision of the bank

officials. Under SGSY, savings linkage should be completed at first and before credit linkage. Multi dose credit is disbursed to the SHGs after assessing its sustainability and potentiality. Bankers have to extend their helping hands to provides to provides different types problem solving techniques. A good performance of bank linkage programme is highly depends upon the perception of the bankers regarding all aspect of bank linkage programme. The perception of bankers motivates them to perform more active function in SHG- Bank linkage programme. Therefore it is very much essential to assess the perception of the bankers.

The following table depicts the distribution of SHGs on the basis of different banks in Jalpaiguri district.

Table No: 6.10.A

SHGs linked to different banks in Jalpaiguri district as on 31st December 2006

| SL No | Name of the Bank | No of SHGs Formed | No of SHGs Passed Grade-1 | No of SHGs Passed Grade-II | No of Bank branch |
|--------------|---------------------|-------------------|---------------------------|----------------------------|-------------------|
| 1 | State Bank of India | 3251 (141) | 2003 (87) | 43 (2) | 23 |
| 2 | Allahabad Bank | 300 (50) | 109 | 5 (0.83) | 6 |
| 3 | Bank of India | 250 (125) | 181 (90) | 0(00) | 2 |
| 4 | Central Bank of | 4776 (119) | 2547 (63) | 47 (1.18) | 40 |
| 5 | Indian Bank | 25 (25) | 8 (8) | 0 (00) | 1 |
| 6 | Indian overseas | 0 (00) | 0 (00) | 0 (00) | 1 |
| 7 | Punjab National | 160 (53) | 106 (35) | 0 (00) | 3 |
| 8 | Syndicate Bank | 174 (174) | 116 (116) | 5 (5) | 1 |
| 9 | United Bank of | 350 (27) | 318 (24) | 5(0.3) | 13 |
| 10 | UCO Bank | 310 (77) | 271 (67) | 5 (1.25) | 4 |
| 11 | Co operative Bank | 0 (00) | 0(00) | 0 | 3 |
| 12 | UBKGB (RRB) | 6578 (164) | 4280 (107) | 52 (1.3) | 40 |
| Total | | 16174 | 9939 | 162 | 137 |

Source: Performance report of Jalpaiguri DRDC

- **Figure in the parenthesis shows SHG formed and graded per branch**

The above table highlighted the fact that, total 137 branches of twelve different banks in this district have been introduced and performed SHG-Banking as a main activity of social banking. Till the end of 31st December 2006, highest number (6578) of SHGs has been formed through forty branches of UBKGB. It becomes the giant player in the field of group based microfinance programme. The second largest player is Central Bank of India. Total 4776 SHGs have been formed through the forty branches of this bank. State Bank of India also acting as a vital player in this field. Total 3251 SHGs have been formed through 23 branches of this bank.

In respect of per branch performance, till 31st December 2006, Syndicate Bank has highest number of SHG. Though it has only one branch. Uttar Banga Kshetriya Grameen Bank (UBKGB) has 164 SHGs per branch in this district. Where as State Bank of India has 141 SHGs per branch. The pattern and growth of group formed by the different banks in different years is described with the help of following table.

Table No: 6.10.B

Yearwise SHG formed with different banks in Jalpaiguri

(Cumulative figure upto 31-03-07)

| Bank | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Growth rate |
|--------------|-----------|------------|------------|-------------|-------------|-------------|--------------|--------------|-------------|
| CBI | 4 | 18 | 126 | 392 | 1142 | 2113 | 4311 | 5282 | 247.16 |
| SBI | 0 | 3 | 28 | 381 | 796 | 1780 | 2650 | 3471 | 155.01 |
| UBI | 8 | 13 | 38 | 132 | 184 | 210 | 250 | 500 | 21.78 |
| UCO | 0 | 19 | 19 | 30 | 46 | 120 | 205 | 441 | 26.3 |
| ALLB | 3 | 4 | 7 | 43 | 50 | 135 | 250 | 336 | 16.29 |
| PNB | 0 | 0 | 19 | 32 | 32 | 68 | 140 | 196 | 9.40 |
| SYND | 0 | 0 | 32 | 32 | 38 | 87 | 150 | 174 | 6.43 |
| IB | 0 | 0 | 0 | 0 | 5 | 5 | 10 | 25 | 1.61 |
| BOI | 0 | 0 | 0 | 7 | 7 | 158 | 250 | 250 | 10.79 |
| CCB | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 00 |
| UBKGB | 27 | 55 | 507 | 801 | 1707 | 3326 | 5828 | 7180 | 306.64 |
| Total | 42 | 112 | 776 | 1850 | 4007 | 8002 | 14044 | 17855 | |

Source: Compiled from Annual report of SGSY (Different year)

Above table highlighted the growth rate of SHGs linked with the different banks in Jalpaiguri district. Among all the banks in this district, UBKGB has attained

highest growth rate i.e. 306.64. On the basis of growth rate, Central Bank of India and State Bank of India hold 2nd and 3rd position respectively. On the other hand, Indian Bank has lowest growth rate (1.61).

The above table depicts different growth rate for different banks. To test the statistical significance of growth rate of SHG linkage in different banks F-test is used.

Null Hypothesis: Average rate of SHG linkage of different banks are equal.

Alternative Hypothesis: Average rate of SHG linkage of different banks are unequal.

Value of F **5.432** (At 9 degree of freedom)

Due to high value of F statistic, Null hypothesis is rejected. So it is clear that, the average rate of bank linkage of different banks differs significantly.

Till the above mentioned date, total 9939 (about 61% of total group formed) SHGs have passed 1st grading test. Out of which 4280 groups of UBKGB, 2547 groups of Central Bank of India and 2003 SHGs of State Bank of India have qualified 1st grading test. Only eight SHGs of Indian Bank have qualified there Ist grading. Highest proportion of SHGs, formed with the Union Bank of India, has qualified 1st grading. In case of most important bank UBKGB 65% of its total groups have qualified 1st grading test. Where as 72% of SHGs of bank of India have qualified 1st grading test.

Number of 2nd graded group in Jalpaiguri district stood at 162. Highest number of group of UBKGB have qualified 2nd grading test. Where as in case of central bank it becomes 47 through the same number of branch. In this respect it can be highlighted that, SBI have 43 second graded group. Bank wise physical progress along with the financial progress can provide better information regarding the SHG banking in this district. Financial progress of different banks in this district has given in the following section

The following table depicts the fact that upto 31st December 2006 different banks in Jalpaiguri have completed saving linkage for 13553 SHGs. This volume constituted with the grate contribution of UBKGB. Highest number of SHGs (5625) with highest amount of savings have been linked with UBKGB. Second largest number of SHGs and amount of saving has been linked with Central Bank of India. A

significant number of SHGs with a sizable amount of saving has been linked with the state bank of India.

Table No:6.10.C

Bank wise Financial Progress under SGSY in Jalpaiguri district Upto 31-12-2006

| Name of the Bank | SHGs Savings Linked | | RF Released | | Cash Credit Sanctioned | | Cash Credit Disbursed | |
|------------------|---------------------|----------------|-------------|--------------|------------------------|----------------|-----------------------|---------------|
| | No | Amt | No | Amt | No | Amt | No | Amt |
| SBI | 2830 | 198.10 | 2003 | 120.20 | 1615 | 295.00 | 1450 | 254.00 |
| ALLB | 135 | 10.80 | 109 | 5.45 | 115 | 23.00 | 95 | 19.11 |
| BOI | 220 | 15.40 | 181 | 5.65 | 92 | 18.40 | 87 | 17.40 |
| CBI | 3985 | 278.95 | 2547 | 150.8 | 2318 | 453.60 | 2100 | 420.00 |
| IndB | 9 | 0.72 | 8 | 0.40 | 7 | 1.0 | 7 | 1.40 |
| IOB | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PNB | 143 | 10.01 | 106 | 5.20 | 100 | 20.00 | 90 | 18 |
| SyndB | 146 | 10.22 | 116 | 5.80 | 112 | 22.40 | 100 | 20.00 |
| UBI | 260 | 18.20 | 318 | 13.20 | 225 | 45.00 | 200 | 40.00 |
| UCO | 200 | 14.00 | 271 | 8.30 | 165 | 33.00 | 128 | 25.60 |
| CO-OPB | 0 | 0 | 0 | 0 | 0 | .0 | 0 | 0 |
| UBKGB | 5625 | 460.26 | 4280 | 247.5 | 3982 | 796.40 | 3896 | 759.20 |
| Total | 13553 | 1016.66 | 9939 | 562.5 | 8731 | 1708.20 | 8153 | 1574.6 |

Source: Performance report of SGSY Jalpaiguri.

As stated earlier that, after completion of 1st grading bank disbursed loan to the swarojgaries as cash credit form. It ensures that swarojgaries can draw and deposit as many time, as they required. It means that, the swarojgaries can operate within this limit.

The entire concerned bank, who are performing SHG Banking in Jalpaiguri district, have sanctioned cash credit to the 8731 SHGs with 1708.20 lakh amount. Where as UBKGB has sanctioned highest amount of cash credit to the highest number of SHGs in Jalpaiguri district. Central Bank of India got 2nd position and State Bank of India got third position in this field. Following table is given to describe the status

of cash credit in this district. In this regard, three years data (from 31-3-05 to 31-12-06) is available and shown in the following table.

Table No: 6.10.D

Bank wise trend of Cash Credit under SGSY in Jalpaiguri district

| SL No | Name of the bank | C/C upto 31-3-05 | | C/C upto 31-3-06 | | C/C upto 31-12-06 | |
|--------------|------------------|------------------|---------------|------------------|----------------|-------------------|----------------|
| | | No | Amt | No | Amt | No | Amt |
| 1 | SBI | 500 | 100.00 | 972 | 194.40 | 1615 | 295.00 |
| 2 | CBI | 600 | 120.00 | 1990 | 398.00 | 2318 | 453.60 |
| 3 | Allahabad | 42 | 8.40 | 90 | 16.50 | 115 | 23.00 |
| 4 | BOI | 29 | 5.80 | 82 | 13.05 | 92 | 18.40 |
| 5 | UBI | 53 | 10.60 | 220 | 44.00 | 225 | 45.00 |
| 6 | UCO | 52 | 10.40 | 135 | 27.00 | 165 | 33.00 |
| 7 | Syndicate | 28 | 5.60 | 90 | 18.00 | 112 | 22.40 |
| 8 | PNB | 30 | 6.00 | 80 | 16.00 | 100 | 20.00 |
| 9 | Co-op Bank | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 10 | Indian Bank | 3 | 0.60 | 7 | 1.30 | 7 | 1.00 |
| 11 | IOB | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 12 | UBKGB | 673 | 134.60 | 3715 | 743.00 | 3982 | 796.40 |
| Total | | 2274 | 402.00 | 7381 | 1471.25 | 8731 | 1708.20 |

Source: Performance report of SGSY Jalpaiguri

Above table depicts that volume of cash credit has increased significantly during 2005-06. Over all increase in volume of cash credit in Jalpaiguri district during 2005-06 stood at 265.98%. Highest rate of increase is highlighted in case of UBKGB, which stood at 454.84%. Near about 200% rate of increase in cash credit during 2005-06 is noticed in case of most of the other banks in this district.

Alongwith the cash credit, DRDC has provided interest free support to the SHGs. Till the end of 31st December 2006 total Revolving Fund issued by the DRDC of Jalpaiguri to the 9939 (61% of 1st graded group) with Rs. 562.50 lakhs. Out of which highest amount of Revolving Fund disbursed through the UBKGB. Where as only 729 SHGs have received Revolving Fund in the last year as shown in the table (No:6.9.C). In the same way Central Bank of India and State Bank of India got 2nd position and 3rd position respectively.

The pattern of Revolving Fund issued by DRDC of this district is shown in the following table. The table depicts that the number of SHGs, who have received Revolving Fund have increased abruptly during 2006-07. The main reason behind that, the number of group formation has been increased significantly during 2004-05 and 2005-06. Through the proper nourishment and close supervision by different

SHPI, a sizable number of groups have able to acquire knowledge to upgrade their skill. As a result they most of the SHGs have passed their 1st grading.

Table No:6.10.E

**Yearwise Revolving Fund released by the different banks in Jalpaiguri district
(Cumulative figure)**

| Bank | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Growth rate |
|--------------|-----------|-----------|------------|------------|-------------|-------------|-------------|--------------|-------------|
| CBI | 00 | 16 | 47 | 174 | 416 | 664 | 2029 | 3047 | 398.655 |
| SBI | 00 | 3 | 10 | 60 | 354 | 552 | 1399 | 2403 | 306.202 |
| UBI | 00 | 13 | 18 | 51 | 63 | 82 | 235 | 468 | 54.643 |
| UCO | 00 | 00 | 19 | 19 | 42 | 74 | 186 | 361 | 43.393 |
| ALLB | 00 | 00 | 00 | 3 | 26 | 55 | 109 | 159 | 21.976 |
| PNB | 00 | 00 | 00 | 00 | 19 | 40 | 106 | 166 | 21.798 |
| SYND | 00 | 00 | 00 | 00 | 13 | 35 | 116 | 186 | 23.810 |
| IB | 00 | 00 | 00 | 00 | 0 | 5 | 8 | 18 | 2.155 |
| BOI | 00 | 00 | 00 | 7 | 15 | 38 | 97 | 251 | 28.143 |
| CCB | 00 | 00 | 00 | 00 | 0 | 00 | 00 | 00 | ---- |
| UBKGB | 00 | 45 | 77 | 317 | 612 | 729 | 3608 | 5180 | 670.548 |
| Total | 00 | 77 | 171 | 631 | 1560 | 2274 | 7893 | 12239 | |

Source: Compiled from Annual report of SGSY (Different years)

Above table depicts a clear picture of growth rate of revolving fund issued to the SHGs in Jalpaiguri district. This growth was calculated through the trend analysis of time series technique. It shows that the growth rate of revolving fund of UBKGB is significantly higher than other banks in this district, which stood at 670.548. On the other hand, growth rate of Central Bank of India State Bank of India was 398.655 and 306.202 respectively. It is important to note that Central Bank of India and UBKGB both the banks have 40 branches each in this district but the growth rates are different. Whereas the growth rates are quite low for all others banks operating in this district.

During the initial years of the SGSY, the guidelines stated that with a revolving fund of Rs 10000 a cash credit upto Rs 15000 would be sanctioned to the 1st graded groups. Later the guidelines stated that revolving fund Rs 5000 and cash credit would be four times the group corpus. These guidelines imply that there ought to be some relationship between revolving fund and cash credit disbursed. The relationship was tested using correlation coefficient between the cash credit issued to the groups and revolving fund disbursed to the groups. The Pearsonian co-efficient correlation R was found to be 0.442 which was not significant. There is no significant correlation between the cash credit issued to the groups and revolving fund disbursed to the

groups. It suggests that banks had issued cash credit to the groups without having much parity with the revolving fund. Revolving fund is issued by the DRDC in a phased manner and has different types of operational difficulties. On the other hand group members frequently come to the concerned bank branches after the completion of their 1st grading and request for loans. In many cases the branch managers had sanctioned bank cash credit loan without having proper information about their revolving funds.

This large number of 1st graded group of different banks have used cash credit limit to start and operate individual and group microenterprises. Through the good performance and excellent loan recovery, those groups able to come forward and qualify 2nd grading test. Scheme based large scale financial and long-range non-financial support provides sufficient enthusiasm to run sustainable group microenterprises. The performance of different banks in Jalpaiguri regarding 2nd grading and schematic lending is examined in the following section with the help of following table.

Table No:6.10.F
Bank wise performance of 2nd grading and schematic lending as upto 31-12-2006

| Name of the Bank | No of 2nd graded group | Scheme submitted in banks | | Sanctioned / Disbursement | |
|-----------------------|------------------------|---------------------------|---------------|---------------------------|---------------|
| | | No | Amt (Lakh) | No | Amt (Lakh) |
| State Bank of India | 43 | 45 | 90.00 | 43 | 28.00 |
| Allahabad Bank | 5 | 8 | 6.00 | 5 | 7.00 |
| Bank of India | 0 | 0 | 0.00 | 0 | 0.00 |
| Central Bank of India | 47 | 58 | 90.00 | 47 | 30.10 |
| Indian Bank | 0 | 0 | 0.00 | 0 | 0.00 |
| Indian overseas Bank | 0 | 0 | 0.00 | 0 | 0.00 |
| Punjab National Bank | 0 | 0 | 0.00 | 0 | 0.00 |
| Syndicate Bank | 5 | 8 | 4.00 | 5 | 5.00 |
| United Bank of India | 5 | 5 | 10.00 | 5 | 6.60 |
| UCO Bank | 5 | 6 | 12.00 | 5 | 4.00 |
| Co operative Bank | 0 | 0 | 0.00 | 0 | 0.00 |
| UBKGB (RRB) | 52 | 80 | 160.00 | 32 | 71.00 |
| Total | 162 | 210 | 372.00 | 162 | 151.70 |

Source: Performance report of Jalpaiguri

The above table depicts that, till 31st December 2006 total 162 SHGs in Jalpaiguri have qualified 2nd grading test. Here also 1st position have occupied by UBKGB. Total 52 SHGs, who have linked with UBKGB, have qualified 2nd grading

test. In the same 47 & 43 SHGs of CBI and SBI respectively have qualified 2nd grading test. The table highlight that large scale schematic lending has been done by UBKGB (72 lakhs for 52 SHGs). On the other hand SBI disbursed 28 lakhs for 43 SHGs. These groups perform their activities through the active participation different banks with the help of back-ended subsidy, issued by the DRDC. Banks play pivotal role in this field. Different types of activities of banks are described in the following section.

The pattern of subsidy issued by DRDC as a nodal agency of SGSY in different years is described with the help of following table. On the basis of available data it can be noted that, the volume of subsidy has increased greatly in most of the banks. The rate of increase in disbursement of subsidy is shown in case of UBKGB. Upto 31st March 2005, its subsidy disbursement was Rs38.48 lakhs. It became Rs 71 lakhs. On the other hand, volume of credit disbursement of SBI and CBI during 2004-05 was Rs. 10.25 lakh and Rs. 9.50 lakh respectively. It became Rs.25 lakhs and 26lakhs respectively during 2006-07. Out of the remaining banks in this district UBI, UCO and SYND banks have issued few amount of subsidy.

Table No: 6.10.G

Bank wise trend of Subsidy under SGSY in Jalpaiguri district

| SL No | Name of the bank | Subsidy upto 31-3-05 | | Subsidy upto 31-3-06 | | Subsidy upto 31-12-06 | |
|--------------|------------------|----------------------|--------------|----------------------|---------------|-----------------------|---------------|
| | | No | Amt | No | Amt | No | Amt |
| 1 | SBI | 16 | 10.25 | 30 | 25.00 | 43 | 28.00 |
| 2 | CBI | 8 | 9.5 | 28 | 26.00 | 47 | 30.10 |
| 3 | ALLB | 0 | 0.00 | 2 | 1.37 | 5 | 7.00 |
| 4 | BOI | 1 | 0.80 | 0 | 0.00 | 0 | 0.00 |
| 5 | UBI | 2 | 1.25 | 3 | 6.00 | 5 | 6.60 |
| 6 | UCO | 0 | 0.00 | 4 | 4.00 | 5 | 4.00 |
| 7 | SYND | 5 | 2.56 | 2 | 4.00 | 5 | 5.00 |
| 8 | PNB | 1 | 0.50 | 0 | 0.00 | 5 | 5.00 |
| 9 | CCB | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 10 | IB | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 11 | IOB | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 12 | UBKGB | 40 | 38.48 | 66 | 60.00 | 52 | 71.00 |
| Total | | 73 | 63.34 | 135 | 126.37 | 162 | 151.70 |

Source: Performance report of Jalpaiguri

6.11 Activities and perception of bankers regarding linkages under SGSY

Bankers play pivotal role in the implementation and operation of SGSY. Bankers had to perform various activities for the SHG linkage with the bank. "Saving first" is an ideal concept in the new paradigm of modern microfinance. Enthusiastically continuous effort is needed from the awareness generation in the pre SHG period to post credit follow up in the bank linkage process. Banks officials play active role in motivating rural women to form SHGs. Bankers had to attend the group meeting occasionally with the officials of BDO and DRDC in order to disseminate knowledge about the saving / credit linkage process and banking procedures. Bankers had to take necessary step to learn the banking habits and documentation procedures through the training and workshop. They had to go for grading the group before credit linkage.

Guidelines of SGSY also supported the above activities of banks. It stated that, "Banks will closely involved with Government agencies in implementing, planning and preparation of projects, identification of key activities, clusters, self-help groups, identification of individual Swarozgaris infrastructure planning as well as capacity building and choice of activity of the SHGs, grading of SHGs, selection of Swarozgaris, pre-credit activities and post credit monitoring including loan recovery. The bank has the final say in the selection of Swarozgaris.

Therefore, successful operation of the scheme is highly depends on the active co-operation of bankers with others stakeholders of the programme. So perception of the bank officials regarding the SGSY is the key to success of the programme. In these phenomena the activities and perception of the bankers related to this programme in Jalpaiguri is to be tested.

In this respect, questionnaire survey has been conducted to the randomly selected branch all concerned banks in Jalpaiguri district. All concerned banks mean the banks who are performing SHG banking. Total 32 branches have been taken for this study. The relevant questionnaire has given in the appendix. Composite figure of different activities of banks has been tabulated below.

Table No: 6.11.A
Activities of Bank Personnel (N=32)

| Types of activities | No of banks who send their officer for the activities |
|---|--|
| 1. Visit to motivate the group | 32 (100%) |
| 2. Grading of SHGs | 32 (100%) |
| 3. Visit the group to solve internal disputes | 20 (62.5%) |
| 4. Arrange and impart training (BOP) | 12 (37.5%) |

Source: Field survey

The above table depicts that cent percent of sample banks have performed two activities mainly i.e. visit to motivate the group and growing of SHGs. It signifies, SHGs gained motivation from the bankers. Frequency of group visit by the concerned bank personnel is given in the following table. This table highlights the fact that about 84% of sample bank visit their group as per the requirement of the groups. Favourable attitude of bankers is vital source of motivation, because bank provides basic means of economic activity. Other than this activity bank also extended helping hand to solve the internal problem of SHGs.

Table No: 6.11B
Frequency of group visit (N=32)

| Statement | Weekly | Monthly | Bimonthly | Half yearly | Yearly | As & when required |
|--------------------------|---------------|----------------|------------------|--------------------|---------------|-------------------------------|
| Frequency of group visit | 0 | 0 | 0 | 0 | 4 (16%) | 21 (84%) |

Source: Field Survey

Through the regular interaction with the group members, the bank personnel have able to gain perception about the SHG banking system. The perception of bankers is examined in the following section.

The following tale depicts the perception of bankers' regarding different aspect of group based microfinance scheme.

The perception of bankers have been assessed with the help of 10 independent variables placed on the likert's five point scale from strongly agree to strongly disagree. The value assigned on this scale as follows; – Strongly agree (2), Somewhat agree (1), Cannot say (0), Some what disagree (-1), Strongly disagree (-2). Therefore, mean score ranges between (-2) to (2).

Table No: 6.11.C

Perception of bankers regarding SGSY scheme (N=32)

| Statements | Strongly agree (2) | Somewhat agree (1) | Can not say (0) | Some what disagree (-1) | Strongly disagree (-2) | Mean score |
|--|--------------------|--------------------|-----------------|-------------------------|------------------------|------------|
| 1. SGSY is a better microcredit programme than previous credit programme like IRDP | 27 | 5 | 0 | 0 | 0 | 1.84 |
| 2. Savings of SHGs have resulted in more deposit for banks | 22 | 10 | 0 | 0 | 0 | 1.68 |
| 3. Recovery rates are excellent. | 25 | 7 | 0 | 0 | 0 | 1.78 |
| 4. Establishing savings & credit linkage with bank has resulted in better business for your branch | 17 | 10 | 5 | 0 | 0 | 1.36 |
| 5. The amount financed through your bank are utilised properly for microenterpreneurial activities by SHGs | 6 | 7 | 5 | 8 | 6 | - 0.03 |
| 6. Previous IRDP defaulter are restricted from having finance under SGSY. | 17 | 8 | 3 | 4 | 0 | 1.18 |
| 7. Beneficiaries understand all the operations and documents of savings credit linkage. | 6 | 8 | 0 | 15 | 3 | - 0.03 |
| 8. Only the group leaders/ treasurers understand all the operations and documents of savings credit linkage. | 10 | 11 | 0 | 11 | 0 | 0.68 |
| 9. It is difficult to explain the operation and maintains documents to the SHG leader or treasurer. | 6 | 18 | 2 | 6 | 0 | 0.75 |
| 10. The SGSY will prove to be a sustainable microcredit delivery system in the long run. | 3 | 11 | 6 | 8 | 4 | 0.03 |

Source: *Field survey*

The above table depicts that mean score of 1st variable stood at 1.84%. Therefore bankers' have strong perception about the fact that SGSY is better microcredit programme than previous credit programme like IRDP. Average mean score of second variable stood at 1.6. It signifies the fact that, bankers have strongly perceived that savings of SHGs have resulted in more deposit for banks. Another important variable of perception measurement is excellent recovery rates. The mean score of this variable stood at 1.76. A large number of respondents strongly perceived that the loan recovery is very high. It is a good indicator of success of SHG banking. Bankers have also perceived that large number of small savings have been mobilised due to SHG Bank linkage. This has augmented the volume of savings for the banks. SGSY provides technical support to upgrade the skill of members. Bankers have also perceived that the SHG connection i.e. saving-credit linkage with the groups have led to better business for the banks. This is evident from the average mean score of 1.36.

Though these are positive perceptions, however bankers are not unanimous about their opinion of utilisation of credits for building up microenterprises. Though some bankers find that the loan amounts are used to finance microenterprises, about half of the respondents have negative views. This has resulted in a mean score of -0.03. Another important variable reveals that bankers are careful in selecting to loanee group members. However discussions revealed that previous IRDP defaulters are restricted from having finance under SGSY. If any member of a SHG was an IRDP defaulter, other members took active role in convincing the bankers that defaulter member would repay SGSY loans through peer pressure and peer support.

More than 50% bankers perceived that members of SHGs were not able to understand all operations and documents of saving credit linkage. The mean score on this variable stood at (-0.03). However, bankers perceived that in most cases group leaders and treasurer could understand all the operational documents of saving credit linkage. The mean score stood at 0.68. In many cases the group leader and treasurer were illiterate or able to put signature only. Naturally, bankers had to face difficulty in explaining the subject matters of all documents of SHG bank linkage programme before those leaders and treasurers.

The perceptions are mixed as evident from the scores. On one hand when most bankers believe that SHG connections can be good business for banks, deposits have increased and loan recoveries are good, on the other hand they perceive that the

operational aspects are not very easy as the beneficiaries are not very conversant with documentation procedures. These mixed perceptions have probably led to the variations in perception that SGSY would be a sustainable microcredit programme. The mean score of 0.03 really depicts that on the whole bankers are neither unsure not sure of the success of the scheme.

SHG banking is social banking; it needs continues interaction with vulnerable rural people, especially women. Most of the rural women are illiterate and they live under tight control of male members of their families. Working with this clientele base needs adequate staff with knowledge about handling SGSY linkage system. Moreover, such linkages are difficult if co-operation from government agencies are not available, since this agencies can act as the intermediaries in the bank SHG linkages.

In the following table the different types of problems faced by bankers from the SHG banking activities are given. The perception regarding the problem faced by the bank official is assessed through Likert's five-point scale with the help of six variables and through the five-point scale. This five-point scale ranges from vary high to very low. The value assigned on this scale is as- very high (2), moderately high (1), Average (0), moderately (-1), very low (-2). Therefore, the mean score ranges from (-2) to +2.

Table No: 6.11.D
Problem faced by bank officials (N=32)

| Statements | Very high (2) | Moderately high (1) | Same (0) | Moderately low (-1) | Very low (-2) | Mean score |
|---|---------------|---------------------|----------|---------------------|---------------|------------|
| 1.Problem of staff shortage to cater to SHG work. | 11 | 21 | 0 | 0 | 0 | 1.34 |
| 2. Knowledge of bank staff about SGSY. | 0 | 20 | 12 | 0 | 0 | 0.53 |
| 3.Frequency of receiving guidelines from head office. | 27 | 5 | 0 | 0 | 0 | 1.84 |
| 4. Co-operation from DRDC. | 0 | 15 | 9 | 8 | 0 | 0.21 |
| 5. Co-operation from panchayats. | 18 | 8 | 1 | 5 | 0 | 1.21 |
| 6. Extra workload. | 19 | 7 | 6 | 0 | 0 | 1.42 |

Source: Field Survey

The table depicts that a significant portion of respondent bank personnel are facing acute problems of staff shortage. This is probably because a large number of unbankable sections had come under the SHG banking fold and banks have not been staffed at the same pace. As a consequence, workload has increased to a great extent. The mean score in this variable stood at 1.34. SHG banking and a different modern banking concept is a modern banking philosophy which involves continuous revision of policy variables. Top level management at the head office takes proper decision regarding the revision of policy variables. It needs distribution of proper guidelines and circulars. The respondents expressed that the head office of all concerned banks issued and distributed new guidelines and revised circular very frequently. The mean score on this variable stood at 1.84. SGSY is a composite and comprehensive programme in which DRDC acts as a nodal agency. It needs co-operation with all other concerned entities. So cordial relationship among the concerned entities is very much is very much inevitable for the sustainable development of the microfinance programme. Survey depicts that the level of cooperation among the bank and DRDC was not very high. Discussion revealed that other than gradation of group and monitoring of subsidy and credit approvals DRDC was not found to be very cooperative. In many cases DRDC did not know the status of Revolving Fund which had been issued by the banks. The mean score on this variable stood at 0.21. Another important Government carrier of microfinance programmes are the grampanchyats. Banks seeks co-operation from gram panchyats for smooth functioning of SHG banking in any village. The survey reveals that panchyat members or animators are very much active and perform an important role to disburse and recovery of loan. More over, gram panchyat members very often attend the bank to communicate the information related to SHGs. Mean score on this variable stood at 1.32.

Another important problem is that lack of knowledge of the staff about this scheme, therefore calling for continuous training and development of bank staff. Though it is sometimes difficult to arrange training programmes for the bank personnel, however almost all banks have taken serious steps to upgrade the knowledge of all branch managers through the continuous training programmes. The table (No6.10.D) highlights the fact that about 94% managers of sample banks attended training programme to upgrade their skills.

Table No: 6.11.E

Training received by the bank official (N=32)

| Statement | Yes | No |
|--|-------------|--------------|
| Whether the bank manager has received training on microfinance | 30 (94%) | 2 (6.25%) |

Source: Field Survey

The above discussions reveals that bankers have taken up the linkage programme under SGSY with seriousness and are working towards the programme with a positive but cautious approach. The perception and involvement of the bankers is commendable considering the fact that there are hindrances in the form of clientele illiteracy, shortage of bank staff, work overload and need for more cooperation for government agencies.

Bankers are now aware that the SHG banking concept is a new philosophy of social banking, which has created a new avenue for the formal banking organisation. This new concept is a paradigm shift in the banking history. It has tremendous scope for the generation higher rate of return as well as attainment social goal through its formal, existing and established banking network. Irrespective of above all discussion, this new concept has to face various difficulties. The possible difficulties of new philosophy of social banking are given below.

8.12 Main Threat against SHG Banking.

It is well accepted by the vulnerable rural people that Bank participated in the SHG movement as a Self Help Promoting Institution (SHPI). It becomes remarkable that it provides necessary banking support for those section whom hardly had any bank support so far. Where as it suffers from various problem.

(1) Stability of Bank-SHG

Due to time constraints and staff shortage, the SHG-Bankers do not undertake many more interacting functions besides offering saving and credit services to SHGs. Some bankers have spent their time and effort for assisting in-group formation only. There is no special service offered to change the people's attitude and behaviour by constant supportive educational interventions starting from changing traditional attitudes (dowry system, bad drinking habits of husbands etc) to family planning and

to new practices in agriculture, horticulture or business management etc. Kropp & Suran (2002) stated that, bankers seem to feel: As long as the loan recovery from SHGs is showing good results (as compared to the “directed loan”- portfolio) there is no need for follow-up or a trouble-shooting service in order to avoid that something is going wrong inside the SHGs. As long as there are no significant identifiable weaknesses yet in SHG-Banking the Banks will be not so much concerned with establishing more SHG internal checks and controls by bank staff.

(2) *Availability of adequate saving Products to SHGs and to their Individual Members*

SGSY Guidelines stated that SHGs are entitled to get bank loan, upto four times of group savings, after passing 1st grading. Most of the groups have qualified their 1st grading test within their vintage period of one year. Naturally, with in this time span SHGs may able to accumulate very minimum amount of savings. As a result, bank provides small amount of loan to the concerned SHGs, which is inadequate as noticed by the groups in several occasion. On the other hand, comparatively large volume of bank loan is required to start and run a group based microenterprise or individually separate microenterprise.

(3) *Instability of Bank Personnel.*

As per bank management strategy, every bank’s Head Office makes the schedule of transfer of bank personnel at the different branches. All the banks maintain frequent (within 2-3 years) transfer policy. Transferee personnel take time to adjust in the new branch with new working environment. The new comer has to know all about the working condition in the new branch. Within this time, the new manager do not takes any step to disburse loan to the SHGs even though there is large volumes of pending loan applications at every branch. On the other hand, outgoing manager try to avoid responsibility regarding SHGs related activities at the forth-coming maturity stage.

(4) *Lack of proper attitudes of Bankers.*

There are many instances where bank personnel spent very short duration at a particular branches. They may not have thought about the well being of the rural women. Which may have led to non-cooperation with the rural women regarding the SHG movement at the branch. The discussion during survey revealed that bankers

who were conservative and had not developed a warm attitude towards SHG. As a result women were refraining from financing the SHGs, as they believed that in case of default it was not possible to file a suit against the SHGs due to direct involvement of government's administrative machinery.

(5) Lack of quality SHGs.

The quantum of SHGs has been mounted to 17845. Accordingly, the number of 1st graded group stood at 9939. It is a matter of satisfaction that such a large number of have passed their 1st grading and have received their bank loan. Some of these groups did not have taken any kind of economic activities for them. Again performance of well-established and sustainable existing groups have influenced and motivated other individuals to form new groups in the locality thus increasing the density of SHGs in the village. Very often it has been observed that most of the group in the same locality are involved in same business by availing the same resources and markets. With the limited know-how and alternatives available for investment within the village economy - diminishing returns from investments in existing micro-enterprises for income generating may result in decreasing trend in ROI. This may later lead to problems of recovery.

6.13 Conclusion

Sustainability of SHG movement is depends on the cordial relationship between SHGs and banks. SGSY is a composite and comprehensive rural development scheme which provides various social benefits along with multi-dose economic benefits.

To enhance the quality of SHG banking service, banks should be more vigilant to take proper steps on time. Banks and other SHPIs have to change their focus from target oriented to quality oriented. In this regard banks have to develop instruments for proper rating of SHGs - for self-evaluation of the organisational strength and the participative discipline of the members, which the groups or the bank partner could use for evaluation. Banks should use this instrument more and more for credit appraisal, assessing capacity building needs etc and to ensure that corrective actions are undertaken in case the rating instrument shows increasing tensions in the group.

Bank should develop organizational tools and problem solving mechanisms for an effective facilitation of SHG sustainability. Proper action should be taken to increase the frequency of group visit. This endeavor can reduce the SHG bank linkage related problems. Intensive supervision of SHGs can reduce the possibility of defaulting, poor fund management and accounting. But this is a complex task and requires a high degree of organisational activities and hard work by the bank staff. Moreover it can become a substantial cost item since new staff has to be added to those branches with high SHG-Banking portfolio. However, since SHG banking creates a win- win situation for both bankers and SHGs such cost should be offset by increased returns from multiplying SHG loan portfolios.



Treading into transport business - SHG members posing proudly before their new autorickshaw



Rearing buffaloes and cows is an important economic activity for SHGs.

CHAPTER - VII

TRAINING AND CAPACITY BUILDING OF SWAROZGARIS UNDER SGSY IN JALPAIGURI DISTRICT

7.1. Introduction

Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform on the job. Training can involve the changing of skill, knowledge attitudes or social behaviour, it mean changing what one knows, how he/ she works, his/ her attitudes towards the works, his / her interaction with others. Training is an instrument, which sharpens the inherent qualities as well as develops new concepts to enhance the overall capability of human beings.

