

**MICRO CREDIT AND WOMEN EMPOWERMENT IN NAGALAND: A  
COMPARATIVE STUDY OF KOHIMA AND MOKOKCHUNG DISTRICTS**

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I, Sasi Kumar, A. Hereby declare that the subject matter of this thesis, entitled “**MICRO CREDIT AND WOMEN EMPOWERMENT IN NAGALAND: A COMPARATIVE STUDY OF KOHIMA AND MOKOKCHUNG DISTRICTS**” is the record of work done by me, the contents of this thesis did not form basis of the award of my previous degree to me or to the best of my knowledge to anybody else, and the has not been submitted by me for any research degree in any other University/Institute.

This is being submitted to the Nagaland University for the degree of Doctor of philosophy in Economics.

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**CERTIFICATE**

This is to certify that the thesis submitted by Sasi Kumar, A. Towards the degree of Doctor of Philosophy (Ph.D.) in Economics titled: **“MICRO CREDIT AND WOMEN EMPOWERMENT IN NAGALAND: A COMPARATIVE STUDY OF KOHIMA AND MOKOKCHUNG DISTRICTS”** embodies the result of his own work. To the best of my knowledge the data and facts recorded in the study are based on his own research work.

I therefore, recommend that this thesis may place before the examiners for evaluation for the award of the Ph.D. degree of this University.

(Prof. Mithilesh Kumar Sinha)

Supervisor

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The present study seeks to examine the impact of Micro Credit on the Women Empowerment in Nagaland through the case study of two districts- Kohima and Mokokchung. The study is an attempt to explore the socio-economic transformation of women in Nagaland and highlight the theoretical and empirical of their background. The study also includes conceptual issues related to the research work to focus the identification of the problems and prospect in the research study.

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## Abbreviations

AGM	- Assistant General Manager
AIMS	- Assessing the Impact of Microenterprises Services
AMIR	- Access to Microfinance and Improved Implementation of Policy Reform
APRACA	- Asia Pacific Rural and Agricultural Credit Association
BASIX	- Bhartiya Samrudhi Investments and Consulting Services
BDS	- Business Development Services
BIRD	- Bankers Institute of Rural Development
BPL	- Below Poverty Line
BRAC	- Bangladesh Rural Advancement Committee
BRI	- Bank Rakyat Indonesia
CDRT	- Community Development in Remote Township
CENDERET	- Centre for Development Research and Training
CGAP	- Consultative Group to Assist the Poor
CIBIL	- Credit Information Bureau of India Limited
DCCB	- District Central Co-operative Bank
DER	- Debt Equity Ratio
DHAN	- Development of Humane Action
DLCC	- District Level Co-ordination Committee
DPD	- Department of Policy Development
DWCRA	- Development of Women and Children in Rural Areas
EDP	- Entrepreneurial Development Programme
ESCAP	- Economic and Social Commission for the Asia Pacific
EA	- Economic Assistance
FAO	- Food and Agricultural Organization

FDC	- Foundation for Development Co-operation
GDI	- Gender Development Index
GDP	- Gross Domestic Product
HDI	- Human Development Index Number
IASC	- Indian Association for Savings and Credit
IBSUM	- Indian Bank's Special Unit for Microfinance
ICCW	- Indian Council for Child Welfare
IDS	- Institute of Development Studies
IFAD	- International Fund for Agricultural Development
IFC	- Information Facilitation Centre
INDNET	- Indian Network for Gramin Replicators
IRDP	- Integrated Rural Development Programme
LDM	- Lead District Manager
MDG	- Millennium Development Goals
MFI	- Micro Finance Institute
MFO	- Micro Finance Organization
MIS	- Management Information System
MPP	- Micro Projects Proposals
NABARD	- National Bank for Agriculture and Rural Development
NBFC	- Non-Banking Finance Company
NCAER	- National Council for Applied Economic Research
NDDB	- National Dairy Development Board
NGO	- Non-Governmental Organization
NIRD	- National Institute of Rural Development
NPA	- Non-Performing Assets

OPS	- Other Priority Sector
PACB	- Primary Agricultural Co-operative Bank
PAR	- Portfolio at Risk
PCO	- Public Call Office
PLR	- Prime Lending Rate
PMRY	- Prime Minister's Rozgar Yojana
SGSY	- Swarn Jayanthi Gram Swarozgar Yojana
SHG	- Self-Help Group
SHPI	- Self-Help Group Promoting Institution



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# **CHAPTER: I**

## **INTRODUCTION**

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## INTRODUCTION

Poverty is man-made due to the wrong design of economic and social systems and policies thereof. The powerlessness, insecurity, frustrations, hostility and anger created by poverty will not result in peace in any nation. For building stable peace, ways should be found to provide opportunities for poor people to live decent lives. “We can put poverty in the museum, if we collectively believe in creating a poverty-free world. Poor people and specially poor women, have both the potential and the right to live a decent life and microcredit helps to unleash the potential,” said Professor Dr. Muhammad Yunus, Founder Chairman of Grameen Bank, while delivering his Nobel lecture in Oslo on 10th December 2006.

