

MICRO FINANCE SYSTEM THROUGH SHGs IN INDIA:

AN ANALYSIS

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Abstract

The financial institutions, governments and non-governmental organizations have taken keen interest in the supply of retail credit/micro finance. By the end of 2003 about 80 million clients across the world were being serviced by approximately 2900 MFI's. The analysis of growth, regional variations, state assistance to deterrents factors like Micro-finance, SHG's and problems will be based on secondary data collected from the Reports and RBI hand book, Annual Reports, Government of India, documents published by NABARD and such other agencies, using simple tools percentage, ratio, growth rate, average, etc. Thus participation, equality, access to resources and ownership of resources are the major pillars of empowering women. The development of rural women entrepreneurs had helped to create a decentralized and retail production and sale sector in the rural economy whose benefits accrue not only to women entrepreneurs but also to the rural people as well. As is explained elsewhere the SHG's were brought into linkage with the commercial banks, regional rural banks and cooperative banks of these three formal FI's the cooperatives are the weakest. Still, very recently (2003 onwards) the cooperative banks were also entrusted the task of lending SHG members and guide them in realizing their goals. Although legally it was not possible to exclude SHG's from opening bank accounts in the cooperative banking sector, NABARD, the refinancing agency did not allow cooperative to commercial banks, RBI's and cooperative banks in promoting SHG's. Cooperative banks though relatively late entrants have begun well in financing SHG's.

Keywords: Micro Finance, SHG, Development, Women, Rural people.

INTRODUCTION

The paper examines in this "Micro Finance" is gaining momentum and popularity throughout the world since the recent past. The financial institutions, governments and non-governmental organizations have taken keen interest in the supply of retail credit/micro finance. By the end of 2003 about 80 million clients across the world were being serviced by approximately 2900 MFI's. India's share in the global (reported) micro-credit market in 2003 was nearly 13 per cent of all customers and 16 per cent of the poorest customer; this success was due to SHG linkage programme of the National Bank for Agriculture and Rural Development (NABARD). India has emerged as a home of largest micro credit/micro finance programmes in the world.

Our purpose is not to deal in detail about the international efforts to empower women of the world: instead we intend to briefly summarize such efforts which have led to the gender-sensitization of the governments and public agencies on the one hand and promote research on women problems so that with new information women groups and women agencies are able to fight for women empowerment and gender equality.

Thus, the world community and its public organizations like UNO and World Bank were ready to protect and engender women interests. As a result there were world women conference at Mexico, Copenhagen, Nairobi, and Beijing (China) to deliberate on diverse conferences for the first time have mobilized the women of different social strata, race, income and educational level to unite and negotiate for a new policy, economy and society based on equality and without exploitative patriarchal order:

The term of the loans is short (usually less than two years), and the microfinance institution (MFI) normally requires that the loan proceeds be used for investment in productive capital for example, in agriculture, trading, crafts, or processing industries rather than consumption.(Bornstein,1996).

Christen and Drake (2003) has identified two distinct approaches regarding the evolution of micro finance industry. They are namely (a) the Latin American model/commercial model; and (b) the South Asian Model/Grameen Model.

Dr.Yunus an economics professor stated that Grameen Bank in 1976 as a research project. He had that rural people owning too little land to support themselves as farmers, could nevertheless, make productive use of small loans, borrowed without collateral and would repay loans on time. Lack of access to credit was perceived as the biggest constraint for the rural poor, The Grameen Bank believes that with the appropriate support, the poor can be productively employed in income generating activities, including processing and manufacturing, transport, storing and marketing agricultural produce and raising livestock.

Some of the important features of Bangladesh Grameen Bank are: (a) Provide credit to the poorest of the poor in rural Bangladesh without any collateral. (b) Founded in Jobra, Bangladesh, in 1976. In 1983 it was transformed into a formal bank under a special law and is owned by the poor borrowers of the bank who are mostly women. (c) Borrowers from Grameen Bank own 94 per cent of the equity of the bank, the remaining 6 per cent is owned by the government. (d) Repayment responsibility solely rests on the individual borrowers. There is no form of joint liability. Group members are not responsible for repayment of any defaulting members.

OBJECTIVES OF THE STUDY

In this paper accounting of major objectives:

1. The concepts evolution of Micro Finance through Self-help Groups in India
2. Identify and analyze the problems involved in empowering Indian Women through SHG's.