The efficiency of training is judged by its contribution to performance, where performance is a function of kills, abilities, motivation and opportunity to perform. Training plays significant role to stabilise and nurture Self Help Groups. Training under SGSY includes teaching rules and regulations governing bank procedures and administrative requirements, maintenance of book of accounts, rules for internal lending and repayment of loans, monitoring the group corpus fund, knowing in detail the responsibilities of the group leader and the secretary of the group, the importance and deployment of own savings, production skills, marketing techniques. The guidelines of SGSY seek to lay emphasis on training through well-designed training framework at the grassroots level.

Through the purpose of training is to develop entrepreneurial skill, yet it is also aimed to encourage behavioural and attitudinal changes in the members for the improvement of their performance. Group members would have to be trained at the formal as well as informal levels. It is the responsibility of the SHG's, promoter, institutions and the facilitator to ensure that the training takes place, as and when required. The SGSY proposes to upgrade the managerial skill and technical skill through the Basic Orientation Programme (BOP) and Skill Development Programme (SKDT). The aim, need, purpose and content of BOP are briefly discussed below.

7.2 Basic orientation programme

The aim of Basic Orientation Programme is to acquaint the participant with the concept of SHG movement. This training programme provides basic inputs to build new knowledge about the system of SGSY and operational dynamics of SHG. This

training influences the aspiration level of the trainee which increases the motivation to fulfil their goal. The SHGs promotional institutions, facilitators organise this training programme at the doorstep of the beneficiaries, at school compounds, at GP offices or any selected place within the village or nearby villages, not far from the place of residence of the beneficiaries. The proximity of training centres to the residences of the beneficiaries helps in saving time and cost of SHG members.

The training programme helps to save some vitally important purposes which are described below.

Components of Basic Orientation Programme (BOP)

The beneficiaries are trained on the following aspect: -

- Concept and system of SHGs.
- Role and responsibilities of Group members.
- Role and responsibilities of the group leaders, secretary, cashier and other office bearers.
- Financial system and management of the group.
- Meeting procedures and different formalities.
- Possibilities of social initiative to be taken by the groups.
- Role of members in decision-making in the community, at panchayat level.
- Provision of different facilities offered by the different government department.
- Rights and duties of beneficiaries related to banks and other facilitators.
- Process of documentation of financial and non-financial important information.

- Code of conduct of group meeting.

7.2.1 Purposes of Basic Orientation Programme (BOP)

As evident from the nomenclature of the programme, the purpose is to orient the beneficiaries towards the role, scope, benefits, operations and system of the microfinance programmes. As beneficiaries are drawn from such section of society where literacy and access to information is rare, the BOP is aimed at motivating women to nurture their SHGs after being equipped with the base level guidelines. Some of the purposes are highlighted below.

Sen (2003) had described following enabling purposes.

- To be able to identify the necessity of the organizing groups for improvement of their own status and the status of their family.
- To be able to identify the need of SHG in bringing changes in the society.
- To be able to access the strength of SHG is for sustainability of development.
- To be able to clarify the operational aspects of small savings.
- To be able to identify their role and responsibility as members of SHGs.
- To be able to explain the rule of good leaders and assistant Group leaders, Secretary and treasurers.
- Too available to categorize the economic activities which can be taken up by the members of the SHGs.
- To be able to categorize the social initiatives to be taken up by the members of the SHGs.
- To be able to identify different public services available at Block/GP level.
- To be able to explain the broad scheme under different departments of applicable for the number of SHGs.

- To be able to clarify the role of SHGs in Gram Samsad based decentralised planning process.
- To be able to explain the role of SHG's in development initiative taken under the leadership of panchayats.
- To be able to identify the criteria for monitoring their own for performance as SHG.

7.2.2 Content of Basic Orientation Programme (BOP)

Basic Orientation Programme aims to mould new concept with existing knowledge of beneficiaries to change the attitudinal pattern. In order to attain this end, BOP highlights different typical functional areas. Which includes;

- Operational rules development –for group leaders and members.
- Record keeping and accounting.
- Preparation of receipts and payment statement.
- Fund management.
- Default management.
- Organization and conduct of meeting.
- Peer review.
- Network management and development.
- Rights, entitlement, development programme.
- Panchyat functioning and stabilization of governance.
- Confidence building.
- Leadership building.
- Communication skills.
- Conflict resolution.
- Delinquency Management.

- Creative problem solving.
- Team building.
- Functional literacy.
- Bank linkages.
- Concept of Cluster and Federation.
- Health, hygiene and sanitation.
- Convergence with government schemes.
- Drudgery reduction.
- Other related areas.

7.2.3 Training period: -Training periods are usually of a very short duration, and are not normally more than two days. BDOs, Bankers and line departments act as resource persons for this training. Training expenses like training material, honorarium to resource persons, travel and food expenses of Swarozgaris are met by DRDC from SGSY Training Fund. No stipend is admissible.

An account of BOPs organised in Jalpaiguri and perceptions of the beneficiaries regarding benefits derived from training are discussed in later sections.

Other than BOP another form of training which is primarily activity based is Skill Development Training (SKDT). SKDT is essential for initiating income generating activities and needs to be discussed in details.

7.3 Skill Development Training (SKDT)

While developing the project profiles for the identified key activities, the District SGSY Committee in consultation with concerned technical personnel determines the Minimum Skill Requirement (MSR) of the beneficiaries both in terms of technical and managerial skills. For those beneficiaries who need additional skill development/upgradation of skills, appropriate training is organised by DRDCs. The

objective of the training is to ensure that the swarozgaries possess the Minimum Skill Requirement (MSR) to run the economic activities.

The scheme provides for skill development through customised training courses, along with appropriate technology inputs and market development initiatives including marketing information, consultancy services as well as institutional arrangements for marketing of the goods including exports.

The SGSY seeks to lay emphasis on skill development through well-designed courses. The duration of training and the training curriculum is designed in accordance with the needs of the identified activities as well as the needs of the groups/individuals. Training takes place only after the group has made a decision to take up a particular economic activity in construction with the financing bank. Swarozgaris are eligible for loans under SGSY when they possess Minimum Skill Requirement, and loans are disbursed only when they have satisfactorily completed the skill training. Training precedes extension of credit so as to ensure efficiency of loan utilisation. Training or skill development would be imparted through recognised training institutes. An Expert Committee at State level may be set up to identify training institutions capable of imparting the training of desired quality. These may include Institutions such as ITIs, Polytechnics, Krishi Vigyan Kendras, Nehru Yuvak Kendras, Khadi and Village Industries Boards, State Institutes of Rural Development, Extension Training Centres, SISIs, reputed Voluntary Organisations and any State/Central/Public Sector Institutions available in the area. Training institutions/centres set up and run by reputed private sector companies can also be identified. While preparing the inventory of training institutes, emphasis is placed on the capacity to provide quality training. As such, besides the availability of physical infrastructure facilities, availability of training resources and competent trainers should be assessed while identifying the training institutions. A resource inventory of training facilities for each of the identified trades is maintained at the district level by the DRDC.

Activity based training emphasises to upgrade the skill of the beneficiaries in a well-organised framework. In this regard, following aspects are emphasised in developing the curriculum/ programme for SKDTs.

- Concept, Mechanism, operational dynamics and framework of microenterprises.
- Entrepreneurship and management efficiency.
- Participating methods of learning and evaluation of programmes.
- Other related issues.

7.3.1 Financial Aspects of training

For training, Swarozgaris are entitled for financial assistance if they are required to undergo training for more than a week. Duration of Skill Development Training is decided by the State Government depending upon the activities and in order to ensure uniformity of the duration of training for all the Districts. The rate of assistance is fixed locally. As mentioned earlier that, upto 10% of SGSY funds are be set aside as training fund and are utilised to provide both orientation and skill development training programmes to the Swarozgaris, as indicated above. The DRDC is be entitled to meet the expenses, incurred by the training institution for both basic orientation and skill development training from out of the SGSY - Training Fund in the following manner: -

- i) The Institutional training cost is fixed at Rs.15/- per day per trainee only for imparting training, if no boarding and lodging facility is provided to the participants, and at Rs. 25/- per day per trainee in case the Institution provides boarding and lodging also with training.
- ii) If the Institution does not provide boarding and lodging then the participants are paid Rs. 15/- per trainee day to meet the cost of boarding and lodging.
- iii) Swarozgaris are allowed one-time to and fro travelling cost from their place of residence to the Training Institute.

7.4. Role and capacities of a SHG Trainer

The capacity building of SHG member through vigorous training plays an important role in future sustainability of SHGs. Training is best provided by experienced trainers or persons familiar with SHGs. The trainer plays pivotal role as a motivator in the training process. The trainer has to motivate the members to learn and provide them with learning opportunities. The main task is to facilitate the development of the group's capacity to organize and manage its activities. The trainer may also act as advisor as well as promoter in some occasion. The trainers usually leave the decision-making to the group members in order to develop decision-making ability of the members and to promote attitudes of self-help and self-reliance. The trainers need to be good communicators and be familiar with basic technological skills needed for development of a SHG. One of the objectives of training of SHG members is to inculcate the democratic principles of functioning among members. It is expected that all members would take part in the decision and actions of the group. The training to SHG's, members requires participatory method and focussed goals. To get the optimum result from the members, the trainer should adopt practical approach in the training process.

Effectiveness of a training programme depends largely on the quality of trainers. The training under SGSY is quite different from training of organised sector. Only the representatives of vulnerable section of the society are identified as trainees. Specially, in case of rural illiterate women, it is very difficult for the trainer to make the training material understandable. Language problem creates great hindrance in the effective teaching learning process of the training under SGSY. This process will fruitful if the trainer possesses the following qualities;

- The trainer should possess good communication skills in local language as a result the trainee can effectively interact with the trainers as per their requirements.
- The trainer should be patient full as a result the trainer can be able to describe same thing repeatedly without anger or hesitation.
- The trainer should possess positive attitude. As a result trainee will be able to think practically.

- The trainer should be a logical person.
- The trainer will be well versed about the training materials. As a result the trainee will get satisfactory answers from the trainer.
- The trainer should always try to give importance to the expectations and reactions of the trainees.
- The trainers should maintain friendly and cordial relationship with the trainee by which the learner can express his/her views.

In the light of above discussion, now we will see the position of training in Jalpaiguri District in the following section

7.5 Status of Training of SHG members in Jalpaiguri District.

7.5.1 Swarozgaries trained under BOP.

Total 30,000 members of SHGs have been imparted training with Basic Orientation Programme (BOP) in all blocks of Jalpaiguri District upto 31st December 2006. The following table shows yearwise distribution trained group members out of total number of members. For the following table (No:7.5.A), cumulative number of total members and the number of BOP attended members upto 31-3-2007 have taken into consideration. The table also shows the annual growth of group members trained

Table No: 7.5.A
Yearwise percentage of BOP attended members out of total members in Jalpaiguri district

| Year | Trained members (1) | Total members (2) | % of (1) on (2) | Cumulative No of trainees | Annual growth rate of members of trainees |
|-----------|---------------------|-------------------|-----------------|---------------------------|---|
| 1999-2000 | 12 | 990 | 1.21 | 12 | ---- |
| 2000-2001 | 42 | 4413 | 0.95 | 54 | 350% |
| 2001-2002 | 171 | 18260 | 0.93 | 225 | 407.143% |
| 2002-2003 | 640 | 40400 | 1.58 | 865 | 374.269% |
| 2003-2004 | 1210 | 65780 | 1.83 | 2075 | 189.063% |
| 2004-2005 | 4488 | 137331 | 3.26 | 6563 | 370.909% |
| 2005-2006 | 15540 | 155228 | 10.01 | 22103 | 346.257% |
| 2006-2007 | 11897 | 181609 | 6.55 | 34000 | 76.55% |

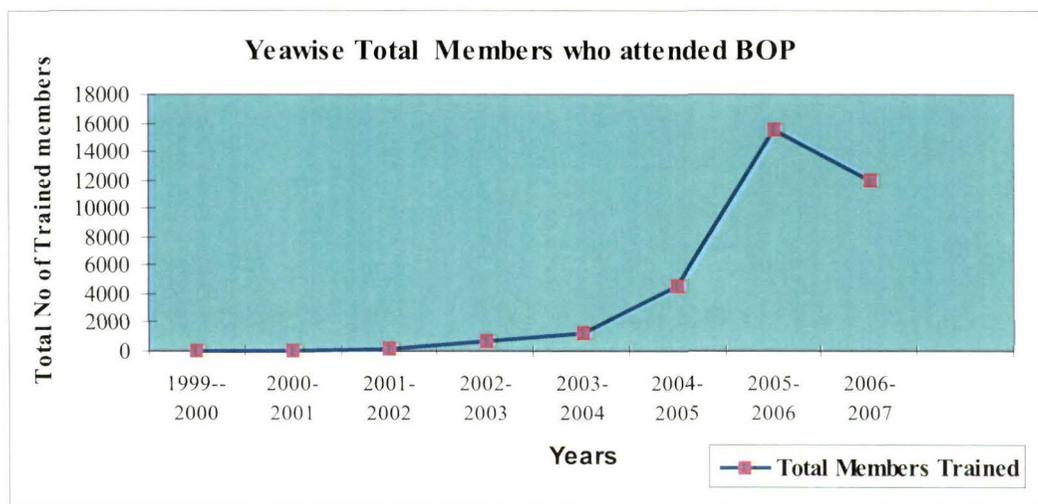
Source: - Compiled from Annual Action plan of DRDC, Jalpaiguri (Different Years).

Above table analyse the data about the training, total No of SHG member who have imparted BOP training every year has taken in the 2nd column and total No

(cumulative) of SHG member who did not have attended BOP training every year has shown in the 3rd column. Percentage of trained members on the basis of untrained members has shown in the third column. Cumulative number of trained members has shown in the fourth column. Annual growth rate of trained members has shown in the last column.

The above table shows that, the ratio of BOP attended members out of total members was quite low during the first four years of its inception. The ratio increased in the 5th year i.e., 2003-04 to a minimum extent. The ratio of 10.01 in 2005-06 shows that training of members were being given priority. More than 15000 SHG members had attended Basic Orientation Programme (BOP) during 2005-06. Whereas 11897 beneficiaries, 76.55% of previous year, have been attended BOP during 2006-2007. The DRDC officials viewed that due to lack of adequate monitoring staff, resource persons in this field and proper planning at the district level as well as block and GP level a very few BOPs had been organised upto 2004-05. In the 2005-06, DRDC had been able to organise BOP programmes with CARE West Bengal. A group of trained resource persons had been sent by SIPRD, Kalyani in order to impart training at the grass root level. However, after the boost in 2005-06, the number of members trained in 2006-07 showed downfall.

The graph given below reveals the trend of members trained under BOP.



The reasons for downfall in 2006-07 could not be exactly explained by DRDC officials. However some of the reasons put forward were lack of funds, shortage of trainers and resource persons. They also explained that since the majority of the trainees were women and belonged to remote villages in different blocks, it was sometimes difficult to bring them to the training centres.

It was therefore decided to investigate as to what percentage of trainees were women and what percentage belonged to the reserved categories. The following table shows the findings.

Category wise distribution of BOP attended members in different years is given in the following table.

Table No: 7.5.B

Categories of trainees who attended BOP in different years.

| Year | Total Members Trained | SC | ST | Minority | Women | Disabled |
|--------------|-----------------------|--------------|-------------|-------------|--------------|------------|
| 1999--2000 | 12 | 8 | 4 | Nil | 12 | Nil |
| 2000-2001 | 42 | 24 | 13 | 5 | 42 | Nil |
| 2001-2002 | 171 | 84 | 52 | 35 | 171 | Nil |
| 2002-2003 | 640 | 430 | 150 | Nil | 592 | 10 |
| 2003-2004 | 1210 | 740 | 290 | Nil | 1185 | 15 |
| 2004-2005 | 4488 | 2560 | 1280 | Nil | 4200 | 25 |
| 2005-2006 | 15540 | 8080 | 1864 | 2968 | 15060 | 250 |
| 2006-2007 | 11897 | 5754 | 427 | 2092 | 11588 | 20 |
| Total | 34000 | 17680 | 4080 | 5100 | 32850 | 320 |

Source: - Compiled from Annual Action plan of DRDC, Jalpaiguri (Different Years).

Above table depicts that out of total trained members, about 97% were women and about 52% of the trainees were Scheduled Cast and Tribes. Till the end of 31st December 2006 since inception total 34000 members had attended BOP out of which 21760 members belong to SC and ST category.

It was also necessary to find whether SHG members from all blocks in the district were given the opportunity to participate in the training programmes.

Total number of members from different blocks who had attended Basic Orientation Programme in different years given below.

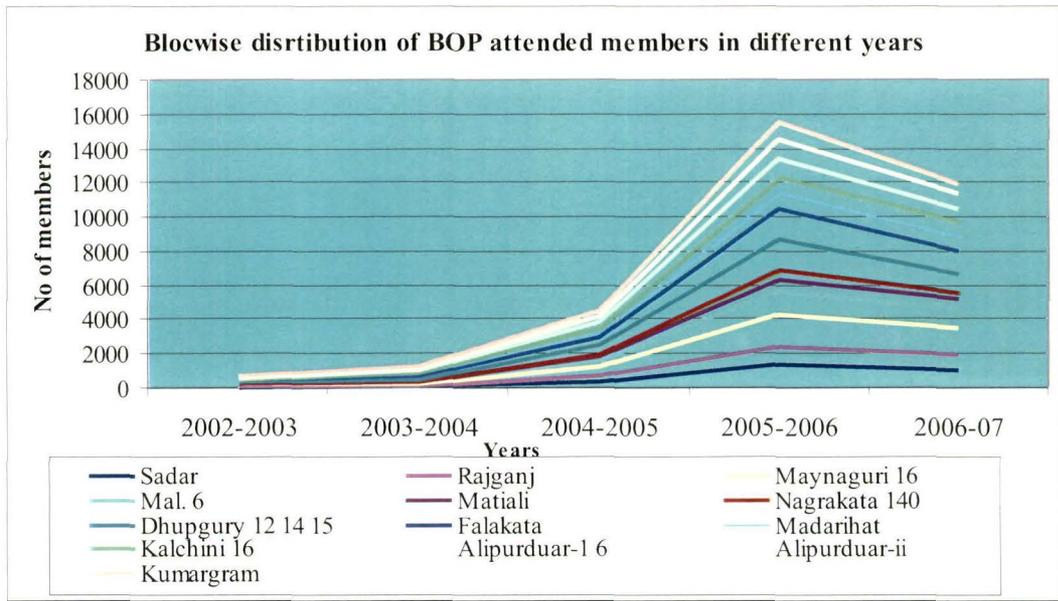
Table No : 7.5.C
Blockwise details of training (BOP) of Swarozgaries under SGSY in
Jalpaiguri district in different years.

| Block | Year | | | | | | | | Total |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|-------|
| | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 | 2006-07 | |
| Sadar | - | - | - | 50 | 60 | 335 | 1347 | 1029 | 2821 |
| Rajganj | - | - | - | 25 | 45 | 308 | 1067 | 852 | 2297 |
| Maynaguri | - | 16 | - | 111 | 120 | 616 | 1871 | 1575 | 4309 |
| Mal. | - | 6 | - | 58 | 60 | 326 | 1290 | 1152 | 2892 |
| Matiali | - | - | - | - | 20 | 200 | 683 | 541 | 1444 |
| Nagrakata | - | - | 140 | 20 | 35 | 170 | 650 | 402 | 1417 |
| Dhupgury | 12 | 14 | 15 | 78 | 120 | 521 | 1744 | 1084 | 3588 |
| Falakata | - | - | - | 80 | 255 | 490 | 1755 | 1374 | 3954 |
| Madarihat | - | - | - | - | 85 | 205 | 908 | 712 | 1910 |
| Kalchini | - | - | 16 | 72 | 80 | 300 | 953 | 1005 | 2426 |
| APD-I | - | 6 | - | 70 | 90 | 340 | 1130 | 785 | 2421 |
| APD-II | - | - | - | 38 | 165 | 345 | 1145 | 866 | 2559 |
| Kumar | - | - | - | 33 | 75 | 332 | 997 | 520 | 1957 |
| Total | 12 | 42 | 171 | 640 | 1210 | 4488 | 15540 | 11897 | 34000 |

Source: - Compiled from Annual Action plan of DRDC, Jalpaiguri (Different Years).

The above table depicts that; BOP had started in the initial year (1999) in Dhupgury block. Only twelve members had attended BOP in that year. In the second year of SGSY movement in Jalpaiguri district, 42 selected members had attended BOP. In that year, BOP was held in three other blocks viz., Maynaguri, Malbazar and Alipurduar-I and also in Dhupgury. The number of BOP attended members in 2001-2002 had increased to the double of the previous year.

The BOP was held in 2002-2003 in all the blocks of Jalpaiguri district except Madarihat and Matiali block. The BOP had been held in all blocks in Jalpaiguri district from 2003-04. The second largest number of members had attended within nine months (1st April- 31st December, 2006). A pictorial representation of above table is given below.



Though the graph is self explanatory, the fact that is revealed is that there has been an increasing trend. A of blockwise analysis is given in the following table.

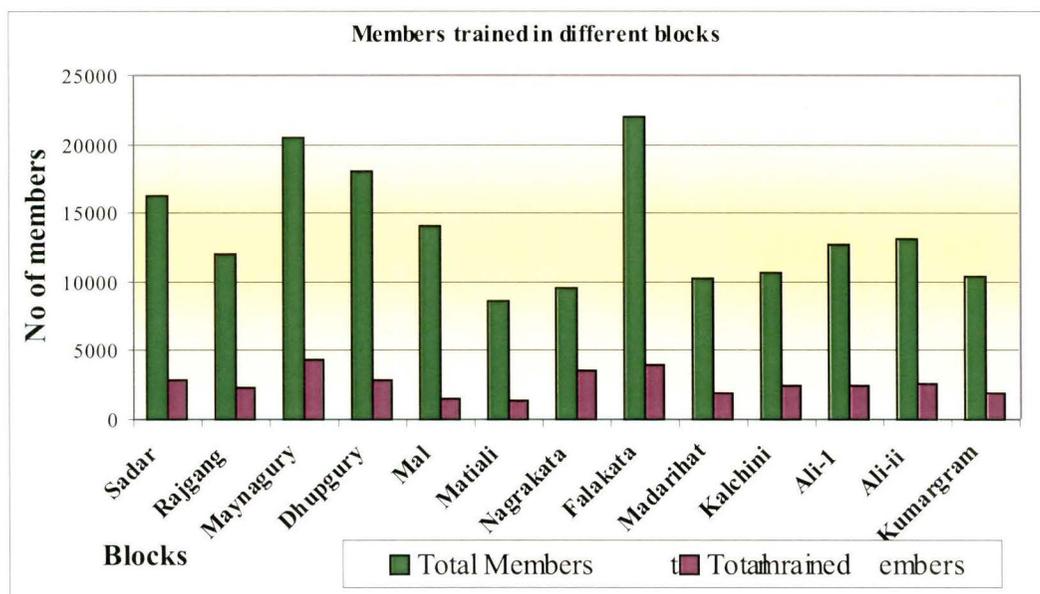
Table No : 7.5.D
Blockwise distribution of trained members in Jalpaiguri.

| Blocks | Total Members | Total BOP attended members | % Of trained members on total members. |
|---------------|----------------------|-----------------------------------|---|
| Sadar | 16203 | 2821 | 17.410 |
| Rajgang | 12045 | 2297 | 19.070 |
| Maynagury | 20515 | 4309 | 21.004 |
| Dhupgury | 18073 | 2892 | 16.002 |
| Mal | 14003 | 1444 | 10.312 |
| Matiali | 8547 | 1417 | 16.579 |
| Nagrakata | 9548 | 3588 | 37.579 |
| Falakata | 21956 | 3954 | 18.009 |
| Madarihat | 10186 | 1910 | 18.751 |
| Kalchini | 10637 | 2426 | 22.807 |
| Ali-1 | 12683 | 2421 | 19.089 |
| Ali-ii | 13101 | 2559 | 19.533 |
| Kumargram | 10428 | 1957 | 18.767 |
| Total | 177925 | 34000 | 19.109 |

Source: - Compiled from Annual Action plans of DRDC, Jalpaiguri (Different Years).

Above table depicts that highest proportion (37.579) of total members of Nagrakata block in Jalpaiguri had attended BOP. Where as, this proportion was lowest (10.312) in Malbazar block. Approximately same proportion of total members of Maynaguri block and Kalchini block had attended BOP. DRDC officials informed that adequate infrastructure facilities had been provided under infrastructure development programme under SGSY. As a result, BOP programme had been arranged by the line departments on a large scale among all the blocks in Jalpaiguri district. On the aggregate 17% to 20% SHG members have been trained in other blocks. Considering the all India average of 15%, the district has performed well in training and capacity building of the swarozgaris.

The details of infrastructure facilities of all the blocks have been discussed in the previous chapter. A pictorial representation of above table of comparative study is given below.



7.5.2 Swarozgaris trained under SKDT.

The aim of providing SKDT is to ensure that the swarozgaris possess the minimum skill to build up and their microenterprises. Though discussions' regarding this training programme was made in an earlier section, yet it would be prudent to

reiterated that the quality and quantity of goods produced and services delivered by SHGs depend largely on how skilled they are in producing them. Since inferior quality goods would find no markets, therefore it can be easily comprehended that the success and sustainability of the micro enterprises would be influenced by the skill development training received by them. It would therefore be pertinent to analyse how the SKDT has been administered in the district.

The status of Skill Development Training imparted in Jalpaiguri district is described in the following section.

Till the end of 31st December 2006, total 17104 members of SHGs have been given Skill Development Training (SKDT) in the district. This is about 50% of the members who received BOP training. Training is given for different trades.

The trade wise status of Skill Development Training (SKDT) is given in the following table.

Table No:7.5.E
Trade wise Skill Development Training imparted in Jalpaiguri District

| SL No | Name of the Trade | No. Of Trainees | |
|-------|----------------------------|--|--|
| | | (1 st Apr, 04-31 st Dec. 05) | (1 st Jan-31 st Dec, 06) |
| 1 | Cutting & tailoring | 225 | 2315 |
| 2 | Wool Knitting | 60 | 300 |
| 3 | Mushroom Cultivation | 189 | 1650 |
| 4 | Papad Making | -- | 80 |
| 5 | Bee Keeping | 37 | 312 |
| 6 | Bag Making | -- | 120 |
| 7 | Chip Making | -- | 50 |
| 8 | Book Binding | -- | 40 |
| 9 | Beautician | 5 | 30 |
| 10 | Jute Bag Making/ Jute work | 96 | 80 |
| 11 | Boutique & Badni | 47 | 36 |
| 12 | Dairy | 254 | 4680 |

| | | | |
|----|-------------------------|-------------|---------------|
| 13 | Agriculture | 597 | 360 |
| 14 | Cane and Bamboo Making | 65 | 100 |
| 15 | Incense stick Making | 7 | 50 |
| 16 | Fishery | 100 | 230 |
| 17 | Floury Culture | 78 | 200 |
| 18 | Computer | 20 | 230 |
| 19 | Soft Toy Making | 84 | 240 |
| 20 | Fancy Bag Making | -- | 60 |
| 21 | Batasa Making | -- | 30 |
| 22 | Bleaching Powder Making | -- | 35 |
| 23 | Bakery | -- | 20 |
| 24 | Sanchali | -- | 40 |
| 25 | Community Health Centre | 30 | 130 |
| 26 | Weaving | 58 | 90 |
| 27 | Vermi Compost making | -- | 1125 |
| 28 | Electric wiring | -- | 20 |
| 29 | Bamboo Shoot products | -- | 50 |
| 30 | Nursing | -- | 130 |
| 31 | Nursery | 182 | 120 |
| 32 | Piggery | 108 | 300 |
| 33 | Poultry | 407 | 250 |
| 34 | Mixed Gardening | -- | 80 |
| 35 | Repairing work | -- | 30 |
| 36 | Goatery | 209 | 500 |
| 37 | Duckery | 75 | -- |
| 38 | Fruit Processing | 45 | |
| 39 | Photography | 7 | |
| 40 | Pottery | 10 | |
| | Total | 2991 | 14,113 |

Source: - Compiled from Annual Action plan of DRDC, Jalpaiguri (Different Years).

The above table depicts that the Skill development Training (SKDT) programme in the Jalpaiguri district has given emphasis on the production of goods rather than services. The SKDT programme actually started from the year 2004-05. Data regarding SKDT in Jalpaiguri district is not available before that year. From the table it is clear that the SKDT programme in this district given concentrated on the handful of main trades i.e. Agriculture, Dairy, Cutting & Tailoring, Mushroom Cultivation and Goatery. A large number of trainees later took up activities in their respective trades. The total number of trainees jumped into a new peak of 14113 within short span of nine months, from April to December 2005. Highest numbers (4680) of trainee attended SKDT programme in Dairy trade. Second largest numbers of trainee had attended SKDT in Cutting and Tailoring trade. A significant number of trainees had also attended SKDT in the Mushroom Cultivation and Vermi Compost making.

7.5.3 A review of groups trained by different category of trainers.

As discussed before, the success of training programmes depend on the involvement of trainers. This subsection only attempts to come out a detailed picture of different type of trainers who imparted BOP and Skill Development training.

Training programmes for the beneficiaries under SGSY were organised by Block or DRDC or SHPIs in this district. Training was imparted by NGO activists, government officials, resource persons and animators. It was felt that training is very important for the successful implementation of the scheme in the rural areas and also it is necessary for the income generation of the members under SGSY. To attain this objective extensive training programmes were organised at the different level. Special emphasis was given to produce resource persons for the training of beneficiaries. For this purpose, 13 women were identified and sent to the SIPRD to upgrade their knowledge. Afterward those women members became resource persons of training programmes. Other than resource persons a group of male members, called animators, were identified from the different villages in this district and imparted training for them to develop their knowledge. After completion their training programmes, in some cases they imparted BOP training for the group members.

Out of the sample size of this study, group leaders or any other members of 228 SHGs were trained under SGSY. Accordingly, information about the 228 SHGs is reported in the following table.

Table No:7.5.F

Groups trained by different types of trainers in Jalpaiguri District

| SL. No. | Blocks | N.G.O. Activists | Resource Persons | Govt. Officials | Animators | Total |
|--------------|---------------|------------------|------------------|-----------------|--------------|-------|
| 1 | Sadar | 4 (20.00) | 9 (45.00) | 5 (25.00) | 2 (10.00) | 20 |
| 2 | Rajganj | 6 (37.50) | 2 (12.50) | 4 (25.00) | 4 (25.00) | 16 |
| 3 | Maynaguri | 4 (14.81) | 15 (55.56) | 6 (22.22) | 2 (7.41) | 27 |
| 4 | Mal. | 6 (31.85) | 9 (47.37) | 3 (15.79) | 1 (5.26) | 19 |
| 5 | Matiali | 2 (20.00) | 5 (50.00) | 2 (20.00) | 1 (10.00) | 10 |
| 6 | Nagrakata | 3 (33.33) | 4 (44.44) | 2 (22.22) | 0 (0.00) | 9 |
| 7 | Dhupgury | 8 (32.00) | 10 (40.00) | 6 (24.00) | 1 (4.00) | 25 |
| 8 | Falakata | 7 (26.92) | 10 (38.46) | 6 (23.08) | 4 (11.54) | 26 |
| 9 | Madarihat | 4 (30.77) | 4 (30.77) | 3 (23.08) | 2 (15.38) | 13 |
| 10 | Kalchini | 9 (64.29) | 4 (28.57) | 1 (7.14) | 0 (00.00) | 14 |
| 11 | Alipurduar-I | 9 (52.94) | 6 (35.29) | 1 (5.88) | 1 (5.88) | 17 |
| 12 | Alipurduar-ii | 7 (41.18) | 7 (41.18) | 2 (11.76) | 1 (5.88) | 17 |
| 13 | Kumargram | 6 (40.00) | 6 (40.00) | 2 (13.33) | 1 (6.67) | 15 |
| Total | | 75 (32.89) | 91 (39.91) | 43 (18.87) | 19 (8.33) | 228 |

Source: -Field Survey.

* Figures given in brackets indicate percentage.

Though the table is self explanatory, yet it needs to be pointed out that in most of the cases it was witnessed that it was the resource persons and NGOs who played the major role in imparting training. Where as, the performance of the animators was questionable. The survey highlighted the fact that the animators were busy to form the

new groups, as it was the prima facie of the performance of the animators. On the other hand, the remuneration of the animators depends upon the numbers of groups formed by them. There was no provision of training in special trades for the animators. Therefore due to lack of clear knowledge of the animators about special trade, they could not find space for imparting training for the swarozgaries under SGSY in this district.

Generally, training of swarozgaries depends on various factors like amount of available fund, vintage of groups, number of group formed, etc. Degree of association between the training of SHG members and amount of available fund is assessed in the following section. Yearwise distribution of number of trainee and amount of available fund is given in the following table.

Table : 7.5.G

Yearwise distribution of number of trainee and amount of available fund.

| Year | Number of trainee | Amount of available fund |
|--------------|--------------------------|---------------------------------|
| 1999--2000 | 12 | 683.542 |
| 2000-2001 | 42 | 602.57 |
| 2001-2002 | 171 | 586.524 |
| 2002-2003 | 640 | 553.934 |
| 2003-2004 | 1210 | 528.154 |
| 2004-2005 | 4488 | 533.644 |
| 2005-2006 | 15540 | 473.81 |
| 2006-2007 | 11897 | 555.84 |
| Total | 34000 | 683.542 |

Source:-Official document of DRDC, Jalpaiguri

Above table shows that training of swarozgaries is negatively correlated with the amount of available fund. The calculated correlation coefficient (r) = -0.415. This value of correlation coefficient (r) is significant at $\alpha = 0.05$. It signifies that the amount of available fund has a little room to act on the training of swarozgaries.

So in this section, the degree of correlation between the numbers of trained members and total number of SHGs is assessed. During the field survey it has been

observed that in most of the cases, upto 3- 4 members of a group have been selected by the SHPIs and DRDC for training. Yearwise distribution of numbers of trained members and total numbers of SHGs is given below.

Table No: 7.5.H
Yearwise distribution of numbers of trained members and total numbers of SHGs

| Year | No of trained members | Total number of SHGs |
|------------|-----------------------|----------------------|
| 1999--2000 | 12 | 42 |
| 2000-2001 | 42 | 70 |
| 2001-2002 | 171 | 664 |
| 2002-2003 | 640 | 1074 |
| 2003-2004 | 1210 | 2157 |
| 2004-2005 | 4488 | 8002 |
| 2005-2006 | 15540 | 2035 |
| 2006-2007 | 11897 | 3811 |

Source:-Official document of DRDC, Jalpaiguri

Above table depicts that number of trained members is negatively correlated with the total number of SHGs. The calculated value of correlation coefficient(r) becomes $r = - 0.224$. This value of correlation coefficient is significant at $\alpha = 0.05$. Therefore, it can be said that total number SHGs as very insignificant impact on the amount of trainee members.

Degree of correlation between SKDT attended members and a total SHG member is assessed in this section. Data for this study has taken from the sample of 238 SHGs as give in the following table.

Table No: 7.5.I
Vintage wise distribution of number of SKDT attended members & total members

| Vintage of the group | No of SKDT attended member | Total members |
|----------------------|----------------------------|---------------|
| 6-----12 Month | 36 | 145 |
| 13-----18 Month | 45 | 178 |
| 19-----24 Month | 130 | 538 |
| 25-----30Month | 180 | 675 |
| 31----36 Month | 252 | 918 |
| 37----42 Month | 35 | 154 |
| 43----48 Month | 22 | 79 |
| More than 48 Month | 45 | 148 |

Source: - Field Survey

Above table shows that the vintage wise numbers of SKDT attended member is positively correlated with the total number of SHG members. The calculated correlation coefficient is $r = 0.52$. This value of correlation coefficient is significant at $\alpha = 0.05$. It signifies that, age of the group has significant impact on the training of members

On the basis of above analysis it can be concluded that, training of SHGs in Jalpaiguri is negatively correlated with the amount of available fund and total number of SHGs. Where as it is positively correlated with the vintage of groups.

7.5.4. Impact of training under SGSY

The above sections have dealt in detail regarding the outreach of BOP and SKDT in terms of members trained and the category of trainers involved in the training programmes. However, the efficacy of the programmes depends on how much the trainees have benefited from the training. Though a physical measurement of skill imbibed would be worthwhile, yet such attempts have not been made due to the absence of any standard tool for such measurement. The impart study has been made on the basis of perception of members regarding improvement in different operational aspects of operating SHGs.

Methodology for impact measurement.