In this era of globalization and liberalization, even though many changes and developments take place in people and society, the extreme inequalities existing across the world act as a barrier on the progress towards the achievement of human development goals. It is reported (Muhammad Yunus 2006) that ninety four per cent of the world income is shared by forty per cent of the population, while sixty per cent of people live on 6 per cent of the world income. According to United Nations Report 2006, India is ranked as 126th out of 177 countries in Human Development Index. The poverty is multi-dimensional. It blocks the access of the poor to the mainstream and makes them isolated. Poor suffer from the deprivation of opportunities and choices. They have little access to education, health care, nutrition, skill development, training, employment opportunities, credit, market, technology and information. During the nature’s fury like floods, droughts, earthquake or the most ravaging tsunami, poor are the worst hit and the impact is felt more on the women and children. Small farmers, marginal farmers, landless agricultural labourers, non-farm casual workers and socially disadvantaged like scheduled caste and scheduled tribes mainly constitute the poor.

### **Poverty Level in India**

In India, it has been estimated that the poverty level has come down from 35.9 per cent of population in 1993-94 to 26.1 per cent of population in 1999-2000 and 22 per cent in 2004-05 (The Hindu- Business Line (2006): “Percentage of BPL Population Down to 22 Per cent in 2004-05”, 15th June, p. 1). Out of the 260.3 million poor in India, 193.2 million (74.2 per cent) are in rural areas. The Government of India’s target is to reduce the poverty to 19.3 per cent by 2007 (Planning Commission 2001). (Planning Commission (2001): Report No. 81/2001 of the Working Group on Rural Poverty Alleviation Programmes for the Tenth Five-Year Plan 2002-2007, New Delhi, 2001, p. 5) The Tendulkar Committee’s poverty line was 37.5 per cent. Geographical distribution of poverty is highly concentrated in certain states like Uttar Pradesh, Bihar, Orissa and Jharkhand. Special programmes are being implemented there to open up the employment opportunities. Poverty problem also leads to migration of poor from rural to urban areas, which results in crowding of towns and metros. Most of the migrated poor live in encroached lands or

risk prone sites like river banks and places close to coast line. In 2000, the world leaders assembled at the United Nations and declared the Millennium Development Goals (MDGs) initiative. The first and foremost of which is to halve the proportion of people below the poverty line by 2015 from the level in 1990. India is also a signatory to the MDGs declaration. Hence, poverty reduction is the main agenda for the government, donor agencies, banks, NGOs, techno-educational institutions and other stakeholders. The government is adopting pro-poor policies, allocating the resources to sectors where the poor are employed namely Agriculture, Allied activities, Rural non-farm sector and micro enterprises and allocating resources to areas where the poor is concentrated or development is slow, namely North-Eastern States, Bihar and Orissa.

## **POVERTY AND GENDER**

The vicious cycle of poverty deprives women of the opportunities to have equal access to participation in development programs, mobility and decision-making. Their time spent for collecting fuel, fodder and water has increased under conditions of unsustainable developments, with fast depleting ground water and conversion of agricultural lands to other uses. Deforestation deprives the poor of their livelihood opportunities and thereby causing migration to urban areas. Thus, poor women face gender discrimination in all spheres of their life. Poverty further pushes them down to the lowest strata. Hence, to address this complex issue, multi pronged integrated (Social Empowerment and Economic Empowerment) approach covering the social sectors like education, health, nutrition and sanitation has followed.

Social empowerment creates an enabling environment to women to participate in the development programmes and articulate their needs and pave way for obtaining them. The mobility increases their confidence and decision making opportunities, as they become aware of the opportunities available to them resulting in a fair access to minimum basic services to unfold their full potential. Micro credit is an important catalyst to induce growth of enterprises of the poor, which results in increase of their income and assets and thereby leading to economic empowerment. Micro credit also enables the poor to smoothen their cash flow during lean season.

Microfinance emerged as a noble substitute for credit and an effective and powerful instrument for poverty reduction among people who are economically active but financially constrained. It covers a broad range of financial services including loans, deposits and payment services, and insurance to the poor and low-income households and their micro-enterprises. The micro-finance sector has grown significantly in the past decades.

### **Directed Rural Credit Programmes**

In India, the rural banking infrastructure has grown well over the years. Rural credit is delivered by formal financial institutions like Commercial Banks, Regional Rural Banks and Co-operative Banks and altogether these account for nearly 1,50,000 retail outlets, serving a rural population of 5000 or 1000 households per retail outlet and its proximity to the target clients is

only 5 kms on an average (Y.S.P. Thorat and Graham Wright: 2005). Government had given specific targets to banks for lending to specific sectors.

### **Conception of Micro Finance:**

Formal banking institutions for long time have perceived the poor non-bankable because of high risks, high transaction costs involved in small-scale rural lending to a large number of poor households and absence of collateral/securities to be provided by the poor against loan. As such, the poor more especially poor women in India were suffering from financial exclusion. It is against this background the concept of microfinance was conceived as an instrument to attain the twin objectives of financial inclusion and poverty alleviation (World Bank: 2007). The Indian microfinance has already taken its momentum and has emerged as the largest microfinance movement in the world with its perceptible impact especially after the second half of eighties (Firoze and Bhattacharya 2007: 2071).

