

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, others 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 7.5million 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 bellow 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”.

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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 sponsored 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 subdivision 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 & Mohanthy (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 empowered. 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, Karuppiah 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 Zeitinger (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, FWWB 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. There study found that 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 rout 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 Buvaneswari (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 Swarozares 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 interfluves 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 not work 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 concerned, 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 Panchayat 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 Household | 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 (vouge 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-1 | 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 facilitators 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.