To measure the impact of training for the different blocks in this district, the perception of members have been measured in a five-point scale. Eleven indicators have been used to assess the impact. Every statement are placed on the likert's five point scale from strongly agree to strongly disagree. The value assigned on this scale as follows; – Strongly agree (2), Somewhat agree (1), Cannot say (0), Some what disagree (-1), Strongly disagree (-2). Therefore, the respondents indicate maximum and minimum score of each component is 2 and (-2) respectively. The mean score of each component and total is reported in the following table.

Table No7.5.J

Impact of training under SGSY in Jalpaiguri District (Mean Scores)

| Statements | Blocks | | | | | |
|--|-------------|-------------|---------------|--------------|-------------|---------------|
| | Sadar | Rajganj | Mayna guri | Mal bazar | Matial i | Nagraka ta |
| 1) Increase the ability to Transact with the Bank | 1.72 | 1.54 | 1.61 | 1.48 | 1.45 | 1.52 |
| 2) Increase in active participation n Development Programmes | 1.24 | 1.32 | 1.42 | 1.56 | 1.26 | 1.32 |
| 3) Increased documentation abilities. | 1.02 | 1.01 | 1.23 | 1.21 | 0.95 | 0.98 |
| 4) Knew better about SGSY provisions | 1.52 | 1.51 | 1.48 | 1.62 | 1.13 | 1.15 |
| 5) Increased accounting skills. | 0.54 | 0.68 | 0.55 | 0.64 | 0.54 | 0.52 |
| 6) Better skill imbibed for production. | 1.21 | 1.32 | 1.25 | 1.26 | 1.02 | 1.24 |
| 7) Got knowledge about packaging, pricing. | 0.45 | 0.25 | 0.21 | 0.35 | 0.26 | 0.31 |
| 8) Got knowledge about marketing avenues. | 0.12 | 0.05 | 0.08 | 0.12 | 0.06 | 0.05 |
| 9) Got better skills in financial management of group. | 0.12 | 0.16 | 0.21 | 0.23 | 0.32 | 0.25 |
| 10) Got better knowledge about meeting procedures | 0.85 | 0.75 | 0.96 | 0.98 | 0.86 | 0.98 |
| 11) Knew better about their right and benefits of the members. | 0.95 | 0.97 | 0.98 | 0.99 | 1.00 | 0.96 |
| Total mean score | 9.74 | 9.56 | 9.98 | 10.44 | 8.85 | 9.28 |

(Contd).

(Contd)

| Statements | Dhupgury | Falakata | Madarihat | Kalchini | Apd-i | Apd-ii | Kumargram |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1) Increase the ability to Transact with the Bank | 1.63 | 1.52 | 1.56 | 1.54 | 1.65 | 1.45 | 1.24 |
| 2) Increase in active participation in Development Programmes | 1.44 | 1.11 | 1.19 | 0.85 | 0.92 | 0.84 | 0.78 |
| 3) Increased documentation abilities. | 1.12 | 1.06 | 1.13 | 0.86 | 1.12 | 1.01 | 0.97 |
| 4) Knew better about SGSY provisions | 1.62 | 1.43 | 1.28 | 1.12 | 1.51 | 1.46 | 1.34 |
| 5) Increased accounting skills. | 0.63 | 0.65 | 0.51 | 0.45 | 0.53 | 0.50 | 0.48 |
| 6) Better skill imbibed for production. | 1.45 | 1.54 | 1.46 | 1.48 | 1.42 | 1.44 | 1.21 |
| 7) Got knowledge about packaging, pricing. | 0.32 | 0.28 | 0.24 | 0.21 | 0.32 | 0.36 | 0.24 |
| 8) Got knowledge about marketing avenues. | 0.21 | 0.09 | 0.05 | 0.12 | 0.10 | 0.12 | 0.06 |
| 9) Got better skills in financial management of group. | 0.32 | 0.25 | 0.26 | 0.31 | 0.28 | 0.35 | 0.31 |
| 10) Got better knowledge about meeting procedures | 0.98 | 0.96 | 1.00 | 1.10 | 0.99 | 0.96 | 0.93 |
| 11) Knew better about their right and benefits of the members. | 1.00 | 0.96 | 0.95 | 0.95 | 0.95 | 0.99 | 1.00 |
| Total-mean score | 10.72 | 9.85 | 9.63 | 8.99 | 9.79 | 9.48 | 8.56 |

Source: - Field Survey

Training programmes have great impact on the performance of the groups' members. They have enabled members to take active part in-group activities, decision making process, community development programmes, enhance the knowledge about

the accounting and marketing of products, skill development about the conduct of meeting, etc.

The table (No:7.5.J) shows different total mean score for different blocks which ranges from 8.56 to 10.72. According to this study the maximum possible mean score for each block is 22. Where as, mean score for all the blocks in this district stood at less than 11. It depicts that the impact of training for all the blocks in this district was below standard. Though, the level of impact was different for different blocks. Highest mean score is shown in Dhupgury block where as lowest score is shown in Kumargram block. Comparatively low score is reflected in the above table for three main factors, e.g., packaging and pricing, marketing avenues for the SHG products and financial management of the group. Remaining other components of impact measurement, as shown in the above table, have significant impact on the members of SHGs.

Another point is identified from the above table is that; mean score for the impact of training on income and earning of the members is not very high.

The usefulness and effectiveness of the training programmes have been assessed in an alternative manner. This assessment is based on the logic that, the training in any trade is useful only if the beneficiaries take up the trade as individual or group activities. Discussion with DRDC officials revealed that in some cases, the beneficiaries took up trades different from those in which they received training. For example, there were cases where beneficiaries trained in cutting and tailoring, took up diary as their individual or group activities. In some other cases beneficiaries did not take up any economic activities.

In the field survey, the objective was to find out how groups took up trade according to tailoring, how many groups followed different trades and how many did not start any activity. The results are given below.

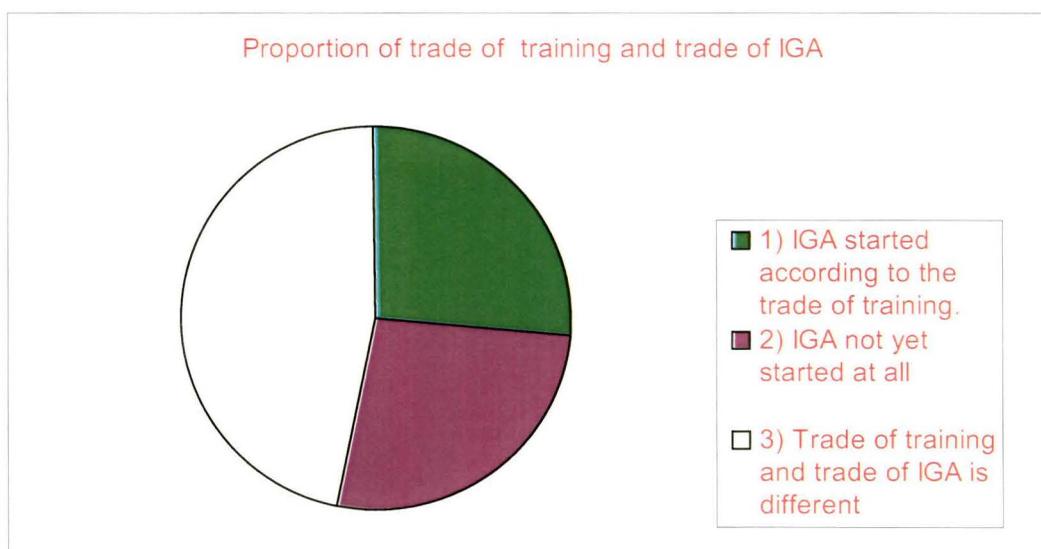
Table No: 7.5.K

Status of IGA In respect of trained SHG members in Jalpaiguri district

| Statements | Total |
|--|--------------|
| 1) IGA started according to the trade of training. | 61 |
| 2) IGA not yet started at all | 60 |
| 3) Trade of training and trade of IGA is different | 107 |
| Total | 227 |

Source: - Field Survey

Above table depicts that a large portion (47.13%) of total sample SHGs have taken training in a particular trade but pursued IGA to a different trade. On the other hand, 26.43% of total sample SHGs have not yet been pursued IGA at all.



The results are therefore not encouraging. Only 26% of the samples SHGs have maintained parity between training and IGA. These results raise questions about the efficacy of the training programme.

The analysis was then made on a disaggregates basis to find out the position in the blocks.

A blockwise description of this status is given in the following table.

Table No: 7.5.L

Blockwise Status of IGA In respect of trained SHG members in Jalpaiguri district

| Statements | Sadar | Rajganj | Maynaguri | Malbazar | Matiali | Nagrakata |
|--|-----------|-----------|-----------|-----------|----------|-----------|
| 1) IGA started according to the trade of training. | 4 | 2 | 3 | 1 | 2 | 5 |
| 2) IGA not yet started at all | 5 | 6 | 4 | 2 | 5 | 10 |
| 3) Trade of training and trade of IGA is different | 11 | 8 | 20 | 7 | 2 | 10 |
| Total | 20 | 16 | 27 | 10 | 9 | 25 |

Contd.

Contd.

| Statements | Dhupgury | Falakata | Madarihat | Kalchini | Apd-i | Apd-ii | Kumar |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1) IGA started according to the trade of training. | 5 | 8 | 5 | 6 | 6 | 8 | 6 |
| 2) IGA not yet started at all | 6 | 8 | 2 | 2 | 5 | 2 | 3 |
| 3) Trade of training and trade of IGA is different | 8 | 10 | 6 | 6 | 6 | 7 | 6 |
| Total | 19 | 26 | 13 | 14 | 17 | 17 | 15 |

Source: - Field Survey

The interviews revealed that, in most of the cases trainees had been identified and selected in order to meet the target as per proposed action plans. As a result, a large number of SHG members had been identified and selected who did not have any demand or necessity for training to the particular trade. On the other hand, in some cases, trainees had been selected for training to a particular trade without any assessment about the market potentiality of the product or services. These features were not conducive to the beneficiaries and they could not materialise their newly acquired knowledge after training into viable microenterprises. Moreover, many beneficiaries have had been following family trades since generations. These beneficiaries were not correctly identified and were given training in other trades. A women engaged in pottery making as her family business did not find much utility in

being trained for making soft toys. Even if she wanted to supplement her income with soft toy making, her engagement with the family trades and household activities prevented her from doing so. However, identification of primary skills or affinity towards a trade is difficult because in many cases beneficiaries were simply housewives, or worked as maidservants or marginal labourers. Moreover, identification of trades on the basis of market demand was equally difficult because market survey were either not carried out or was not possible with the type of products produced.

7.6 Conclusion.

To improve the impact and effectiveness of training to a great extent, a need based and demand based Skill Development Training should be organised and imparted to the grass root level so as to enable the members to take up economic activities with new knowledge and developed skill. This will help the to enhance the members' potentiality to exploit the opportunities of the market of their products.



Members of SHGs being trained cutting & tailoring in training centre.



Multi trades - Piggery and beetlenut cultivation at the same place by a SHG in Kumargram.

CHAPTER –VIII

ROLE OF NGOs AS FACILITATORS IN SGSY

8.1 Introduction

Non Governmental Organizations (NGOs) are parallel mechanism in line with the Government mechanism, which provides basic input for the upliftment of society. Initially, NGOs were engaged in projects like literacy, sanitation and healthcare and other social activities. Many of these NGOs previously functioning in different welfare and developmental projects among the poor, have now added microcredit to the list of services they provide.

The new paradigm of microcredit programme in India emphasizes qualitative as well as quantitative outreach to the poor and self sustainability of the micro-finance institution tied with their programmes, advocates the principle of ‘Ohio school of thought’ – savings mobilization and the viability of credit market. Under this programme, many Non-Government Organization enter into the rural credit scene by way of organizing the poor into informal groups for self-help through mutual aid along with the practice of regular saving programmes (Egaitsa, 1988).

Over the last quarter century, a large number of Non Government Organizations have initiated efforts in poverty alleviation through micro-credit programmes. In the new paradigm of microfinance, many NGOs in India also came forward to provide financial services to the poor. In early 1990s NABARD started an experiment with MYRADA-NGO in Karnataka by promoting groups, mobilizing their savings and linking them with banks for credit support. Later on NABARD replicated this projects all over India under the Self-Help Group (SHG) – bank linkage programme and many NGOs came forward to implement this project with the co-operation of this bank. In 1994, following the success of NABARD, Small Industries Development Bank of India (SIDBI) also came forward to provide bulk lending to NGOs for on lending to group/ individuals. The Ministry of Human Resource Development, Government of India established Rashtriya Mahila Kosh (RMK) for providing funds to NGOs to on lend to poor women. Self Employed Women’s Association (SEWA) in the Western Indian state of Gujarat and Working Women’s Forum in the Southern state of Tamilnadu were among the pioneers in this effort. A few others, impressed by the success of microfinance elsewhere, started off as MFIs. Presently well over 500 NGO-MFIs are actively engaged in microfinance intermediation across India through different delivery mechanism.

8.2 Role of NGOs in Micro Finance

NGOs have a pivotal role in group formation, nurturing SHGs in the pre-microenterprise stage, capacity building and enhancing credit absorption capacities. Microcredit organisations very often faced two main problems: (i) the problem of lack of collateral, and (ii) the problem of high transaction costs involved in loan appraisal, monitoring and enforcement. Group-based forms of lending (e.g., solidarity groups, village banking) originated mainly for the benefit of the lender as solutions to aforesaid problems. In theory, the group acts as a set of co-guarantors operating through peer pressure and the group members' incentive to keep each other solvent so that they themselves do not lose the opportunity to receive a loan. The group serves also as a way to get around imperfect information, since homogeneous members of the group stay in the close proximity and know each other. As a consequence, the transaction costs involved in loan appraisal are reduced if not eliminated.

It is here that NGOs play the crucial role in transforming the a typical destitute village woman into a responsible individual with group commitments and group resources. This is a fact replicated in village after village. It is a moot question that whether NGOs empower women in thrift and credit groups but it is an empirical fact that such groups offer effective 'coping mechanisms'. Peer pressure is the best collateral. The banker in India needs to recognize that high repayment rates of SHGs is a commitment to group values but not an innate structural feature of SHGs. The role of NGOs in investing groups with values through human capital is an irrefutable specialization. In the words of economist Bhagwati, J (1997): "Those values (of civil society and of democracy) are better advanced...by the political and financial support of the numerous and growing NGOs, both here and abroad, that work ceaselessly to nudge the world in the right direction."

The various roles played by NGOs in the field of microfinance are; -

8.2.1 Role as SHPI

At the new paradigm of Microfinance, groups are formed by different agencies known as Self Help Promoting Institutions (SHPIs). These could be NGOs, Voluntary Associations, Government Agencies, Panchayati Raj Institutions, Vikas Volunteer Vahini (VVV) Clubs, Banks, Cooperative Societies, etc.

Of late, some of the NGOs are being designated as Self Help Promoting Institutions (SHPIs) as they help in the formation and 'nursing' of SHGs by bringing

together people, explaining the concept to them, attending and helping coordinate a few of the initial group meetings, helping them maintain accounts and linking them with the banks. NGOs provide the leadership and management necessary in forming and running such groups in most cases. They also act as the crucial link between these groups and the formal banking system. One NGO in Jalpaiguri district named Shri Sanchari has done significant job in SHG movement –gathered people for meeting before group formation to explain the concept, extended helping hand to form the group and to maintain accounts, linked them with the banks, imparted training on different types of economic activities for them. It has made great contribution on social awareness creation, sensitisation and women empowerment through active participation against social evils like-alcoholism, dowry system and other harassment. Therefore, performance of NGOs in Jalpaiguri district as SHPI will be assessed in the next section on the basis of random sample of fifteen NGOs.

8.2.2 Role as Financial Intermediaries.

Banks participate in microfinance programme to attain their social objective and to cater low cost financial service for income generation through the modified priority sector lending. New paradigm of microfinance focused on the group based lending which needs optimistic co-operation from different stakeholder and close supervision of the activities of stakeholders. In some cases, banks are unable to keep close watch on the activities of SHGs and hence may not know whether the advances are being productively used. Under these situations NGOs are being used as intermediaries, both financial and technical. In addition to motivating groups for not being delinquent, the NGOs often provide technical and consultancy support to make microenterprises viable. When project viability and loan recovery is ensured, banks perceive SHG financing to be of lower risk category, specially when NGOs intermediate.

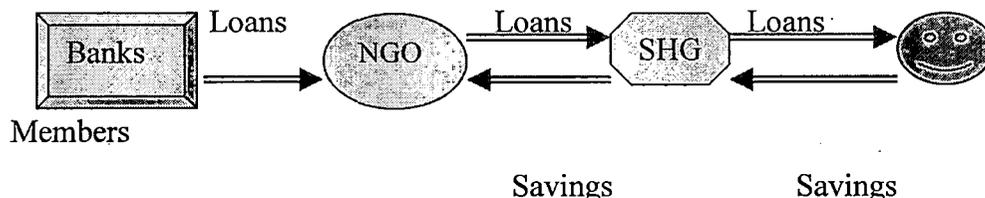
Thus, role of NGOs as financial intermediary is witnessed in many microfinance scheme except under SGSY which involves direct lending to SHGs. Financial intermediation by NGO is quite prominent under NABARD scheme. Most of the NGOs in Jalpaiguri act as SHPIs, whereas one NGO named Centre for the Development of Human Initiatives (CDHI) acts as a federation of SHGs and provides loan to SHGs from this federation. Role of NGOs as financial intermediaries and

different microfinance delivery models, other than direct lending, will be highlighted in the following section.

The financial interaction takes place in the following channels; -

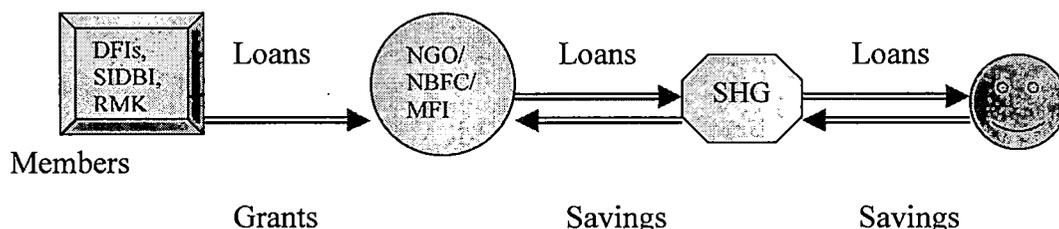
i) With the financial intermediation of NGOs

The NGO itself acts as an intermediary between bank and the SHGs, borrowing from the bank and lending it to (usually multiple) SHGs.



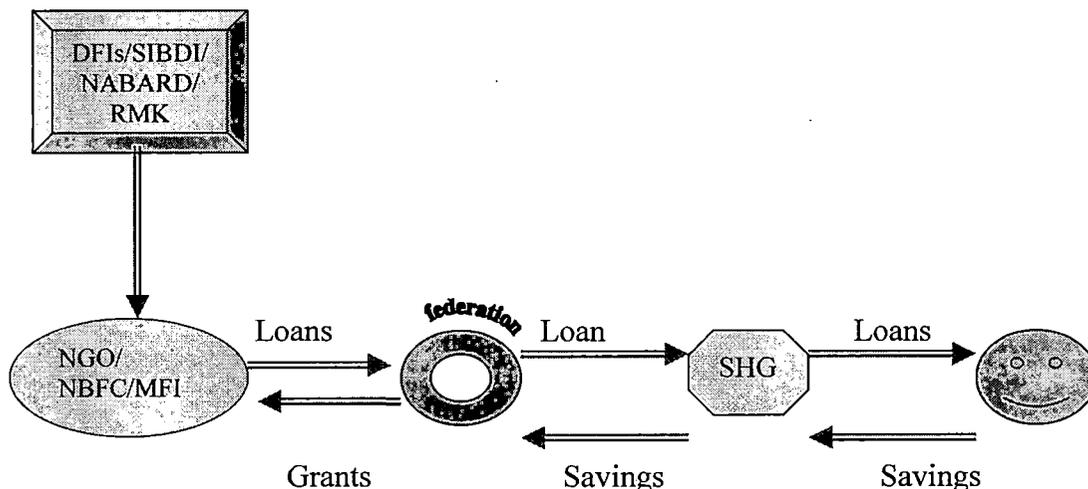
ii) Microfinance institutions (MFIs) / NGO-SHG model

Under this model NGO, VAS, MFIs, NBFCs etc., access funds either from banking system and / or from Developmental Financial Institutions (DFIs) like NABARD & SIDBI for giving loans to SHG either in group or individual modes.



iii) NGO / MFI Federation- SHG Model

Under this model SHGs get financial services, mostly savings and credit, with the help of federations. Federations have been promoted by MFIs like Dhan Foundation, PRADHAN, Chaitanya and SEWA etc.



However, these models are not followed under SGSY, because direct lending is made by banks to the SHGs. However the NGOs are utilised to motivate recovery, ensure project viability act as social intermediaries and help in capacity building.

8.2.3 Role as social intermediaries.

The term social intermediation is meant to suggest that there is another kind of intermediation (other than financial) that institutions can engage in to support microfinance programme. Social intermediation implicitly acknowledges that many poor clients of microfinance are simply not in a position to use loans productively. Social intermediation refers to a range of activities that prepares people to become good borrowers and savers, better manage their own finances or their own financial groups and help them to put whatever 'social capital' they have to more productive use.

Because social intermediation activities imply interacting closely with people at the grass roots, these activities are a good fit with the classic characteristics of NGOs. The trade-off, of course, is that such interventions are not likely to be financially self-sustainable. They need instead to be seen as human capital investments

8.2.4 Role as Capacity builders and Sensitisor.

Training is an important component of modern microfinance by which a rural woman can develop her knowledge and skills. Every significant aspects of SHG movement are discussed in the training. NGO can organise training programme at the grass root level (at the GP or block level) to sensitise rural women with its own resource person either pre-formation or post-formation stage.

Small businesses (rural technology based dynamic micro-enterprises) need to develop managerial and technical skills. NGOs can assist by creating institutions to train and teach, or work with existing institutions to make what they teach more relevant to the clients. Small businesses (and dynamic micro-enterprises) need to

develop the capacity to become and remain competitive. NGOs with good community organizing skills can work to get businesses to pool resources within a sub-sector to develop new products, new product designs, or new techniques for production that make best use of local resources. Policy level constriction at the sub-sector level can be identified by NGOs who know the local market environment, and NGOs can bring these issues to the policy-making table. Other than training, regular and active group supervision by NGO's field supervisors generates social awareness among the members.

8.3. Evidences of NGO intermediation in India's microfinance programme.

Involvement of NGO in the new paradigm of microfinance provides remarkable advantage to all of its stakeholders e.g., the group members, line departments, etc., Different studies have revealed the various unnoticed facts about the pros and cons of NGO involvement in microfinance programme.

Harper (2002) noticed that while the promotion of an SHG takes 12-18 months for NGOs, it takes 6 months on the average for banks. He attributes this trend to the business-like mind of bankers. According to him few NGOs however raised the issue that some banks' branches delay disbursing loans to SHGs promoted by NGOs, for reasons outside the control of NGOs.

Hossain (1988); Mosley and Hulme (1998); Chavan and Ramkumar, (2002) identified the fact that, near 100 percent repayment is a major success of NGO-led microcredit programme. On the other hand, Rahaman (1999) and Bhat and Tang (1998), Chavan and Ramkumar (2002) and Ramchandrand & Swaminathan (2002) suggested that, high repayment rate of NGO- led microcredit programme is directly related to high transaction cost and high rate of interest.

NGO involvement in group based microfinance programme is to generate income through the available margin. At the time of launching the pilot project, NGOs and banks shared a margin of 3 per cent and 2.5 per cent respectively. Subsequently, share of margin between bank and NGOs have been revised to 4.5 % for banks and 1.5 % for NGO since the Deposit Insurance and Credit Guarantee Corporation (DICGC) premium of 1.5 % was added to the bank's margin and this

reduced the margin of the NGOs to 1.5 %. As the loan amounts were not substantial, it was seen that this margin was not compatible to the efforts put by NGOs. The cost of promotion, documentation and training etc., being substantial, the margin to NGOs needed to be increased or else a mechanism would have to be evolved to ensure that the start-up costs for NGOs were compensated.

Various agencies such as SIDBI, Rashtriya Mahila Kosh (RMK) and Rashtriya Gramin Vikas Nidhi (RGVN), have been providing direct assistance to NGOs for linking SHGs. The rate of interest charged by these agencies was 8.5%. Whereas NABARD has decided to make available revolving fund assistance to a few reputed NGOs for all lending to smaller NGOs. A few NGOs such as Fellowship, PREM and Ankuran text praised bear dissatisfaction over the unhelpful, overcautious and bureaucratic attitude of the bankers and identified that NABARD should come forward to directly finance selected NGOs. If direct financing can be made available, it will leave sufficient margin with an NGO to undertake skill training for SHG members and facilitate marketing tie-ups.

Some of the largest and well known NGOs in the country, such as MYRADA and PRADAN, have focused on the promotion of SHGs as a part of the linking programme but have specifically avoided becoming involved in financial intermediation. These NGOs have emphasised the objective of civil society to ensure that the banking system fulfils its social responsibility of providing financial service to the poor people. Their strategy has been to promote SHGs as autonomous local groups with self-governance capabilities that can act as local intermediaries for the financial services provided by the banking system.

The growing involvement of NGOs in MF programmes and the impact of their intermediation as evident from various studies set the motivation for exploring the role and performance of NGOs in our area of study to a certain extent.

5.4 Role & Performance of NGO in microfinance in Jalpaiguri district

Role & Performance of NGO in microfinance in Jalpaiguri district will be assessed in the light of the findings of previous studies. Firstly, operational dynamics of NGOs in this district will be focused on the basis of data collected from interview with the NGOs. More than 30 NGOs are working with microfinance in this district.

Out of these, fifteen well-reputed and giant NGOs have been selected for interview on the basis of no of SHGs promoted by them.

The following aspects have been covered for the purpose of assessing the role and performance of NGOs mainly in the field of microfinance in Jalpaiguri.

- i) No of SHG formed by them.
- ii) Economic activities promoted for the SHGs by them.
- iii) Trend of 1st SHGs graded with the assistance of NGOs.
- iv) Perception of NGOs about SGSY.
- v) Degree of co operation from different concerned entities in the field of MF
- vi) Pattern of interaction with the banks and SHGs.
- vii) Different sources of fund for NGOs.
- viii) Role of NGOs in Bank Linkage programme.
- ix) Social activities of NGOs for the SHGs.

With the initialisation of DW CRA in this district during mid 80s, NGO started its journey in the field of microfinance. Primarily, very few SHGs have been formed by the NGOs. The contribution of NGOs towards microfinance depends on the vintage of the NGOs in Jalpaiguri district. In order to describe the performance of NGO in this district, the age of sample NGOs is highlighted in the following table.

Table No: 8.4.A
Vintage of sample NGOs in the Jalpaiguri district

| Vintage of NGO | Number of NGO |
|-----------------------|----------------------|
| Less than one year | Nil |
| 1-3year | 1 |
| 3-5year | 1 |
| 5-7year | 1 |
| 7-9year | 3 |
| 9-11year | 2 |
| 11-13year | 2 |
| 13-15year | 3 |
| More than 15 year | 2 |
| Total | 15 |

Source: - Field survey

Above table shows that most of the NGOs in this district have vintage period of more than five years. All the NGOs had been performing their role in the different sectors, other than microfinance, like health, preservation of wildlife, sanitation, HIV, water supply water-shed management etc.

Few of them had changed their direction towards microfinance with the implementation of DWCRA in this district. Sooner or latter, all other NGOs had also changed/ expand their field of operation towards microfinance with the implementation of SGSY in this district during the last quarter of 1999. Presently, more than 80% of total NGOs in this district are actively involved in the microfinance movement. Microfinance movement in this district got momentum by the active participation of NGOs. NGOs are busy in forming new SHG and nurturing them. Performance of NGOs related to group formation will be described in the following section.

Reporting on performance of NGOs is easier said than done, because SHGs are formed by the NGOs through their field workers without making any connection with the government departments. In many cases, Block and DRDC office generally get all about this information only after the completion of their 1st grading, when NGOs put their claim for remuneration. The performance statistic regarding the number of groups formed by the NGOs are available only after the NGOs come in direct contact with DRDC. However the following table given an idea of the share of NGOs in SHG promotion.

Table No: 8.4.B

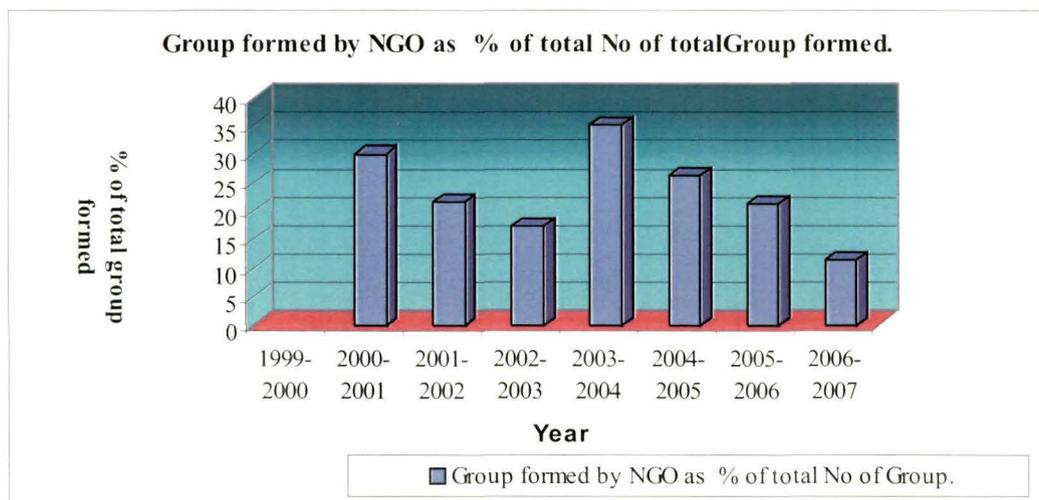
Yearwise total number of group formed by all NGOs in Jalpaiguri district.

| Year | No. of SHG formed by all NGOs | Total no of SHGs formed during the year in this district. | Group formed by NGO as % of total No of Group. |
|--------------|--------------------------------------|--|---|
| 1999-2000 | Nil | 42 | ----- |
| 2000-2001 | 34 | 70 | 48.57 |
| 2001-2002 | 143 | 664 | 21.54 |
| 2002-2003 | 186 | 1074 | 17.32 |
| 2003-2004 | 756 | 2157 | 35.05 |
| 2004-2005 | 1430 | 8002 | 17.87 |
| 2005-2006 | 974 | 2035 | 47.86 |
| 2006-2007 | 432 | 3811 | 11.34 |
| Total | 3955 | 17855 | 22.15 |

Source: - Compiled from DRDC Annual reports (Different Years).

The table depicts that after 8 year of SHG movement in Jalpaiguri district, only 22.15% of total SHGs have been formed by different NGOs. During the first few

years of this movement, large numbers of NGOs were busy in working with other projects in this district. Most of the bigger NGOs have entered into the programme after discussions with DRDC and their own policy makers. Initially, most of the NGOs were in dilemma regarding the pros cons of SHG movement in this district. Significant contribution has been made in the year ended with 31st March 2004, which stood at 35.05% of total SHGs formed in that year. Only 11.34% of total groups of 2006-07 were formed by all NGOs. Respondents argued that government has reduced the remuneration of NGO regarding formation and nourishment of SHGs under SGSY from 2006. The amount of remuneration of NGOs for formation and nourishment of SHGs under SGSY upto 2005-06 was Rs 10000 per SHG. The remuneration was reduced by the Ministry of Rural Development; Government of India to Rs 300 from 2006-07. This change was the main cause of de-motivation for the NGOs. As a result fewer of SHG has formed by the NGOs in 2006-07. On the other hand, NGOs were busy in nurturing the group which they had formed earlier. A graphical representation of the table is given below to show the clear picture about the performance of NGO regarding SHG movement in Jalpaiguri district.



The task of NGO in the field of microfinance is not only confined with the formation of group but also on the sustainability of the group. A significant portion of their time is spend to initiate, train engage beneficiaries and market product related to various kinds of economic activities for the SHGs. Family Planning Association of India of Hamiltanganj, in Jalpaiguri promoted economic activities like, Agriculture,

Piggery. Whereas another NGO named Dhubgram Social Welfare Organisation, Dhubganj promoted Agriculture, Piggery. Mushroom, Piggery, handicraft and bee keeping. The types of economic activities promoted by different NGOs in Jalpaiguri for the SHG is described in the following table.

Table No: 8.4.C
Types of economic activities promoted by the NGOs in Jalpaiguri district

| Sl.No. | Types of key activities | No. of NGOs which promoted these activities. |
|--------|-------------------------|--|
| 1. | Diary | 6 |
| 2. | Agriculture | 15 |
| 3. | Poultry | 15 |
| 4. | Piggery | 12 |
| 5. | Mushroom | 7 |
| 6. | Handloom | 4 |
| 7. | Handicraft. | 7 |
| 8. | Forest nursery. | 3 |
| 9. | Other | 5 |

Source: - Field Survey.

The table depicts the clear picture about the types of economic activities promoted by the different NGOs in Jalpaiguri district. The table highlights the facts that, economic activities like agriculture and poultry have been promoted by all the fifteen surveyed NGOs. Since the rural tribal women are acquainted with piggery, and it has high demand in the locality as well as nearby villages, most of the NGOs promoted Piggery as a viable key activity. People of hill region of this district use mushroom as an item of their regular dish. So, mushroom has high demand in the hill region of this district. In order to meet this demand, NGOs of that region have promoted mushroom cultivation for their SHG.

Rural tribal women (specially Mech & Rava community) of this district make traditional wear like Mekhla, San, etc. It has high demand in the locality as well as in the nearby states like Assam. To meet this high demand of special handloom products, local NGOs provide all kind of financial, technical and marketing assistance for their SHGs. Few SHGs were involved in the production of various kinds of handicraft products like, hand boutique, fascinating jute items, different types of hand made bags and decorative umbrellas. A significant number of NGOs were involved to

promote different kinds of woodwork and seashell products. The performance of economic activities of the group depends upon its existence in the same trade with adequate assistance.

The NGOs have been consistently working to upgrade the groups promoted by them to the 1st grade. As a host of financial, training marketing support facilities are available after 1st grading the performance of the NGOs can be gauged from the number of groups they have been successful in promoting to grade I.

Table: 8.4.D

Yearwise distribution of 1st graded SHG assisted by all NGOs in Jalpaiguri district

| Year | No of 1st graded groups formed by all NGOs |
|--------------|--|
| 1999-2000 | Nil |
| 2001-2002 | Nil |
| 2002-2003 | 10 |
| 2003-2004 | 24 |
| 2004-2005 | 264 |
| 2005-2006 | 1382 |
| 2006-2007 | 1548 |
| Total | 3228 |

Source: -Compiled from Annual Report of DRDC Jalpaiguri (Different Years)

Above table depicts that grading activity for the SHG of different NGOs have been started during 2002-03. Till the end of 31st March 2004, only very few SHGs had qualified for 1st grading. Maximum numbers of SHG had qualified 1st grading during 2005-06 and 2006-07. Till the end of 31st March 2007, cumulative number of 1st graded SHG reached at 3228. During that couple of year, total number of 1st graded SHG in the entire district had grown at approximately 64% and 48% respectively. The survey reveals the fact that, during 2005-06 and 2006-07, a large chunk of SHG had completed their vintage of more than one year. At the same time, Government. also wanted to achieve a new standard in respect of 1st grading of SHG. In order to reach this goal, DRDC had given priority to increase the number of 1st graded group. Another significant reason can be noticed that, after the credit linkage of a SHG (which was formed and nurtured by NGO), the respective NGO is entitled to get remuneration of Rs2000 from DRDC. In few cases, NGOs have given marketing

support facilities for the marketing of SHG products. NGOs collect final products from the groups and sell it to the outside market. This activity generates substantial income for the NGOs. Another few cases, NGOs provide training facilities for the group members at a relatively low cost. NGOs in Jalpaiguri district have organised adequate Basic Orientation Programme (BOP) at the GP office or at the nearest Swanbhar Bhaban for their group members. If there was lack of co-operation between NGOs and respective Gram Panchayat, in those cases NGOs organised BOP at the convenient places of the group members. Well trained NGOs resource person impart practical training- interest calculation of loans, record keeping, drafting of resolutions, filling up of withdrawal and deposit forms of concerned bank. In some cases, trainers use problem-solving methods to build the knowledge of the trainees. NGOs provided required inputs for the group economic activities that a group can start after its 1st grading.