### **Concept of Microfinance:**

Micro Finance programme is the most promising strategic weapon for attacking poverty by way of providing developmental funds to so far neglected target groups. It is a buzzing word that has emerged in need of meeting special goal to empower under-privileged class of society, women, poor, downtrodden by natural reasons or man made; caste, creed, religion. The principles of Micro Finance are founded on the philosophy of cooperation and its central values of equality, equity and mutual self help. At the heart of these principles are the concept of human development and the brotherhood of man expressed through people working together to achieve a better life for themselves and their children.

The term 'microfinance' has been understood and defined differently by different people. More often than not, microfinance is defined in a limited sense of 'micro credit for micro enterprises'. Micro Credit Summit held in 1997 has defined micro credit as "programmes that provide credit for self-employment and other financial and business services (including savings and technical assistance) to very poor persons". However, there is a difference between microcredit and micro finance. While micro credit refers to credit only, micro finance includes credit, savings, insurance, remittances, and other financial services. Raghuram Rajan Committee (2009), appointed by the Planning Commission of India, in its report "A Hundred Small Steps on Financial Sector Reforms" also views: "Micro finance (financial inclusion) is not only about credit, but involves providing a wide range of financial services, including savings, accounts, insurance, and remittance products. Credit provision, without adequate measures to create livelihood opportunities will not yield desired profits." Thus, microfinance, in both theory and practice, includes a wide range of financial services such as savings products, insurance, pledge, and remittances. As of now, the most appropriate definition of microfinance is considered the one given by the "Task Force on Supportive Policy and Regulatory Framework for Microfinance": "Microfinance is the provision of thrift, credit and other financial services and



products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.” However, the Task Force has not chosen to indicate any specific limit for ‘small amount’. But, the report on micro credit of the Reserve Bank of India’s (RBI) ‘Micro-credit Special Cell’ has proposed a ceiling on Microfinance of Rs. 25,000 as constituting the limit per borrower outstanding at any time.

Here, it also seems pertinent to define and distinguish the two broad and sometimes overlapping microfinance initiatives: poverty lending and micro-banking. ‘Poverty lending’ is the term used to denote the objectives that give higher priority to social outreach than financial sustainability, though organizations may strive for both. However, poverty lending may also include savings and insurance services within its fold. But, micro-banking is characterized by a drive for financial sustainability as a permanent financial intermediary.

**Evolution of Micro Finance:** The greatest triumph of micro finance is the demonstration that poor households can be reliable bank customers. The received wisdom at the beginning of the 1970s held that substantial subsidies were required to run financial serving poor households in low-income countries. Government banks often shouldered the task of serving the poor, usually with a focus on farmers. However, most state-run banks were driven by political imperatives, and so they charged interest rates well below market rates and even then collected loan repayments only half-heartedly. The risks inherent in agricultural lending together with the misaligned incentives led to institutions that were costly, inefficient, and not particularly effective in reaching the poor (Conning and Udry: 2007). (Conning, Jonathan, and Christopher Udry (2007): “Rural Financial Markets in Developing Countries”, in Chapter 15 of Handbook of Agricultural Economics, Vol. 3, Robert Evenson, Prabhu Pingali, and T. Paul Schultz (eds.), Amsterdam: Holland. ).

At the beginning of the 1980s, microfinance pioneers started shifting the focus. Instead of farmers, they turned to people in villages and towns running “non-farm enterprises” like making handicrafts, livestock-raising, and running small stores. The shift brought advantages: non-farm businesses tend to be less vulnerable to the vagaries of weather and crop prices, and they can generate income on a fairly steady basis. The top micro-lenders boast repayment rates of 98 per cent and higher, achieved without requiring that loans be secured with collateral.

The experiences taking place in cities and villages in Latin America, Africa, and Asia refute decades of assertions that the way to serve the poor is with massive subsidies. The high loan repayment rates for micro finance institutions were credited to new lending practices, especially “group lending” (also called “joint liability” lending), and economic theorists took note of this. In the original models, customers were typically formed into small groups and required to guarantee each others’ loan repayments, aligning their incentives with those of the bank. Today, a broader set of mechanisms is recognized as also contributing to micro finance successes- especially the credible threat to deny defaulters’ access to future loans, with or without group contracts.

These banking successes should be celebrated. They pave the way for broadening access to finance for hundreds of millions, perhaps even billions, of low-income people who today lack ready access to formal financial services (Annexure). Such access on its own is not yet proven to increase economic growth or to reduce poverty on a large-scale level and, as a general proposition, we doubt that it will on its own. However, such access can do something more modest but critical: it can expand households' abilities to cope with emergencies, manage cash flows, and invest for the future- basic financial capabilities that most of us take for granted but that are especially critical for low income households operating on tight margins. In addition, micro-finance institutions have proven particularly able to reach poor women, providing the hope of breaking gender-based barriers. In most places men dominate farming decisions, but women play larger roles in running household side-businesses, and women have quickly become the main micro-finance clients, even in countries where gender equality is far from the norm. By 2000, 95 women have become a focus of microfinance worldwide, though the average share of women served is substantially lower for commercial micro finance institutions than for nongovernmental organizations.

### **Micro Finance: A Historical Perspective:**

The microfinance is an old concept but relatively new term. From historical point of view, the evolution of the concept of microfinance could be traced back to 1300 when the different forms of microfinance and collective lending have existed for hundreds of years. These include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia and "tontines" in West Africa, writes David Patrikarakos. The evolution and chronological development of the concept of microfinance has been presented in Annexure 1.