METHODOLOGICAL APPROACH OF THE STUDY

Study will cover of India and regional centers will make use of based on secondary data. The annual time series data are used for the entire period from 1991 to 2008. The analysis of growth, regional variations, state assistance to determinants factors like Micro-finance, SHG's and problems will be based on secondary data collected from the Reports and RBI hand book, Annual Reports, Government of India, documents published by NABARD and such other agencies, using simple tools percentage, ratio, growth rate, average, etc. Thus participation, equality, access to resources and ownership of resources are the major pillars of empowering women. The development of rural women entrepreneurs had helped to create a decentralized and retail production and sale sector in the rural economy whose benefits accrue not only to women entrepreneurs but also to the rural people as well. These developments have also raised the awareness of people regarding the need for micro-finance through SHG's.

MICRO FINANCE SYSTEM IN INDIA

In India, at macro level the micro finance sector has not made any substantial progress. The cumulative disbursement of bank loans to SHGs stood at Rs. 2049 crores by 31st March 2003 and the average loan amount per SHG was Rs. 28559 and Rs. 1766 per family (RBI, 2003). It may be further noted than the SHG loans and advances was only 0.15 per cent of the outstanding priority sector loans and 0.51 per cent of the loans provided by the scheduled commercial banks (RBI 2003). Even if we calculate the disbursement of credit under Grameen Model of SHG, their total lending was less than 0.1 per cent. Gibbons (2002) has argued that lack of access for MFI's to risk capital and restrictions on them in deposit mobilization are the obstacles for 'up scaling' or expanding the operations of the micro finance sector. Both these issues are intricately related to the prevailing legal/institutional structure of the country's (India) financial sector (Tara S.Nair, 2005: 1695).

Self Help Groups (SHGs) form the basic constituent unit of the microfinance movement in India. An SHG is a group of a few individuals – usually poor and often women – who pool their savings into a fund from which they can borrow as and when necessary. Such a group is linked with a bank – a rural, co-operative or commercial bank– where they maintain a group account. Over time the bank begins to lend to the group as a unit, without collateral, relying on self-monitoring and peer pressure within the group for repayment of these loans.

An SHG, both by definition and in practice is a group of individual members, who by free association, come together for a common collective purpose. In practice, SHG's comprise individual members known to each other, coming from the same village, community and even neighborhood. That is they are homogeneous and have certain pre-group social binding factors. In the contact of micro finance, SHG's are formed (and sometimes old SHG's established with a certain purpose converted) around the theme of savings and credit. A small group of individual become members, and pools their savings on a regular basis to form a collective fund. This fund is then rotated as credit amongst the members through self regulated norms. Hence the basis of the SHG is the mutuality and trust is established, the services through the common pool fund, which is higher than the individual fund saved. (P.Satish 2005: pp 1732).

THE SHG-BANK LINKAGE PROGRAMME

Regional Imbalance the SHG – bank linkage programme as part of the micro finance sector is best supported by the 'state'. Nearly 7 lakh groups (SHG's) were linked to the banks and about 5 lakh groups were refinanced by NABARD by 2003 in India. The total cumulative disbursement of loans to these SHG's was Rs. 2048 crores. However, the linkage programme is skewed in favour of the southern states, particularly Andhra Pradesh. This state alone accounts for 39 percent of the total linkage, while the northern and north-eastern region together account for only 5 per cent of the total programme. This imbalance is an issue that requires attention.

It is true "that some of the states, particularly in the north, east and north-eastern regions, have a chequered history of dealing with formal credit. It, therefore, calls for significant preparatory work to put an alternative credit mechanism in place that would benefit these regions. This process of capability building and social mobilization cannot be accelerated. It may be noted that the success of the SHG-bank linkage programme in states like Andhra Pradesh is attributed to the existence of strong institutions involved in social intermediation, which help in the formation of SHG's". (M.S.Shriram: 2005: pp. 1702).

The present SGSY scheme is a revamped form of the earlier IRDP launched in 1999. The latter's drawbacks were removed in the new scheme. SHG's are used to disburse a part of loan to the rural poor. The SHG model is expected to help in beneficiary identification through participatory methods. The subsidy element is back-ended in order for it to work as an incentive to pay back the loans. The rates of subsidy have also been rationalized. Under this programme, a sum of Rs. 1109 crore of bank credit was disbursed for about 8 lakh poor people in 2001-02 of which the share of women is 40 percent.