As stated earlier in this chapter that, NGOs play a catalytic role in the new paradigm of microfinance programme. The field supervisors are found to be consistently involved in group formation and in the process of nurturing them properly. All the field supervisors perform their activities in different areas as directed by their head office. Those supervisors visit the group at regular intervals. This regularity helps the groups to solve their operating and strategic problems. A table is given below to highlight the regularity of visit by field supervisors of the fifteen sample NGOs to different SHGs.

Table No: 8.4.E

Distribution of NGOs on the basis of frequencies in group visit.

| Every day | Every week | Every month | Bimonthly | Quarterly | As & when required |
|-----------|------------|-------------|-----------|-----------|--------------------|
| Nil | Nil | 3 | 4 | 2 | 6 |

Source: - Field Survey

Above table depicts that, in most of the cases NGOs visit the group quite frequently. Respondents of the sample NGOs stated that rural illiterate women are

unaware about the SHG as a new concept and its operating system. Consequently, group members were not able to select the way of achieving group goal. Rural women live with various kinds of social evils like, dowry, alcoholism, and physical abuse, et. Proper and regular counselling is required to solve those problems. So need based supervision is very necessary to solve frequent problems. NGOs are not only concerned about the internal problems of the group but take steps to discuss various problems of the groups with the banks and government agencies. The field supervisors of the NGOs need to keep close contact with different bank branches in order to provide emotional support to the group members those who have disputes and problem which arises with the bank. The field supervisors also visit the banks in different time. Following table shows the frequency of bank visits by the supervisor of sixteen sample NGOs in Jalpaiguri district.

Table No: 8.4.F

Frequency of bank visits by the supervisor of sample NGOs

| Every day | Every week | Every month | Bimonthly | Quarterly | As & when required |
|-----------|------------|-------------|-----------|-----------|--------------------|
| Nil | Nil | 4 | 3 | 1 | 7 |

Source: - Field Survey

Above table depicts that, in most of the cases NGOs supervisors visit the banks according to the requirements of the group/bank. The respondents of NGOs have identified the fact that many group members are illiterate; they are unaware about their right and duties with the banks. Consequently, members are demotivated in many instances to carry out their transaction with banks. So need based supervision is very much necessary by which both, bank as well as SHGs will be benefited. At the same time, bankers will be able to build confidence among the group members through the cooperation of NGOs which will help them to sustain in the future. In this respect NGOs have to play significant role in the bank linkage programme. NGOs make a bridge between main streams-bank and SHGs. After the formation of group, the representatives of the group along with the supervisor of NGOs come to the bank to open the bank account in the name of their group. The group members save in this account at regular interval and draw from this as per the requirements of the members.

Some times, the members fail to repay their group loan on time. The concerned NGO then plays an active role to recover the loan from the defaulter members.

Large numbers of NGOs have entered into the world of microfinance along with their main other activities like, water supply, sanitation, watershed management project, health care etc., NGOs perform the duties of asocial engineering through the public relations with the different sectors of the society and direct involvement in social activities. Policy makers of NGOs always formulate dynamic strategies to attain social objective along with the other objectives. NGOs have ample opportunity to maintain a good relationship with the rural communities which help them to fight against social evils like- alcoholism, addiction of lotteries and other speculative games etc. NGOs organise meetings in several occasion to generate social awareness among the group members which established the role and responsibilities of a member against different kinds of social evils. As an outcome of awareness generation meeting, group members collectively raised their voice against loto centre (online lottery) in different places in Jalpaiguri district. In most of the cases collective strength of group members have also destroyed all equipments of the different “loto centre” as well as alcohol factories in the nearest areas. The group members had actively participated in pulse- polio, rural literacy campaign, health care & vaccination campaign against malaria in the malaria prone areas of Jalpaiguri district and various other kinds of social activities. An NGO named KREDA, operating in three blocks of this district has separate health care section with two doctors to provide health care facilities for the group members. The respondent of KREDA viewed that if the group members are not free from disease they will not perform their activities effectively.

However for effective implementation and success of the schemes implemented through NGO intermediation, it is essential to know how the NGOs perceive the chance of success of their effort via the SGSY system.

8.5 Perception of NGO towards the SGSY.

In this section the perception of the NGOs are tested on the basis of five-point scale. Strongly agree, somewhat agree, cannot say, somewhat disagree and strongly disagree. Scores of 2,1,0,-1 and -2 are assigned to the aforesaid point respectively.

Mean scores were calculated in the following table to find out the importance of one attribute of the perception test in relation to the other.

Table No: 8.5.A

Perception of NGO towards the SGSY in Jalpaiguri district (N=15)

| Statement | Strongly Agree (2) | Some what agree (1) | Cannot say (0) | Somewhat Disagree (-1) | Strongly Disagree (-2) | Mean Score |
|--|---------------------------|----------------------------|-----------------------|-------------------------------|-------------------------------|-------------------|
| i) SGSY will be successful in promoting micro enterprises | 4 | 9 | 2 | Nil | Nil | 1.13 |
| ii) SGSY will be successful in raising income of the beneficiaries | 3 | 7 | 2 | 3 | Nil | 0.67 |
| iii) SGSY will be successful in raising wealth of the beneficiaries. | 2 | 6 | 3 | 2 | 2 | 0.27 |
| iv) SGSY will be successful in socially empowering women. | 6 | 5 | 3 | 1 | Nil | 1.07 |

Source: - Field Survey

The maximum mean score possible for any statement is 2. It can easily read from the list of scores in the table that scores of three statements are above 0.50, which means the perception or even confidence towards SHG are somewhat above average.

Two significant statements, i.e. No. 1 and No. 4 have scores above 1. This clearly points out that all the NGOs perceive that SGSY will be successful in promoting micro enterprises as well as in socially empowering women. Another significant aspect is that perception and knowledge of all NGOs about the success of SGSY in raising income of the beneficiaries is above average. Whereas, the perception about the success of SGSY in raising wealth of the beneficiaries is below average. This phenomenon signifies that, NGOs perceived that SGSY will be successful in raising income for their beneficiaries but this will not enough to increase the wealth of the beneficiaries. This is because they think that, the income generation level of the micro entrepreneur is not so high to accumulate the residue for the capital formation in future. All NGOs perceive that SGSY would be able to empower the rural women through the awareness creation and continuous interaction with the external environment.

8.6 Issues in Co –operation of stakeholders of SGSY with NGOs.

SGSY is one umbrella programme, in which different stakeholders like, banks and blocks are involved. Active participation and strong co operation from its all stakeholder is the secrete of success of this programme. Bank is a significant entity which deliver low cost financial resources to the bonafide users with the co-operation of other concerned entities of SGSY programme.

The bankers should accept that this is a role which the NGO, as a loyal social engineer, is better suited to perform. The bankers also maintain qualities of empathy, humanism, and social engineering. But the obvious truth is that there is a need for a sensible division of labour. If bankers truely want to reach the vulnerable section the society with financial services, they need to co-operate with NGO-who can fill up an important void in quality at the grass roots level which helps the poor not only to borrow but also to become good investments for banks. This will help boost business at rural branch level and cover up inadequacies and constraints that might hamper a banker with the conflicting demands of his workload. Many banks and FIs have acknowledged the role of NGOs and have developed co-operative policies accordingly.

The justification of co-operation lies not only with the bankers, but with other players like the IRDP officials, and local people. In absence of the co- operation from these people it would be difficult for NGOs to understand the problems at the grass root levels and also offer viable solutions to these problems.

In this section the degree of co-operation from the stakeholders of SGSY are tested on the basis of four-point scale. Very co-operative, somewhat co-operative, indifferent and non co-operative. Score of 2,1,0 and –1 were assigned to the aforesaid point respectively. Mean scores were calculated in the following table to find out the importance of one attribute of the co-operation test in relation to the other.

Table No: 8.6.A

Co-operation from the different stakeholder of SGSY with the NGOs (N=15)

| Different players | Very Co-operative (2) | Somewhat co-operative (1) | Indifferent (0) | Non co-operative (-1) | Mean Score |
|-------------------|-----------------------|---------------------------|-----------------|-----------------------|------------|
| DRDC | 4 | 7 | 2 | 2 | 0.87 |
| Banks | 6 | 4 | 3 | 2 | 0.93 |
| Panchayats | 3 | 4 | 3 | 5 | 0.33 |
| SHG | 7 | 4 | 1 | 3 | 1.00 |
| Local People | 5 | 5 | 2 | 3 | 0.80 |

Source: - Field Survey

The maximum mean score possible for any statement is 2. It can easily read from the list of scores in the table that most of score are near about 1, which means the degree of co-operation from the stakeholders with NGOs is somewhat above average.

Above table depicts that all the parties involved in the SGSY programme co-operate with NGOs, though the level of co-operation of Gram panchayat with the NGOs is below average. This phenomenon was explored through informal discussions with NGO workers. NGO personnel viewed that in most of the Gram Panchayats, the local political cadres have obstructed them on several occasions. In some cases, NGOs were not able to continue their activities for long time. They had stopped their activities even after the formation of few groups in some G.Ps. On the other hand, some panchayat members of the respective villages argued that, field supervisors of respective NGOs perform their activities to increase the earnings of NGOs. These supervisors always try to increase the number of groups formed without consideration about the norms and guidelines of SGSY. In some cases, supervisors had formed few groups but they did not visit the group next time. This phenomenon demotivates the group members to sustain their activities. This situation also creates great hindrances for NGOs for interaction with the banks and SHGs.

8.7 Conclusions

NGOs, as active partner in SHG movement, play crucial role in human resources mobilisation. It channelises formal credit to its clientele through innovations so as to meet the overall needs of socio-economic empowerment NGOs can substitute the developmental role of government machinery. Many rural development schemes like-rural sanitation, rural housing, water supply, watershed management, pulse polio, family planning etc. have been implemented with the active participation of NGOs. Other than these activities of NGOs, microfinance is become a significant task for them. So NGOs play tactical role of social engineering to change the socio economic status of rural society.



SHG members at the end of a day's training session at Khoirdanga Swambhar Bhawan.



SHGs have led to making of shawls and mekhlis on a larger scale.

CHAPTER – IX

IMPACT MEASUREMENT

9.1 Introduction: What is impact?

The term impact is used to denote the outcome / influence of a system. Every system / project is introduced to reach its optimum result. Impact has been defined as 'change that can be plausibly associated with involvement in a microfinance programme'. Several studies have been conducted all over the world in different occasions in order to assess the degree of change that has been made by the microfinance programmes. Different decision variables have been used by the researchers to assess the impact of microfinance. All impact studies that have so far been carried out have introduced several variables to assess two main aspects; - 1) Economic Impact and 2) Social Impact.

The stakeholders of all programmes are interested about the out come of the system for which they are responsible. All the concerned entities are usually interested to gauge the extent of the mission, objective and goals achieved. This feedback is a sine-qua-non for policy makers in order to ensure control mechanisms in future. It helps to reshuffle the policy variable which play vital role in improving the quality of service and effectiveness of the system.

The major areas where academicians and practitioners have focused their research are in the purviews of outreach of microfinance programmes, impact of the programmes and sustainability of these programmes. Impact assessment in microfinance has received more attention than in any other area of microfinance research. It is now generally accepted that impact assessment is a critical element in further improving microfinance services and promoting innovation. Existing impact assessments have made an important contribution to understanding some of the complex interaction between microfinance interventions, livelihoods and different dimensions of poverty reduction and empowerment.

The main focus of existing impact assessments has been on current microfinance users. It is clear that impacts vary between different target groups. Understanding these differences is however not a simple case of sex desegregation or comparing broad income categories, but looking at differences between different types of economic activities, different types of household structures, differences in access to

complementary services and so on. Impact assessment have focused on changes in income and wealth levels and show socio- political empowerment of women beneficiaries at the household level, at the individual level, at the enterprise level and at the community level.

9.2 Review of studies conducted on impact of microfinance programmes.

Microfinance has been extensively examined over the past 10 to 15 years, and the resulting literature is now very large. A focused review of the literature was conducted to evaluate recent publications regarding the impact of microfinance on poverty reduction.

The effectiveness of feedback and control system for microfinance delivery system are no less important than monitoring of policy variables for other poverty amelioration programmes. Since, the mission is to uplift the downtrodden, especially women, both economically and socially, investigations into outreach and impact of microfinance programmes provides the essential information which help in redesigning the models for microfinance delivery systems.

The impact of microfinance on poverty alleviation has recently gained a prominent position on the microfinance agenda. Donors, practitioners, and academics have realised that microfinance institutions (MFIs) must concern themselves with more than their ability to reach institutional self sufficiency and concentrate more on the results of what has been delivered.

Especially in the past few years, the number of rigorous studies of client outreach and impact has grown considerably and spurred in part by the development of monitoring tools like CGAP's Poverty Assessment Tool, Cashpor Housing index, SEF's Participatory Wealth Ranking, and USAID's AIMS Tools. The outcomes of these studies show that:

- The tools are relatively inexpensive and practical to use, and they yield useful data for both programs and donors.

- Average loan size is an easy indicator of impact and it is easy to collect these data but proves to be unreliable when measuring depth of outreach. Minimal extra effort in data collection can yield much richer information for marketing and evaluation.
- Microfinance institutions (MFIs) demonstrate considerable diversity in their ability to reach poor populations.
- Outstanding financial performance does not imply excellence in outreach to poor households.
- At the same time, reaching the poor is not at odds with maintaining outstanding financial performance and professional business exercises.
- Programs that make poverty reduction an explicit goal and make it a part of their organizational cultures are far more effective at reaching poor households than those that value finance above all else.
- These lessons point to natural evolutions in the microfinance sector. World Bank Report (1998) stated “many MFIs have tended to focus foremost on their own financial survival, and have generally been reluctant to invest substantially in evaluations. Currently, the majority of MFIs neither determines the composition of their clientele upon intake nor evaluates the effectiveness of their program in terms of poverty reduction. The development and use of the new tools for market analysis and evaluation suggests that failure to monitor and evaluate can cut costs in the short-run at the expense of achieving long-term social and economic goals.

A wide range of literature on impact assessment of microfinance will be reviewed in the following section as evidence.

There is extensive evidence that microfinance has a positive impact on the first Millennium Goal: that the number of people living in extreme poverty (defined as those living on less than \$1 per day) will be reduced by half between 1990 and 2015.

Hulme and Mosley (1996), Mosley and Hulme (1998), Hulme (2000) and Navajas et al., (2000), Fujita (2000) and Meyer et. Al, 2000) have viewed that the result

of the performance of new microfinance programmes of the world are reasonably supportive as an efficient means of reducing poverty, but not of extreme Poverty. Khandkar, S. (2001) found that microfinance participants do better than non-participants in per capita income, per capita expenditure, and household net worth. In a different impact study Remenyi & Benjamin (2000) observed that household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from nonborrowers (control group). In Bangladesh, a 29.3 per cent annual average rise in income was recorded and 22 percent annual average rise in income from no-borrowers. Sri-Lanka indicated a 15.6 rise in income from borrowers and 9 per cent rise from nonborrowers. In the case of India, 46 per cent annual average rise in income was reported among borrowers with 24 per cent increase reported from non-borrowers. The effects were higher for those just below the poverty line while income improvement was lowest among the very poor.

Hossain (1988) observed that Grameen Bank members had incomes about 43% higher than the target group in the control villages, and about 28% higher than the target group nonparticipants in the project villages. World Bank in collaboration with the Bangladesh Institute of Development Studies, and cited by Hashemi and Morshed (1997) showed that the Grameen Bank not only reduced poverty and improved welfare of participating households but also enhanced the household's capacity to sustain their gains over time. Kamal (1996) noted higher rates of per capita income among Microcredit programme borrowers compared to those who did not borrow. Chowdhury et al. (1991) asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants”

Mustafa et al. (1968) confirmed this (above for BRAC) and noted that “members have better coping capacities in lean seasons and that these increased with length of membership and amount of credit received. Mustafa et al. (1969) also noted an increase in assets of 112% for those who had been members for 48 months or more and increase in household expenditure of 28%.

Hashemi and Morshed (1997) cited a study conducted by the World Bank in collaboration with the Bangladesh Institute of Development Studies, which showed that the Grameen Bank not only 'reduced poverty and improved the welfare of participating households, but also enhanced the household's capacity to sustain their gains over time.

Todd and Gibbons worked with Grameen members who had been borrowing for a decade in Tangail. They concluded: 'Perhaps their most significant finding was that, compared with 18% of non members, 58% of the Grameen borrowers had crossed over the extreme poverty line. Chowdhuri and Bhuiya (1998) suggest a significant decrease in severe malnutrition closely associated with the length of BRAC membership

The existing evidence on the impact assessment of micro-credit on poverty in Bangladesh is contradictory. Khandkar (1998) in his work suggests that access to credit has the potential to significantly reduce poverty. On the other hand there is also research which Morduch (1998) argues that micro-credit has minimal impact on poverty reduction. The evidence on reducing vulnerability is somewhat clearer. Hashemi et al (1996), Montgomery et al (1996), Morduch (1998) and Husain et al (1998) viewed that the provision of micro-credit has been found to strengthen crisis coping mechanisms, diversify income-earning sources, build assets and improve the status of women.

Dunn, E. (1999) concluded in a study conducted in Lima and Peru that only 28 percent of clients live below the poverty line compared to 41% of nonclients. The average income was over 50% higher. Borrower households spent 20% more on education than non-client households. Rachel, Porter and Harper (1999) viewed that Microfinance clearly contributes to improvements in children's welfare through increased incomes and thus: improved nutrition, housing, health and school attendance, and reductions in harmful child labour. Versluysen, E. (1999) concluded in his study that poor households that have had access to microfinance services show significant increases in asset accumulation, providing them with both a safety net against misadventure as well as resources for self-help investments. Increased household income improves nutrition, and improves the probability that poor children from poor families will go to school.

In a Uganda study, Barnes, Gayle and Gary (1998) showed that borrower households spend 38% more on education than non-client households and have on average an extra year of education. Clients in the FOCCAS microfinance program in Mbale receive instruction in breastfeeding, disease prevention (including AIDS, diarrhea, and malaria), and family planning practices. Of those who had learned about improved health and nutrition practices, 95% of clients compared to 72% of nonclients had tried a practice related to improved health or nutrition of their children. 32% of clients compared to 18% of non-clients had tried an AIDS-prevention practice.

On the other hand Hossain (1988), Remeny (1991), Otero & Rhyne (1994), Holcomb (1995), Schuler et al (1997) Khandkar (1998) and Bangladesh Institute of Development Studies (BIDS) (1990) argued that microfinance has very beneficial economic and social impact. Although Adams & Pischke (1992) Montgomery (1996) Rogally (1996) and Wood & Sharrif (1997) cautioned against such optimism and point to the negative impact that microfinance can have.

The study of Paul Mosley (2001) reveals that the Bolivian achievement in microfinance has been impressive and Bangladesh and Indonesia are the only other countries in the world which can reasonably claim to have reached a similar level of creative, but not always vulnerability and not extreme poverty. Navajas et al. (2000), in their studies on microfinance in Bolivia, identified that most of the poor households reached by the microfinance organisation were near the poverty line – they were the richest of the poor. Hossain (1988), Hulme & Mosley (1996), Todd (1996) and Khandkar & Choudhury (1996) have conducted studies on Grameen Bank and have in general shown a positive change in the income of the beneficiaries. Although, outcomes of all their studies are likely to suffer from recall bias since all these studies used recall method.

Specifically, various studies on *reaching the poorest* show that there is no evidence of an inverse relationship between a client's entrepreneurial ability and his /her level of poverty. Zaman (2000) argues that borrowing patterns and the inclination to save have been found to be similar across clients at different levels of poverty.

Khandkar (1998), Gibbons and Meehan (2000) and Churchill (2000) argued that financial performance of MFIs targeted to the poorest clients could be comparable to those of MFIs that do not reach the poorest. In another study Robinson (2001), Hulme and Mosley (1997) and Zaman (2000), stated that there is little evidence that clients with existing microenterprises or employment (often defined as “the economically active”) are the only ones that can benefit from microfinance and the little evidence that exists here is subject to debate about methodology.

Different studies on ‘Targeting’ have been demonstrated that the poorest can improve their socio economic conditions; researchers have pointed to several general issues that make microfinance work for the poorest:

Wright (2000) stated that, even a well-designed microfinance programme is unlikely to have a positive impact on the poorest unless it specifically seeks to reach them through appropriate product design and targeting. Navajas et al (2000); Simanowitz, F (2001) stated from their experience that unless there is a targeting tool, the poorest will either be missed or they will tend to exclude themselves because they do not see the programs as being for them, do not have the “correct” clothes, etc. Navajas et al (2000) showed that, there is a strong tendency to move to the top of the clientele group, and to give little attention to the needs of the poorest, with the end result that their proportion diminishes over time.

There is general consensus that modern microfinance is based on three main pillars –Microcredit, Microsavings and Microinsurance. Therefore savings is important, because there is a high demand for it among the poorest and because savings play a role in protecting against the seasonality of cash flows and fulfilling an insurance function. Chen and Snodgrass (1999) and Fruman (1998) have identified that MFIs that focus on savings more than credit tend to reach a smaller proportion of the poorest, have a lower and slower impact on poverty reduction, and are therefore less conducive to reaching the Millennium Goals by the target dates. While the savings-first institutions are easier to finance by donor agencies (far less start-up capital required), the few comparative studies available show that borrowers fare better than nonborrowers

It is clear from the wide range of evidence that modern microfinance facilitate to implement other government sponsored schemes like-rural sanitation, rural housing, provision of mid day meal, family planning etc. There are strong potential synergies between microfinance and the provision of basic social services for clients. The benefits derived from microfinance, basic education, and primary health are interconnected, and programs have found that the impact of each can increase when they are delivered together.

If the infrastructure for microfinance is already in place the marginal cost of catering education or basic health information can be substantially reduced. In this regard UNICEF (1997), MckNelly and Dunford (1999) and Marcus (1999) argued that services provided need to be relevant to the needs of the target group and not just an add-on that is of poor quality.

Very few studies in the world directly compare alternative interventions. Most researchers concluded that it is difficult to segregate the impact of a specific development tool as each contributes to the others. While the question of which development tool gives the “biggest bang for the buck” is legitimate in principle, in practice it is difficult to compare the benefits achieved by different interventions.

The new paradigm of microfinance emphasises on the women in order to improve their living standard by empowering them in all respect. Modern microfinance has great contribution to empower the rural women. World wide different studies provide sufficient evidence in this regard.

A number of studies have been carried out to assess the impact of microfinance on women empowerment. Zaman (1999) argued that greater access to resources via micro credit enhanced a women’s control over her assets. The control which a women has over her assets is measured by, amongst other things, her ability and right to sell assets on the basis of her own personal choice. Carloni (1987/42) found that credit programs were more successful than income-generating projects in having a genuine impact on women’s economic status.

Amin and Pebley (1994) suggested that BARC’s loans contributed to an increase in a women’s household decision making power, her control over household

resources and physical mobility outside the home. They made the interesting observation that women believed that receiving microcredit loans reduced their chances of abandonment. Their husbands regarded these women as a valuable resource, to two goods lose. Banu et al., (2001) found that BRAC had been able to bring about considerable changes in the lives of its female beneficiaries by facilitating their material, perceptual and relational pathways to empowerment, both at the individual and households levels. Not surprisingly and consistent with Amin & Pebley the study by Banu et al (2001) also concluded that husbands learned to value women more because they were now perceived to be an avenue to loans for capital investments by the household. Carr, Chen and Jhabvala (1996) argued that the lives of women changed partly because microcredit loans took them outside the household and required their participation in BRAC village organizations. Thus women developed links to wider community group. In another study of impact assessment, Hashemi, Schuler and Riley (1996) claimed that involvement in the Grameen Bank's or BRAC's credit programmes certainly empowered women by increasing their physical mobility, their ability to make purchases and major household decisions, their ownership productive assets, their legal and political awareness and participation in public campaign and protest. They also pointed to a reduced incidence of violence against women as result of female involvement in microcredit programmes.

There is ample evidence to support the positive impact of microfinance on poverty reduction as it relates to fully six out of seven of the Millennium Goals. In particular, there is overwhelming evidence substantiating a beneficial effect on income smoothing and increases to income. There is less evidence to support a positive impact on health, nutritional status and increases to primary schooling attendance. Nevertheless, the evidence that does exist is largely positive.

9.2.1 Methodologies used in impact measurement studies.

A practical Impact assessment may be defined as an inquiry to estimate the amount, pattern, or direction of change that can be probably associated with an intervention. This is different from mere academic impact research that seeks to measure change accurately and attribute it to an intervention with a high degree of

confidence. Impact assessment generally is lesser in size and scope, uses less complex measures, and applies simpler investigative techniques. It may entail a combination of methods including surveys, case studies, focus group interviews and other quantitative methods. It generally compares two points in time (usually before versus after intervention) and uses sample groups with and without the intervention to ascertain likely association. Instead of proving impacts within precise and statistically definable limits of probability, practical grass root research on IAs seeks to understand intervention processes and to identify and estimate the value of impacts that stand the test of plausible association.

For an IA to be reliable it is vital to have clearly stated objectives that indicate the types of impacts that will be examined and the intended use of the findings. It should have a small set of key hypothesis, some of which have proven valid in previous IAs. The IA should be designed to establish probable association between identified changes and the microfinance programmes.

It should have a sample size large enough to ensure effective use of control variables, account for drop outs, and allow for invalid data issues, but small enough to fit the budget. Here is where trade-offs are required between the number of variables, margin of error, confidence interval, and budget. Data gathering instruments that are well designed and clearly documented can improve the credibility of an IA further. Relevant background information on the institution and program, and the identification of key context variables that influence the program and its clients, are also important.

Wide range of literature evident that microcredit programme has significant impact on the socio economic status of rural women. Majority of the impact studies in the world have introduced identical variables to assess the impact of microfinance. Impact study mainly uses following decision variables;

- i) Income generation.
- ii) Banking habits of the members.
- iii) Standard of living.
- iv) Mobilisation of Savings.

- v) Asset Creation.
- vi) Entrepreneurship development.
- vii) Social awareness generation.
- viii) Women empowerment.
- ix) Child education and reduction of drop out. etc.

All the impact studies uses different above mentioned policy variables to assess three main aspect of modern microfinance programme. i.e. outreach, sustainability and empowerment .

Different impact studies have used various methodologies to assess the effects of microfinance. Some of these studies will be cited here. Copestake, Bhalotra and Johnson (2000) had conducted an impact study on Zambia. This study had used case study method to assess the impact of mf on poverty. Another impact study conducted by Frances Sinha and the impact assessment team EDA Rural Systems Pvt Ltd in 2003. This study had used a mix of quantitative (survey, questionnaire based) and qualitative (focus group discussions, case studies, semi-structured interviews). A summary of different impact studies in India is highlighted below.

Appendix III

| Context | SEWA | FWWB | NABARD | MYRADA | BASIX | SHARE | ASA | CDF |
|------------------------------------|--|---|--|--|--|-------------------------------------|---|---|
| Registered status | Cooperative Banks | Apex MFO-society | Apex bank | Society | NBFC | NBFC | MFO-society | Trust |
| Types of clients | Individual savers and borrowers | MFO partners | Banks who lend to SHGs | SHGs linked to banks | Mainly individual borrowers also lending through intermediaries and SHGs | Grameen model groups of borrowers | Grameen model groups of borrowers | Thrift and credit cooperatives |
| Approach | Banking service plus gender empowerment | Loans and capacity building of MFOs | Refinancing | SHGs capacity building, empowerment of poor people | Micro-and other finance, with technical assistance and support services | Micro finance | Microfinance plus community empowerment | Enhancing women's skills for cooperative management |
| Commencement of Microfinance | 1974 | 1991 | 1992 | 1984 | 1996 | 1993 | 1993 | 1990 |
| Date of Study | 1998-99 & 2000-01 | 2001 | 1999-2000 | 2001 | 1999 | 2000-01 | 2000 | 1995-96 |
| Outreach: members at time of study | 120000 | NA | 1.9 million | 77500 | 10200 | 84000 | 12000 | 12500 |
| Methodology of study | Questionnaire ; case studies; panel data | Case studies; focus groups; questionnaire | Questionnaire | Participatory assessment; questionnaire | Questionnaire; focus groups | Questionnaire | Practitioner - led AIMS tools; case studies | Case studies |
| Sample | Clients: 600 Control: 300 Panel: 800 Case studies: 12 | Case studies: 20 Survey: 125 clients | 560 members of more than 220 SHGs in 11 states | (ii) 6 groups ii) 64 groups | 187 clients | 125 mature clients; 104 new clients | 40 clients | 2 primary coops |

| Basis for poverty assessment | (ii) 'Local' poverty line ii) US \$ 1/day | Income but poverty level not specified | 'Official poverty line | (ii) Participatory wealth ranking ii) 'Official poverty line' | Poverty line index | Poverty index (Survey based) | NA | Not applicable-open membership |
|------------------------------|--|---|---|--|--|---|--|--------------------------------|
| Poverty outreach % of sample | By (i) ~10% By (ii) ~45% | 46% | 42% | 100% | 52% | 100% | ---- | ----- |
| Poverty reduction | Increase in average household income by 14% | Graduation to a sustainable or increased level of income less likely than providing a 'safety net' and reducing vulnerability | 22% moved above poverty line increase in assets, savings, annual income | 75% have improved status to middle or upper poor after three years (ii) 86% cross poverty line after five years | 61% report some increase in income at household level and 29% report some increase in employment but magnitude not estimated | 38% no longer poor; 38% shifted from very poor to moderately poor; high correlation with number of household earners and sources of income. | Increased income through new/ expanded income-generating activities; increase food intake; improved housing condition; purchase of household assets. | ----- |

| | | | | | | | | |
|--------------------|--|--|---|--|---|-------|---|---|
| Financial services | Clients' informal debt continues at similar levels; overall debt increases by borrowing from SEWA | More than half of MFO clients continues to borrow from money lenders | Decline in average interest rate in borrowings; improvement of repayment of bank loans | Groups interestingly linked to banks, or ready to be linked | Increased volumes of credit to client households, with 4% reduction in overall cost of credit; 20% now access formal credit | ----- | Client suggestions for MFO services from separate 'client satisfaction' focus group discussion | Women appreciate easy access to money at reasonable rates; helps to reduce interest rates of formal credit |
| Empowerment | Women have personal savings accounts and plans for the future; Overall self image same for clients as for control groups | ----- | Attitude changes (self worth ability to communicate) Object to; alcohol and wife beating, Decline in domestic violence | Group increasingly involved in social problem solving and maintaining village infrastructure; members elected to local Panchayats; Increase in self confidence, Increased predominance of wives in household decisions in economic matters | ----- | ----- | Improved self confidence (ability to plan, decision for self and family) Access to medical facilities, Take action on social issues, Increase in inter caste interaction | Women can spend on own needs, Able to manage personal finances better, Self-confidence and respect, Awareness of community issues |

9.3 Methodology of Formulation of Indices for Impact Measurement

An evident from the discussion on impact studies and the table given above, impact studies have mostly used a questionnaire supplemented by case studies. While a structured questionnaire helps in objective assessment of the percolation and perception of the benefits of microfinance on an aggregate basis, case studies focus on individual / group level focus on socio-economic upliftment. The findings from the amalgam of these two techniques provide an understanding of the impacts at the grass-root level and help in designing better operating systems for microfinance programmes

In this study, a combination of the questionnaire method and case studies has been made. The responses from the questionnaire have been used to formulate indices of Economic Benefits and Social Benefits using the detail methodology of Babbie (1986). The same methodology has been used by Smith-Sreen (1990) in the context of studying accountability in four development organisations –Self –Employed Women’s Association (SEWA), Lucknow, Mahila Vikas Kendra (MVK), Nauhatta, Sri Griha Mahila Udyog Lijjat Papad (LIJJAT), Jabalpur, Badlao Foundation (BADLAO), Mihijam. For the purpose of the study, minor changes have been made to the weights attached to the scale in few cases taking into context the nature of the microfinance programme under consideration.

9.3.1 Index of Economic Benefits:

This index shows the level of perceived and actual economic benefits accrued by members through their participation in the group. Index has been formulated from the data generated in the section on economic benefits in the questionnaire. A higher score on the index indicates a higher level of economic benefits accrued. The actual average income earned by the respondents was given a weight of ‘2’ and then cumulative average of the scores of the following ‘six’ indicators was used to create the index.

- a. The regularity of work was given a value of ‘4’ if the work was received every day, ‘3’ if the work was received five days in a week, ‘2’ if the work was

received 3-4 days in a week, '1' if the work was received 1-2 days weekly, '0' if no work was received.

- b. Average annual income earned by the group was given a value a value of '4' if more than Rs 20000, '3' if between Rs10001-20000, '2' if between 5001-1000, '1' if less than Rs5000. This parameter was then given a weightage twice as much as the others as it was conceived that the average annual income earned was one of the most critical element in determining economic benefits received by the group as a whole (The above values became $4*2=8$, $3*2=6$, $2*2=4$, $1*2=2$).
- c. Average actual monthly income earned by the members in each group was given a value of '4' if more than Rs2000, '3' if between Rs 1001-2000, '2' if between Rs501-1000 and '1' if less than Rs 500. This parameter was then given a weightage twice as much as the other as it was felt that the total income earned was the most critical elements in determining economic benefits received by members (The above values became $4*2=8$, $3*2=6$, $2*2=4$, $1*2=2$).
- d. Access to loan through the group was valued by taking into account the average amount of loan received after joining SHG.A value of '5' was given if amount of loan more than Rs 20000, '4' if between Rs 10000-20000, '3' if between Rs5001-10000, '2' if between Nil and Rs 5000, '0' given for Zero loan.
- e. Change in value of the assets of the group member was valued (by taking into account average value) under two different situation e.g., pre SHG and post SHG. In both the situation, '1' was given for increase in value of assets, '0' if there is no change in value of assets, '-1' if decreased.
- f. Members' perception of improvement in economic status was valued as '2' if more better, '1' some what better, '0' no difference and '-1' if decreased.

The possible cumulative score on this index based on the six variables used to create it ranges from 1-27. A score of 1 indicates the lowest economic benefits accrued by SHG members and 27 shows highest economic benefit accrued.

Example 1: Formulating the Index of Economic Benefits

Laxmi Roy, an aged member of Mahamaya SHG in Moulani GP of Malbazar block was interviewed. She spends 3-4 hour every day to sale ready made garments. Therefore, for regularity of work she was given the highest score which was 4. She stated that, her group earned on an average Rs.70000/- per year. This fell in the category of more than Rs 20000/- which was given a code of '4'. However, this category was weighted twice as much, the score on income earned was 8 (4*2). Her average monthly income was Rs.600/- per month. As a result, the score was given '2'. This category also was weighted twice as much; the score on income was 4(2*2). Laxmi Roy mentioned that she had received loan from group corpus Rs.15000/-. She was therefore given a score of '3' in the category of access to loans from the group. On the question to whether any change in assets in the post SHG period was perceived she said that, she purchased a golden chain. Therefore, she was given a score of '1'. Laxmi Devi perceived that, her economic status is 'much better'. As a result, she was given a score of '2'. By adding the responses to these six variables (4+8+4+3+1+2), total score become 22 on the index of economic benefits.

9.3.2 Index of Social Benefits:

The social benefits perceived by members from their participation in the group are measured by this index. The index has been formulated from the data generated in the section on social benefits in the questionnaire. A higher score on the index indicates a higher level of social benefits accrued by that group members. Social benefits have been described by increase in prestige, role in decision making in family as well as in the community and self reliance and therefore three variables have been selected and used in this study namely prestige, role in decision making and self reliance for assessing social benefits accrued beneficiaries from participating in income generating activities. These variables are measured through nine separate indicators which are identified and based on the objective of women development.

i) Prestige.

Perception about the prestige can be described with the following two variables.