The origin of the modern concept of microfinance could be traced back to the beginning of the cooperative movement in Europe, where the movement was started way back in 1844 in the field of cooperative-based credit system. The basic premise of microfinance is that more than subsidies, the poor people need access to credit. Absence of formal employment makes the poor non-bankable. This has given genesis to 'credit without collateral', what has been rechristened now as 'micro finance'. However, micro finance emerged as a new concept and development intervention and tool in the 1970s mainly due to the establishment of 'Grameen Bank', in 1976, by Prof. Muhammad Yunus in Bangladesh. In fact, the origin of the concept of micro finance in today's context is considered especially from 1976 onwards.

### **A brief historical profile of 'Grameen Bank' seems in the fitness of the context under discussion.**

The origin of 'Grameen Bank' can be traced back to 1976 when Professor Muhammad Yunus of Chittagong University, Dhaka, Bangladesh launched a research project to examine the possibility of designing a credit delivery system to provide banking services targeted to the rural poor. Professor Yunus's premise of microfinance is that rural poor people have skills that remain

utilized and/or under-utilized because of lack of funds. They suffer from financial exclusion as they do not possess collateral to get credit from formal financial organizations. It was basically the terrible Bangladesh famine in 1974 which influenced Professor Yunus to give a small amount of US\$ 27.00 to a group of 42 families so that they could create small items for sale without the burdens of predatory lending. Professor Yunus found it a quite successful experiment. This experience gave Professor Yunus a belief that the poor and impoverished people can also rise out of abject poverty if they are able to access loans mainly small/micro loans to start their own small economic activities. Accordingly, a group-based credit approach based on the notion “One for All and All for One” was applied which utilized the peer-pressure within the group to ensure the borrowers follow through and use caution in conducting their financial affairs with strict discipline, ensuring repayment eventually and allowing the borrowers to develop good credit standing. Eventually, the Grameen Bank as an outgrowth of Professor Muhammad Yunus’s idea came into existence in 1976. Initially starting with the village of Jobra, the Bank outreached the entire Bangladesh and became an immensely successful development intervention in fighting with rampant poverty stalking the country (Rahman: 2001: 4) (Rahman, Aminur (2001): “Women and Microcredit in Bangladesh: Anthropological Study of Grammen Bank Lending” Western Press, Boulder, Colorado).The Bank today continues to expand across the nation and still provides small loans to the rural poor mainly women. By now, the Grameen branches have reached to four digits (around 2,500) across Bangladesh. By the beginning of 2005, the bank had loaned over US\$ 4.7 billion to the poor (Papa et. Al.: 2006:72) (Papa, Michael J., Arbind Singhal and Wendy H. Papa (2006): “ Organizing for Social Change: A Dialectic Journey of Theory and Practice”, Sage Publications, New Delhi). Impressed by the significant role of microfinance in poverty alleviation particularly rural poverty, the United Nations (UN)- the organization of all the countries of the world- declared the year 2005 “The UN Year of Micro Credit.”

As recognition for its success in removing poverty, the Grameen Bank received several prestigious awards including the highest civilian award in Bangladesh, the Independence Day Award in 1994 and the Bank’s Low-Cost Housing Programme won a World Habitat Award in 1998. But, the greatest recognition of the bank’s profound achievements came on October 13, 2006 when the Noble Committee awarded Grameen Bank and its founder, Professor Muhammad Yunus, the 2006 Nobel Peace Prize “for their effort to create economic and social development from below.”

### **The Indian Microfinance: Development and Scope:**

Having presented the microfinance scenario around the world in its historical perspective, now it seems pertinent to present the microfinance scenario in India. When we talk about rural finance in India, more often than not, the stereotype offered is that of a banking system that fails to reach out the poorer clients and, when it does, fails to recover the money so disbursed. The counter-point offered is usually ‘the magic wand of microfinance.’

As regards the evolution of the concept of 'micro finance' in historical perspective in India, it can be traced far back to 'chit funds' during the fourteenth century (Annexure 1). The enactment of the Cooperative Credit Societies Act, 1904 could be considered the beginning of modern micro finance in India. Since independence, the Government of India, in general, and the Reserve Bank of India, in particular, has made concerted efforts to provide the poor with access to credit. The first step taken in this regard was setting up the All India Rural Credit Committee in 1966. But, the tardy and limited success of cooperatives forged the need for nationalization of commercial banks and later on establishment of Regional Rural Banks (RRBs) with a mandate to provide credit to the low income households. Just Professor Mohammad Yunus is considered the father of 'micro finance' in Bangladesh and in the world over by establishing 'Grameen Bank' in 1976, so is considered Smt. Ela "Ben" Bhatt as mother of microfinance in India by establishing 'Shri Mahila Sewa Sahkari Bank' under SEWA over three and half decades ago.