It is found that NGO's or NGO-MFI's play a major role in the micro finance sector in India, but these are largely unregulated. Some are partially regulated to the extent that they have sought grants from foreign sources and file annual returns with the union home ministry. The only regulated institutions in this sector are the few NBFC's.

Table- 1:Growth of SHG-Bank Linkage Programme

Year	Cumulative	
	No. of Groups	Amount of Loans (Rs. Million)
1992-93	255	2.83
1993-94	620	6.53
1994-95	2122	24.45
1995-96	4757	60.58
1996-97	8598	228.36
1997-98	14317	237.95
1998-99	32995	520.60
1999-00	114775	1501.26
2000-01	234843	4007.46

Source: Director and Economic Statistics, Govt of India.

The formal financial agencies were not lending to the rural low-income groups and the rural poor till mid 1990's. To fill these gaps the SHG's were set up with NGO's acting as facilitators or intermediaries. The NABARD pilot project in Karnataka (1986-87) was a beginning in the direction of linking SHG's with formal financial agencies like banks, mediating through NGO's. This project known as the SHG-bank linkage programme was advantageous to the commercial banks in view of their responsibility to fulfill their social goals like helping the poor and achieving operational efficiency (by externalizing part of their transaction cost). The progress of SHG-Bank linkage scheme is revealed by table- 1 during 1992-93, only 255 SHG's were linked to banks with Rs. 2.89 million as refinance facility from NABARD. But by 2000-01, SHG-Bank linkage was rapidly expanded linking 234843 SHG's with a refinance of Rs. 4007.46 million. This scheme is expanded to 412 districts of 25 states and 2 UT's in India.

Based on a review of the SHG-Bank linkage programme, Mahendra Verma, P (2005) lists the advantages to both banks and SHG's as under. By linking SHG's with formal banks, both banks as well as SHG are as well as SHG's will be benefited. The involvement of SHG's with Banks could help in overcoming the problem of high costs in providing credit to the poor by passing on some banking responsibilities regarding loan appraisal, follow-up, recovery, etc. to the poor themselves. In addition to that the character of SHG's and problem of collateral, excessive documentation and physical access. By, this banks gain from the new risk-free credit market and a potential surplus sector (SHG's) and at the same time SHG's enjoy the advantage of larger and cheaper resources. However, SHG's have to open a deposit account in the bank to get cheaper loans under the micro credit programme".

PROMOTION OF SHG-BANK LINKAGE THROUGH CO-OPERATIVES

As is explained elsewhere the SHG's were brought into linkage with the commercial banks, regional rural banks and cooperative banks of these three formal FI's the cooperatives are the weakest. Still, very recently (2003 onwards) the cooperative banks were also entrusted the task of lending SHG members and guide them in realizing their goals. Although legally it was not possible to exclude SHG's from opening bank accounts in the cooperative banking sector, NABARD, the refinancing agency did not allow cooperative to commercial banks, RBI's and cooperative banks in promoting SHG's. Cooperative banks though relatively late entrants have begun well in financing SHG's.

Further, it is found that in case of certain states the SHG linkage is highly, inadequate and poor, when linked to the total population or to the total rural population, but in these states cooperative banks have performed relatively well. For instance in case of Himachal Pradesh and Punjab the cooperative banks have captured 44 percent of the SHG market, but the very SHG market share in 11 per cent of the national average for coops. In north-east, Bihar and Uttar Pradesh the performance of SHG linkage programme is rather poor, and the cooperative banks are still very worse. Cooperative banks have fared very badly in Andhra Pradesh the nation's leading SHG state: by a wide margin.

Table-2 : Share of Credit Co-operatives in Banking Linkage

Year	Number of cooperative Banks involved	SHG's linked to coops	Percent of cooperative linked SHG's in all	SHG loans Disbursed from Coops'	As a % of Total SHG Loan
2001	94	12,773	4.84	274.51	5.71
2002	209	38,663	8.38	794.88	7.75
2003	264	78,958	11.01	1,719.88	8.40

Source: NABARD Annual Report – 2005/06.