- a. Perceived increase in prestige in the community was given a value of '2' if the increase was great, '1' if the increase was somewhat '0' if it was remain same and '-1' if the decrease was somewhat and '-2' if it had decreased greatly.
- b. Perceived increase in prestige at the home was valued'2' if the increase was great, '1' if the increase was some what, '0' if it was same as before, '-1' if the decrease was somewhat and '-2' if it had decreased substantially.

ii) Role in decision making

- a. Perceived increase in decision making role at home was given of '2' if the increase was great, '1' if the increase was some what, '0' as it was same as before, '-1' if the decrease was some what, '-2' if it had decrease substantially.
- b. Perceived increase in decision making role in the community was valued as '2' if the increase was great, '1' if the increase was some what, '0' if it was same as before, '-1' if the decrease was somewhat, '-2' if it had decreased substantially

iii) Self Reliance

- a. Perceived increase in overall self reliance was given a value of '2' if the increase was great, '1' if the increase was somewhat, '0' if there is no change, '-1' if decrease was some what level and '-2' if it decreased substantially.
- b. Perceived increase in self reliance in household related task was given a value of '2' if the increase was great, '1' if the increase was somewhat, '0' if there is no change, '-1' if the decrease was somewhat and '-2' if it decreased substantially.
- c. Perceived increase in skill and confidence due to participation in SHG was given a value of '2' if the increase was great, '1' if the increase was somewhat, '0' there was no change in perception, '-1' if the decrease was somewhat, '-2' if it decreased substantially.
- d. Perceived improve in quality of living due to participation in SHG was valued as '2' if the respondents were strongly agreed to the statement, '1' if the respondents somewhat agreed to the statement '0' if they can not say anything

about the perception, ‘-1’ if the if the respondents somewhat disagreed to the statement, ‘-2’ if the if the respondents strongly disagreed to the statement.

- e. Perceived increase in self reliance through the participation in cultural and community can be valued as ‘2’ if the respondents strongly agreed to the statement, ‘1’ if the respondents somewhat agreed to the statement, ‘0’ if the perception is remain same as before ‘-1’ if the respondents somewhat disagreed to the statement, ‘-2’ if the respondents strongly disagreed to the statement.

The possible cumulative score on this index, based on the nine indicators used to create it, ranges from ‘-18’ to ‘18’. Thus a score of ‘-18’ signifies low level of social benefits accrued by the members and higher level of social benefits accrued by the beneficiaries indicates by the score of ‘18’.

Example3: Formulating the Index of Social Benefits

Monika Roy is one of the oldest members in Parboti Self Help Group in Kumargram block. When asked if she perceived she was better respected at home by her husband, in laws or children because of her joining in SHG. She replied “before my husband frequently used to object to my going out for group activities, but he has started praising me when I started getting money for household expenses”. This was interpreted as great increase and was given a score of ‘2’. As she participated in the group, she acts as a role model and given a value of ‘1’. By adding the scores of these two variables (2+1) the total change in the perceived prestige is 3.

She has bought a milch cow and a new by cycle for her son from her earning in SHG. Since she able to purchase two assets from her own income from the SHG, her husband has given importance in decision making at their home and so a score of ‘2’ was given. On being asked about changes in decision making in the home Monika said that joining in SHG had made no difference in decision making in the community and score of ‘0’ was given. By adding the scores of these two variables (2+0) the total change in decision-making role is 2.

She stated that her over all self reliance at the household had increased at somewhat level and a score of ‘1’ was given. Overall self reliant in the community had increased to ‘some what level’ thus a score of ‘1’ was given. Monika devi expressed that it was only after joining SHG that she had gained so much self confidence and was able to go everywhere on

her own and a score of '2' was given. When asked about her standard of living she said, it is only after SHG that my standard of living had increased so much. This was interpreted as a high level of increase and so a score of '2' was given. In response to the question about the self reliance through the participation in cultural activities in the community, Monika devi interpreted that after moving with the SHG, people come to consult her for social and activities in the community. This response indicated a change and was thus given a score of '1'. By adding the score of these five variables (1+1+2+2+1) the total change in self reliance was 7.

The index of social benefits is the some total of the scores on the changes in prestige (3), roles in decision making (2) and in self reliance (7), which in the case is 12.

9.4 Impact of SGSY in Jalpaiguri district

Group based modern microfinance programme implemented in Jalpaiguri district in 1999. Though it has been started with full fledge since 2001-02 in most of the blocks of this district. The level of changes that have been made by group based micro finance during its past eight-year journey in this district will be assessed in the following section. Impact assessment will be described with the help of index of benefits that a beneficiary can enjoy from the modern microfinance.

The most obvious benefit would be the cash income accrued but it may also be necessary to consider other economic benefits such as access to loan, regularity of work received and change in assets possession. Perception of such economic benefits along with the tangible benefits may differ amongst member depending on the socio economic status of the different blocks. Assessment of all of the above factors would provide more clear picture about the economic benefits accrued from the income generating activities rather than considering only income earned. An index of economic benefits has created with the help of aforesaid six variables. The actual and perceived economic accrued by the bonafide members in thirteen blocks of Jalpaiguri district. A higher level of economic benefits accrue by the members is identified by the higher value of index, while a lower value indicated lesser economic benefits received.

9.4.1 Economic Benefits

The findings of the study are reported in the following sequence. First, a detailed distribution of each of the factors taken for the formulating the indices has been presented for each of the blocks separately. The factors have then been taken to formulate and report on the economic and social indices for each block and for the district as a whole.

a) Regularity of Work

Economic benefits accrued or earned by SHG members from the microenterprises run by them depend to a large extent on the frequency of work done in these enterprises. Some of the microenterprises are temporary in nature in which the members are engaged temporarily to earn seasonal income. Many other microenterprises operate throughout the year in which SHG members are engaged through out the year on a regular basis. Regularity of work depends upon the nature of microenterprises run by the members. It is interesting to note that, nature of microenterprises greatly depend upon the availability of local natural resources, economic status of the local people, amount of loan, market conditions, area of cultivated land, awareness of the members etc. The patterns of frequency of work available to the respondent beneficiaries are detailed out in the following table. The frequencies have been reported for each block separately.

Table No: 9.4.A

Distribution of SHG on the basis of regularity of work

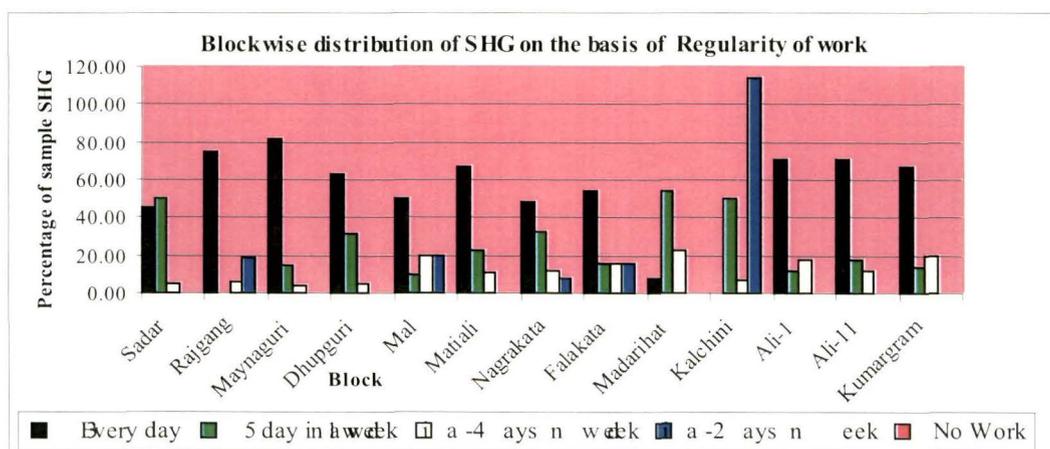
| Regularity of Work | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
|---------------------------|-----------|------------|------------|------------|------------|------------|
| | %of total | % of total |
| Every day | 45.00 | 75.00 | 81.48 | 63.16 | 50.00 | 66.67 |
| 5 day in a week | 50.00 | 0.00 | 14.81 | 31.58 | 10.00 | 22.22 |
| 3-4 days in a week | 5.00 | 6.25 | 3.70 | 5.26 | 20.00 | 11.11 |
| 1-2 days in a week | 0.00 | 18.75 | 0.00 | 0.00 | 20.00 | 0.00 |
| No Work | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 48.00 | 53.85 | 7.69 | 0.00 | 70.59 | 70.59 | 66.67 | 0.52 |
| 32.00 | 15.38 | 53.85 | 50.00 | 11.76 | 17.65 | 13.33 | 0.25 |
| 12.00 | 15.38 | 23.08 | 7.14 | 17.65 | 11.76 | 20.00 | 0.11 |
| 8.00 | 15.38 | 0.00 | 114.29 | 0.00 | 0.00 | 0.00 | 0.12 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

The above table shows that highest percentage (81%) of respondent in Maynaguri block received work every day from their microenterprises. Whereas 52% of total respondent beneficiaries in Jalpaiguri district received work every day. SHG members of Rajgang and Alipurduar-i & Alipurduar-ii block have started microenterprises on a regular basis. It is important to note that, SHG members of Kalchini block did not start any microenterprises which give regular work to the beneficiaries.



One of the main reasons behind the temporary nature of microenterprises in Kalchini block is that, lions share of the land area of this block is covered by tea gardens and forests. Moreover a significant part of this block is hilly region. Naturally, area of cultivated land is very minimum, which is unable to provide adequate livelihood

for the rural people of this block. Therefore, they use to take different types of micro enterprises to substitute the source of livelihood for themselves. A graphical representation of above table is given below which shows clear picture about the regularity of work of the SHGs of different blocks in Jalpaiguri district

b) Average annual Income of the group

Cash income of a group generated from different sources. A good source of regular income is interest on group savings. Another component of group income is interest on interloan among the members within the group. Income from group economic activities forms the main component of group income. In cases where the SHG members individually operate separate microenterprise with the financial assistance from the group, the income of those microenterprises have also considered in this study for the calculation of average annual income of the group. Financial management of group corpus has significant impact on the income generation of the group. Average annual income of the group differs on the basis of nature of economic activities taken up. As stated earlier that, nature of economic activities depend upon various crucial factors. Basically, temporary nature of microenterprises like-seasonal business of agricultural products, development and maintenance of picnic spots, mushroom cultivation etc. are unable to provide steady flow of income for whole year. As a result, average annual income of most the group is not substantial. Level of average annual income of the respondent groups in Jalpaiguri district is given in the following table.

Table: 9.4.B

Distribution of SHG on the basis of average annual income of the group

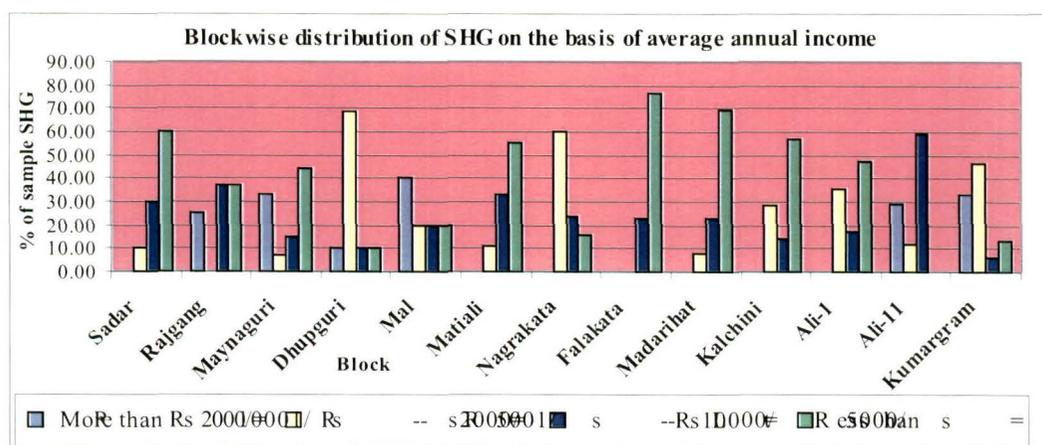
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
|----------------------|-----------|------------|------------|------------|------------|------------|
| | %Of total | % Of total |
| More than Rs 20000/= | 0.00 | 25.00 | 33.33 | 10.53 | 40.00 | 0.00 |
| Rs 10001/-- Rs2000/= | 10.00 | 0.00 | 7.41 | 68.42 | 20.00 | 11.11 |
| Rs 5001/--Rs10000/= | 30.00 | 37.50 | 14.81 | 10.53 | 20.00 | 33.33 |
| Less than Rs 5000/= | 60.00 | 37.50 | 44.44 | 10.53 | 20.00 | 55.56 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 29.41 | 33.33 | 0.11 |
| 60.00 | 00.00 | 7.69 | 28.57 | 35.29 | 11.76 | 46.67 | 0.25 |
| 25.00 | 23.08 | 23.08 | 14.29 | 17.65 | 58.82 | 6.67 | 0.20 |
| 16.00 | 76.92 | 69.23 | 57.14 | 47.06 | 0.00 | 13.33 | 0.24 |

Above table shows that average annual income of SHGs in most of the blocks in this district belong to the range of below Rs 5000. In comparison to all other blocks in this district, highest percentage of SHGs in Malbazar block earn on an average more than Rs 20000. Most of the SHGs in Malbazar block have started varieties of microenterprise from where the members earn regular income for whole year. Average annual income of most of the SHGs in Jalpaiguri is approximately 18250. Comparatively highest percentage of SHGs in Dhupgury and Nagrakata block earn on an average Rs 10001-Rs 20000. Most of the SHGs in Dhupgury are engaged in traditional agricultural activities like cultivation of paddy, potato and different types of vegetables.



c) **Actual monthly income of the members**

Full-fledged SHGs movement in Jalpaiguri district started from 2001-02. A substantial portion of total SHGs in this district have passed 1st grading and they are engaged in traditional microenterprises like tailoring, chira muri making, wool knitting, goatery, Piggery etc. Even in most of the cases, members have started these types of microenterprises on their own as sole proprietorship business after taking financial assistance from the group. So naturally, average monthly income of the members is not substantial. Average monthly income of members differs on the basis of types of microenterprises taken over and other economic opportunities available. Blockwise distribution of SHGs on the basis of actual income earned by the members is given in the following table.

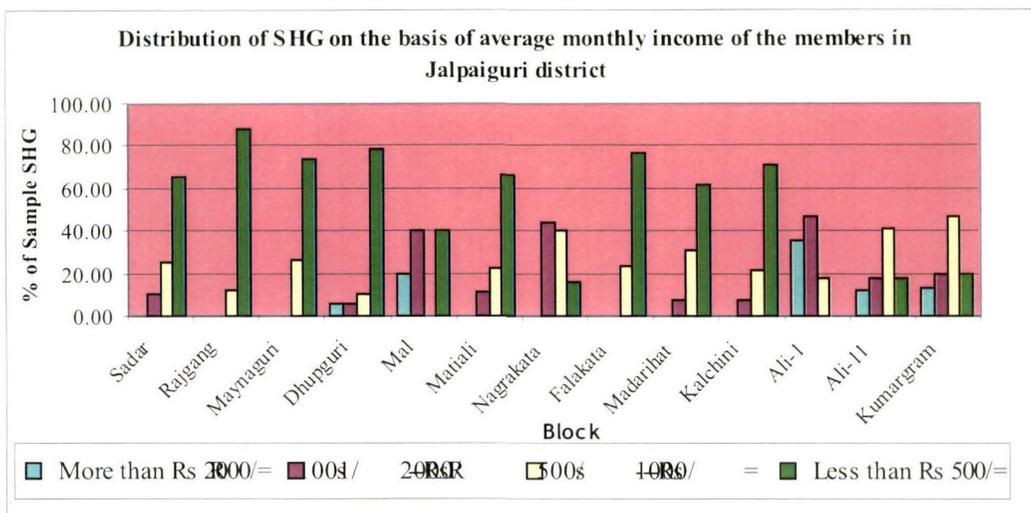
Table No: 9.4.C
Blockwise distribution of SHGs on the basis of actual income earned by the members in Jalpaiguri district

| Average monthly income of the member | Block | | | | | |
|--------------------------------------|-----------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | %of total | % Of total |
| More than Rs 2000/= | 0.00 | 0.00 | 0.00 | 5.26 | 20.00 | 0.00 |
| Rs 1001/--Rs 2000/ | 10.00 | 0.00 | 0.00 | 5.26 | 40.00 | 11.11 |
| Rs 500/---Rs 1000/= | 25.00 | 12.50 | 25.93 | 10.53 | 0.00 | 22.22 |
| Less than Rs 500/= | 65.00 | 87.50 | 74.07 | 78.95 | 40.00 | 66.67 |

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 0.00 | 0.00 | 0.00 | 0.00 | 35.29 | 11.76 | 13.33 | 0.05 |
| 44.00 | 0.00 | 7.69 | 7.14 | 47.06 | 17.65 | 20.00 | 0.16 |
| 40.00 | 23.08 | 30.77 | 21.43 | 17.65 | 41.18 | 46.67 | 0.23 |
| 16.00 | 76.92 | 61.54 | 71.43 | 0.00 | 17.65 | 20.00 | 0.56 |

Above table evident that average annual income of 56% respondent beneficiaries in Jalpaiguri district is less than Rs 500. On the other hand, overall 5% of respondent beneficiaries was able to earn more than Rs 2000 per month. Only beneficiaries of Malbazar (20%) and Alipurduar-I (35.29%) block earned on an average more than Rs 2000 per month followed by Alipurduar-II and Kumargram. The main reason behind that, most of the sample SHGs in these blocks have started viable microenterprises like poultry, cement works, dairy handicraft etc. A graphical representation of above table is given below which provided the pattern of income earned by the members in different block in this district.



d) Access to Loans

Loan is an essential component of any economic system which motivates people to start enterprises. Loan is a vital source of finance through which an entrepreneur can raise fund to substitute the capital requirement of the enterprise. The new paradigm of microfinance provides multilevel loan facilities to the beneficiaries in order to start and operate vibrant microenterprises for them. The degree to which SHGs helps in enhancing the members access to loan is symptomatic of the degree of economic benefits by that group to its members. Basically rural women are unaware about the formal banking system. They have been treated as unbankable section of the society and also find themselves increasingly marginalised from formal credit on account of a

variety of socio cultural biases and bureaucratic processes. Self Help Group provides interloaning facilities to its members to meet their emergent credit needs. Bank also provides collateral free loan at a low cost to the beneficiaries to start and operate their microenterprises. It is interesting to note that most of the members have taken loan for the purpose of day-to-day survival. These loans have taken initially from local moneylenders at exorbitant interest rates and this further pushes the poor into a vicious cycle of poverty and debt. This trend has improved gradually with the passing of time. Modern microfinance provides multilevel financing to inject the earning potentiality of the beneficiaries. Following table is given to show the amount loan taken over by the beneficiaries of different blocks in Jalpaiguri district

Table No: 9.4.D

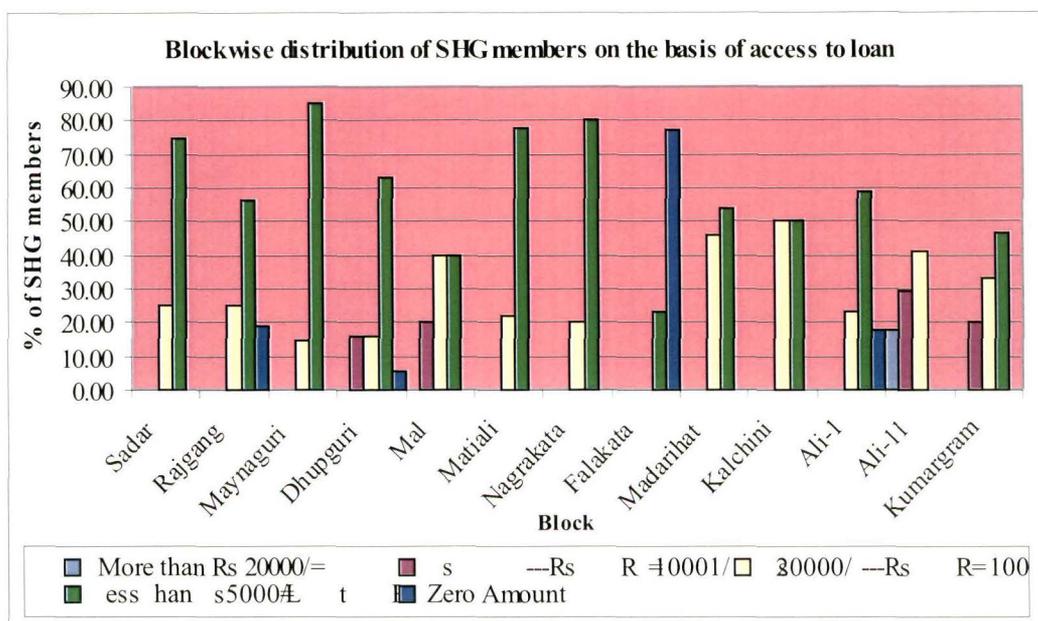
Percentage distribution of members in different blocks by access to loan

| Access to loan through group | | | | | | |
|------------------------------|-----------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | %of total | % Of total |
| More than Rs 20000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Rs 10001/---Rs 20000 | 0.00 | 0.00 | 0.00 | 15.79 | 20.00 | 0.00 |
| Rs 10000/---Rs 5001 | 25.00 | 25.00 | 14.81 | 15.79 | 40.00 | 22.22 |
| Less than Rs5000/= | 75.00 | 56.25 | 85.19 | 63.16 | 40.00 | 77.78 |
| Zero Amount | 0.00 | 18.75 | 0.00 | 5.26 | 0.00 | 0.00 |

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 17.65 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 29.41 | 20.00 | 0.04 |
| 20.00 | 0.00 | 46.15 | 50.00 | 23.53 | 41.18 | 33.33 | 0.23 |
| 80.00 | 23.08 | 53.85 | 50.00 | 58.82 | 0.00 | 46.67 | 0.60 |
| 0.00 | 76.92 | 0.00 | 0.00 | 17.65 | 0.00 | 0.00 | 0.13 |

The study shows that, most of the members have taken loan on an average less than Rs 5000. Only SHG members of Alipurduar II block have taken loan on average more than Rs 20000. This is because of high demand of loan for their enterprises. DRDC also provided Rs 20000 as 2nd dose for the development and expansion of the scale of operation of their enterprises. It is important to note that; a significant portion (76.92%) of SHG members in Falakata block did not get any loan from bank. In those cases, members have taken loan from their group corpus as much as possible. On the other hand, through the interview, it was found that a high percentage of the members had taken credit for one purpose or the other. The member takes loan for their microenterprises. A pictorial representation of above table is given below to show the accessibility of different amount of credit in different blocks in this district.



e) Perception of Economic benefits:

Modern microfinance provide financial and non-financial services to support income generation activities with the goal of enhancing the economic status of the beneficiaries. Success of such endeavour is assessed on the basis of numbers of beneficiaries involved and income earned by them. Main aspect of such evaluation is assessing how members perceived those economic benefits which have traditionally

been considered to be quantifiable cash reward. On the basis of individuality and their level of aspiration, it was realised that the same cash benefits could provide different perception of well-being. In order to bring this factor into impact assessment, individual realisation about the economic benefits accrued from the SHGs have taken into consideration. Different levels of perception about the economic benefits for the well being of the beneficiaries of different block in Jalpaiguri district is detailed out through the following table.

Table No: 9.4.E

Percentage distribution of members on the basis of perception about improvement in economic status among the different blocks

| Perception about improvement in economic status | Block | | | | | |
|---|-----------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | %of total | % Of total |
| Much Better | 25.00 | 12.50 | 22.22 | 68.42 | 50.00 | 22.22 |
| Some what better | 70.00 | 68.75 | 74.07 | 26.32 | 30.00 | 66.67 |
| Remained same | 5.00 | 18.75 | 3.70 | 5.26 | 20.00 | 11.11 |
| Decreased | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

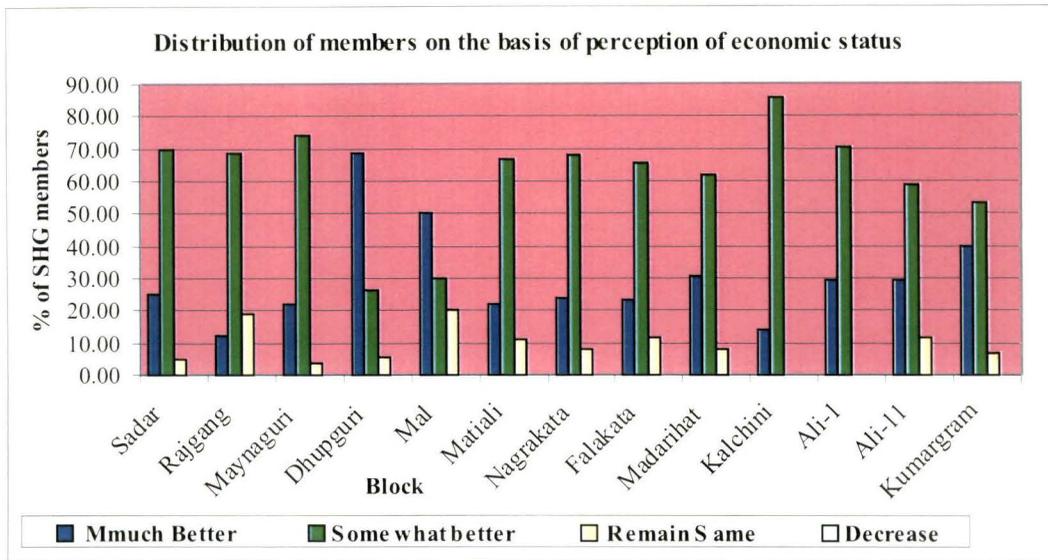
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| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 24.00 | 23.08 | 30.77 | 14.29 | 29.41 | 29.41 | 40.00 | 0.29 |
| 68.00 | 65.38 | 61.54 | 85.71 | 70.59 | 58.82 | 53.33 | 0.63 |
| 8.00 | 11.54 | 7.69 | 0.00 | 0.00 | 11.76 | 6.67 | 0.08 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Above table (No: 9.4.E) shows that beneficiaries of most of the blocks perceived that their economic status have increased after joining in the SHG. They felt that Self Help Groups could provide economic benefits to them. After 8th year of SHG movement in this district, economic status of most of the blocks in Jalpaiguri district

Have increased to some extent. It is interesting to note that, there is no member who felt that his economic benefit have decreased due to SHG. A moderate level of improvement in economic status have realized by most of the beneficiaries in this district. A graphical representation of above table is sighted below to highlight the perception about the economic benefit of the members.



f) Change in Asset possession: -

It is general phenomenon that assets of rural families owned in the name of male members. In most of the cases, rural women purchase domestic animal like milch cow, goat, poultry bird etc. to earn their livelihood. Rural women usually spent this earning to substitute the consumption expenses of their families. In some cases, those female members used to purchase few assets like jewellery, Television, Cycle etc for personal purposes with their surplus funds after making necessary consumption expenses.

Field survey of this study revealed that, women members of some of the SHGs in Jalpaiguri district were able to buy different assets of small amount. Ruby Barman, a member of Dishari Self Help Group in Dhupgury block, stated that it is after joining SHG I have purchased two milch cows, one television set for my family. Assets purchasing power differs on the basis consumption needs of the families. Extent of this need also depends upon the earning capacity of male members of their families. Where

male member earns a minimum amount as daily wages, female member has to share the responsibility to run their families. Otherwise she can spend her limited earning to purchase necessary asset for their family. To highlight the change in asset position of members' after joining SHG in Jalpaiguri district table No--- is given below.

Table No: 9.4.F

Change in value of assets in post SHG Period of different block in Jalpaiguri

| Change in assets value | Block | | | | | |
|------------------------|-----------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | %of total | % Of total |
| Increased | 75.00 | 50.00 | 51.85 | 78.95 | 60.00 | 66.67 |
| Remained same | 25.00 | 50.00 | 48.15 | 21.05 | 40.00 | 33.33 |
| Decreased | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

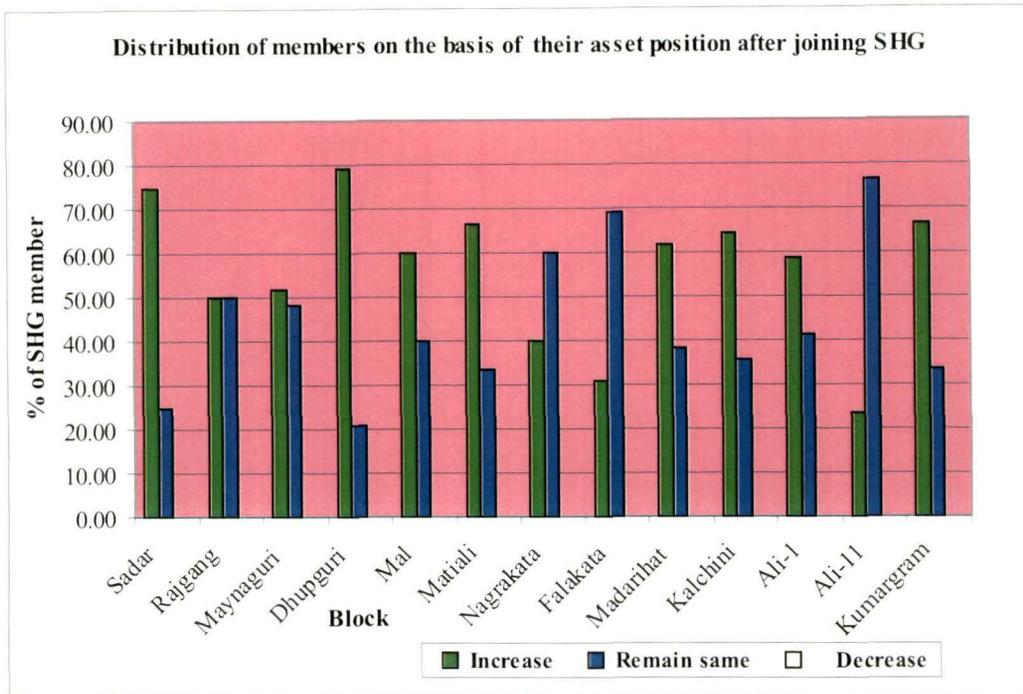
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| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 40.00 | 30.77 | 61.54 | 64.29 | 58.82 | 23.53 | 66.67 | 0.50 |
| 60.00 | 69.23 | 38.46 | 35.71 | 41.18 | 76.47 | 33.33 | 0.44 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Above table shows that SHGs have significant impact on the assets position of members' families. In few cases members were not able to bring any asset for their families after joining SHGs. There is to possible reason the behind said situation. Firstly, male members were unable to run their families due to low income and female members had had to take the responsibility of running the same. In these cases, she spent her limited earning from their group to fulfil the emergent consumption needs. Secondly, members were not able to run their group efficiently, which in turn they were unable to generate any income for them. As a result there is no question of purchasing any assets for them. It is interesting to note that there is no member whose asset position decreased after joining SHG. A pictorial representation of above table is given

Below which highlight the change in asset position of the SHG member in different blocks in this district.



9.4.2 Social Benefits

The information on indicators (described in the section on methodology of the indices) was collected from the beneficiaries through the structured questionnaire and is a measurement of social benefits as perceived by the members. Social benefits accrued by the members is indicated by the Index of Social Benefits. Data collected on different indicators social benefits have been used to create this index. A higher value on the index indicates higher level of social benefits received by the beneficiaries and vice versa.

a) Perceived increase in prestige:

Prestige is the feelings and perceptions about the status and recognition among others in society or at the home. One major outcome of the modern microfinance programme is considered to be the degree to which a member feels that her prestige has

increased on account of her participation in income generating activities. Rabina Khatun, an aged member of Dipsikha SHG in Rajganj block expressed that, before joining to SHG nobody invited her to any social programmes like marriage ceremony, birthday party or any other rituals of the neighbours. Presently they generate income from the SHG and contributed something towards the society like, distribution of clothes to the poor people in the locality, frequently offer gifts for marriages of neighbours' daughter. Now there is no ritual in the locality where she has no invitation. These feelings of member point to the fact that prestige and social recognition are social benefits accruing from income generating activities. In this context it can be said that SHGs are instrumental to the socialisation process of the destitute people in the vulnerable rural strata. Perception of increase in prestige may vary according to each member. When comparisons are made amongst members who differ not only in their socio economic background, but also belong to different regions, Accounting for difference in perception becomes more complicated. Through the interview with well-structured questionnaires different related information about the two indicators have been collected and quantified for assessing overall increase in prestige. Other than this, dialogue of members related to specific examples of how and why they perceived any change in their prestige have been recorded in order to get better understanding about the change in prestige of the members.

In an effort to gauge the increase in prestige and social status the questionnaire that was administered personally was the main tool. However, in-depth interaction and discussions had to be undertaken to delve into the minds of the beneficiaries regarding these issues.

The first indicator for assessing overall prestige was the members' perception of the increase of her own prestige in her home. Following table depicts that Maynaguri; Malbazar and Rajganj block has the highest proportion (<50%) of members who reported that their prestige had increased substantially at home while in Falakata and Kalchini block this proportion is not substantial. It is interesting to note that overall 30% of the respondent this district reported that their prestige at home due to their involvement in the organisation have increased substantially. Where as overall position

of perception about prestige in this district shows that 50% of total respondent beneficiaries have felt that their prestige has increased at somewhat level.

Table No: 9.4.G

Percentage Distribution of Members according to Perceived increase in prestige at home.

| Statements | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
|---|------------|------------|------------|------------|------------|------------|
| | % Of total |
| 1) Perceived change in prestige in the Community | | | | | | |
| Substantially increased | 15 | 25 | 59.26 | 52.63 | 60.00 | 33.33 |
| somewhat increased | 60 | 62.5 | 37.04 | 42.11 | 30.00 | 55.56 |
| remained same | 25 | 12.5 | 3.70 | 5.26 | 10.00 | 11.11 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| | | | | | | | |
| 12.00 | 7.69 | 15.38 | 8.33 | 52.94 | 29.41 | 46.67 | 0.30 |
| 40.00 | 46.15 | 69.23 | 75.00 | 29.41 | 58.82 | 40.00 | 0.50 |
| 48.00 | 46.15 | 15.38 | 16.67 | 17.65 | 11.76 | 13.33 | 0.20 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

A large proportion of the member in Nagrakata (48.00%) and Falakata (46.15%) felt that their prestige at home due to SHGs was same as before. On the other hand, 7.69% of respondent beneficiaries in Falakata block and 8.33% of respondent beneficiaries in Kalchini block have felt their prestige has increased substantially. It is interesting to note that beneficiaries of Madarihat and Falakata block, 48% and 46.15% respectively have felt that there was no change in prestige at their home after joining SHGs also. The majority of Madarihat and Kalchini block's members felt their prestige at home had improved somewhat because of the organisation.

It is important to highlight various comments of the respondents which give more clear assessment of prestige. A few examples in the words of beneficiaries will provide better result than any analysis.

Maloti Roy of Ma Durga SHG in Malbazar block said that I feel my family respect me more now that I am working with the group and getting money. My children ask me to purchase books and other concern materials for their education. I feel proud that I can do something for on my own.

Rojina Begam of Dipshika SHG in Rajganj block said that my husband is very proud that I am able to earn money from the group activities and able to save something from my own. It is after the SHGs I am able to talk about banking transactions, about social problems in the community like alcoholism etc.

Sona Barman of Matongini SHG in Maynaguri block has perceived a significant change in her life after joining SHGs. To express her feelings she told that my mother-in-law does not ask me to do all the housework since I am an earning member. Instead of this she asks my sister-in-law to share the family chores now.

The second indicator for the assessment of prestige in this study is the members' perception about the increase of her own prestige in the community. It is highly

essential to consider the perception of prestige in all its dimensions in order to ensure that a significant and complete picture would emerge.

Table No: 9.4.G

Percentage Distribution of Members according to Perceived increase in prestige in Community

| Statements | Block | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | % Of total |
| 2) Perceived change in prestige in the community | | | | | | |
| Substantially increased | 15 | 25 | 59.26 | 52.63 | 60.00 | 33.33 |
| somewhat increased | 60 | 62.5 | 37.04 | 42.11 | 30.00 | 55.56 |
| remained same | 25 | 12.5 | 3.70 | 5.26 | 10.00 | 11.11 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihath | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 8.00 | 23.08 | 15.38 | 8.33 | 29.41 | 29.41 | 40.00 | 0.29 |
| 72.00 | 57.69 | 76.92 | 70.83 | 58.82 | 58.82 | 46.67 | 0.55 |
| 20.00 | 19.23 | 7.69 | 20.83 | 11.76 | 11.76 | 13.33 | 0.16 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Above table (No: 9.4.G) depicts that in Malbazar, Maynaguri, Dhupgury and Alipurduar block, a significant portion of beneficiaries has felt that their prestige in the community has increased due to participation in SHGs. In Maynaguri, Malbazar and

Rajganj block has the highest proportion (<50%) of members who reported that their prestige had increased substantially in the community while in Nagrakata and Kalchini block this proportion is not substantial. Where as overall position of perception about prestige in this district shows that 50% of total respondent beneficiaries have felt that their prestige has increased at somewhat level, and 30% of total respondent beneficiaries have felt that their prestige has increased substantially. On the other hand, 7.69% of respondent beneficiaries in Falakata block and 8.33% of respondent beneficiaries in Kalchini block have felt their prestige has increased substantially. It is interesting to note that beneficiaries of Madarihat and Falakata block, 48% and 46.15% respectively have felt that there was no change in prestige after joining SHGs also.