However, the credit flow to the poor for meeting their requirements did not get institutionalized. Some of the major causes lie in the difficulties in dealing effectively with a large number of small borrowers who require credit frequently and in small sums followed by the banks' perception of the risk and creditworthiness of these small borrowers. To address these problems effectively, the microfinance has been tried as a viable alternative for reaching the hitherto unreached and under-reached to fill up the demand-supply gap. The success stories in micro finance in the neighbouring countries, like Grameen Bank in Bangladesh, Bank Rakyat in Indonesia, Commercial and Industrial Bank in Philippines etc., gave further boost to the concept of microfinance in India during the 1980s. Thus India also adopted the similar model of extending credit to the poor people also took a number of steps and initiatives to promote micro

People's participation in self-help organizations is not new. In Kenya, local self-help development efforts- harambee (Thomas, 1985); in Vietnam, Tontines or Hui with 10 to 15 members that are involved in financial activities through cash or kind; and in Indonesia, self-help efforts through credit unions, fishermen groups, village-based banks, irrigation groups etc. have been in existence (Gaonkar, 2004). In the areas of urban development and housing, self-help takes the form of neighbourhood groups, tenant groups, slum development committees and so on. In rural development, it is through credit groups, development committees, user groups and so on. Group-oriented efforts in the form of micro-credit groups different countries of Latin America, Africa and Asia are examples of current self-help efforts. The famous Grameen groups in Bangladesh and the self-help groups (SHGs) in countries like Thailand, Nepal, Srilanka and India are forms of micro-credit groups.

Since Independence in 1947, the Government of India and the Reserve Bank of India (RBI) have made concerted efforts to provide the poor with access to credit. Despite the phenomenal increase in the physical outreach of formal credit institutions in the past several decades, the disadvantaged sections of society including women continue to depend on informal sources of credit. Regular institutions have faced difficulties in dealing with a large number of small borrowers, whose credit needs are small and frequent and their ability to offer collaterals is

limited. Besides, cumbersome procedures and risk perceptions of the banks leave a gap in serving the credit needs of the poor.

It is in this context that micro credit has emerged as the most suitable and practical alternative to the conventional banking in reaching the hitherto unreached poor population. Micro credit enables the poor people to be thrifty and helps in availing the credit and other financial services for improving their income and living standards. The Self-help Group (SHG)-Bank Linkage Programme was formally launched in the year 1992 and aptly supported by the RBI through its policy support. The Programme envisages organization of the rural poor into SHGs for building their capacities to manage their own finances and then negotiate bank credit on commercial terms.

The fact that credit plays a crucial role in the modernization of agriculture had been established long ago, but its role in the fight against poverty has been recognized lately. The information, resources, skills and technology base of the poor are very weak and the scale of their operation, irrespective of the economic activity pursued by them is small. The need to expand or diversify operations places tremendous strain on the existing family income, which is barely adequate to meet routine production and consumption requirements. The credit delivery channels in the rural areas include the credit retail outlets of commercial banks, regional rural banks and cooperative banks and almost all of them concentrate on loans for farm sector.

### **Clients of Micro Finance**

The typical micro finance clients are low-income persons that do not have access to formal financial institutions. Micro finance clients are typically self-employed, often household-based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, micro finance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Micro finance clients are poor and vulnerable non-poor who have a relatively unstable source of income.

Access to conventional formal financial institutions, for many reasons, is universally related to income; the poorer you are the less likely that you have access. On the other hand, the chances are that, the poorer you are, the more expensive or onerous informal financial arrangements. Moreover, informal arrangements may not suitably meet certain financial service needs or may exclude you anyway. Individuals in this excluded and under-served market segment are the clients of micro finance.

Micro enterprises are working in informal sector. Within the communities from where micro entrepreneur comes have suppliers of money. Such moneylenders may be exploiting the needy. Since full information about who is willing to supply money and who is willing to borrow is not easily available, there is asymmetry. A person might have greater amount of information about the needs and reliability of a small circle of people with whom s/he might have

regular dealings. There require social institutions like cooperatives, Self Help Group, Micro Finance Institutes who can manage financing with special care of so-called micro clients (Gupta: 2008) (Gupta M.S. (2008): “Micro Finance Through Self Help Group- An Emerging Horizon for Rural Development”, The Indian Journal of Commerce, Vol 61, July-September, pp 36-39.)

**Micro-finance service is providing primarily through the following:**

- (a) Formal institutions- Regional Rural Bank, cooperatives
- (b) Semi-formal institutions- Non-Government Organizations
- (c) Informal Sources- Money Lenders and Shopkeepers

However, the rural non-farm sector is increasingly becoming economically dominant and an important part of the structural changes in the rural economy. This sector includes employment for small/marginal farmers and landless agricultural labourers, especially during the non-crop season. It also provides an opportunity for rural women to take up remunerative work beyond casual labour and household labour. After many years of centralized planning, it is clear that the government can not ensure employment. The industrial and agricultural sectors are unable to absorb the growing labour force. **Micro-enterprises, therefore, provide opportunities for gainful employment while preserving the social structure.**

There is no specific definition of micro-enterprises or of rural micro entrepreneurs, but the rural non-farm sector would comprise of small and marginal farmers who undertake some ag-processing activities, rural artisans and craftsmen and those engaged in cottage industries, units covered under the khadi and village industries boards, tiny industries, (all IRDP borrowers) now SGSY/SHG borrowers and some other small scale industries. These micro-enterprises contribute about 40 per cent of the gross industrial turnover and 34 per cent of total exports. **Thus, with increasing employment and incomes, the rural non-farm sector works as an important safety net and has had a positive impact on poverty alleviation. Micro-enterprises would be more robust if their emerging needs are addressed effectively. Non availability of adequate and timely credit is one of the most important areas of concern for micro-enterprises.**