Table-3: SHG-Banking Linkage 1994-2006 all India

Year	No .of SHG's financed	Bank Loans (in lakhs)	No. of families audited	Average loan (Per SHG's)	Average loan per family (Rs.)	Cumulative No. of SHG's
1994/95	1502	179	25534	11917	701	2122
1995/96	2635	361	44795	13700	806	4757
1996/97	3841	578	65297	15048	885	8598
1997/98	5719	1192	97223	20843	1226	14317
1998/99	18678	3330	317526	17828	1049	32995
1999/00	81780	13590	1390260	16618	978	114775
2000/01	149050	28789	2533850	19315	1136	263825
2001/02	197653	54554	3360101	27601	1624	461478
2002/03	255882	102231	3754874	26985	1799	717360
2003/04	361731	185550	4586000	36180	2415	1079091
2004/05	539365	296180	7774000	42971	2864	1618456
2005/06	482589	309613	7238835	64156	4277	2101045

Source: NABARD Annual Report – 2005/06.

- a. The bank sponsored and promoted SHGs have come into existence from 1994/95 onwards during the period 94/95 and 97/98 this progress in the growth of SHGs and the amount of bank loan provided was modest.
- b. The real tempo for the expansion of SHGs came during the annual plan period of 1998/99, in which year a total number of 18,678 SHGs were formed and banks have provided loans to the extent of Rs.3330 lakhs. It may be observed for that from 1999/2000 onwards the SHG programmes have gained rapid momentum during 1999/2000, the total no. of SHGs in India were 81, 780 which has increased to 5, 39,365 by 2004-05. This is a massive expansion (by friction) by SHGs.
- c. The total amount of bank loan provided has increased substantially during 1999/2000 Rs 13590 lakhs of rupees were dispersed at bank loan to a total no. of 13,90,260 families which had increased to Rs. 2,96,180 lakhs of bank loan benefit 7774 families at all India level.
- d. It is interesting to note that although the average loan provided to each SHG varies from 2001/02 the average loan amount per SHG has increased from Rs. 27601 to Rs. 42971, by 2004-05.

Similarly, the average loan dispersed per family fluctuates between Rs. 1000 to Rs. 2864 during the period 1999/2000 2004-05. On the whole the cumulative figures of the SHGs show impressive progress. The total number of SHGs were 2122 in 1994/95 which had increased to 32995 by 1998/99, had rapidly shot up to 16, 18,456 by 2004-05. During 2005/06 the total number of SHGs shown being formed. These data reveal that the union govt. of India and the state govt. have considered the SHGs programme as a vehicle for reducing rural poverty in general and reducing of eliminating feminization of poverty in particular to enable women to which are a greater degree of gender equity in income earned and resources owned.

Table-4: Repayment of Micro –Credit by Economic Activity and Delivery Model: India (In Percent)

Model/Sector	Agriculture	Animal Husbandry	Non-farm enterprises
Grameen	16	26	57
Individual Banking	19	13	68
SHG	34	48	17

Source: EDA (2004).

The government of India has involved both public and private sector commercial banks and RRBs and co-operative banks in promoting the setting up and working of SHGs table- 3.2 a reveals the agency wise SHG bank credit linkage for all India level. It may be noted that commercial banks account for 54 percent of the SHGs established and 58 per cent of bank loans supplied to the SHG member during 2001/02, RRB have supported the establishment of 38 per cent of the SHGs (188738 SHG) and 34 percent of the bank loan (Rs. 3459 lakhs given to the SHG member; The remaining 8 per cent of SHGs were patronized by co-operative banks which had also supplied 8 per cent of the total amount of bank loan during the year 2001/02. Together during 2001/02, 52891 SHGs were patronized by different financial institutions by providing Rs. 10263 lakh of bank loan. It may be seen from table 3.2 a further that the total no of SHG established and the amount of bank loan given have grown during the year 2002/03, 2003/04 and 2004/05.

In relative terms the share of commercial banks and RRB's in establishing SHGs had declined H.E the share of co-operative bank had gone up by 8 per cent to 13 per cent during 2004-05 that is absolute terms there is an spectacular in the total no. of SHG supported in terms of their establishment and functioning by commercial banks (8,43,473 SHGs) which provided Rs. 4159.19 lakhs (60 per cent of the total) at bank Rs. 20905.47 lakhs of bank loans (30 to the total). The co-operative also are highly participating in this promotion of their setting up of bank have supported 2, 11,137 SHGs with a total seem of Rs. 6393.94 about institutionalizing the provision of bank audit/Micro finance through SHG mostly benefiting poor rural women.