Most of the villages in those blocks is located in remote areas where other economic opportunities are rare, the most common being working as daily labour. In some cases they do live without any job in their locality. As a result they were unable to earn money. Another significant reason behind no change in prestige of the beneficiaries of those blocks is that, most of the groups had passed their 1st grading only. They did not get revolving fund and bank loan. So they were unable to start any microenterprise or income generating activities on their own.

Some of the responses of the members in different blocks are being highlighted which will throw more light on the subject.

Madhumita Roy of Ekta SHG in Malbazar block said that, as we contribute something from the group earnings towards different types of social activities in the locality, every one in our village respects us more now.

b) Perceived Increase in Role in Decision Making

Decision means selection of the best course of action out of all possible action. It is the ability of an entity; its quality improves on the basis of experience. One can acquire power in any field through the exactness of his decisions. The degree of control one may have in decision-making at different level is closely associated with the empowerment of any kind. Empowerment of women is the core issue in modern

microfinance. It is an important social benefit that can be accrued by the members with their active decision making role in group activities. It is highly essential to assess the changes in decision making roles of beneficiaries at their homes as well as in the community. It is may not necessary that an increase in prestige lead to an increase in decision making role but is certainly the first step towards that. Very often beneficiaries take varieties of decision like loan decision, investment decision, decision on job schedule for the members etc. Though all members take decision on consensus basis in their group meeting, however due to individual differences, every one is not capable of making proper decision correctly. Since all members enjoy equal right in the group decision making process, so it could assess all possible suggestions of every member in the group meeting are given importance, therefore the group decision making procedure can cultivate decision making ability of every member. This in turn increases the confidence level of beneficiaries in making decisions in their home as well as in the community.

As per perception of the members' any increase in decision making role is assessed on the basis of two indicator-decision making within the household and decision making within the community. Information has been collected from the women beneficiaries through the structured questionnaire by asking if they felt their participation in the organisation had increased their decision making roles. The table (No: 9.4.I) highlights the percentage distribution of beneficiaries in the thirteen blocks according to their level of perception on the increase in their decision making roles.

A family man has to take varieties of decision in their daily life. It is a general phenomenon in the rural illiterate section of the society that male members take every decision in their family. In this case male members feel that women do not have sufficient insight to take any decision. The female members' role in decision making at the home were examined by different kinds of decisions like children's health and education, marriage ceremonies, household expenditures, finance and loans etc. In this respect, women SHG members were asked if they perceived any change in their roles in these decisions due to involvement in SHGs.

Table No: 9.4.I

Percentage distribution of members according to perceived Increase in Roles in Decision Making at home

| Statements | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
|---|------------|------------|------------|------------|------------|------------|
| | % Of total |
| 3) Perceived changes in decision-making role at home | | | | | | |
| substantially increased | 10 | 50 | 55.56 | 31.58 | 60.00 | 22.22 |
| somewhat increased | 80 | 25 | 7.41 | 52.63 | 30.00 | 44.44 |
| remained same | 10 | 25 | 37.04 | 15.79 | 10.00 | 33.33 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 8.00 | 23.08 | 15.38 | 8.33 | 35.29 | 17.65 | 13.33 | 0.26 |
| 72.00 | 46.15 | 76.92 | 79.17 | 52.94 | 47.06 | 60.00 | 0.52 |
| 20.00 | 30.77 | 7.69 | 12.50 | 11.76 | 35.29 | 26.67 | 0.22 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

The above table (No: 9.4.I) depicts that highest proportion of beneficiaries in Malbazar block have felt that their decision-making role at their home had increased substantially followed by Maynaguri and Rajganj block. Where as 26% of total respondent beneficiaries have felt that their role in decision making at home have increased substantially. More than half of total respondent beneficiaries have felt that their role in decision making at home have increased at some what level. The beneficiaries of Nagrakata and Sadar block has very minimum proportion of

beneficiaries, 8% and 10% respectively, who felt that role in decision making at home have increased substantially.

Mitali Das of Ma Kali SHG in Malbazar block expressed that, "Now I have decided to purchase a milch cow from my own money without prior permission about this expenditure. Before that I had to get my husband's permission for any purchase and expenditure. As I can contribute something for any purchase, my husband considers my proposals for any expenditure as and when required".

This comment makes it clear that involvement in SHGs have increased in role in decision making at their home.

Table: 9.4.J

Percentage distribution of members according to perceived Increase in Roles in Decision Making in the community

| Statement | Block | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | % Of total |
| 4) Percent changes in decision-making role in the community | | | | | | |
| substantially increased | 0 | 37.5 | 55.56 | 26.32 | 50.00 | 22.22 |
| somewhat increased | 40 | 25 | 37.04 | 63.16 | 30.00 | 66.67 |
| remained same | 60 | 37.5 | 7.41 | 10.53 | 20.00 | 11.11 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|-----------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % of total | %of total | % of total |
| 8.00 | 30.77 | 15.38 | 4.17 | 47.06 | 5.88 | 60.00 | 0.27 |
| 32.00 | 46.15 | 76.92 | 33.33 | 41.18 | 58.82 | 40.00 | 0.44 |
| 60.00 | 23.08 | 7.69 | 83.33 | 11.76 | 29.41 | 0.00 | 0.31 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Above table depicts that highest proportion of beneficiaries have felt that role in decision making in the community have increased substantially followed by Maynaguri and Malbazar in that order. Where as overall 27% of total beneficiaries in Jalpaiguri district have felt that role in decision making in the community has increased substantially and 31% of total beneficiaries have felt that the is no change in role in decision making in the community.

Self Help Groups are instrumental in socialisation and gender equalisation in the rural areas. Government has given sufficient impetus to attain its goal. Government has created ambience environment to perform various duties for rural development. To perform activities very often beneficiaries have to take various decisions. Following examples will make it clear that; after joining SHGs, members of SHGs have selected the suitable place for tube-well in the locality, construction of roads in the locality can be supervised by SHGs, guaranteed 100 working day scheme in the locality is supervised by SHGs. So there is the transition that, after joining SHGs women members are being empowered to take above vital decisions for the community development which had previously been taken by the male members in the locality.

c) Perceived increase in Self- Reliance

Most important aspect of empowerment is self-reliance. Income generating activities for women would lead to a greater self-reliance which would ultimately lead to higher empowerment. This empowerment can reduce the vulnerability of women. The income generating activities provides individual income for the beneficiaries is

expected to decrease vulnerability. Mobility of women can increase the confidence of women which in turn it will lead to the higher level of self-reliance. Thus, one of the social benefits accrued by the beneficiaries of this districts involved in income generating activities is an increase in self-reliance. Now, the question arises about the indicators of self-reliance i.e. what constitutes self-reliance of the beneficiaries is highly relative and context driven. The constituents provide different results based on different situation and different location. Members in remote area who had no idea about the bank, hospital, block office etc. and they had never moved out of their house alone before would consider going out to the bank, market by themselves as indicators that they are self reliant, where as beneficiaries in city adjacent areas would have very different perceptions of what constitute self-reliance.

Perceptions of an increase in members' self-reliance were assessed with the help of five indicators. Information about these indicators was collected from the beneficiaries through the well-structured questionnaires. Firstly, members were asked if they felt that the self-help group had contributed to their overall self-reliance. The following table (No:9.4.K) shows that overall 24% of total respondent beneficiaries in this district felt that their overall self-reliance had increased substantially. On the other hand, overall 31% of total respondent beneficiaries in this district have felt that they do not have any change in their self-reliance even after long involvement with SHGs.

Table No: 9.4.K
Percentage Distribution of Members according Perceived Increase in Overall Self-Reliance

| Statement | Block | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | % of total |
| 5) Perceived changes over all self-reliance | | | | | | |
| substantially increased | 20 | 56.25 | 44.44 | 10.53 | 70.00 | 11.11 |
| somewhat increased | 60 | 37.5 | 33.33 | 78.95 | 20.00 | 33.33 |
| remained same | 20 | 6.25 | 22.22 | 10.53 | 10.00 | 55.56 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decrees | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 8.00 | 11.54 | 0.00 | 0.00 | 58.82 | 0.00 | 53.33 | 0.24 |
| 32.00 | 53.85 | 61.54 | 50.00 | 35.29 | 29.41 | 40.00 | 0.45 |
| 60.00 | 30.77 | 38.46 | 50.00 | 5.88 | 70.59 | 6.67 | 0.31 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

It is clear from the above table that, Malbazar block has the highest proportion (70%) of beneficiaries who felt that their overall self-reliant has increased substantially followed by Alipurduar-I, Rajgang and Kumargram block in their order. On the other hand, in Kalchini, Madarihat and Alipurduar-II blocks did not have any single respondent beneficiaries who felt her overall self-reliance has increased substantially. Most of the beneficiaries in these blocks are tribal women who had little exposure to the outside world except for the person who involved in small business in the locality. Being involved with the SHGs gave these women more avenues to interact with the banks, block office, GP office, and other line department. As a result rural women is able to know their rights and the official procedure of hospital, banks, GP office and school.

The second indicator of self-reliance is attempted to assess the members' increase in self-reliance in household area. Following table(No: 9.4.L) shows that high proportion of beneficiaries in Malbazar, Maynaguri, Falakata and Alipurduar-I block, perceived an increase on this indicator since their involvement with the organisation. Where as no members in Madarihat felt that their overall self reliance have increased substantially. On the other hand, overall 31% of total respondent beneficiaries in this district have felt that they do not have any change in their self-reliance even after long involvement with SHGs

Table No: 9.4.L

Percentage Distribution of Members according to Perceived Increase in Self-Reliance in household

| Statement | Sadar | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhurgury | Mal | Matiali |
| | % Of total |
| 6) Perceived changes in self-reliance in household | | | | | | |
| substantially increased | 15 | 37.5 | 66.67 | 10.53 | 70.00 | 11.11 |
| somewhat increased | 65 | 56.25 | 22.22 | 63.16 | 20.00 | 44.44 |
| remained same | 20 | 6.25 | 11.11 | 26.32 | 10.00 | 44.44 |
| somewhat decreased | 0 | 0 | 3.70 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 4.00 | 57.69 | 0.00 | 0.00 | 58.82 | 5.88 | 46.67 | 0.30 |
| 64.00 | 38.46 | 46.15 | 50.00 | 35.29 | 35.29 | 40.00 | 0.45 |
| 32.00 | 3.85 | 53.85 | 50.00 | 5.88 | 58.82 | 13.33 | 0.25 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Above table makes it clear that, in Madarihat, Kalchini and Alipurduar-II block, a high proportion of beneficiaries perceived no difference in their level of self-reliance in household since their involvement with the SHGs. Before joining SHGs, the members were busy with their family chores and other activities related with cultivation. As a result they even did not know about the market in their locality. Only

male members use to go market for shopping and perform all other related work. After joining SHGs, they started going to outside- bank, GP office, and block office. Even in some cases they had to attend different types of seminar and workshop for. As a result, after joining SHGs they able to interact with the outside world.

Manosi Roy of Vivakananda SHG in Malbazar block said, “*I am even able to bargain with the shopkeepers to purchase households items*”. This statement implies that microfinance in Jalpaiguri district has been able to increase the self-reliance at their households.

The third indicators attempted to assess the members’ increase in elf reliance through the increase in confidence. The following table (No: 9.4.M) depicts that, high proportion (66.67%) of beneficiaries in Kumargram block perceived an increase on this indicator substantially since their involvement with the organisation.

Table No: 9.4.M
Percentage Distribution of Members according to Perceived Increase in level confidence due to SHGs.

| Statement | Block | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | % Of total |
| 7) Percent changes in Level of confidence due to participation in SHG | | | | | | |
| substantially increased | 20 | 25 | 11.11 | 10.53 | 20.00 | 11.11 |
| somewhat increased | 50 | 56.25 | 74.07 | 63.16 | 70.00 | 55.56 |
| remained same | 30 | 18.75 | 14.81 | 26.32 | 10.00 | 33.33 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 8.00 | 3.85 | 7.69 | 0.00 | 0.00 | 23.53 | 66.67 | 0.14 |
| 52.00 | 76.92 | 53.85 | 83.33 | 70.59 | 58.82 | 20.00 | 0.62 |
| 40.00 | 19.23 | 38.46 | 16.67 | 29.41 | 17.65 | 13.33 | 0.24 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Above table depicts that beneficiaries in all the blocks in Jalpaiguri district, except Kumargram block perceived that their confidence have increased at somewhat levels. Whereas 14% of total respondent beneficiaries perceived that their confidence have increased substantially and 62% of total respondent beneficiaries perceived that their confidence have increased at somewhat level. It is interesting to note that 24% of total respondent who felt that their level of confidence was the same as before their involvement with the organisation.

The fourth indicator is used to assess the members' increase in self reliance through the improvement in quality of life due to participation in SHGs. Following table (No: 9.4.N) shows that 10% of total respondent beneficiaries in this district perceived an increase substantially on this indicator since their long involvement with the organisation.

Table No: 9.4.N

Percentage Distribution of Members according to Perceived Increase in quality of living due to SHGs.

| Statement | Block | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | % of total |
| 8) Perceived changes in the quality of living due to participation in SHG | | | | | | |
| substantially increased | 20 | 18.75 | 3.70 | 10.53 | 10.00 | 0.00 |
| somewhat increased | 60 | 62.5 | 88.89 | 47.37 | 70.00 | 33.33 |
| remained same | 20 | 18.75 | 7.41 | 42.11 | 20.00 | 66.67 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 8.00 | 3.85 | 7.69 | 8.33 | 0.00 | 0.00 | 40.00 | 0.10 |
| 20.00 | 76.92 | 53.85 | 75.00 | 23.53 | 29.41 | 53.33 | 0.55 |
| 72.00 | 19.23 | 38.46 | 16.67 | 76.47 | 70.59 | 6.67 | 0.35 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Whereas, 55% of total respondents in this district felt that their quality of living improved at somewhat level. On the other hand, 35% of total respondents in this district in comparison to Matiali, Nagrakata, Alipurduar-I and Alipurduar-II block who felt that quality of their living was the same as before their involvement with the organisation. It

is interesting to note that high proportion of the respondent beneficiaries of most of the block felt that quality of their life has improved due to long involvement with the SHGs. In most of the cases the respondents could not identify the quality of their life due to their own feelings about their life. Mithu Roy of Dishari SHG in Malbazar block said, *“I have purchased a television, wrist watch with my own income from group”*.

The above statement of Mithu Roy signifies that quality of living of the beneficiaries has improved due to involvement in SHGs.

The fifth indicator attempted to assess the members’ increase in self-reliance through the participation in cultural activities in the community. The following table (No:9.4.O) depicts that after joining SHGs beneficiaries participated in different kinds of cultural activities.

Table No: 9.4.O

Percentage Distribution of Members according to Perceived Increase in self-reliance through the participation in cultural activities in the community

| Statement | Block | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| | Sadar | Rajgang | Maynaguri | Dhupgury | Mal | Matiali |
| | % Of total |
| 9) Perceived changes in self reliance through participation in cultural activities in the community | | | | | | |
| substantially increased | 0 | 6.25 | 7.41 | 5.26 | 10.00 | 11.11 |
| somewhat increased | 40 | 62.5 | 74.07 | 26.32 | 70.00 | 33.33 |
| remained same | 60 | 25 | 18.52 | 63.16 | 20.00 | 55.56 |
| somewhat decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| substantially decreased | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |

(Contd)

(Contd)

| Block | | | | | | | District |
|------------|------------|------------|------------|------------|------------|------------|------------|
| Nagrakata | Falakata | Madarihat | Kalchini | Ali-1 | Ali-11 | Kumargram | Jalpaiguri |
| % Of total |
| 0.00 | 0.00 | 7.69 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 |
| 20.00 | 23.08 | 38.46 | 25.00 | 29.41 | 29.41 | 66.67 | 0.40 |
| 80.00 | 76.92 | 53.85 | 75.00 | 70.59 | 70.59 | 33.33 | 0.56 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Overall 43% members in Jalpaiguri block perceived that their participation in village fair, calibration of different Independence Day, birth day of Rabindranath Tagore, Najrul Islam etc. in their locality. A high proportion of beneficiaries of most of the blocks in Jalpaiguri district who felt that their participation in cultural activities was the same as before their involvement with the SHGs

9.4.3 Mean score for the Indices of economic and social benefits

In the above sections the indices have measured the actual and perceived economic and social benefits received by members in all blocks in Jalpaiguri district. A higher value on the index indicates higher level of economic and social benefits received by the members. While a lower value on index indicates lesser economic and social benefits accrued by the members.

As stated before the range of score for economic benefits based on nine indicators could range from (-)18-18 and for social benefits it could range from 1-27. Higher score would signify greater economic and social benefits. On the basis of the computations made in the earlier sections, the mean scores have been calculated for each block.

The mean score for the index of economic and social benefits is given in the table (No: 9.4.P). The table depicts that maximum economic benefits accrued to the SHG members of Alipurduar-ii. High level of economic also accrued by the SHG

members of Malbazar and Kumargram block. Whereas, maximum social benefits accrued by the SHG members of Maynaguri block. High level of social benefits accrued by the SHG members of Rajgang, Malbazar and Kumargram block. Several factors are responsible for the high value of index of economic benefit for the SHG members of Alipurduar block. One of the reasons for this is the fact that in Alipurduar-ii block most of the SHG have taken different income generating economic activities like diary, handicrafts, agriculture, bee keeping, different types of small business etc. which provided cash income through out the year. So regularity of work is the vital factor for high value of index.

Table No: 9.4.P

Mean score for the Indices of Economic and Social Benefits

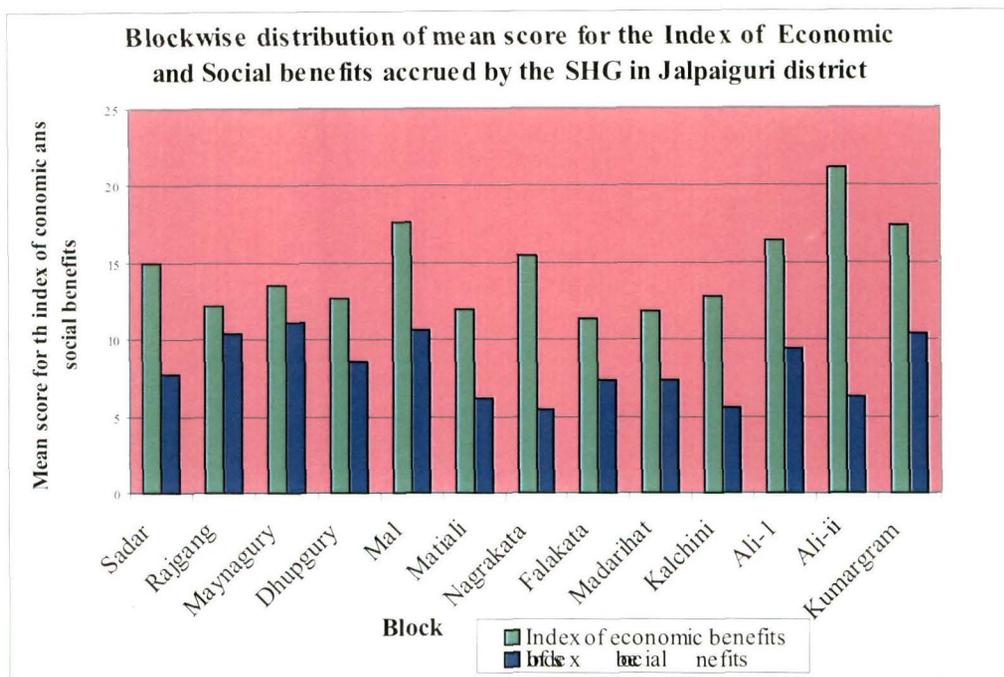
| Blocks | Index of economic benefits | Index of social benefits |
|------------------|-----------------------------------|---------------------------------|
| Sadar | 15.000 (5.17) | 7.750 (4.08) |
| Rajgang | 12.250 (3.94) | 10.375 (4.48) |
| Maynagury | 13.481 (5.85) | 11.074 (3.41) |
| Dhupgury | 12.736 (4.24) | 8.578 (3.40) |
| Mal | 17.600 (5.87) | 10.600 (4.62) |
| Matiali | 12.000 (4.21) | 6.111 (3.68) |
| Nagrakata | 15.400 (6.22) | 5.400 (2.95) |
| Falakata | 11.384 (4.20) | 7.307 (4.05) |
| Madarihat | 11.846 (3.28) | 7.307 (3.09) |
| Kalchini | 12.857 (5.27) | 5.500 (3.10) |
| Ali-1 | 16.470 (6.36) | 9.411 (5.22) |
| Ali-ii | 21.176 (5.73) | 6.294 (3.33) |
| Kumargram | 17.411 (6.51) | 10.400 (4.17) |

*** Figure in-parentheses denote the standard deviation.**

The above table (No: 9.4.P) highlights the mean value on the index of social benefits and economic benefits which provides insight to compare among 13 blocks in Jalpaiguri district. Beneficiaries of Maynaguri block, with a value of 11 on the index,

receive maximum social benefits compared to members in other block. Beneficiaries of Kalchini block, with a value of 5.5, has the lowest value on the index indicating that fewer social benefits are accrued by the beneficiaries, as compared to the other blocks. Beneficiaries in Rajganj and Kumargram block as well as in Falakata and Madarihat block seems to perceive a comparable degree of social benefits on the index which is interesting as the degree of economic benefits are significantly different in the four blocks. Some of the most significant reason behind this disparity is that Kumargram block is covered by fertile agricultural land and most of the families are busy to produce different types of crops throughout the year. At the same time, most of the beneficiaries have started income generating activities immediately after joining in the self-help group. On the other hand, area of cultivated land in Rajganj block is comparatively less than area of Kumargram block. Most of the SHGs in Rajganj block are younger than the SHGs in Kumargram block. As a result beneficiaries in Rajganj were not able to reap the benefit of modern mf scheme. It is interesting to note that; in both Falakata and Madarihat block has same score on index of economic benefits and social benefits. In Alipurduar-II block disparity between its index of economic benefits (21.176) and index of social benefits (6.294) is significant. Field survey revealed that the members come from a conservative tribal background where members are unaware about their economic and social rights. Male members are omnipotent in those families they do not bother about the presence of female members in their families. Alcoholism, gambling and harassment of married women etc. are prevailing in rural families in this block. Members have started varieties of economic activities with utmost care as a result they able to generate substantial income for them. Due to social structure and lack of social awareness female members did not able to reap the social benefits.

Pictorial representation of above table is given below, which depicts the comparison between indices of economic benefits and social benefits accrued by the group members of different blocks in this district.



The table (No: 9.4.P) shows that there was significant difference in mean score of the index of economic benefits and social benefits among the different blocks in this district. It was found that mean score of index of economic benefits ranges 11-21. Where as, it was stated earlier that according to Babbie's methodology the possible maximum score of index of economic benefits and social benefits for this study is 27 and 18 respectively. Therefore, it is evident that the SGSY can lead to higher economic benefits for the beneficiaries. Where as, it has comparatively less impact on the social benefits for the group members. The mean score of index of social benefits is less than 50% in most of the cases. Correlation analysis is conducted to assess the relationship between the index of economic benefits and social benefits accrued by the members in this district. A linear relationship between economic benefits and social benefits accrued dose not, however, provide any evidence for making causal linkages and does not lead to say that higher economic benefits will lead to higher social benefits.

9.4.4 Freedom from moneylenders

The measurement of impact, economic and social, done on the basis of Babbie's method has revealed substantial evidences on the evidences on the effectiveness of SGSY in Jalpaiguri.

However, one of the principal aims of microfinance programmes is to free the rural poor from the clutches of moneylenders and powerbrokers. Since, Babies method does not take this into consideration, a separate attempt was made to assess the situation in a wider perspective. The objective was to assess whether each member of the SHGs could free themselves from the clutches of moneylenders or whether they were getting more involved with them for financing their economic activities.

With this objective question No'8' was aimed to be administered to all members of the sample SHGs. However, this amounted to be a herculean task as all members could never be reached during the time span spent with the groups. On an average 4-6 members of each group could be administered this single question, out of which some refused to respond. The final number of respondents for this question stood at 874, which is sufficient large sample. The question was again on Likert's five point scale where the respondents agreed with the following statement, i.e. (i) Borrowing from moneylenders had stopped after joining SHGs; (ii) Borrowing from moneylenders had reduced after joining SHGs, (iii) They did not borrow from moneylenders either before and after joining the groups, (iv) Borrowing from moneylenders had increased to some extent after joining SHGs, (v) Borrowing from moneylenders had increased substantially after joining SHGs. The statements were tagged with score of 2, 1, 0, -1, and -2 respectively and the mean score was calculated. The results are reported below.

Table No: 9.4.Q**Analysis about the freedom from moneylenders.**

| Statements | Score | Respondents | Col (2) *Col (3) |
|--|-------|-------------|---------------------|
| (i) Borrowing from moneylenders had stopped after joining SHGs | 2 | 542 | 1084 |
| (ii) Borrowing from moneylenders had reduced after joining SHGs, | 1 | 204 | 204 |
| (iii) They did not borrow from moneylenders either before and after joining the groups | 0 | 128 | 0 |
| (iv) Borrowing from moneylenders had increased to some extent after joining SHGs | -1 | Nil | NA |
| (v) Borrowing from moneylenders had increased substantially after joining SHGs | -2 | Nil | NA |
| Total | | | 1288 |
| Mean score | | | 1.47 |

The above table shows that as per Likert's five-point scale, the mean score of this statement stood at 1.42. As per this scale the maximum score is 2. Therefore, the calculated score is more than 70% of the maximum score on this scale. It signifies that microfinance under SGSY could motivate the members to come out from the clutches of the moneylenders in rural areas who use to charge exorbitant rate of interest.

9.4.5 Cases of Successful SHGs.

Impact studies on microfinance have used both quantitative measures and case studies. While quantitative analysis portrays the impact on an aggregative basis, specific case analysis provides a grass root picture of the actual occurrences and transformation phenomenon of the beneficiaries. In this study some case studies or vignettes have been presented (See Appendix-I) to make a **per** picture of how very micro ventures operated through groups have empowered rural women both economically and socially. Though the cases presented are only illustrative and not exhaustive. Yet they spell out the success of groups in a very simple manner. Moreover, these type success stories are being used by SHPI officials for promoting SHGs and motivating members of existing groups for more dynamism. Case therefore be useful in this respect in addition to being indicators of positive impact on beneficiaries.

9.5 Conclusion

The effectiveness of any microfinance programme depends on the impact made on the beneficiaries in terms of socio-economic upliftment and empowerment. While impact is not a tangible material that can be gauged with a measuring tape, it is not even a phenomenon, which being intangible, can not be assessed at all. Discussions in this chapter revealed that there has been a diverse manner in which impact assessments have been made by researchers. The use of Babbie's method for formulating indices cover a host of economic and social variables and gives a transparent an objective indicator of impact. The indices formed are important in the context that there are many popular beliefs that SGSY has been able to bring about social transformation in the rural areas. While such beliefs are not entirely baseless, yet they need to be tuned down as the study reveals that social benefits accrued to the beneficiaries are not in parity with the economic benefits. This means that SHGs and SHG clusters need to emphasis more on social activities and social empowerment. The social empowerment process may involve counselling spouses and family members of the beneficiaries if necessary. However, the encouraging evidence of beneficiaries being freed from moneylenders can be said to have a positive socio economic impact and speaks aloud of the success of SGSY in these areas.



Members of SHGs being trained embroidery and cutting in Khoirdanga village Swambhar Bhawan.



Members of a SHG in - aranging their new materials (threads) for making shawls.

CHAPTER – X

CONCLUSIONS & POLICY RECOMENDATIONS

10.1 Major Findings of the study.

This study was conducted to find out the outreach, operational aspects of SGSY in Jalpaiguri district as the catchment area of the survey. Though some studies on SGSY operations have been carried out in different areas in India, this study has focussed on a district in North Bengal keeping in view all dimensions of the programme so that a comprehensive view could be obtained for policy making. As microfinance has become a world wide phenomena and has been drawing the attention of microfinance practitioners and researchers alike. Therefore it expected that the findings of the study may be of some importance to them as well as the Government, NGOs & bankers who are responsible for successful implementation of the scheme. This study has made an extensive examination of different dimensions of the Yojana, like growth of groups since inception, funding of the scheme, training and capacity building of groups, problems in marketing of SHG products, operational aspects of groups, savings and credit linkage systems, role and perception of bankers and NGOs and finally the impact of the programme on the beneficiaries. The creditability of the study lies in the fact that research has been carried out at the grass root level through a multi pronged approach using questionnaires, interviews, informal discussions and personal involvement in SHG activities and meetings and the analysis made at the block level for the district. The findings are therefore related to the real life experiences and nuances of the programme. The summary of findings of the study is given below.

- An examination of the features of SGSY reveals that it being a wholistic self-employment programme targeted at the rural poor contains all features of contemporary microfinance programmes. In fact, many researchers have already recognized the SGSY as the largest microfinance programme operating in India. The number of SHGs formed under this programme has already crossed 2.5 million and taken about 30 million women under its fold. Though the SGSY was initiated in this district during 1999, the scheme actively gained popularity and pace from 2001-02.

- The district has witnessed an astronomical growth in the number of groups under SGSY. High growth rate (592.85%) was observed in 2001-02. The maximum number (8002) groups was formed in 2004 –05 which accounted for 44.81% of total groups formed upto 2006-07. The growth rate of group formation has surpassed the projection made by the researchers like Sen (2002).
- After the eight years journey of SGSY in this district total 9939 SHGs were graded into 1st grading.
- It was found that about 96% of total groups in this district under SGSY were exclusively women groups.
- This highest number of groups which were formed in 2004-05 due to greater contribution of NGOs. About 26.22% of these SHGs were formed by all concerned NGOs.
- In a comparative study of growth rate of group formed between Jalpaiguri district and India as a whole, it was observed that growth rate of Jalpaiguri was much higher than that of India. The difference of growth rate between Jalpaiguri and India was maximum in 2001-02. This difference has reduced gradually since 2005-06.
- At the end of eighth years of its journey in this district, a blockwise analysis reveals that the highest numbers of groups were formed in Maynaguri block followed by Falakata block. The cumulative number of groups formed upto 2006-07 stood at 2165 in Maynaguri and 2044 in Falakata. Comparatively lowest numbers (653) of groups were formed in Nagrakata Block.
- Highest growth rate of groups formed was found in Falakata block followed by Maynaguri. Comparatively lowest growth rate of groups formed was found in

Nagrakata block. Average annual growth rate of groups formed in Matiali and Kalchini was quite low.

- Group formation of a block significantly depended on number of bank branches, number of GPs in a block, and BPL family. It was surprising that the number of BPL families per block was negatively related with number of groups formed. Area of the block, female population and total population of each block did not have significant influence on the number of group formed.
- NGOs were demotivated in the later years to form new groups because Government of India had curtailed down the remuneration of NGOs. The quantum of remuneration was Rs 10000 for the credit linkage of one SHG. The nodal agency, DRDC had given this amount of remuneration upto 2004-05 for nurturing the SHG as promotion cost. This quantum of remuneration was reduced after 2004-05 to Rs. 300 per group. Consequently, this decision of government demotivated the NGOs to form new groups or to spend time and efforts for the sustainability of the existing groups. Though DRDC keeps an account of new groups formed, no system has been found where the record of groups being dissolved or disintegrated were maintained. However, this was probably due to the fact that very few SHGs were being broken up.
- Fund flow analysis of this scheme showed that it was initiated in 1999 with the unused balance of previous antipoverty programmes. Afterwards Central and State Government had released fund towards this scheme in the ratio of 23: 1. A very little amount was released by Central Government. Nothing was released by State government towards SGSY fund upto the end of 2003-04. Afterwards a lump sum amount was released by State Government and Central Government during 2004-05 in the ratio which was different from the proportion as specified in SGSY guidelines.
- Due to lack of proper planning, initially DRDC and other monitoring agencies were unable to spend sizable amount of funds. Consequently, only 5.24% of the

available fund was spent for different heads of expenditure like revolving fund expenditure, subsidy, infrastructure development expenditure, training expenditure and administrative expenditure *in the year 2001-02*.

- In the years of 2004-05, 2005-06 and 2006-07, more than 85% of available funds was spent during that year. Highest proportion (91.24%) of available fund was spent in 2006-07.
- Revolving fund expenditure was found to depend on the number of 1st graded groups. However, relationship of RF with total fund available was not significant.
- Amount of subsidy only depended on the number of 2nd graded groups. It has found to be inversely related with the total available funds.
- Initially, the infrastructure development expenses in this district was not upto the mark. A significant portion of total expenditure was spent for development expenditure since 2003-04. Total 162 lakh was spent to form Swayambhar Bhawan in each block of this district for the swarozgaries. To provide marketing support to the swarozgaries Rs 80 lakh was spent in 2006-07 for the construction of huts and stalls in local markets. However the total infrastructure facilities were not adequate to meet the needs of all SHGs in the district.
- The DRDC and other monitoring agencies could arrange training programmes for the swarozgaries every year specially after 2002-03. A significant portion of total available fund was spent through extensive training programme for the potential trainee beneficiaries as per policies developed by DRDC.
- The amount of training expenditure was found to be inversely related with total funds available for SGSY in Jalpaiguri.
- Majority of the respondents (70.61%) had been members of the SHGs for more than three years. This indicates that the group members may have gained a lot of

experience in group activities, economic activities, financial management, bank linkages and relation building with government officials.

- As the size of the group concerned, majority of the sample groups (44.29) consisted of 10 members. Only 1.31% of respondents groups had 15 members. It would be relevant to point out here that SHGs were conceived to be larger groups with a maximum membership of 20 individuals.
- Majority (68.9%) of the respondent groups were formed with more than 90% members of BPL categories. Out of this, 38.65% of respondents groups composed of all members belonging to BPL categories.
- Majority (66.48%) of the respondent groups consisted of members having age group of 36-50 years. On the other hand 26.88% of total respondents groups consisted of members having age group of 18-35 years. It indicates that middle aged women members were more enterprising in becoming self sufficient in order to increase the income levels of their families. It was also found that 6.25% of total sample groups consisted of members having more than 51 years of age. It reveals that microfinance through SHG provides basic source of livelihood also to the women above middle ages.
- Majority of the sample groups (45.26%) consisted of members having primary education only where as a large portion of members were illiterate and only 2.06% of the respondents were graduates.
- Large portions of the members respondents groups were married women and had large families consisting of 3 to 4 children. Husbands of majority of the sample SHGs members were engaged as landless labourers or marginal farmers. These facts bear significance because larger families call for more consumption expenditures, thus leaving smaller amounts out of loans for building microenterprises.

- Most of the members of the sample groups belonged to SC/ST categories. Where as only 27.75% of members belonged to general categories.
- Majority of the respondent (62%) SHGs had perceived that they were motivated to form SHG for thrift and credit benefits. Where as 31.3% members expressed that they were motivated to form SHG to generate higher income for their families.
- Homogeneity in the standard of living of group members was the major criterion for group formation followed by the proximity of stay and caste considerations.
- The fact that the SGSY could help in building up group corpus or capital for the SHGs has been demonstrated by the fact more than 28% of the groups had funds more than Rs25000. It was surprising that 1.26% of the sample groups had corpus fund more than Rs. 200000.
- The success of the SGSY has been demonstrated by the fact that thrift habits have been inculcated in the SHG members. Majority of the respondents groups saved on monthly basis and only 15.12% of the sample groups saved on weekly basis. The sample SHGs saved from a lowest of Rs.20 to a high of Rs. 100 per member per month. Majority of SHGs (68.48 %) saved Rs.20 to 50 per member per month. Informal discussions revealed that about a significant portion of SHGs reported increase in savings rate over time.
- The scheme was also successful in building up savings linkages with banks. About 26.05% respondents groups had savings upto Rs. 5000 as per their bank passbooks. Other groups had savings balances ranging from Rs 10000 to Rs 5000. About 1.68% of the respondent groups had savings amount more than Rs. 50000 in their banks.
- Interloaning as a component of microfinance systems had meet with success too. Majority of the respondents (42%) SHGs had issued interloan to their members

every month. This study revealed that at least one member had taken loan from the SHGs every month.

