

IMPACT OF MICRO-FINANCE ON POVERTY : A STUDY OF TWENTY SELF-HELP GROUPS IN NALBARI DISTRICT, ASSAM

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ABSTRACT

This paper is an empirical study conducted in Nalbari district, Assam about the impact of micro-finance on poverty. It examines the nature of loans provided by the SHGs to its members, and finds that the amount of loans provided under the programme to its members is too small to help them cross the poverty line. Again these loans were utilised mainly for consumption purposes, followed by expenditure on current productive activities. Thus, there were only a few capital investments. But these capital investments were also not enough to provide the members full employment opportunity and sufficient income to cross the poverty line. Again it was seen that still the members of the SHGs go either to the moneylenders or to the banks for higher amount of loan. Moreover, it was found that a large segment of the SHGs are closed down. The closing of SHGs was found more in case of those formed under NABARD-sponsored SHG- Bank linkage programme and those formed under SGSY. Actually these SHGs were formed with the motive to have subsidised credit from the government sponsored schemes. When they found that they would not get any more subsidised credit, they closed the SHGs. It is proposed that perhaps providing higher amount of credit by banks to the SHGs will enable the SHGs to provide more and higher quantum of loans to the members. The most important thing for the success of SHG-Bank linkage programme is that the members of SHGs must be made aware of the concept of self-help.

Introduction

Easier credit to the poor is identified as an instrument to fight against poverty. Again, it is frequently stated that poor are not bankable, and the formal financial institutions in developing countries often fail to meet the credit requirements of the poor. It makes it necessary for the government to interfere with the credit market directly or indirectly to channelise credit to this vulnerable section of the society. The government of India too in the past six decades took various initiatives to

provide easier credit facilities to the poor. But most of these policies were unable to achieve their goals; which led to the emergence of micro-finance programme as an alternative instrument to provide credit to this venerable section of the society in India; along with the rest of the world. The micro-finance programme in India is popularly known as the Self-Help Group - Bank Linkage Programme and NABARD sponsored SHG - Bank linkage programme is the single largest micro-finance programme in the world. Along with an

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alternative source of credit, presently micro-finance is also seen as an instrument to alleviate poverty. Especially when Md. Yunus won the Nobel peace prize, the belief on micro-finance as an instrument to eradicate poverty increased tremendously. At the same time it is also one of the most debated issues considering whether micro-finance has the capacity or not to eradicate poverty. According to the Nobel committee, micro-finance can help the poor to come out of poverty, which in turn is seen as an important prerequisite to establish long lasting peace in the world (Nobel Committee, 2006; cited in Hermes *et al.*). Again providing support to the view that Micro-finance is an instrument to fight against poverty, the UN declared 2005 to be the year for micro-finance. The World Micro-Finance Summit held in Washington, DC in February 1997, in its declaration and action plan, among other objectives, reaching to the poorest of the poor and helping them so that they can come out of the grip of poverty was kept as the first objective. About the coverage of the poor by the programme, one segment of literature states that micro-finance programme has succeeded in covering the poor (Basu and Srivastava, 2005; Murthy *et al.*, 2006), while another segment tells that this programme is unable to include the poorest of the poor (Satish, 2001). About the impact of the programme on poverty, one segment of literature states that this programme has helped the members of Self-Help Groups (SHGs) to cross the poverty line (Galab *et al.*, 2003; Dev *et al.*, 2007; Singha, 2000) while another segment states about the falling of non-poor SHG members into the grip of poverty (Dev *et al.*, 2007). According to Vijay Mahajan (2005), the amount of loan provided by the micro-finance programme to its members is so small that it is unable to take the members above the poverty line. Bujar Baruah (2009) stated that although micro-finance has emerged as an alternative source of credit, it has limited impact on poverty. He

further states that the loans taken by the members from SHGs were mainly for consumption purposes. Although some investment activities were undertaken by a few members, these activities were such that they are unable to provide them full employment opportunities or enable them to cross the poverty line. Moreover, this paper stated that a large number of SHGs were going to be closed. Thus from the existing literature, it is not clear about the impact of micro-finance on poverty. The main argument against micro-finance as an instrument to alleviate poverty is that this programme provides too small amount of loans to the borrowers that is unable to take them above the level of poverty. But along with the amount of credit, information about the utilisation of credit is also important to comment on its impact on the level of poverty. At the same time queries arise in mind about the causes of the closure of SHGs, at the time when micro-finance is considered as an instrument to alleviate poverty. This paper tries to analyse the nature of loans taken by the members of SHGs and also find out the causes of the closure of the SHGs. Thus, there are two objectives covered in this paper.