REGIONAL DISTRIBUTION OF SHGs IN INDIA

Table-5: States Wise Distribution of SHGs in India

Name of the State	Model I		Model I		Model I	
	SHG's %	Bank Loan %	SHG's %	Bank Loan %	SHG's %	BankLoan %
Andhra Pradesh	0.45	0.31	98.76	98.68	0.78	1.00
	0.55	0.46	98.46	98.44	0.98	--
Assam	74.75	91.56	11.49	6.31	7.3	2.1
	74.20	82.85	16.20	12.49	9.4	4.6
Bihar	3.2	1.87	96.7	98.1	--	--
	4.8	2.9	95.1	97.0	--	--
Gujarat	6.94	8.10	69.98	57.69	23.07	34.20
	7.36	8.76	91.17	89.51	1.46	1.72
Hararyana	17.36	13.5	82.63	86.49	--	--
	24.22	18.5	75.17	81.49	--	--
Karnataka	53.53	58.14	29.85	27.64	16.61	14.20
	46.72	50.26	32.10	28.88	21.17	20.84
Kerala	18.98	25.48	45.48	47.79	35.52	26.71
	16.68	19.22	39.73	48.78	43.57	32.00
Madhya Pradesh	30.10	29.32	68.53	69.38	1.35	1.29
	30.17	29.41	67.68	68.24	2.14	2.3
Maharashtra	45.04	44.26	54.57	55.53	0.38	0.20
	36.62	33.28	62.67	65.71	0.70	0.39
Orissa	45.85	42.04	42.90	46.34	14.24	11.62
	47.82	49.89	35.38	36.93	16.79	13.16
Punjab	14.33	14.92	85.66	85.07	--	--
	25.91	23.33	74.08	76.6		
Rajasthan	13.48	12.18	86.49	87.44	0.01	0.07
	19.65	18.77	80.3	81.00	0.2	0.13
Tamil Nadu	5.85	5.89	85.93	88.45	8.2	5.6
	8.3	10.2	83.00	85.59	8.6	4.1
All India	42.48	35.26	45.24	54.59	12.2	10.1
	20.16	14.08	72.03	81.05	7.7	4.8

Source: NABARD Annual Report – 2005/06.

Table No.5- give information regarding this. It shows the total number of SHGs formed and bank loans provided across the 3 SHG Models (I,II and III) by different Indian states as on 31st March 2005. The total number of SHGs and the amount of some loan provided is shown in percentage terms

a) The Model I include SHGs promoted by the schedule commercial Banks: Where as the Model II SHG's are assisted by regional rural banks and other micro finance agencies including NGO's. Further the Model III type of SHGs is supported by co-operative banks at the district level and PACs (Primary Agricultural Co-operative) at the village level.

b) The inferential performances of all the three types of SHGs differ considerably. This is because partly, till 1996 NABARD, the refinancing agency did not permit co-operative banks to provide loan to SHG; and partly because the socially and economically backward northern and north eastern states have not successfully in organizing rural women in full in term of SHGs.

c) In fact the SHG as a social movement of empowering rural poor women has been highly successful in southern states of India. Thus there is phenomenal interstate disparity in the formation and successful working of SHGs in India.

Table-6: Formal Sector Micro Credit, Regional Spread – 2003 (In Percent)

Regions	Of all commercial, Banks			Total Priority Sector Advances		Advances to SHG’s	
	Share in Deposit	Share in Credit	C/D Ratio	No. of Accounts	Amount O/S	No. of accounts	Amount O/S
South	23.4	23.9	63.7	42.4	29.9	84.0	76.4
West	24.5	35.2	89.6	11.4	26.1	3.5	7.9
North	23.2	24.6	66.3	12.6	21.7	3.0	4.1
Central	14.0	7.5	33.6	16.1	12.5	5.0	7.2
East	13.3	8.0	37.4	15.7	8.8	4.0	4.1
North-east	1.7	0.7	26.9	1.9	1.0	0.5	0.3

Source: RBI, Statistical Tables Relating to Banks in India, 2002-03.

However, there is no conclusive evidence to prove that micro credit infusion in rural areas automatically leads to livelihood diversification unless the MFI insists on lending to productive purpose. In the case of relatively flexible SHG model as revealed from -4, loans are generally invested in supplementary activities in the farm and allied sectors.