- Upto 40% of the group corpus was disbursed as interloans by the 48.73% of the respondent SHGs. The survey also revealed that 11.34% SHGs disbursed more than 80% of group corpus fund as inter loan among their members.
- So far as the quantum of interloan was concerned, 28.57% of the respondents SHGs had taken individual loan more than Rs. 6000. Members of 21.69% of the respondent SHGs had taken loan from their group of amounts less than Rs. 2000.
- Majority of the respondents (42%) SHGs had issued interloan to their members every month. It revealed that at least one member had taken loan from the SHGs every month.
- Rate of interest on interloan charged by the groups from 2% pm to 5% per month . About 53.78% of the respondents SHGs unanimously decided to charge 2% interest on interloan. On the other hand 5.04% SHGs had charged interest at the rate 5% pm. Though interloaning rates are quit high, yet the perception that high interest rates help in enhancing the group corpus and present delinquency motivates the members to decide on the high interest rates. Further, these interest rates bearing parity to the rates charged by local moneylenders have the innate advantage that are collateral free and repayments are facilitated through peer pressure and peer support. This therefore has the effect of lower dependence on the moneylenders.
- So far as the repayment performance of members is concerned, approximately 100% respondents groups have been regularly repaying their interloans. About 41.17% of SHGs reported that their members had repaid their loan within 4-6 months. Only 4.02% of SHGs reported that their members had repaid interloan amount within 12 month. It revealed that SHGs members had preferred to take short-term loan.

- Regular conduction of group meetings as a sine-qua-non for sustainability and viability of groups and ultimately the success of the Yojona. It was found that most of the sample SHGs conducted monthly meetings (37%) followed by fortnightly (32 %) and weekly meetings (11 %). In case of about 13 per cent of sample SHGs, meetings were held at irregular frequencies.
- About 92.43% of the respondents SHGs reported that they had maintained resolution books of their group meetings. In most of cases group leaders and other members had maintained the resolution books. About 20% of the sample SHGs had maintained resolution books with external help. Out of which 6.72% of the sample SHGs had spent lump sum amount as remuneration of the bookkeepers.
- Most of the sample SHGs discussed economic aspects regularly in their group meeting likes; purpose of bank loan and savings, business plans etc. on regular basis. A large number of respondents also discussed social problems likes; health and hygiene etc.
- The study has found that beneficiaries in this district have initiated microenterprises at the group level as well as individual level with the help interloan from the groups. These microenterprises produced diversified products. It was also found that, in few cases, beneficiaries has taken multiple trades of activities like rearing of milch cows and mushroom cultivation, mushroom & soft toys etc.
- The study revealed that SHGs in Jalpaiguri district had actively participated in various social activities likes- pulse polio, family planning, adult education, raised voice against various social evils like alcoholism and trading of drugs, dowry, child marriage in the local areas. Some SHGs had extended helping hand for the marriage of downtrodden women and distributed books among the poor students having good result.

- The study has found that 130 clusters were formed since inception in Jalpaiguri district. Among the all blocks in this district highest numbers of clusters were formed in Maynagury block followed by Dhupgury block. Majority of the clusters consisted of 20 to 22 members. It was also found that, most of the clusters were formed with SHGs having 2-3 years vintage period. A bank wise analysis of clusters revealed that highest numbers of clusters are linked with the UBKGB.
- Most of the products produced by the SHGs in Jalpaiguri are agro based and handicraft products. The producers face substantial difficulty in finding proper marketing channels for their products. As a result the beneficiaries prefer door-to-door sales. But the quantum of sales under this channel is not satisfactory. Some of the beneficiaries channelised their products through local rural fairs and hats. Clusters were found to participate, not actively in marketing the SHGs products.
- Out of all banks, 11 banks with their 134 branches played pivotal role in SHG movement in this district. Among all other banks UBKGB played vital role in fostering SHG movement in this district. Highest number of groups were linked with this bank. This bank tops the list of all banks in respect of having highest number of 1st graded groups, 2nd graded groups, and subsidy disbursement as well as for the disbursement of revolving fund in this district. Where as, Central Bank of India got 2nd position in all respect as above with equal number (40) of branches. In this respect State Bank Of India got 3rd position with 23 branches.
- The volume of cash credit disbursed by banks had shown an increasing trend. UBKGB had taken the leadership role in this respect followed by CBI and SBI. The disbursements of other banks were comparatively very low compared to UBKGB and CBI.
- About 26.05% respondents groups had savings upto Rs. 5000 as per their banks passbook. Where as 1.68% of the respondent groups had savings amount more than Rs. 50000.

- All the respondent banks reported that they had visited the group to motivate and to grade the groups as and when situation demanded.
- The perception of the bank officials about the utilisation of loan by the member was not positive. Bankers have pointed out that members were not utilising loan properly. Most of them also viewed that most of the beneficiaries could not understand that bank transactions properly. Over all perception of the bankers regarding the prospect of this scheme cannot be regarded as very encouraging.
- Banker had to face various problems like lack of knowledge and clear vision of the staff about this scheme. They felt lack of co-operation from the different functionaries like as DRDC, BDO etc.
- NGOs were involved in SHG formation and nourishment since 2000-01. About 22.15% of total groups were formed by different NGOs in this district. Highest members of groups formed by them were in 2003-04.
- Most of the concerned NGOs perceived that SHGs would be successful in future to run microenterprises where as very minimum respondents perceived that SGSY will be successful in raising wealth of the beneficiaries. A large number of the respondent NGOs had felt that SGSY would be successful in socially empowering women.
- Majority of the NGOs had felt that the SHGs were cooperative. NGOs felt that there was lack of active co-operation from panchyat, very often there was lack of clarity of duties and responsibilities regarding monitoring the SHGs.
- Grassroots functionaries who are responsible for forming and nurturing the groups were not trained properly for this purpose.
- Training was imparted to 34000 members in this district. Highest numbers of groups were trained in 2005-06. During this year highest number of SHGs were formed in Maynaguri block followed by Falakata.

- As a vital component of SGSY, the effectiveness of training lies in the fact whether the swarozgaries have benefited from SKDT training. Through a large portion of the trainees seem to have been properly trained, yet it has been revealed that the economic activity taken up by the groups did not correspond with the trade in which the training was completed.
- As per the guidelines of SGSY, integration of SHGs is needed to reap the economies of scale and to ensure better control over the economic and social aspect. The study observed that only 130 clusters were formed with the 1st graded groups in this district. There was ample scope of cluster formation with the remaining 1st graded groups in different blocks.
- The significant difference in regularity of work in group activities among the different blocks in this district was found. About 52% of the respondents SHGs in this district as a whole were engaged every day in their group economic activities.
- Average annual income of the 44% sample SHGs were less than Rs.5000. Where as about 11% respondents SHGs earned annual income more than Rs. 20000. The notable difference in annual income among the different blocks were found out in this district. Consequently, average monthly income of sample SHGs members among the different blocks were at different levels. And it was very low.
- Majority of the respondents stated that their income level had increased to some extent after joining SHGs.
- Most of the (56%) respondents in this district expressed that their asset possession had increased after joining SHGs.
- About 55.56% respondents SHGs in this district stated that their prestige in the community increased to a considerable level after joining SHGs.

- Approximately 52% of the respondents perceived that their role in decision-making at household had somewhat increased after joining SHGs.
- About 44% of the majority respondents perceived that their role in decision-making in the community had somewhat increased due to SHGs.
- Over all self-reliance of 22% of sample respondents had increased moderately. Where as about 45% of sample respondents perceived their overall self-reliance had somewhat increased.
- About 62% of the respondents perceived that their confidence level had increased. Encouragingly 14% perceived that their confidence level had substantially increased due to SHGs.
- Majority of (55%) of sample SHGs expressed that their quality of living had somewhat increased. Where as 10% of sample SHGs expressed that their quality of living had increased substantially after joining SHGs.
- The impact study on SGSY in this district highlighted that the beneficiaries had developed their economic status substantially, but the degree of social empowerment was not up to the mark. To measure the degree of empowerment, index of social and economic benefits was established and it highlighted that the index of social benefits was lower than that of index of economic benefits for all blocks in this district and there was no correlation among the these two indices. The study has reported that members of 66% of the SHGs in this district were engaged every day in their group activities. About 55% of the SHGs in this district earned on an average annual income of less than Rs 5000 from their group activities. About 66% of the SHGs perceived that their economic status has improved substantially. Low level of social empowerment was highlighted through the lower value of index of social benefits. This was mainly due to the lack of awareness of the illiterate rural women about their rights and duties in the society.

About 55 % of the SHGs reported that their prestige in the community has increased to minimum a extent. Majority of the SHGs perceived that there was no change in overall self-reliance of the members even after joining of SHGs.

- This study has reported that most of the banks in this district had taken SHG banking as secondary banking activity as it involved a lot of routine documentation work like checking of resolution books and signature of other members of the groups. In many cases bank officials avoided to render services to the beneficiaries due to absence or shortage of officials. Due to this the members had to return home and again they had to go to the bank for same activity. It involved double amount of travelling expenses. It was found that UBKG bank had taken the leading role in formation of SHGs. Discussions with the officials revealed that the SHG linkage activities were additional activities in addition to normal banking activities and there was always shortage of staff who would deal with microfinance activities. Officials of other banks also echoed the same words and also stated that there were already other Government sponsored schemes operating and SGSY put a substantial load on them. They agreed that microfinance specialists were required for these activities.

10.2 Policy Recommendations: -

The summary of findings throw ample light on formation, functioning, composition and socio economic activities of the SHGs under SGSY. Problems related to the above stated aspects, bank linkages, operations with government officials etc., have been identified and highlighted. These findings will be of considerable utility if certain recommendations can be made for better policy formulation regarding operation of the programme. The important recommendations are summarised below.

10.2.1 On group formation and operations.

- The target of the microfinance programme delivered under SGSY aims at self-employment in microenterprises built, owned and operated by Self Help Groups. As such growth in the number of groups both in India as well as the area under the study is laudable. However, care has to be taken in judging the success of the programme not only from the numbers of SHGs formed but in their economic

viability and sustainability. Therefore, the target must not be quantity of groups formed or quantum of credit disbursed or amount of subsidy released but number of matured quality groups.

- The target for the number of groups to be promoted per year should be fixed on the geographical area of each block, female population, BPL population, prospects of viable microentrepreneurial activities and demand for products made or services rendered by SHGs. It would rather be prudent to fix a GP wise target in consultation with bank officials with whom the SHG members would have to make savings- credit linkages.
- The policy of reducing the remuneration to NGOs for group formation needs to be reviewed. Since NGOs have been the principal SHPIs and nurtured, reduction in remuneration might act as a demotivator for them and consequently affect targets adversely. It would rather be prudent to pay the remuneration on the basis of performance audit of the groups. This means that the remuneration can be broken down depending on the stage of maturity of the groups, i.e. formation, graded to scale - I, then scale - II, then when the profit crosses a certain limit and so on.
- Group size is a vital factor which can determine the size of the group corpus amount of money circulated as interloans, rate of interest on interloans, amount of revolving fund and amount of capital investment in economic projects. The study reveals that the number of members in the SHGs in Jalpaiguri vary from 10 to 12, which is far below the maximum number of 20 members per SHG. When 20 swarojgaries are available, there is a tendency to form two SHGs instead of one. This practice therefore puts constraints in enlarging the financial variables. It is therefore suggested that the SGSY guidelines be revised to specify the minimum number of members above 15.
- SHGs must be allowed to mature first with adequate knowledge experience in respect of (i) thrift collection, (ii) internal lending, (iii) record maintenance, (iv)

fund management, and (v) problem solving. It required the grading requirements be made more stringent and the period of six months for first grading be extended to one year. In addition to target for new group formation should be based on the number of groups matured at least upto first grade.

- Since most of the SHGs are purely women groups, it is advisable that more women are assigned the job of forming and nurturing the groups. This will help to identify core issues and gender specific problems in SHG better. Women, specially in the rural areas are more comfortable in disclosing their problems to women only. Since constraints like resistance from spouse or in laws, burden of large family sizes and other social taboos prevent women from joining SHGs therefore SHPIs would be advised to recruit more women for group formation.
- Interloaning rates have been observed to range from 2% to 5% per month, which means annual interest rates are 24% to 60%, which is comparatively high to bank lending rates. Though this practice increases group corpus, such high rates may dampen the spirit of the beneficiaries. It is therefore suggested that DRDC should make initiatives to reduce these rates and also bring uniformity in these rates.
- Group sustainability is an issue which has drawn attention of microfinance practitioners. Vintage of a group is important as an experienced group can perform socio economic activities more efficient. It is thus very important that officials of the SHPIs nurture the groups regularly after formation, so that the young saplings mature into strong trees. Therefore, they must visit each group very frequently at least for the first three years and help them to maintain the accounts systematically and regularly, identify the errors in operation and train them accordingly, discuss non-financial social issues like right and duties of a responsible members regularly in the SHG meetings, and encourage them to act accordingly, formulate viable projects for them, help them in bank linkages, help in their economic activities and marketing of products.

- Irregularity in group meetings have been found in 30% cases. This needs to be corrected, since infrequent gatherings of an informal group tend to reduce cohesiveness, reduce sense of belongingness to the group and finally lead to disintegration of the groups.

10.2.2 On SHG-Bank linkages.

- A special banking day for SHG Banking was the brainchild of the policy makers and microfinance practitioners and it was materialised by different banks in this district also. However, it was found that, if for any reason the members, who were responsible for banking activities, could not attend the special banking day and members of SHGs, would have to wait for the next turn after 15 days. This adversely affects the group economic activities or affect any kind of personal issues like medical treatment, education etc. Naturally in the interim, they may have to take recourse to moneylenders. It leads to increased dependency on moneylenders or pawnbrokers. Conversely, it induces in losing confidence on the banking system. So SHG banking should be regular through a special window with the personnel who are specially trained in microfinance. Delay in operation in SHG banking should be avoided so that the beneficiaries can complete the banking transaction within shortest possible time. It will not hamper the daily routine of the beneficiaries and it also helps to increase confidence among the beneficiaries on the SHG banking system.
- Sensitisation and awareness programmes should be organised frequently for bankers so that linkage operations can be hassle free and bankers can be better guides and mentors for the SHG members. Though it has been found that microfinance activities put additional loads on bankers, yet it must be conveyed to them that SHG banking under SGSY leads to a 'win- win' situation. On the one hand the SHGs benefit from higher level of group corpus and on the other hand the banks can benefit from higher rates of interest on SHG loan, excellent

recovery and lower number of accounts due to opening of group accounts instead of small individual accounts.

- The study observed that most of the villages are far away from the bank branches. It takes a lot of time to reach the bank branches. Due to lack of proper communication in the villages the women members had to face serious problems. They had to spend high travelling cost to reach the bank branches. Not only this, the members had to spend a full day for banking activities. It affected the activity schedules of the members. Therefore, banks have to extend the services to rural areas by adopting Mobile-banking approach. According to this approach one two bank personnel should come to a public place once in a week to complete the deal with the groups. In this manner the bank personnel can attend one or two GPs daily. If the service area is too large, one responsible personnel, who is specialised in modern microfinance systems, can perform banking activities throughout the week in different GPs in a block.
- Trained and qualified microfinance practitioners should be employed by banks. In addition to making microfinance practitioners should be employed by banks. In addition to making microfinance operations by banks smoother, the pressure on existing staff can be reduced.
- As a strategic measure bank did not issue loan to the group having a member who was an IRDP defaulter. In many cases it was seen that the group was suffering from having old aged IRDP defaulter member. It is therefore necessary to change the policy about the lending norms so that the questionable groups can obtain loan to generate income for the groups. This will help the defaulter – members to repay the loan from the credit lead income.
- It has been observed that different banks in the district seek different documents from the groups for the banking operation. It creates some confusion among the SHGs members. Orientation programmes should be organised by DRDC with the

representatives of different banks operating in this district and Government officials like representatives of GPs, block offices and NGOs to bring uniformity and simplicity in the documents required for banking activities.

10.2.3 On Role of Government officials and NGOs.

- The study observed that a large number of groups were formed by NGOs in many blocks in Jalpaiguri district. Afterwards some NGOs did not provide any kind of support for nurturing the groups. Even in most of the cases the group members could not find the NGO workers when needed. Consequently, those groups were unaware about the operating systems of SHGs under SGSY. Many groups formed by NGOs were disintegrated due to lack of co-operation from the NGOs. They were busy forming new groups as their remuneration depends on the number of the groups formed. Therefore, quality of groups formed by NGOs should be improved through the development of ethics of NGOs. Norms and standard for the NGOs should be developed by the DRDC depending upon the socio-economic condition of the district in which those NGOs are operating. Rating of NGOs is an utmost essential. Government machinery should extend co-operation with the NGOs in fostering microfinance in the particular area. NGOs should keep contact with the groups as long as possible to improve the quality of SHGs and to supervise the group activities with full enthusiasm. NGOs should not withdraw their support from the older SHGs. NGOs on an experimental basis, should attempt gradual withdrawal and see whether the groups are able to function and transact their day-to-day operations independently. For older groups, NGOs should takes initiatives to form cluster federation.
- Continuous interaction among the SHGs is a vital source of inspiration. It motivates the women to come out from the monotonous life style. They can share individual thought and ideas among others. Which helps to enrich them. Interactions among SHGs must be conducted by Government officials and NGOs frequently in a year so that concerned groups can exchange their views easily. It

will help them to be well informed about the latest situation of the programmes. Conferences or get together at block level or at district level should be conducted every year very frequently. As much as members of each group should attend this conference. All the contemporary issues in SHG based microfinance system must be discussed in details by Government officials or NGOs.

- Illiterate rural women of vulnerable section of the society are the focal point of the scheme. It is very natural that there would be many kinds loopholes in their activities. Close supervision and effective monitoring can improve the situation. It need complete restructuring of monitoring network from GP level to district level where an officer at GP office must monitor each SHG in a GP, BDOs must monitor village wise, and PDs block wise.
- SGSY is a comprehensive antipoverty poverty programme in which banks, line organisations and NGOs are involved to monitor the groups. But lack of adequate co-operation among these parties was observed in several occasions. A good communication network should be developed to cater information among the concerned stakeholders. With this aim large number of meeting should be organised at the block level by bank officials, BDO officials, concerned NGOs and GP officials.
- The study observed that many groups utilised their services for various developmental works in the village. These activities should be given due recognition by officials of GPs, blocks and DRDC. Efforts should be directed to replicate the same for other SHGs. SHGs of the village may be given additional funds to encourage them effectively in all developmental works such as infrastructure development, construction of schools, roads, buildings, hospitals etc.

10.2.4 On Training of beneficiaries

- Training is an essential component of modern microfinance movement specially under SGSY. It helps to develop the knowledge & skills of the beneficiaries. The study observed that a large number of groups did not get any kind of training. They had learned something from neighbourhood groups. As a result the

performance level for those groups was unsatisfactory and they were not able to qualify 1st grading test many times. The role of GP as a grassroot level organisation is very significant. G.P. official should keep records of all the groups on regular basis. G.P. should the details of SHGs, who did not get training upto that date, to the respective blocks. Accordingly the block officials should arrange training programme those SHGs in consultation with DRDC. GP should keep close eye on the development of SHGs within its jurisdiction. GPs should arrange meeting with group leaders or any selected members so that GPs offices be well informed about the progress of SHGs in a particular area.

- Selection of trade of training for the particular groups or individuals is a vital part of the effectiveness of training. This study revealed that a large portion of trained members had taken training in a particular trade but they have started economic activities in other trade. Where as a significant portion of trained members, not yet started any kind of economic activities for them at all. This was mainly due to wrong selection of trade for the beneficiaries i.e. lack of market of the product for which they were trained. G.P. and all other SHPIs will assess the potentiality of the market and select the products which will target the rural market segment. Accordingly trade of training should be selected. On the other hand selection of trainee is an important task potential trainees will have to be identified on the basis of pre occupation, family background, region and economic status of families. In this regard GP should create a database for the SHGs in its Jurisdiction. Training needs for the swarojgaries should be identified at the GP level and should be recommended to the respective block. Accordingly blocks will arrange and organise training programme on the basis of availability of resources.

10.2.5 On Marketing

- Rural women are producers of SHG products. These products are mainly based on the rural resources and targeted to rural market segment. The study revealed that SHGs were involved mainly in producing traditional products like chira, muri, handicraft products, jute products, soft toys vegetable etc. The producers had to sell their products in the local markets only. Due to lack of proper channels they

sold it at low prices and had to maintain a large amount of closing stock. This phenomena demotivated the producers to produce in the long run. Consequently a large number of producers had reduced their sale their activities. Therefore, market research now becomes essential for finding the right marketing channels. In effective integration of rural markets with the external markets is very much necessary to expand the market coverage of the SHGs products. Adequate number of market outlets at heart of the local market place should be established as a part of infrastructure development activities of the DRDC. SHGs products only will be displayed there. Proper advertisement is also necessary. Functionaries should arrange adequate number of fairs for the SHG products only.

- The Government agencies and NGOs should undertake detailed studies of the micro entrepreneurial problems of different types of activities and products and understand the specific marketing problems related to these. Steps should be taken by DRDC and NGOs for helping the SHGs in market creation and market penetration. SGSY Guidelines provide for expenditure up to Rs. 5 lakh annually by each DRDCs for management of professional input to marketing research, value addition or product diversification or any other input which would facilitate marketing of the products resulting in additional income to swarozgaris. DRDCs have been permitted to incur expenditure on organizing exhibitions, fairs and fund promotion and sale of SGSY products. Enhancing the quality and packaging of the products made by SHGs can help in market creation and market penetration. DRDC should arrange for multiple training programmes so that the artisans belonging to the SHGs can develop the capability to make quality products at competitive costs. DRDC should disseminate timely information about melas and trade fairs to the SHGs and sponsor their travelling expenses. Government should urge upon the media to give adequate coverage to the products manufactured by the SHGs and generate public awareness that these products are good and affordable and can contribute to the social cause of helping micro-enterprises in the rural areas.

- Standing Committee on Urban and Rural Development, (2004) on marketing of SHG-products pointed out that the quality of the products produced by the SHGs has to be improved. The Committee feels that State Governments should provide protection to locally produced items and a survey should be done in this regard to find out, to what extent SHG products are being sold in the local market. The Committee that the State Governments may be asked to provide protection to the SHG produced items and to find out the success in sale of SHG products in local markets.
- Creation and expansion of market of SHG products and development of market access are the main issues. Due to lack of market of SHG products, some beneficiaries have stopped their microenterprises and total investment has become unproductive. So Government has to put in a lot of effort for creation, expansion and development of accessibility of market for the SHG products. Various activities has been taken up in this respect by the Governments of other states like as -marketing support provided to the SHGs by setting up DWCRA Bazaars in Andhra Pradesh, Thrinethra Super Market have tied up with SHGs to market DWCRA products and leading super bazaars like Food World. In this context the initiative of the Kerala Horticulture Development Programme that was set up in co-operation between the European Union and the Government of Kerala in 1993 needs to be maintained. The programme is based on SHGs, which select master -farmers who are trained and act as facilitators. In Goa, the District Rural Development Agency maintains a web site where SHGs can present and market their produce, most of which is again handicraft. These evidences show that other than government initiatives in this regard it will be difficult to solve this acute problem. Therefore, DRDC should open a special Bazar for the SHG products at the heart of the big towns, should find multi national organisations to collaborate with those who will use SHG products as materials for their finished items.

10.2.6 On social empowerment.

- Impact assessment of this study showed that there was insignificant correlation between index of social benefits and index of economic benefits enjoyed by the members of the different blocks in this district. It was found that Index of social benefits for all the blocks is lower than that of index of economic benefits. It indicated that through the rural women become economically empowered substantially due to SGSY in this district, but their level of social empowerment was not above average. This was because of lack of awareness about the right and duties of rural women in the society. It leads to increased stoicism about their social empowerment. All the SHPIs and concerned NGOs should play vital role to generate awareness about the social duties and rights of rural women. For this purpose literacy level of the group members should be improved so that they can read and write. The literate members of the groups should take initiative to educate the other illiterate members of the groups. Bank officials should be advised to direct members that without proper signature of members withdrawal and deposit of money would not be possible. This would pressurise the illiterate members to understand the necessity of being literate. Special responsibilities should be given to the SHGs from the GP level for village development like construction of roads, establishment of tube wells, pulse polio, vaccination etc. This will help to develop decision making abilities outside their home and also increase their confidence level.

10.3 Epilogue

A large number of recommendations have been made regarding several aspects of the SGSY based on findings in Jalpaiguri district. The dimensions of this microfinance programme is so diverse that some other aspects may have to be paid adequate attention also. However, the comprehensive set of recommendations that have been made, if seriously considered by the appropriate authorities and implemented accordingly may help in designing a more effective microfinance

delivery mechanism through SGSY. Finally, implementation of programmes where the objective is to actually benefit the impoverished is not only a matter of recommendations, rules, regulations and guidelines. It is also a matter of deep feeling and emotions for the poor and downtrodden and a mission where sincerity, dedication and tireless efforts can really bear fruits. It is a sincere belief that the right combination of regulations and devoted effort of concerned officials can make SGSY the largest successful microfinance programme operating in the world.

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[http// www.nbard.org/shg3 chart.htm..](http://www.nbard.org/shg3_chart.htm)

Appendix-A1

Case Vignettes

Case-1

Trading in Readymade Garments empowers members of Matongini SHG.

The female members of farm hand on hire families of Bolbari village of Domohoni-II in Maynaguri block unitedly formed “Matongini SHG” under the close supervision of the panchayat and the block. On the 22nd day of February 2000. Their business dealt with buying readymade clothes together and selling them on door-to-door basis.

Seven women from the BPL list and three from APL list formed a new group among themselves based on honest belief, self-confidence and honest motives. In spite of being informal, the group has some certain rules and regulations. The work of evaluating their own activities, taking decision and keeping records are passed by a fortnightly meetings. A highly cooperative and co-sympathetic attitude has slowly grown up among the members of the group. The satisfactory leading quality of the group leader enhanced the cohesiveness of the group.

When Matongini SHG crossed the age of 13 months, it successfully passed its 1st grading. Consequently, SBI of Bolbari sanctioned a loan of Rs 15,000 and DRDC of Jalpaiguri granted an aid of Rs 10,000 without any interest. The female members of the group started handling and using the fund very carefully. Hence, in spite of having taken loan from this fund according to their needs, they repaid its principal with interests timely. Later, when the group crossed the age of 23 months, they appeared before the assessment committee for their second grading but they could not their assessment test. So, with a view to rescue them from their monetary crisis, DRDC again came forward with its helping hands by providing Rs 10,000 more.

Through their group meeting members decided to contribute 25% profit to the group. The members who sold the clothes at more than 25 percent margin, she would be the owner of that extra margin. This system enhanced their selling capability and each member tried their hardest in the hope of getting more profit.

In the 2004-05 this group earned more than Rs 60,000 profit. Besides, individual also got some extra profit. To calculate their individuals profits was almost an

impossible task and has therefore not been reported. This business is organised by each of the member of this group with much care and attention. The sales grow substantially at the time of festival specially on Durga Puja.

Having spent a long in the same group, the members accepted that the team as a source of their energy. Going beyond boundaries of various social hindrances, the members earnestly came forward extending their helping hands for the development of the group. They enjoy taking part in any meeting of their group and any type of work related to their group. After the foundation of the group, people who had no sanitary latrine at home built it immediately after taking loan from their group corpus. As they had to perform a lot of duties communicating through different personalities and offices of the outside world, the member became very conscious of their rights. The members of the group also took active part in the Pulse- Polio programme. They also raised their prestige high by building the society in their residing locality. Now they feel proud being the members of the group.

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Case-II

Spice making as a profitable venture for Ma Durga Self Help Group

To become economically self reliant, women belonging to masons' and rickshaw - pullers' families in the Sahapara village of Jateshwar-II Gram Panchyat in the Falakata Block constituted the Ma Durga SHG with the help of an animator in the area. By producing spices and Chanachur as part of their key activity, and then supplying those to the shops in the locality, the group is slowly but surely becoming economically self-dependent.

The basic infrastructure of this SHG has been accepted and approved unanimously by all its 10 members. The leader of the group prepares and maintains a record of all the decisions taken at the fortnightly team meetings. The duties and responsibilities of all members are decided at the sessions of the group.

SHGs are informal groups in which the established pyramidical structure is not maintained in practice. The chain of command system is replaced by unanimous decisions of the members. When members of the groups share each other's miseries; know each other better; come closer and become intimate with each other, their individual identities merge into the group identity.

The evaluation of the group was done at the end of the 18 months of its formation by a committee constituted by the DRDC, Bank and Block officials for the purpose. As a result of the evaluation, the group achieved the status of 1st grade. To help the group to perform the economic activities approved by its members, the bank granted a loan of Rs. 15000/- and the DRDC sanctioned it with a revolving fund of Rs. 10000/-.

Since the 5th year of its formation, the members of the group have been incessantly thinking in terms of undertaking different group economic activities. Many others in the adjoining areas of the village supply Chanachur to shops and wholesalers, while sometimes even the wholesalers collect the consignments from the producing houses. Due to this ready market there is no problem for the disposal of stocks and that is why the group took it up as their prime economic activity. The members of the group acquired knowledge about both the processes and production and the source of raw

materials from the producers close to the group and was immensely benefited by this knowledge. An aged member of the group, Mrs. Namita Saha, said: “ Due to the advantages in processing and marketing the products women like me have joined in this activities”.

The group has invested a fixed capital of Rs. 2000/- to acquire equipments for the aforesaid activity. It also has a working capital of Rs. 500/- which it uses for activities like procurement of materials. Food Products like papad and Chanachur are sold in polythene packs of 100gm, 250gm, 500gm and 1000 gms in different shops in the local markets. There is no problem of payment and wholesalers, even from the neighboring country, like Bhutan, come and collect large consignment of these food products.

Speaking about the sale of their products, Mrs. Saha said: There is no problem in terms of the volume of sale of our products and the fixing their prices. Only for lack of funds, we are unable to undertake large scale activities”.

In one business cycle, the group acquires raw and other materials of Rs.10000/- and sells off finished products of Rs. 13000/- within a span of about 90 days. Last year, the group earned a profit of Rs. 21000/- from this business. The group divided half of this profit equally among themselves, while the other half was used to repay their loan.

The group also purchases spices from the markets at wholesale rates and after cleaning and dusting them at their homes, sell them in packets of 50, 100, 250, 500 grams at the local shops and haats. There is an excellent market for this business in the areas. According to the group leader, the sale of these spices is very satisfactory.

There is ample scope for expansion of sales but since it is tough for these housewives to access those markets on a daily basis, they have to remain content with their present sales.

The members are able to sell spices and generate revenue Rs. 5000/- at Rs. 7000/- after cleaning them at heir homes every month. Last year, the profit from this business was a whopping Rs. 10300/-.

The members of the Ma Durga SHG have established their association as a tool for reforming the society. The area was notorious for the high -handedness of in-laws

and cases of dowry-related tortures. The members of the group have, on their own initiative, succeeded in stopping all such incidence. The group also plays an active role in fighting malaria in their locality. Each member of the group takes part in the group activities with immense zeal, vigour and enthusiasms. The two widows in the group said that they are having a great time with the other members of the team.“ We no longer feel the pinch of aloneness, helplessness and dependence as we pass out our time by enjoying our association with the group” –they said. The other members of the group say that the children and daughter-in-laws of the two widows, who neglected them, are now taking care of their mothers as their economic condition has improved. The widows, they say, are now leading a much better life.

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Case -III

Khayerdanga SHG members earn their livelihood by plying a Passenger Auto

There were days when most of the people of the East Narathali village under the Khayerdanga panchyat area in the kumargram block were born in debt, lived in debt and died in debt. The families mostly belonged to sections below the poverty line and in this patriarchal society the women folk would while away most of their time, while the rest they would invest in performing household chores. There was tremendous pressure on the men folk who would work hard throughout the day to eke out a livelihood for their families, while the women in their homes would spent most of their time idly and unproductively.

In bearing the burden of the unproductive consumers, the families began suffering from acute financial crisis. They had to borrow huge sums from moneylenders at a whooping 10 to 12 percent interest per month, to run their homes and hearths properly. The cumulative principal and the interest would add upto a staggering amount, which the borrowers would never be in a position to repay.

All this lead to domestic violence, a spurt in anti-social activities and erosion of social and moral values like drinking, gambling and abuses on women were on the rise. The younger generation stopped even dreaming of getting educated. As a result, the villagers further steeped in ignorance illiteracy, superstition, orthodoxy and dogmatism. The female folk became restless to correct the situation. They began discussing ways and means to emerge out of this crisis.

It was at this juncture that the panchyat pradhan of the area held a meeting with the women in the locality. In the meeting, the concept of SHG was introduced to the women and their merits and advantages were extensively discussed with them. However the idea of organizing a SHG by the women in the area was vehemently opposed by the men folk. But the women, determined as they were to economically self reliant and to pull their financial from out of their hand-to-mouth existence, successfully overcame all social barriers and organised a SHG named Porba Narathali SHG in their locality.

AT the behest of the Khayerdanga Gram Panchayat, a three- day session was organised to trained the women about the various essential aspect of organising SHG, like setting the goals of the group, laying down its principles and maintaining the financial records at the presence of DRDC experts in the Panchayat office.

Among the aspects discussed at the meeting were the producers for maintaining accounts and other written records of the team. It was in this session that the leader and few members of the group learnt to maintain accounts and other written records of the association.

Seven months after it was formed, the group cleared the first grading with a score of 27. As a result, they got Rs.10000/- and Rs.15000/- as revolving fund from DRDC and loan from the bank respectively. The money was divided among the members of the group according to their individual needs. Initially the women invested this amount in the agrarian activities of their husbands.

The members of the group were also granted loans from the saving funds of the association on the basis of priority according to their needs. The rate of interest for this loan was fixed at two percent per month. In this way, by way of inter-lending the group was able to earn Rs. 4580/-. The money, thus earned, was used to repay the interest of the bank loan. In this process, the women were ultimately able to repay the entire amount of their bank loan.

The members of the group have been regularly organizing programmes to generate awareness about Malaria, Birth control, Aids and child education. As a result, now the children of this area go to school regularly. There has also been a significant fall in the rate of birth in the locality.

At the completion of the 32nd months of its formation, the members of the group had to sit for grading twice to quality to undertake large –scale activities. Since the activities of the group so far were found satisfactory, the group got through with 47 marks. As an incentive, the group was granted subsidy of Rs 90000/- by the Jalpaiguri DRDC for its projects and at the initiative of the SBI bank manager the group managed to secure a lone of Rs120000/-.

Thereafter, with the acquired total Rs 210000/-, they purchased a Vikram Auto and started carrying passengers in the route of Khayerdanga and Telipara (9km

distance) in line with their prior decisions. Through discussions and deliberation, women in the village took vital decision regarding smooth running of the auto. A driver was engaged to run the auto and was paid Rs.50/- every day. The husband of each member does the duty of a helper for three days a month. The helpers are paid and also provided lunch and breakfast regularly.

From this passenger auto business, the group earns Rs.300-Rs.400 every day and from this earned profit the members pay out the capital cost of the auto as well as the instalments of their bank loans. The group is thus slowly but steadily becoming economically self-sufficient and is first setting and unparalleled instance of self-reliance in their homes as well as in the society.

Once the outstanding loans of the team is totally repaid, it will be entitled for a second loans which it may use to acquire another auto.

The team is destined to reach the pinnacle of success if it continues to work unitedly in this fashion.

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Case – IV

SHG members participate in forest conservation.

Jalpaiguri district is enriched with diverse wealth of flora and fauna. The forest of different kinds covers whole area of Jalpaiguri district. It provides habitat to people. The people of different ethnic communities such as Nepalis, Bengalees, Rava, Bhutia, Bodo, Garo, Santhal, Rajbanshi have been living in this region. A large number of women residing in garden colonies misuse the forest wealth illegally specially during the winter months when unemployment prevails in the tea gardens. This phenomenon presaged the serious problem of ecological imbalances in this far-flung region.

The Panialguri Forest Protection Committee (FPC) realised that their own efforts are not enough to protect the vast forest resources. For the development of mentioned situation the Forest Protection Committee (FPC), formed a Self Help Group (SHG) with those women in the locality who were partly responsible for destruction of forests. The women Self Help Group formed by the FPC made an effort to generate alternative ways of livelihood by changing their views towards forest exploitation and keeping the forest wealth intact. This improved living conditions and partnership developed among local communities, forest officials, and panchyat. Specially the female members of the Panialguri Forest Protection Committee were the first to come forward to save the forest and understandably, were praised for their efforts. Their activities included putting a stop to smuggling of timber from forest, protecting trees and fighting the plunderers. But it was one woman in particular, Rama Dey, who took the initiative to save the forest, turning her endeavour into a movement to protest the forests.