This paper studies the loans taken by the members from Self-Help Groups and it tries to examine the causes of closure of SHGs.

Methodology

Study Area : The present study was conducted in the Borigog-Banbhag Development Block of Nalbari district, Assam. Nalbari is one of the relatively backward districts in the State. It is assumed that perhaps SHGs can play a major role to fulfil the credit needs of the people of this area. Moreover, this district is familiar to the researcher. This district has thus been purposively selected for the study.

Data Source : This study is based on secondary as well as primary data. Secondary

data were collected from sources like NSS Report, Statistical Handbook of Assam, Economic Survey of Assam, various research articles and papers, the Block office, Banks and NGOs concerned with the promotion of SHGs in the concerned area, and internet.

Primary data were collected by conducting a field survey in Borigog- Banbhag Development Block of Nalbari district, Assam. Data were collected at two stages. At first, block officials dealing with the SHGs and NGOs concerned, with the formation of SHGs were met, and the list of SHGs, those they formed or nurtured were collected. Then twenty SHGs were selected from these lists to study them as saving and credit groups. These twenty SHGs were selected using stratified random sampling; so that SHGs consisting of people from each section of the society could be selected. At the second stage, eight out of the twenty SHGs were selected to study the credit behaviour of the members; i.e., to know about the borrowing and utilisation of credit by the members. These eight SHGs consist of eighty eight members, and data were collected about all of them. Schedule/questionnaire were used to collect these data. Again to know about the causes of the closure of SHGs, focus group discussions were held among the members of SHGs, and discussions were also conducted with the officials of the NGOs.

About the Self-Help Groups

Assam is one of the relatively backward States of India. According to the Census Report 2001, Assam with 2.39 per cent of the total land of the country has to support 2.6 per cent of the total population of the country. The density of population in this State is 340 per square km as per the 2001 census. As per 2011 provisional population, Assam's population is 31.2 million (2.6 per cent of the population of the country) with growth rate of population during 2001-11 declined to 16.93 per cent compared to 18.92 per cent in

the previous decade. Density of population per square km is 397 persons, and sex ratio (females per 1000 males) is 954 compared to 935 in 2001. Assam is still one of the industrially backward States. Except the four oil refineries, large industries are totally absent in the State. Over and above this, Assam still remains predominantly an agrarian economy where 53 per cent of her total population depend on agriculture and allied activities (Assam Government, 2006). Moreover, it is frequently affected by the occurrence of flood. The agricultural sector of this State mainly still depends on monsoon, and lower percentage of the gross cropped area (13.33 per cent) has irrigation facility. Thus, although Assam Economy depends on agriculture, the condition of agriculture itself is very poor. It is assumed that the poor people frequently need credit for consumption purposes as well as for production purposes. But the data about the indebtedness of rural households indicate that the percentage of indebted rural households as well as the average amount of credit per rural household was very low in this State. Thus there is a need for an alternative system to provide credit to the rural people of this State. The literature indicates that the SHG-Bank Linkage Programme has emerged as an alternative source of credit for the rural people all over the country, and also enables the members to get income generating assets. In Assam too this programme has the potentiality to play an active role in the rural areas. It seems to be important to have an empirical study about the impact of micro-finance on the level of poverty of the SHG members in Assam. Moreover, only a few studies have been conducted in Assam about the Self-Help Groups. The present study attempts to have an empirical study about the SHGs in Assam.

Again within Assam, Nalbari is one of the relatively backward districts. Up to 2008, the registered number of unemployed in the district was 97,622, which indicates a high

pressure of unemployment in the district. Moreover, the occurrence of flood causes huge damage to the agriculture of this district. In such a situation where there are lesser number of industries available, only self-employment activities undertaken by the youth can play a major role. In such a situation, the SHGs can play a major role.