Indian banking system already is over burdened with over dues/NPA problem. So the financial institutions are afraid of lending with out securities. Thus, “it appears that the peculiar spatial spread of the micro credit sector in India is a major explanatory factor for its performance so far. It may be noted that the non-SHG model MFI’s too are concerned in the south of India”. (Tara S.Nair (2005): pp.1696).

Table-7: SHG Co-operative Linkage: Advantages and Disadvantages

Advantages	Disadvantages
For SHG’s and their members	Savings may not be insured
More locations-convenient and closer to home	SHG members have second class status
PAC’s can also supply farm inputs or consumer goods.	Full membership may not be allowed
Owned and controlled by the local community	Male dominated
SHG members can participate in management	Politically manipulated
For PACs or cooperative Banks	Irregular service hours and seasons.
Will deposit savings, substantial if SHG is in receipt of government subsidies	A quite different type of business from what is familiar to staff other members.
High recoveries	High transaction.
Loans often invested in non-farm activities	Intensive

Source: Malcolm Harper, Andreas Berkhof and R.V Ramkrishna (2005). EPW Journals.

The following reasons have promoted the entry of co-operative banks into the SHG market.

Pressure by SHG’s themselves was high. The SHGs themselves have preferred PACS or DCCB’s for linkage may be because of more localization of cooperatives rather than FIs. There is a point of caution here. SHG’s views are almost certainly influenced, if not dictated, by the SHPI, which facilitates their linkage. People make informed choices as to which bank they should use. Nevertheless, a typical PACS is a less intimidating and more local institutions than a bank branch. Members choice is an important factor and may be expected to become more so as competition develops” (Ibid, pp 1723).

The top-level management of cooperative banks has shown interest to enter into SHG market, since it was a evolving banking business. In many instances the initiative came from NABARD sponsored training visits to the SHARDA, a training center at BIDAR, Karnataka. However, the middle and branch level staff of co-operative banks has not shown any interest in entering the emerging SHG market.

Table-8: Information of Self Help Groups

A. Physical Achievements	
1.Number of poor families who have accessed bank credit up to March 2005	24.3 million
2. Estimated number of poor people assisted up to march 2005	121.5 million
3. Percentage of SHGs comprised of women	90
4. Cumulative number of SHGs financed by banks up to March 2005	1,618,456.

Partnerships	
Number of participating banks	573
Commercial banks	47
Regional Rural Bank	196
Cooperatives	330
Number of bank branches lending to SHGs	41.082
Number of participating NGO and other agencies	4323

Source: Progress of SHG – Bank Linkage in India, 2004-2005, Micro Credit Innovations, Department, Nabard, Mumbai, 2005.

NABARD (2005) explains that the Self Help Group is a group with “an average size of about 15 people from a homogenous class. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritisation of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond the individual capacities of any of them. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature financial behaviour, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the groups’ own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments.”

MAJOR FUTURE OF SHGs

The SHGs as tools of women empowerment have the following six attributes. These are already explained in some detail:

- Providing and increasing access of women into productive resources and establish command over their uses:
- Encoring and creating opportunities for participation in economic decision making;
- Providing opportunities for self-development
- Participation in local governance and promoting decentralized governance system.
- Creating more and wider opportunities for skill development.
- Impact on general welfare of the family and community.

CONCLUSION AND POLICY SUGGESTIONS

Provision of financial services and easy access to them is important for the development of poor women. While savings provide self-insurance and self assurance to them, Credit helps households to maintain a certain level of consumption at times when their income has temporary setback. Many SHGs women are using the financial resources availed to fund investments in asset creation or other inputs that yield relatively higher returns. It qualities of confirm that the SHGs have fulfilled the need of women for access to financial resources in a cost effective level, decision aiming ability, social status and family relationship. It is clear that SHG strategies have positively contributed for the development of women and strategy of SHGs of micro-credit are an ideal and indispensable tool of women’s empowerment. Further, it evidences that; SHGs are an important instrument to alleviate rural poverty, in general, and women poverty in particular. On gender equality and SHGs point of view, few suggestions have been made here; to strength the self Help Groups movement through, the state, civil society groups, NGOs and the international community all have to intervene in promoting SHGs because it enables the society to reap considerable benefits. Along with economic development, there is a need to redefine the institutional environment that provides equal rights and opportunities for women and men and also for policy measures that address persistent inequalities.

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