Towards the achievement of a far reaching goal, Buxa Tiger Reserve (BTR) efforts were made to emphasize on the infrastructure development and socio-economic upliftment of the forest villagers. Under this project, Self Help Groups were formed with the poor women. More than 412 SHGs were formed in different phases of the project of FPC, out of which more than 72 percent were fully APL groups. Rest of the groups are working under the purview of SGSY. All the groups are working under the

close supervision of FPC who imparted Basic Orientation Training (BOT) for the group members and linked them with credit institutions and government service providers. DRDC Jalpaiguri also keeps close watch on the activities of the groups in this region. More than 310 SHGs have passed their 1st grading test at present and concerned bank branches disbursed loan to about 80% of 1st graded Groups according to their fund requirements. The groups have also started income-generating activities like cultivation of vegetables, cereals, fishery etc.

Buxa Tiger Reserve (BTR) officials recently handed over 35 pump sets, 20 sewing machines and 50 sprayers to the members of 30 women's SHGs at a programme organised at Damanpur at Alipurduar II. They also assured the members of the Group that they would be given the necessary training. About 300 female members received machinery worth Rs. 700000/-. The NABARD provided the funds for this venture.

The forest officials have done praiseworthy work with the initiative of local people at Panialguri under Damanpur Range of BTR. Women members of Self Help Groups have constructed a watershed of about 8 km. length by plugging a gully. It has helped to prevent soil erosion and conserve run off from the forest. It also acts as a barrier to prevent easy access to the reserve.

This watershed provides the perennial sources of surface water which has helped the members of the groups to irrigate their cultivated land. Eco-tourism has created employment opportunity in this area for themselves and others. Women tea labourers in the garden areas inspired by this example to form their own group. The harmonious relation between the forest and tea garden has been able to restore the ecological balance in the vast region through the Self Help Groups.

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Case –V

Bamboo products provide for Vivekananda SHG

The means of livelihood of erstwhile poverty stricken women of Barogharia Village under Dhupgury block are making of different articles made of bamboo. This female community has started to an episode of their lives through the great endeavour to form and operate Vivekananda Self Help Group. Consequently the economic status of those families has been strengthened. They took it as a main source of livelihood and an instrument of fulfilling their household requirements.

Daily woman labourers of the Barogharia village together formed Vivekananda SHG on 1st November 2003 with the help of the local panchyat under Swarna Jayanti Gram Swarozgar Yojana. Each member initially contributed Rs 20 per month to mobilise the savings with the State Bank of India, Dhupgury branch in the name of their group. After the vintage of one year, the members had unanimously decided to increase the amount of their monthly contribution to Rs 50 per month in order to increase their thrift balance. Generally all members regularly attended their fortnightly group meetings in order to exchange ideas and concepts among themselves. The rate of attendance came down to 80%-90% on few occasions depending upon the involvement in household activities.

After passing the vintage period of a six-months, the Group passed their 1st grading test with 26 marks. Immediately after getting this status of 1st grading, DRDC and the concerned bank had released Rs 10000 & Rs 15000 as revolving fund and bank loan respectively. The members started this microenterprise with the help of their group corpus along with the said allotted funds.

The members were quite dexterous regarding making of different bamboo made goods. This skill of the members motivated themselves to unite and form this Self Help Group. The members of the group felt that this organisation will open an avenue of revenue earning for them. All the members of the group unanimously decided in their fortnightly group meeting that, as all of them are experts in their field

of production so they will produce jointly within the group instead of individually in order to reap the economies of scale.

Within a few days they gained efficiency in making various kinds of bamboo made goods. Their reputation spread out in total Dhupgury area. All members are now found to be busy in producing winnowing and other bamboo items from morning till night everyday. These products have been used not only for household purposes but also for many social rituals.

Use of winnows in the rituals of Hindu families became a tradition which helped to increase the volume of sales in the festive seasons. As a result the volume of sales reached its peak during festive seasons.

The main raw materials of these products are: -

- 1) Bamboo
- 2) Iron Wire.
- 3) Narrow Roap.
- 4) Colour

The group members collect required bamboos from the locality as well as nearest village at comparatively cheaper rates. The average cost price of each bamboo ranges from Rs 60- Rs 70 (including carrying cost). On an average six winnows or four sieves can be produced with a bamboo.

The standard cost structure of six winnows as follows: -

| | |
|----------------------------|---------------|
| 1) Bamboo----- | Rs 70 |
| 2) Iron Wire ----- | Rs 12 |
| 3) Narrow Roap (Jute)----- | Rs 8 |
| 4) Colour----- | <u>Rs 12</u> |
| Total | Rs 102 |

The standard cost structure of four sieves as follows: -

| | |
|----------------------------|--------|
| 1) Bamboo ----- | Rs 70. |
| 2) Iron Wire ----- | Rs 16 |
| 3) Narrow Roap (Jute)----- | Rs 10 |

Total

Rs 96

The group members sell their decorative winnows at a wholesale rate of Rs 40 to Rs 45 in the slack season and Rs 50 to Rs 60 in the festive season. In this way the profit per winnow is approximately Rs 28 to Rs 37.

The members unanimously decided in their group meeting that they will grow required bamboo on their own in order to manage their material requirements. To attain this objective, this group has taken loan of Rs 25000/- from their concerned bank. With this fund the group has purchased a piece of land adjacent to their home.

Presently the members have diversified their production from the traditional line to different kinds of new items like fencing, scuttle, etc. The members had been to earn profit @ Rs 2000 per month in 2005-06. They had given priority to the repayment of bank loan instead of consumption of the whole profit. The members have decided to repay bank loan to the extent of 35% of profit.

These handmade ornamental bamboo articles have extensive demand from within this district as well as nearby districts like Darjeeling and Coochbehar. The producers channelised their product into the market through direct selling by members or their spouses as well as through middlemen. The middlemen usually collect the products from the doorstep of the woman households. The male members of the family of the beneficiaries are also engaged in the selling the product in different fairs and village fairs in their locality. The male members of the families of the beneficiaries are being engaged actively to market the products and to increase the volume of sales.

The banking habits of the members and good track record about the repayment of loan and viability of the project run the group help them to pass second grading easily. This motivated themselves to run this microenterprise more smoothly and efficiently.

After the completion of three years of vintage period, the members were able to bring about a change in their economic status. The income of the women member along with the income of their spouses has changed their food habits and social status. The male members of the family are also happy and enthusiastic and to allow their spouse to be more involved to the group. Laxmi Roy, the group leader, was proud to declare that formation of SHG had transformed their lives.

The operational mechanism of this group has been able to cultivate good habits and a sense of social responsibility among the members. They are aware about childcare and child education. Now they are able to send their child to the school regularly. As a result they are not only concerned about their earnings but also concerned about social issues in the locality. The group leader told that the group members are enjoying power to solve any kind of social problem like – alcoholism, torture and violence on women etc. They raise their voice and organise campaigns against any kinds of social evils. The members have taken oath that every one will establish hygienic sanitation systems in their homes and they will create awareness in the society in this regard. They are making efforts develop awareness among the local people about pulse polio, AIDS and sanitation. On the whole, the women have to a large extent been socio-economically empowered after joining the SHG movement.

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Case - VI

Tailoring becomes a profitable venture for a SHG

Marginal women labourers of Maynaguri GP formed a SHG under the supervision and through the motivation of the DRDC and local Panchayat on 2nd Feb, 2003. Five machines were supplied by D. R. D. C. which were necessary for the women to tailor ready-made garments as their group economic activity.

The 10 member group has been effectively working under a group leader who has defined clear cut responsibilities for each member via a duty chart. Accountability of work is ensured in weekly group meetings where the proceedings are documented. The group received a revolving fund of Rs 10,000 and bank loan of Rs 15,000 on 15th March 2005 after completing a vintage period of eight months and passing the 1st grading test. The group having added this money to the group corpus effectively undertook interloaning activities for education and medical aid of their children.

The women used the machines for tailoring ready-made garments which were sold in the local markets and haats. The local NGOs trained them in tailoring work. The group has been earning a profit of Rs 40,000 on average and has decided to keep 50 percent of profits as reserve in their bank account and to distribute the rest among themselves. On an average, the earning per member is about Rs 4000 p .a. which is much more than their marginal labour wages. Economic prosperity has motivated them to decide on opening up a permanent shop for marketing their products in the local markets. This is encouraging inspite of the fact that inspite of passive role of the DRDC in helping marketing, the women have taken there own initiatives for increasing sales.

The members of the group have been able to address social vices like alcoholism, gambling, dowry, eve-teasing and sexual harassment. Some of the women have effectively participated in gram sabha and played their role in building a civil society.

The socioeconomic empowerment of these women have not gone unnoticed and their respect in society has increased. The cohesiveness of the group is remarkable and will add to the success track further.

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Appendix – A2

Questionnaire for SHGs

Section-I Group Profile

1. Group Name -----
2. Address: - Village ----- G.P. -----
Block -----
3. Number of member -----
4. Date of formation -----
5. Whether member of cluster / Federation -----
6. Main economic activity -----
7. Other economic activity -----
8. Group formed by – VLO / NGO / DRDC / panchayat / Bank / Other ()
9. Service Bank & Branch -----
10. Distance of bank from village -----
11. Grading – (a) 1st, Done / Not Done. (b) 2nd, Done / Not Done.
12. (a) Date of 1st Grading ----- (b) Date of 2nd Grading -----
13. Result in (a) 1st Grading ----- (b) 2nd Grading -----
14. Finance: --(a) Total corpus from own savings: -
(I) as on 31-3-05 -----(ii) as on 31-3-04 -----(iii) as on 31-3-02---
(b) Loan and subsidy after 1st Grading: Loan ----- Subsidy -----
(c) Loan & subsidy after 2nd Grading: Loan ----- Subsidy -----
(d) Amount of loans given as interloans to members -----
(e) Interest on loan due -----
15. Members' Profile: -
() Female No -----, Male No -----, BPL No -----, APL -----
(b) Age: Below 18 yr. ----, 18-35 yr. ---- 35-50yr ----, Above 50yr-----
(c) Education; Non educated -----, Upto class V-----Class V to Metric ----,
Metric to HS ----, Graduate-----
(d) Marital status: Married no-----, Unmarried ----, Widow -----.
(e) General ----, SC/ST -----,

(f) Children per women; 1-2children-----, 3-4 children-----Above 4 children-----

- Some details of about spouses activities & income -----

16. Savings: - Per Member ----- . Frequency: - Monthly / weekly.

Total Amount Generated per month-----

Amount deposited in bank account -----, Held in cash-----

Investment made of and savings details -----

Whether A/C Book maintained -----

Process of collecting saving-----

How amount of savings decision are made -----

17. Group Corpus

| Items | Upto 31-3-01 | Upto 31-3-02 | Upto 31-3-03 | Upto 31-3-04 | Upto 31-3-05 | Upto 31-3-06 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Cash with the group. | | | | | | |
| 2. Loan outstanding with the members. | | | | | | |
| 3. Balance in the S.B. A/c. & its interest. | | | | | | |
| 4. Interest earned by the group on loan to the members. | | | | | | |
| 5. Group corpus.(Total of 1,2,3 and 4) | | | | | | |
| 6. RF Loan from bank | | | | | | |
| 7. Subsidy from DRDA | | | | | | |
| 8. Loan from bank after 2 nd grading. | | | | | | |
| 9. Subsidy from DRDC after 2 nd grading. | | | | | | |
| 8.Total eligibility (RF) | | | | | | |

17. Whether interloaning has been done in your group? Yes No

19. Purpose of interloaning? Consum H- Sanit Daughter'marriage

20. What is the frequency of interloaning in a month?

21. What was the average amount of interloans given to individual members?

21. What was the rate of interest on interloans?

21. What is the repayment period? -----

Training

24. How many members received training? Yes --- No ----.

| Types of training | Content of training | Methods | Trainer/ Training Institute | Duration |
|-------------------|---------------------|---------|-----------------------------|----------|
| 1. BOT | | | | |
| 2. BOP | | | | |
| 3. SKDT. | | | | |

25. Have you acquired required skill through training for IGA?

Yes ----- No -----

26. If yes, What change has been made through the training?

27. If no, why?

28. Whether your income has been raised due to training received?

Yes ----- No -----

29. If yes, Wage employment-----, Self employment -----

30. If wage employment, mention reason for not taking up self employment.

- i) Lack of capital -----
- ii) Lack of adequate training ----
- iii) Lack of market---
- iv) Other reason (specify) -----

31. How effective is the training imparted for managing IGA?

| In terms of | Very effective | Effective | Somewhat effective | Cannot say | Ineffective |
|-------------------|----------------|-----------|--------------------|------------|-------------|
| Production | | | | | |
| Skill Acquisition | | | | | |
| Book keeping | | | | | |
| Marketing Aspect | | | | | |

32. Impact of training.

| Statements | Strongly agree | Somewhat agree | Cannot say | Some what disagree | Strongly disagree |
|--|----------------|----------------|------------|--------------------|-------------------|
| 1) Increase the ability to Transact with the Bank | | | | | |
| 2) Increase in active participation n Development Programmes | | | | | |
| 3) Increased documentation abilities. | | | | | |
| 4) Know better about SGSY provisions | | | | | |
| 5) Increased accounting skills. | | | | | |
| 6) Better skill imbibed for production. | | | | | |
| 7) Got knowledge about packaging, pricing. | | | | | |
| 8) Got knowledge about marketing avenues. | | | | | |
| 9) Got better skills in financial management of group. | | | | | |
| 10) Got better knowledge about meeting procedures | | | | | |
| 11) Know better about their right and benefits of the members. | | | | | |

Meetings

- 33 Group meeting are held.
 Weekly By-weekly Monthly By-monthly ½ yearly Yearly Not held
- 1 Average number of members present in the meeting-----
- 35 Do you keep a resolution book? Yes No
 1. Are the proceedings recorded in the book? Yes No
- 37 Who maintain the books?
 i) Group leader ii) any other member iii) External help without Remuneration iv) External help with Remuneration v) Spouse.
- 0 What other records do you keep? -----.

39. Different aspect of meeting.

| Items | Regular | Irregular | No discussion |
|---|---------|-----------|---------------|
| Discussion on individual contribution. | | | |
| Discussion on business plans. | | | |
| Discussion on bank saving linkage. | | | |
| Discussion on bank credit linkage. | | | |
| Discussion on gradation process. | | | |
| Discussion on fixation of internal loan. | | | |
| Discussion on fixation of interest. | | | |
| Discussion on what to do with own savings. | | | |
| Discussion on what to do with bank loan. | | | |
| Discussion on problem while dealing with banks. | | | |
| Individual and social problems. | | | |
| Health, hygiene & education. | | | |

SECTION II

Test of knowledge about SGSY Scheme.

1. What is the full form of SGSY? -----(No of respondents)
2. When has SGSY implemented? -----
3. How many gradings are there in SGSY? -----
4. Is the SGSY a central Govt. Scheme/ Central+State/Only State/panchayat/Do not know?
5. What is the amount of loan and subsidy after 1st Grading? -----
6. What is a cash-credit A/C? -----

7. What is the amount of loan and subsidy after 2nd Grading? -----
1. Who sanctions money for loans and subsidy? -----
1. What is the maximum number of members you can have? -----
1. Has SGSY Scheme been explained to you?-----,By whom -----
1. Do you have access to booklets issued by DRDC/ Bank? -----
1. Can you read them? -----
1. Are they read out to you? -----

1. Knowledge of beneficiaries regarding the SGSY Scheme.

| SL. No | Statement | Very sure | Some what sure | Cann ot say | Somewhat unsure | Totally unknown |
|--------|---|-----------|----------------|-------------|-----------------|-----------------|
| 1. | Grading is essential for getting loan. | | | | | |
| 2. | Bank loan part of revolving fund is proportionate to the group corpus. | | | | | |
| 3. | Cash credit limit upto 4 times the group corpus can be considered based on the credit absorption capacity and credit worthiness of a group. | | | | | |
| 4. | Subsidy is restricted upto the amount of group corpus subject to a minimum of Rs. 5000/- and a maximum of Rs.10000/- Per group. | | | | | |
| 5. | A minimum subsidy of Rs 5000/- can be given to the group even if the group corpus is less then Rs.5000. | | | | | |
| 6. | A maximum subsidy of Rs 125000 can be raised after 2 nd grading. | | | | | |
| 7. | Bank transactions are easy under SGSY Scheme. | | | | | |
| 8. | Training is provided under this Scheme. | | | | | |

SECTION III
Impact Measurement

(A) Economic.

1. Regularity of work Every day Five day 3-4days 1-2days Zero
2. Average annual Rs 2000+ Rs10000-20000 Rs 5000-10000 <Rs5000
income of the group
3. Average monthly Rs 2000 Rs1000-2000 Rs 500-1000 <Rs 500
income per member
4. Value of assets of member: - Before joining group Now
5. Access to loan (Ind.) [total amount after joining group]
Rs20000 Rs10000-20000 Rs5000-10000 BelowRs5000 None
6. Perception of improvement of economic status.

Much better -----, Somewhat better----, Indifference-----, Decrease-----.

(B) Social

| Statement | Great increase | Somewhat increase | Same | Somewhat Decrease | Substantially decrease |
|--|----------------|-------------------|------|-------------------|------------------------|
| 1. Perceived increase in prestige at home. | | | | | |
| 2. Perceived increase in prestige in Community. | | | | | |
| 3. Perceived increase in decision making role at home. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 4. Perceived increase in decision making role in community. | | | | | |
| 5. Perceived increase in overall self Reliance. | | | | | |
| 6. Perceived increase in self reliance in house hold. | | | | | |
| 7. Perceived increase in skill and confidence due to participation in SHGs | | | | | |
| 8. Perceived increase in quality of living due to participation in SHGs | | | | | |
| 9. Perceived increase in self reliance through participation in cultural and community activities | | | | | |

SECTION V

(A) Marketing

1. (a) How sales are made? -----
 (b) Sales generated amount ----- Per month/ week
 (C) Frequency of sale in a year -----

Perception of level of sale through different channels.

2. Marketing Channel;

i) Door to door retail sales: -

Excellent --6-- --5-- --4-- --3-- --2-- --1-- --0— Very poor.

ii) Sales to wholesaler: -

Excellent --6-- --5-- --4-- --3-- --2-- --1-- --0— Very poor.

iii) Sales to cluster: -

Excellent --6-- --5-- --4-- --3-- --2-- --1-- --0— Very poor.

iv) Sales in village fair: -

Excellent --6-- --5-- --4-- --3-- --2-- --1-- --0— Very poor.

v) Sales in Sponsored fair: -

Excellent --6-- --5-- --4-- --3-- --2-- --1-- --0— Very poor.

vi) Sales through Government outlet at DRDC: -

Excellent --6-- --5-- --4-- --3-- --2-- --1-- --0— Very poor.

(B) Freedom From Moneylenders.

Tick any one

| Statements | |
|--|--|
| (i) Borrowing from moneylenders had stopped after joining SHGs | |
| (ii) Borrowing from moneylenders had reduced after joining SHGs, | |
| (iii) They did not borrow from moneylenders either before and after joining the groups | |
| (iv) Borrowing from moneylenders had increased to some extent after joining SHGs | |
| (v) Borrowing from moneylenders had increased substantially after joining SHGs | |

SCHEDULE FOR NGOs

1. Name of the NGO-----

a) Full Address -----

b) Foreign Collaboration -----

c) No of workers -----

2. Years of Existence -----

3. Are you identified as SHPI for SGSY implementation?

4. No. of villages in the area of operation by your NGO. Specify name of the block or G.P.

5. What are the key activities under SGSY promoted by your NGOs?

6. What is extent of your involvement in the implementation of SGSY?

Very Significant (5). Significant (4). Fair (3). Limited (2). Poor (1).

7. Activities undertaken/ participated by your NGO?

(Rank the activities in order of importance)

Promotion / Formation of SHGs . Identification of kea activities .

Selection of Swarozgaris . Training .Marketing Support.

8. Physical progress of SHGs through your NGO.

| S.No. | Year | No of Group Promoted | Passed 1 st Gr. | No of SHGs taken up Eco. Act. |
|-------|---------|----------------------|----------------------------|-------------------------------|
| | 2000-01 | | | |
| | 2001-02 | | | |
| | 2002-03 | | | |
| | 2003-04 | | | |
| | 2004-05 | | | |
| | 2005-06 | | | |

9. Source of knowledge of SGSY Scheme Govt. Office/ Booklets/ Training.

10. Perception of NGO towards the SGSY in Jalpaiguri district

| Statement | Strongly Agree | Somewh at agree | Cannot say | Somewh at Disagree | Strongly Disagree |
|--|-----------------------|------------------------|-------------------|---------------------------|--------------------------|
| i) SGSY will be successful in promoting micro enterprises | | | | | |
| ii) SGSY will be successful in raising income of the beneficiaries | | | | | |
| iii) SGSY will be successful in raising wealth of the beneficiaries. | | | | | |
| iv) SGSY will be successful in socially empowering women. | | | | | |

11. Co-operation from different players.

| Different Players | Very cooperative | Somewhat co-operative. | Indifference | Somewhat non co-operative | Non co-operative |
|--------------------------|-------------------------|-------------------------------|---------------------|----------------------------------|-------------------------|
| DRDC | | | | | |
| Banks | | | | | |
| Panchayats | | | | | |
| SHG | | | | | |
| Local People | | | | | |
| Police Adm. | | | | | |

12. How frequently do you visit?

(a) SHGs--Every day/ Every week/ Every months/ Bimonthly/ Quarterly/As & when required.

(b) Banks--Every day/ Every week/ Every months/ Bimonthly/ Quarterly/As & when required.

13. What is your role in linking SHGs with banks.

14. What is your role in training SHGs.

15. How do you help SHGs to market their products

16. Other relevant information.

Questionnaire for Banks

Name ----- Branch----- Location-----

1. Whether the branch finances groups under SGSY. Yes No

2. Details of SHG Linkages

| Information | Upto 31-3- 2000 | 31- 3- 2001 | 31- 3- 2002 | 31- 3- 2003 | 31- 3- 2004 | 31- 3- 2005 | 31-3 2006 |
|---|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------|
| Total no of SGSY A/C | | | | | | | |
| Total no of other SHGs | | | | | | | |
| No of SHGs (SGSY): RF disbursed | | | | | | | |
| No of SHGs (SGSY): subsidy disbursed | | | | | | | |

3 Activities regarding promotion / formation and sensitization of groups:

- A)
- B)
- C)
- D)

4. How frequently do you visit the groups--- weekly / Monthly / Bimonthly / Half yearly/ Yearly

5. Activities regarding the grading of group.

- a)
- b)
- c)
- d)

6. What difficulties do you face while grading the groups?

- a)
- b)
- c)
- d)

7. What are the complaints that the SHG members bring before you regarding Bank SHG Linkage?

- a)
- b)
- c)
- d)

8. How do you cater to these complaints?

9. What facilities do you offer for the groups in yours banks?

- a)
- b)
- c)
- d)

10. Have you received any training on microfinance and SGSY – Yes / No

- If yes, give details.

11. Problem faced by bank officials (N=32)

| Statements | Very high) | Moderately high) | Same | Moderately low | Very low |
|--|------------|------------------|------|----------------|----------|
| 1. Problem of staff shortage to cater to SHG work. | | | | | |
| 2. Knowledge of bank staff about SGSY. | | | | | |
| 3. Frequency of receiving guidelines from head office. | | | | | |
| 4. Co-operation from DRDC. | | | | | |
| 5. Co-operation from panchayats. | | | | | |
| 6. Extra workload. | | | | | |

12. Perception of bankers regarding SGSY scheme

| Statements | Strongly agree | Somewhat agree | Can not say | Somewhat disagree | Strongly disagree |
|--|----------------|----------------|-------------|-------------------|-------------------|
| 1. SGSY is a better microcredit programme than previous credit programme like IRDP | | | | | |
| 2. Savings of SHGs have resulted in more deposit for banks | | | | | |
| 3. Recovery rates are excellent. | | | | | |
| 4. Establishing savings & credit linkage with bank has resulted in better business for your branch | | | | | |
| 5. The amount financed through your bank are utilised properly for microenterpreneurial activities by SHGs | | | | | |
| 6. Previous IRDP defaulter are restricted from having finance under SGSY. | | | | | |
| 7. Beneficiaries understand all the operations and documents of savings credit linkage. | | | | | |
| 8. Only the group leaders/ treasurers understand all the operations and documents of savings credit linkage. | | | | | |
| 9. It is difficult to explain the operation and maintains documents to the SHG leader or treasurer. | | | | | |
| 10. The SGSY will prove to be a sustainable microcredit delivery system in the long run. | | | | | |

Appendix – A3

Profile of selected NGO promoters of SHG

| SL No | Particulars | IBRAD Jalpaiguri | Sree Sanchari Siliguri | FPAI Hamilton ganj | NESPON Rajganj | DSWO Dhubganj | CDHI Jalpaiguri | KREDA Kamakhy aguri | MSSO Hamilto ganj |
|-------|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|---------------------------|---------------------------|
| | Date of date collection | Oct., 2006 | Oct., 2006 | Oct., 2006 | Oct.,2006 | Nov., 2006 | Oct., 2006 | Dec., 2006 | Oct., 2006 |
| 1. | NGO legal form | Society | Society | Society | Society | Society | Society/Trust | Society | Society |
| 2. | Area Coverage | 2 blocks | 3 blocks | Kalchini block | 2 blocks | 4 GP. | 5 blocks | 3 blocks | Kalchini |
| 3. | MF Function | Promotes SHG Bank Linkage | Promotes SHG federation | Promotes SHG Bank Linkage | Promotes SHG Bank Linkage |
| 4. | No of SHG formed | 350 | 520 | 120 | 208 | 254 | 602 | 705 | 260 |
| 4a | % of SHG under SGSY | 94% | 92% | 93% | 92% | 90% | 32 | 92% | 96% |
| 4b. | Total SHG members | 3856 | 5702 | 1316 | 2245 | 2789 | 6940 | 7255 | 2860 |
| 5. | No of 1st graded group | 160 | 498 | 47 | 70 | 150 | 457 | 252 | 90 |
| 6. | No of field staff | 2 | 4 | 2 | 2 | 2 | NA | 4 | 2 |
| 7. | No of cluster of SHG promoted | 2 | 2 | Nil | Nil | Nil | 44 | 3 | Nil |
| 8. | Range of groups internal lending rate | 24-36% | 36% | 24-36% | 24-48% | 24-36% | NA | 24-36% | 24-36% |

| | | | | | | | | | | |
|-----|------------------------|-------|---|---|--|---|--|---|--------------------------------------|---|
| 9. | Current repayment rate | SHG | 96% | <90% | 95% | 98% | 97% | <90% | 93% | NA |
| 10. | Role in SKDT | | On Jute work, Mushroom | On Beekeeping, Cane work, Handicraft through own training centre. | On Tailoring | NA | On Mushroom cultivation, Papad making. | NA | Training not imparted. | On Tailoring |
| 11. | Selected activities | other | Generation of Social awareness. Watershed Development Tribal Development Capacity building. | Community Development and Social Welfare. | Family Planning and Tribal Development Project | Preservation of Nature and wild life. Nepal Kathmandu biological Corridor under ICIMO Project | Health Care and Social Welfare | Tribal Development, Rural Education and Development Project | Sanitation and Rural Housing Project | Health Care – HIV-Project. Child Care, Family planning. |

Source: - Field Survey

(Contd)

(Contd)

| SL No | Particulars | WIF Jalpaiguri | FOSED Jalpaiguri | Basundhara Alipurduar | SYS Falakata | ISEDH Maynaguri | MJWO Madarihat | YP Kalchini |
|-------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|---------------------------|
| | Date of date collection | Oct., 2006 | Oct., 2006 | Oct., 2006 | Oct.,2006 | Oct., 2006 | Oct., 2006 | Dec., 2006 |
| 1. | NGO legal form | Society | Society | Society | Society | Society | Society | Society |
| 2. | Area Coverage | 2 blocks | 2 blocks | 1 block | 2blocks | 2block | 2 blocks | 2 blocks |
| 3. | MF Function | Promotes SHG Bank Linkage | Promotes SHG federation | Promotes SHG Bank Linkage |
| 4. | No of SHG formed | 135 | 152 | 121 | 225 | 234 | 35 | 256 |
| 4a | % of SHG under SGSY | 92% | 82% | 85% | 92% | 95% | 82% | 92% |
| 4b. | Total SHG members | 1755 | 1980 | 1575 | 2925 | 3045 | 490 | 7255 |
| 5. | No of 1st graded group | 160 | 498 | 47 | 70 | 150 | 457 | 3332 |
| 6. | No of field staff | 4 | 5 | 2 | 4 | 4 | NA | 4 |
| 7. | No of cluster of SHG promoted | Nil | Nil | Nil | 6 | 3 | Nil | 3 |

| | | | | | | | | |
|-----|---------------------------------------|--|---|--|---|--|---|--------------------------------------|
| 8. | Range of groups internal lending rate | 24-36% | 36% | 24-36% | 24-48% | 24-36% | 24% | 24-36% |
| 9. | Current SHG repayment rate | 98% | <92% | 92% | 95% | 92% | <92% | 98% |
| 10. | Role in SKDT | On Jute work, Handicraft. | On Beekeeping, Cane work, Handicraft through own training centre. | On Handicraft. | On Jute work | On Mushroom cultivation, Papad making. | Training not imparted | Training not imparted. |
| 11. | Selected other activities | Generation of Social awareness. Watershed Development Tribal Development. Capacity building. | Community Development and Social Welfare. | Family Planning and Tribal Development Project | Preservation of Nature and wild life. Nepal Kathmandu biological Corridor under ICIMO Project | Health Care and Social Welfare | Tribal Development, Rural Education and Development Project | Sanitation and Rural Housing Project |

Appendix – A4

Physical and Financial Progress under SGSY since inception i.e. 1.4.1999

| Sl. No | State / UT | No of SHGs formed | Grade I SHGs | Grade II SHGs | SHGs that have taken Up Economic Activities | Proportion of SHGs formed | |
|--------|-------------------|-------------------|----------------|---------------|---|---------------------------|---------------------|
| | | | | | | SHGs passed Grade I | SHG passed Grade II |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 | Andhra Pradesh | 466837 | 423032 | 281037 | 49908 | 90.62 | 60.20 |
| 2 | Arunachal Pradesh | 365 | 155 | 82 | 213 | 42.47 | 22.47 |
| 3 | Assam | 130013 | 75236 | 32200 | 23655 | 57.87 | 24.77 |
| 4 | Bihar | 108046 | 46698 | 21197 | 24570 | 43.22 | 19.62 |
| 5 | Chattisgarh | 51780 | 21887 | 7308 | 5955 | 42.27 | 14.11 |
| 6 | Goa | 700 | 379 | 184 | 239 | 54.14 | 26.29 |
| 7 | Gujarat | 91223 | 26285 | 7868 | 5462 | 28.81 | 8.63 |
| 8 | Haryana | 11825 | 7926 | 4933 | 4608 | 67.03 | 41.72 |
| 9 | Himachal Pradesh | 5801 | 5073 | 4331 | 4284 | 87.45 | 74.66 |
| 10 | Jammu & Kashmir | 7384 | 3933 | 1154 | 3089 | 53.26 | 15.63 |
| 11 | Jharkhand | 34001 | 19815 | 6861 | 11620 | 58.28 | 20.18 |
| 12 | Karnataka | 42292 | 24376 | 19234 | 19137 | 57.64 | 45.48 |
| 13 | Kerala | 60303 | 42979 | 15856 | 8100 | 71.27 | 26.29 |
| 14 | Madhya Pradesh | 255395 | 91284 | 33878 | 29148 | 35.74 | 13.26 |
| 15 | Maharashtra | 138213 | 90019 | 43431 | 27452 | 65.13 | 31.42 |
| 16 | Manipur | 705 | 139 | 36 | 17 | 19.72 | 5.11 |
| 17 | Meghalaya | 5413 | 3136 | 1035 | 828 | 57.93 | 19.12 |
| 18 | Mizoram | 1431 | 737 | 786 | 1326 | 51.50 | 54.93 |
| 19 | Nagaland | 2813 | 1342 | 1327 | 2464 | 47.71 | 47.17 |
| 20 | Orissa | 159773 | 84604 | 32790 | 21356 | 52.95 | 20.52 |
| 21 | Punjab | 4483 | 2722 | 1554 | 1813 | 60.72 | 34.66 |
| 22 | Rajasthan | 29219 | 16474 | 5589 | 4074 | 56.38 | 19.13 |
| 23 | Sikkim | 1395 | 796 | 284 | 311 | 57.06 | 20.36 |
| 24 | Tamil Nadu | 270399 | 171213 | 41457 | 27669 | 63.32 | 15.33 |
| 25 | Tripura | 18550 | 7849 | 2413 | 6376 | 42.31 | 13.01 |
| 26 | Uttar Pradesh | 339931 | 172833 | 74448 | 67447 | 50.84 | 21.90 |
| 27 | Uttaranchal | 19432 | 13266 | 7785 | 26210 | 68.27 | 40.06 |
| 28 | West Bengal | 174134 | 122100 | 23925 | 29106 | 70.12 | 13.74 |
| 29 | A&N Islands | 373 | 230 | 72 | 153 | 61.66 | 19.30 |
| 31 | Daman & Diu | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| 30 | D & N Haveli | 16 | 0 | 0 | 0 | 0.00 | 0.00 |
| 32 | Lakshadweep | 5 | 2 | 0 | 1 | 40.00 | 0.00 |
| 33 | Pondicherry | 1300 | 1141 | 539 | 357 | 87.77 | 41.46 |
| | TOTAL | 2433550 | 1477661 | 673594 | 366948 | 60.72 | 27.68 |

Source: - Central Level Co-ordination Committee of SGSY: - excerpt from the Agenda for the Tenth Meeting, Feb-2007.

Appendix - A5

Schedule of 1st Grading Exercise of SHGs under SGSY

| SL No | Particulars | Indication | Marks |
|-------|---|--|-------------|
| 1. | Feeling homogeneity / solidarity | i) Very Strong ii) Moderately strong iii) Not very much strong | 3 2 1 |
| 2. | Awareness about objective of group formation | i)Very Strong ii)Moderately strong iii)Not very much strong | 3 2 1 |
| 3. | Regularity of meetings | i) More than 75% ii) Between 50%-75% iii) Less Than 50% | 3 2 1 |
| 4. | Attendance of meeting | i) More than 75% ii)Between 50%-75% iii)Less Than 50% | 3 2 1 |
| 5. | Regularity of Savings | i) Once in every month by all members ii) Not in every month by all members but some total of savings is equal to monthly savings multiplied by age of the group iii) Irregular. | 3 2 1 |
| 6. | Awareness about bylaws and whether they are written or oral | i) Written and strong awareness ii) Oral but strong awareness iii) Oral and not aware | 3 2 1 |
| 7. | Record Keeping / Book keeping | i) By members ii) By members but with the help of others iii) By others | 3 2 1 |
| 8. | Availment of loan from group Savings | i) More than 60% members received loan from the groups. ii) Between 30%-60% members. iii) Less than 30% members | 3 2 1 |
| 9. | Decision of loan to members | i) Meeting by all members. ii) By elected leader iii) By Others | 3 2 1 |
| 10. | Repayment of loans | i) Regular at every month by all loanees ii) Regular but not at every months iii) Irregularities in loan repayments | 3 2 1 |
| 11. | Participation in discussion and decision making | i) By all members. ii) 75%-100% members. iii) Less than 50% members. | 3 2 1 |
| 12. | Scope of leadership | i) Elected every Year ii) Changed leadership as per the situation. iii) No change of leaders | 3 2 1 |



Appendix- A6

Schedule for Second Grading of SHGs

| SL.No. | Particulars | Indicators | Marks |
|--------|---|---|-------------|
| 1 | How many times Cash Credit has been debited | i) Very frequently ii) Somewhat frequently iii) Infrequently | 1 2 3 |
| 2 | Repayment of loans | i) Very frequently ii) Somewhat frequently iii) Infrequently | 1 2 3 |
| 3 | Increase in member income | i) Rs 500 or more for each member ii) Rs 300-500 for each member iii) Less than Rs 300 | 1 2 3 |
| 4 | Increase in group corpus | i) Good ii) Average iii) Bad | 1 2 3 |
| 5 | Regular meeting | i) Two meetings per month ii) One meeting per month iii) Infrequent | 1 2 3 |
| 6 | Regular Savings | i) Regular Savings by all members every month ii) Savings every month but some members default. iii) Infrequent | 1 2 3 |