The field survey was made in Borigog Bonbhadg block of Nalbari district, Assam. In this area the block authority is concerned with the formation of SHGs under the government subsidised credit programme, Swarnajayanti Gram Swarozgar Yojana (SGSY). According to the block authority, up to April, 2009 more than one thousand SHGs were formed in this particular block. A large segment of them were able to complete first grading, and got revolving fund amount up to ₹10,000. Some of them are also able to succeed in achieving second grading, and have received higher amount of credit.

A number of NGOs are also working in this area and concerned with the formation and nurturing of SHGs. While conducting this study, three NGOs, viz. Weavers Development Society (WDS), Nalbari; Gramya Vikash Mancha (GVM), Nalbari; and DREAMS, Dhurkuchi were met. All these NGOs are concerned with the formation and nurturing of SHGs; while additionally, WDS and GVM are providing micro-credit to the SHGs through their micro-finance wings. GVM formed 100 SHGs under a NABARD sponsored SHG-Bank linkage project, and linked them to banks. Additionally, they formed 20 SHGs under another project sponsored by TATA TRUST. In addition to these 120 SHGs, it helped a large number of other SHGs. It is to be noted that all the SHGs formed by GVM are registered at the block under SGSY. Thus these groups are also included in the list prepared by the block authority. WDS reported to form about 300 SHGs, and link them to banks. But it was able to give a list of 80 SHGs only. DREAMS formed about 25 SHGs. Out of the 20

SHGs this study covers, nine come under SGSY, five formed by WDS, and the rest six were formed by GVM under NABARD's SHG-Bank Linkage Programme. Again, six SHGs are male SHGs, and the rest 14 are female SHGs.

All the SHGs under study were more or less homogeneous considering all the aspects like caste, religion, landholdings, etc. Most of the SHGs consist of members from single religion and caste. Moreover, they are the habitants of the same locality. Of course, there is a great variety among the members according to the level of education. Lesser numbers of SHGs under SGSY qualify the norm that SHGs should have 70 per cent of members from BPL. The SHGs initiated by WDS contain lesser members from BPL. Those SHGs initiated by WDS are found to be more homogeneous than those come under SGSY. Those SHGs initiated by GVM contain poorer families but they are not the poorest of the poor.

The monthly savings mobilised by the members of the SHGs ranges between ₹ 20 to ₹ 100. Highest nine groups save ₹ 30 p.m. and only one group is saving ₹100 p.m. The cumulative funds with the group also range between ₹1,650 and ₹ 50,000. Out of the total 20 SHGs, four SHGs had stopped their savings. Of these four groups, three are male SHGs, and another is a female SHG. Out of 14 female SHGs, 13 are continuing saving; only one has stopped savings. But in case of the male SHGs, only three out of the six SHGs are continuing saving. Thus it seems that among SHGs, female is a better saver than the male.

The present amount of lending circulated among the members ranges from 0 to ₹ 42,000. The zero lending by the SHG means that those SHGs had stopped lending among the members. The cumulative amount of lending by the SHGs is between ₹ 6,200 and ₹ 76,800. One SHG is able to provide the cumulative amount of lending at ₹ 76,800, and another one provided ₹ 72,400. In case of

four SHGs, the cumulative lending is more than ₹ 50,000; and in case of other three SHGs, it is more than ₹ 40,000. The cumulative amount of loan seems to be directly related to the age of the SHG. The cumulative amount of lending indicates the huge demand for credit by the members. The interest rate on lending ranges between 24 and 36 per cent.

All the SHGs under study have their account with the banks; and all the SHGs except one have some form of financial transactions with banks or MFIs. All the SHGs under SGSY got financial help from the government either in the form of revolving fund or in the form of subsidy with credit. Beyond this ₹10,000 revolving fund, one SHG has also qualified for the second grading and could get an amount of loan ₹ 2,50,000 from the bank with subsidy of ₹ 1,25,000. About the repayment of loan by the SHGs, the bank authority told that the repayment rates of the SHGs are more than 90 per cent, which is far better compared to that in case of individual lending. The WDS and GVM also stated to have 100 per cent recovery while lending to the Self-Help Groups. This point proves the effectiveness of the SHGs as an alternative to the government subsidised, credit programmes; where lower repayment was the main problem.