**Enabling Policy Support for Micro Finance**

In India, RBI and NABARD played a key role in creating a conducive policy environment for the development of Microfinance sector. RBI's<sup>1</sup> (1991) first circular sent to all scheduled commercial banks contained the following instructions- “NABARD is launching a pilot project for SHG-Bank linkage programme to cover 500 Self-Help Groups and it will support the pilot project by way of refinance, provide the technical support and guidance to the agencies participating in the programme. AS this is a novel concept to be tried in the country on a pilot basis and needs all possible support, it may be necessary to deviate somewhat from the existing norms applicable to lending by Commercial Banks. The banks are advised to actively participate in the pilot project. Banks may charge the interest on the finance provided to the groups at the rate indicated by NABARD. Further the groups will free to decide on the interest

rate to be charged to its members, provided the rate of interest is not excessive. While the present norms relating to margin, security, as also the scale of finance and unit cost will broadly guide the banks for lending to the SHG, deviations there from can be made by the banks where deemed necessary.” This guideline by the regulator was considered to be the most radical as it had given a total flexibility by relaxing the norms related with margin, security and unit costs so that the sector will evolve over a period.

NABARD’s<sup>2</sup> (1992) circular issued detailed operational guidelines to banks for implementation of the SHG-Bank linkage programme. NABARD’s<sup>3</sup> (1993) circular to all the Registrar of co-operative societies in all states carried the message that the linkage programme is extended to co-operative banks also. NABARD’s<sup>4</sup> (1994) circular clarified the legal position in respect of the size of the group. “Section 11 (2) of the companies act forbids any company, association or partnership consisting of more than 20 persons for the purpose of carrying on any business that has for its object the acquisition of gain by the said association or by the individual members thereof, unless it is registered as a company under the companies act. As the SHGs will be \_\_\_\_\_

**1 RPCD No. PLAN BC13/PL-09.22/90-91 dated 24th July 1991.**

**2 NB.DPD.FS. 4631/92-A/91-92 dated 26th February 1992.**

**3 NB.DPD.SHG. 618/92-A/93-94 DPD 14/93 dated 29th May 1993.**

**4 NB.DPD.SHG.2353/92-A/94-95 dated 19th October 1994.**

Availing loan from the banks with a view to developing and ameliorating socio-economic conditions of the individual members and their respective families, the said group will be covered by the provision under the Section 11 of the companies act. Such an association would not be recognized by law and it can not sue to recover any debt or other property nor can be sued to recover money lent to it to carry out its object.” In view of this section, NABARD advised banks to have SHGs with not more than 20 persons for the linkage activities.

RBI’s<sup>5</sup> (1996) circular, to all schedule commercial banks dealt with the follow up actions to be taken by the banks for the recommendations submitted by the working group on NGOs and SHGs headed by Sri S.K. Kalia. The important recommendations, adopted by RBI for follow up by the banks are as hereunder:

- SHG linkage to be treated as a separate segment in Other Priority Sector (OPS) as advances to SHGs
- Branch to include the names of NGOs in background papers of service area credit plan.
- Service area norms for SHGs relaxed.
- Uniform documentation for SHG lending introduced.
- Training to branch managers and officers of banks to be arranged.

- SHG linkage to be added in corporate plan and training curriculum.
- Even though the SHGs members with defaulted overdues, such as SHGs can also be assisted with SHG loans. But that SHG should not finance for that particular overdue member.
- RBI to review the SHG lending by banks every half year.

NABARD's<sup>6</sup> (1997) circular prohibits blocking of group's savings in group's SB account by banks as collateral for providing loans to SHGs. This practice deprives the SHGs of their savings otherwise available to them for loaning to their members.

RBI<sup>7</sup> (2000) in its circular, advised banks that micro credit extended by them through any models or through any conduct/intermediary will be reckoned as their priority sector lending, i.e. banks can lend to MFIs adopting other than SHG mechanism for providing micro credit to the poor. Such micro credit can be provided to individuals or groups which do not conform to basic characteristics of SHGs and such non-SHG groups could be small groups like Gramin type groups (membership 5), small cooperatives, etc. where the management of savings and the credit decisions rest mainly with MFI.

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**5. RPCD.No.PL.BC. 120/04.09.22/95-96 dated 2nd April 1996**

**6. NB.DPD.NFS./H-5253/CDID/92-A/96-97 dated 21st February 1997**

### **Self-Help Group (SHG)**

“A Self-Help Group (SHG) is a registered or unregistered group of micro entrepreneurs having homogenous social and economic background voluntarily, coming together to save small amounts regularly, to mutually agree to contribute to a common fund and to meet their emergency needs on mutual help basis.” In short, SHG is a small group of rural poor, who have voluntarily come forward to form a group for improvement of the social and economic status of the members (Reddy: 2009). )Reddy, Yuvaraja (2009): “Impact of Self Help Group-Bank Linkage Programme in Andhra Pradesh”, Banking and Finance, New Delhi, Vol XXII No 3, pp-10-12)

1. It can be formal (registered) or informal.
2. The concept underlines the principle of, Credit and Self Help.
3. Members of SHG agree to save regularly and contribute to a common fund.
4. The members agree to use this common fund and such other funds (like grants and loans from banks), which they may receive as a group, to give small loans to needy members as per the decision of the group.