Out of the 20 SHGs, nine undertook group investment activities. But most of the groups were unable to make profit from their investment activities. Only a few groups were making some amount of profit. Actually, the SHGs undertook investment activities under SGSY only to get subsidised credit; as SHGs

under SGSY have to undertake some group activities to avail of subsidised credit. And when they came to know that they would not be able to get subsidised credit in future, they stopped their activities. Thus, those activities were undertaken without any commercial motive. Even after starting their activities, they did not pay adequate attention to those aspects which may be the causes of their failure. The important point is that most of them measured their profit from investment as (Total loan amount - total repayment - other costs of credit* + Subsidy). Thus, there was no business motive in their investment. Of course, a few groups are continuing their activities efficiently and have the motive to continue those activities irrespective of whether getting the subsidised credit or not. Those SHGs initiated by WDS need not necessarily undertake investment activities; only one of those five SHGs undertook investment activities. And this group was making some amount of profit from the investment. All the SHGs initiated by GVM are registered under SGSY. Although these groups need to undertake investment activities according to the rules of SGSY, only two SHGs did it.

Thus, most of the SHGs were working efficiently as saving and credit groups; and a few of them stopped their saving and lending activities. However, while considering the point of group investment it is to be mentioned that only a few SHGs seem to have succeeded.

Borrowing by the Members from SHG

Basically SHGs are saving and credit groups. Initially the NABARD sponsored SHG-

* These costs include mainly the bribe they have to pay to the bank and block authority to get credit. All the SHGs stated that they provided bribe to the bank and block authority. To have the revolving fund of ₹10000 these SHGs provided bribe to the block officials ranging between ₹500 to ₹1500. In case of the loan of ₹ 2.5 lakh, the SHG stated to provide bribe of ₹ 45000 to the block officials and also to the bank manager. One SHG gave ₹60000 to the block authority to get a tractor under flood area relief programme. Even when asked to the block officer in charge about it, he did not deny about such type of corruption prevailing in the programme. These types of corruption do not have any proof.

Bank Linkage programme was started with the motive to provide easier credit facilities to the poor who are unable to have credit from the formal financial institutions due to lack of physical assets to provide collateral. Thus, it has emerged as an alternative source of credit after the failure of the government sponsored subsidised credit programmes to make the poor free from the grip of moneylenders. Presently along with an alternative source of credit, micro-finance is also seen as an instrument to alleviate poverty. But the main criticism against micro-finance as an

instrument to alleviate poverty is that this programme provides so small amount of credit to its clients which is unable to take the poor above the poverty line. Thus it is important to have an idea about the amount of credit the members borrow from the SHG and also have an idea about the utilisation of credit. This section explains about the borrowing behaviour of the members from SHGs based on the information collected from the 88 members of the eight SHGs under study. The borrowing behaviour of the SHG's members is explained in Table 1.

Table 1: Borrowing Behaviour of the SHG Members

Name of the SHG	Total No. of members	Total members who took loan	Cumulative Amount of Lendings (in ₹)	Interest rate on lending to members (per cent)
Ramdheni SHG	10	7	45,000	36
Arunodai SHG	10	6	14,000	24
Naba Milan SHG	10	10	72,400	36
Surujmukhi SHG	13	8	16,000	36
Milanjyoti SHG	10	10	76,800	24
Rangdhali SHG	10	9	12,000	36
Shiva Shakti SHG	15	11	30,000	36
Ujala SHG	10	10	27,350	36
Total	88	71	2,93,550	-

Source : Field Study, August, 2009.

The above Table indicates that out of the total 88 members from eight SHGs, 71 members took loan from the SHGs at least once. The rest 17 members never took loans. All the members of three SHGs, viz., Milanjyoti SHG, Naba Milan SHG and Ujala SHG took loans. The cumulative amount of loans provided by these SHGs to their members ranges between

₹ 12,000 and ₹ 76,800. The total amount of loans provided by these SHGs is ₹ 2,93,550. Among the SHGs Milanjyoti SHG provided highest amount of loans to its members; followed by Naba Milan SHG. The lowest amount of loan is provided by Rangdhali SHG; followed by Arunodai SHG. Presently Arunodai SHG has stopped its lending activities. The

cumulative amount of loan provided by the SHG is directly related to the age of the SHG. The size of the single loans ranges between ₹ 100 and ₹15,000. The rate of interest on these loans ranges between 24 and 36 per cent. Some members of Milanjyoti SHG took loan also from the micro-finance wings of GVM at the rate of interest 18 per cent.

During the study it was seen that many members of the SHGs took loans from outside the SHG. It was seen that the members went to the SHGs when they needed smaller amount of loans; but for higher amount of loans, still they go either to the moneylenders or to the banks. The loans taken from outside the SHG seemed to be taken for some specialised purposes, while most of the loans from the SHGs were for current consumption expenditure or expenditure on current productive activities. The rate of interest on loans taken from outside the SHGs ranges between 36 and 60 per cent. Over time, there

is a fall in the interest rate on loans provided by the moneylenders. This fall in interest rate is due to the increase in the number of moneylenders, and not due to the presence of SHGs. Thus it seems that SHGs have lesser and lesser impact on the moneylenders.

Size of Loans Provided by the SHGs : The micro-finance programme is widely criticised on the ground that the size of loans this programme provides to the clients is too small to help them in undertaking any productive activities, and finally, unable to help them to cross the poverty line. Thus it is important to have an idea about the size of the loans this programme provides to the clients. Out of the 88 members of the eight SHGs, 71 took loans at least once. There are some members who took loans more than four times. Altogether 154 loans were provided by these eight SHGs to the clients. The size of the loans the SHGs provided to the members can be seen in Table 2.

Table 2 : Distribution of Loans Taken by the Members from SHGs

Size of the loans	₹ 100 to ₹ 500	₹ 501 to ₹ 999	₹ 1001 to ₹ 2000	₹ 2001 to ₹ 5000	>5000	Total No. of loans
No. of loans	34 (22.07%)	28 (18.18%)	61 (39.61%)	27 (17.53%)	4 (2.59%)	154 (100%)

Source : Field Survey, August, 2009.

Thus from the above Table it is clear that the size of 80 per cent of the loans taken by the members from the SHGs is less than or equal to ₹ 2000. Out of 154 loans, 22.1 per cent fall in ₹ 100-500 range, only 17.5 per cent range between ₹ 2001-5000. Only four loans (2.6 per cent) are above ₹ 5000 level. Among these four loans, the maximum for one person ₹ 15,000, and another is of ₹ 10,000; and the other two are slightly above ₹ 5,000. The average size of the loan is ₹ 1906.17, and the average amount of loan per borrower is ₹ 4134.50. Thus it is clear from the above analysis that the amount of loan provided by

the micro-finance programme to its borrowers is so small that it can't help the members cross the poverty line. Of course, there should be no doubt about the role of micro-finance as an alternative source of credit. It is fulfilling the small and frequent credit needs of the borrowers.

Utilisation of Credit Taken by the Members from the SHGs : Along with the size of the loan, it is also important to have an idea about the utilisation of loan taken by the members, to know about its impact on the economic condition of the members.

While talking about the utilisation of loan, Debraj Ray (2000) classified the purposes of loans into three categories. These are Capital Expenditure, Working Capital Expenditure, and finally, Consumption Expenditure. According to him, Capital Expenditure is that part of expenditure made to start up new businesses or for large scale expansion of the existing one. Working capital includes the ongoing production expenditures like raw materials or labour cost. Finally, the consumption loans are needed to bridge the gap between consumption period and income receipt period or sometimes due to win fall losses in businesses. Here in this study the consumption expenditure is divided into two categories. One is current consumption expenditure, and the other is expenditure on consumer durables. Thus while talking about the utilisation of credit; here the purposes are divided as current consumption expenditure, expenditure on consumer durables, current production expenditure (working capital

expenditure), capital expenditure and other expenditure. The utilisation of loan itself will determine whether micro-finance programme is contributing towards poverty alleviation or not. If the loan taken from the SHG is invested in some productive activity then surely it is contributing towards alleviation of poverty. Again if the loan is spent on consumer durables like houses, then also it is contributing towards alleviation of poverty. But simply if the loan amount is spent on current consumption, then it may deteriorate the economic condition of the clients. In case of current consumption, if the loan is to link the gap between the consumption and income periods then it may not deteriorate the economic condition of the client, as he will be able to repay the loan from his future income. On the other hand, if the consumption loan is taken due to lack of income, then it will deteriorate the economic condition of the client. The structure of utilisation of loan is explained in Table 3.