5. The group members use wisdom and peer pressure use of credit and timely repayment thereof. In fact, peer pressure has been recognized as an effective substitute for collaterals.

Need of SHGs: The rural poor are incapacitated due to various reasons, such as; most of them are socially backward, illiterate, with low motivation and poor economic base. Individually, a poor is not only weak in socio-economic term but also lacks access to the knowledge and information, which are the most important components of today's development process. However, in a group, they are empowered to overcome many of these weaknesses. Hence, there are needs for SHGs, which in specific terms are as under:

1. To mobilize the resources of the individual members for their collective economic development.
2. To uplift the living conditions of the poor.
3. To create a habit of savings.
4. Utilization of local resources.
5. To mobilize individual skills for group's interest.
6. To create awareness about rights.
7. To assist the members financially at the time of need.
8. To identify the problems, analyzing and finding solutions in the group.
9. To act as a media for socio-economic development of the village.
10. To develop linkages with institutions of NGOs.
11. To organize training for skill development.
12. To help in recovery of loans. To gain mutual understanding, develop trust and self-confidence.
13. To build up teamwork.
14. To develop leadership qualities (Nishant: 2008). (Nishant Bali (2008): "Micro Finance- Its Limitations and Opportunities", A Project Report.

## **OPERATIONAL ASPECTS OF SHG**

### **Self-Help Group in Indian Context**

In Indian context, SHG is an informal association of 10 to 20 poor like-minded persons in a village, with a common objective of helping themselves mutually and also striving for their economic as well as social advancement and also for their overall village development. NGOs form SHGs.

#### **Eligibility Criteria for Membership**

- Person from the poorest household (women, men or both)
- Those, residing in the same village
- Generally, if women, married are preferable

- 18 to 60 years of age
- Preference is given to include widows, women headed households, tribals, landless, handicapped, socially neglected and hut dwellers.

### **Group Processes**

The SHGs follow distinct processes, then only they become operationally stabilized over a period of time, say 6 months to one year from the date of inception of the SHG.

**(a) Rules and Regulations:** The SHGs will evolve the rules and regulations over a period of its operations, as and when the need for the same is felt. However, the NGOs or the bankers or the project officials may facilitate the SHGs to evolve the rules. An illustrative lists of rules commonly followed by SHGs is as follows:

- Group meetings on fixed days or dates and at fixed time.
- Group to conduct the meeting as per the agenda.
- Group can collect the fine from absentees.
- Groups should have two-third presence of members in the meeting for taking important decisions.
- All financial transactions of the members be held in public in the group meetings only.
- All groups meetings, discussions and decisions taken are properly recorded in the resolution note and signed by the members present.
- Group can decide about how much to save (for example, not less than Rs. 20 per fortnight or Rs.10 per week), what is the maximum relative loan size, its interest and terms of repayment.
- Groups can decide about the tenure of leadership.

**(b) Group Meetings:** The SHG conduct its group meetings on fixed days/dates at fixed times convenient to the members. Normally, the meetings take place in the evenings. Monthly two meetings is most common among the SHGs. But, weekly meetings are better, as it will have frequent face to face interaction among members, which will result in better understanding among the members. The group meeting will be conducted as per the agenda namely, prayer, pledge, attendance, review of previous minutes of the meeting, collection of savings, subscription, relative loan/bank loan repayments, discussion on credit sanctions, delivery of credit, planning for village development activities, passing the resolutions by recording them in the resolution note, reading out and getting the members signature in the resolution note. By observing the group meetings keenly, we can know the group dynamism (how the members express their opinions freely, how the view of other members are sought and valued while arriving at a decision by the group and how the leaders encourage other members to take responsibility) in the SHG, which is a key factor in the rating of the group.

**(c) SHG Funds Management:** The SHG collects the savings from their members in the group meetings held every week, fortnight or monthly. Weekly savings is the best option, as it will be easy for the group members to save in small amounts. SHG rotates the savings among its members as relative loans for various purposes. The purpose will be prioritized by the group in the meeting. The interest on relative loan collected from the members will be a major source of revenue for the SHGs.

All the funds are properly accounted for in specific books of accounts of the SHG. The SHG maintains the savings bank account in its name, in a bank of its choice. (As the service area norms have been relaxed for the SHGs). Keeping the account with the service area bank is preferable. The account is to be operated jointly by the SHG leaders or representatives. The group will maintain a nominal balance Rs. 100 to 500 only as cash at hand and the rest will be deposited in the bank.

The members who have opted to save more, are not granted with any special benefits, except to the proportionate increased share in the dividend distributions made out of the interest income. The NGO or Project Staff are not handling the SHG's money. Animator/Representatives should not collect any money privately from the members on behalf of the group. The SHG takes the lending decision more judiciously, in the group meeting and it is recorded in the resolution book. After a period of 3 to 5 years, the SHG will review its relative loan interest, repayment, loan size norms and can introduce appropriate changes as felt by the group.