Table 3 : No. of Loans from SHGs for Different Purposes

Name of the Self-Help Group	No. of loans for current consumption expenditure	No. of loans for Capital Consumption Expenditure	No. of loans for Current Production Expenditure	No. of loans for Capital Expenditure	No. of loans for others purposes	Total No. of Loans
Total	55 (35.7%)	42 (27.27%)	44 (28.58%)	8 (5.19%)	5 (3.24%)	154 (100.0%)

Source : Field Study; August, 2009.

The Table indicates that altogether 55 loans from SHGs were taken for current consumption purposes, i.e., 35.7 per cent of total loans were meant for this purpose. Current consumption expenditure includes mainly the consumption expenditure, medical expenditure, educational expenditure on the children etc.

Capital consumption expenditure or expenditure on consumer durables mainly

includes expenditure to build new houses or to repair old houses or expenditures on marriages etc. Out of the total number of loans, 42 were taken for the expenditure on consumer durables. Thus this head accounts for 27.27 per cent of the total loans provided by the SHGs. The expenditure on building or repairing of houses, definitely contributes towards the economic well-being of the poor members.

Again out of the 154 loans, 44 were taken for current expenditure on production. Thus this head accounts for 28.58 per cent of the total loans provided by the SHGs to their members. Current production expenditure includes mainly the expenditure on variable inputs of production such as on labour or agricultural inputs like fertiliser or seeds. Here the group members under study took loans for current production expenditure mainly for expenditure on agriculture and to buy variable inputs for weaving. Some of the members took loan to meet the current expenditure in their family business, and returned the loan with the sales realisation from the investment. Most of the members who took loan for agricultural expenditure are mainly cultivators and wage employed. They repaid the loans from wage income; and most of them did not keep any record regarding repayment of loans. Those female members who took loans for weaving repaid the loan either from their family income or return from weaving. It is to be noted here that current production expenditure seems to be the dominant cause of borrowing next to the current consumption expenditure. Although it is the expenditure for productive purposes, it is not able to take a family above the poverty line.

The most important purpose of credit taken by the SHG members is the capital investment of loan amount. Only such type of credit has the capacity to take the poor above the poverty line. Capital investment is that investment which creates some income generating asset for the investor. Thus if the credit amount is invested in capital asset, there is a future flow of income to the investor. And there is little chance for the investor to face any problem while repaying the loan, and his economic condition will not deteriorate in future. Eight loans were taken for capital expenditure, made by the members. Thus this purpose accounts for 5.19 per cent of the total loans the SHGs provided. Thus, this head, which

is most important for the members to have income generating activities accounts only for a small amount of the total loans.

Although these eight members had gone for capital investment, the loan did not enable most of them to be fully employed. Only one woman belonging to the Milanjyoti SHG took ₹ 15,000 from that SHG and ₹ 10,000 from the micro-finance wings of GVM. With that money, she started a shop. Additionally, she invested ₹ 20,000 from her own. Moreover, most of them were doing these as their subsidiary business. For example, a woman who bought a sewing machine, along with operating the machine she also works at the paddy field, and does domestic works as housewife. She operates the machine hardly for half an hour a day on an average. Another one who went for micro business left the business when he got a temporary job in a government department. Thus, it is questionable about the return from these investments and how far it will help them to be lifted above the poverty line. The impact of this programme on the level of poverty of the borrowers is thus questionable.

Closure of Self-Help Groups

During the field survey it was found that a large number of SHGs were closed down. The block authority gave a list of SHGs registered under SGSY programme. But during the field survey it was found that about 70 per cent of these SHGs were closed down. But officially these are considered working. These SHGs have their accounts in the banks. But in reality neither they save any money nor they provide any loan to the members. All the group activities these groups started are no longer functioning. Similar is the problem with those SHGs started by the Gramya Vikash Mancha (GVM). As per the information provided by GVM officials, 60 per cent of the SHGs they started were closed. Twenty per cent are working irregularly and going to be

closed; and only 20 per cent of the SHGs are working efficiently as saving and credit groups. All these SHGs of GVM were formed under NABARD sponsored programme. Again although they are closed down, the matter is not informed to NABARD, and still NABARD takes these groups into account when they provide data about the cumulative number of SHGs. Thus it raises questions about the success of NABARD sponsored SHG-Bank linkage programme as well as of Swarnajayanti Gram Swarozgar Yojana. In case of the SHGs started by Weavers Development Society (WDS), it was found that sometimes if such a situation arises that some group is going to be closed, the WDS's workers come and discuss about the situation with the members, and take possible steps. They replace those members who do not want to continue with the group with some new members. Sometimes it so happens that all the existing members are replaced by new members. Thus the active presence of the WDS's workers saves these groups. But if such a situation arises in a SHG formed under SGSY, and those initiated by GVM, that group is closed down.

During this study it was found that the main problem with the groups was that the SHG members were not aware of the concept of Self Help. They did not start the group to help themselves. Rather they considered SHG as an instrument to have some benefit from the government sponsored subsidised credit programmes like SGSY. Most of the male SHGs were started with this motive; and almost all of them are closed down. The story is similar to the female SHGs too. The female SHGs were started with the motive either to have subsidised credit or to utilise their surplus time, after completing their works at home. Those female SHGs started with the latter motive are working properly as saving and credit groups; but those SHGs formed with the former motive are closed.

Almost all the SHGs registered under SGSY got the revolving fund. After having this revolving fund, some of the SHGs were closed. Some others tried to have higher amount of credit; but when they realised that they will not be able to get the same, they wound up the group. Some other groups got higher level of credit with higher level of subsidy. Thereafter when it became clear that they will not get any more credit, they closed the SHG.

Another point to be noted here is that although the SHGs are closing down, there is another form of saving and credit groups continuing with prosperity. These groups are popularly known as "*Sanchaya*" which mean saving institutions. These groups are also informal groups. The total number of members of such groups ranges from 10 to 20 or 30; sometimes the maximum number even crosses 100. The members monthly save some definite amount of money with the *Sanchaya* and lend to the members according to their needs. Sometimes they even lend to the people outside the *Sanchaya*. After a specific period, they distributed the total funds among the members. The *Sanchaya* may or may not have a bank account. The main difference between a *Sanchaya* and a SHG is that the SHGs have the option to have credit from the banks, while a *Sanchaya* never applies for a bank loan. Again the maximum number of members of a SHG is fixed at 20, but there is no such limit in case of a *Sanchaya*.

It was seen that although a SHG and a *Sanchaya* are more or less similar organisations; most of the members of SHGs, are leaving the SHGs; but the same members generally do not leave a *Sanchaya*. Here the question arises as to why some members leave the SHG, but do not leave the *Sanchaya*. It seems to be an area of research. The causes behind this may be that generally the members of SHGs consider a SHG as a part of

government programme. So they do not give much importance to it; and consider it to be an instrument to have some benefit from the government. But at the same time they consider *Sanchaya* to be their own institution. Moreover, they save lesser amount of money with the SHG to show themselves to be from below the poverty line, so for a person from higher income level, the importance of such saving decreases. But as there is nothing such with *Sanchaya*, the members save as much as they can afford. Thus it is clear that although SHGs are not performing well, self-help is performing well.

Conclusion

The above discussion reveals that as saving and credit groups, some of the self-help groups are working properly, and some others stopped all their activities. As an alternative source of credit, although SHGs were able to fulfil the credit needs of the members to some extent; it was unable to fully satisfy their credit needs. The amount of loans provided by SHGs to their members is so small that it can't help the members to fight against poverty.

Moreover, the loans taken by the members from the SHGs are mainly for consumption purposes, and for expenditure on consumer durables. Although some capital investments took place, these are not of that kind that can help the members to cross the poverty line. Moreover, it was seen that a large number of SHGs are closed down or going to be closed. But at the same time *Sanchaya*, another type of saving and credit group is working properly. Thus there is the failure of SHGs, but not the failure of self-help.

It is clear from the above discussion that to be able to enable the members to fight against poverty, self-help groups should provide larger amount of loans to the members. More and more loans should be provided to the SHGs by the formal financial institutions for on-lending. Moreover, the most important point is that to be a successful programme, the members of the SHGs need to be educated about the concept of self-help, and the pattern of working must be demonstrated through exposure to successful groups in nearby areas.

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