**(d) Linkage with Institutions:** Over a period of time, SHGs create linkages with NGO, bank, panchayat level federation of SHGs, panchayat raj institutions, insurance companies, block development office, schools, fair price shop, veterinary hospital, primary health centre, agriculture department and so on and enable their members to access these services, hitherto unreached by them.

#### **SHG-BANK LINKAGE PROGRAMME**

**(a) Lending Process:** Once, the SHGs get stabilized functionally, which normally takes a period of 6 months to one year, depending upon the inputs that go building up the SHGs. The SHGs are graded by the bankers based on the core functional parameters, namely meetings conducted, attendance, regularity of savings, rotation of savings as loans disbursed, repayments and book keeping. Those, SHGs scoring a higher marks above the cut off level, are linked to bank credit. Initially, small doses of loans are given in multiples of their savings and for subsequent loans, the loan size is increased. The SHG loan repayment is high, due to the peer pressure of the group. In SHG-Bank linkage programme, no other collateral is taken by the bank. Peer pressure acts as the collateral.

**(b) Eligibility Criteria for Credit:** The basic criteria for selection of a SHG for bank are:

- The group should have completed minimum 6 months.
- The group should have promoted savings and credit operations.

- The group should maintain the minutes and accounts books.
- The group should not have more than 20 members.
- The Umbrella support of a NGO is desirable.
- The group should be rated both quantitatively and qualitatively using the rating tool provided by the bank.

Bankers need to have an interaction with the members of the entire group to assess the qualitative features of the SHG (For example, assessing the members participation level- by observing the group proceedings for a few minutes, we can know, whether the SHG is dominated by a few or all members take active part in the deliberations). The quantitative aspects can be verified from the records maintained by the groups. The bankers can make use of the available grading/rating tool to rate the performance of the SHGs.

- (c) **Loan Size:** Loan size is sanctioned in multiples of group's savings, interest earned and in proportion to the SHG's credit absorption capacity (savings: credit 1:4 ratio).
- (d) **Margin:** No margin needs to be taken from the group.
- (e) **Purpose:** The SHG shall on-lend the SHG loan to its members for any purpose, as decided by the group (Even for consumption purposes also).
- (f) **Interest Rate:** Bank to SHG: Interest rate is deregulated (Now not exceeding Prime Lending Rate (PLR) of respective bank). SHG to members: as decided by the group.
- (g) **Security:** No collateral is taken. Only peer (Group) pressure is the security. All members are jointly and severally liable.
- (h) **Type of Facility:** It is offered either as term loan or cash credit-running facility.
- (i) **Repayment:** Repayment period without any holiday period may be prescribed in consultation with the SHG.
- (j) **Sector:** Priority Sector.
- (k) **Documentation:** Inter-se agreement signed by all the members and articles of agreement signed by the office-bearers of the SHG.

Other than direct SHG-Bank linkage programme, various subsidized credit programmes are offered through SHGs and various banks have brought out several exclusive products/projects/processes for SHGs.

## **INTEGRATION WITH OTHER PROGRAMMES**

Microfinance component is built in all the major programmes, like watershed development, wasteland development, land reclamation projects, forest management programmes and poverty alleviation programmes like Swarn Jayanti Gram Swarozgar Yojana (SGSY) and Swarna Jayanti Sahakari Rozgar Yojana (SJSRY).

## **MICROFINANCE DELIVERY MODELS**

As Indian rural context is diverse, no one model emerged as fits for all. Various models are in practice as herein below.

- (a) **NGO as a Social Intermediary:** In this model, the NGO has no financial role and only act as a social intermediary. NGO facilitates direct credit linkage of SHGs with banks. The NGOs assist the banks in monitoring the credit linked SHGs.
- (b) **NGO as a Financial Intermediary:** In this model, the NGO has a financial role, i.e. NGO obtains loan from a bank and adds a margin to it and then on-lends to the SHG.
- (c) **Bank as Self-Help Group Promoting Institution:** In this model, the promotion of groups is done by Banks themselves. Initially, NGOs train the bankers in social mobilization. Later, the Bank acts as a Self-Help Group Promoting Institution (SHPI).
- (d) **Joint Venture:** Under this model, Bank and NGO jointly float a new structure as a Microfinance Institution (MFI) to deliver the micro credit.
- (e) **Bulk Lending to NGOs and Federations of SHGs:** Under this model, the banks or wholesalers in micro finance, like NABARD, SIDBI's Foundation for Micro Credit (SFMC), Friend's of Women's World Banking (FWWB) and Rashtriya Mahila Kosh (RMK) provide loan funds to the NGOs/apex bodies of SHGs like federation of SHGs, which in turn on-lend to SHGs.
- (f) **NGO-MFIs:** Under this model, the NGOs are transforming themselves into Microfinance Institutions to offer the micro credit and other financial services to the poorest of the poor.

Each model has its own advantages and disadvantages. But, most commonly found model is the one in which the NGO acts as a social intermediary.

### **SHG PROGRESS IN NORTH-EAST REGION AND NAGALAND**

States like Assam, Meghalaya and Tripura top among the states. While Assam has reported 2817 SHGs Savings linked per lakh BPL population, Mizoram is at the lowest with only 92 SHGs. NE States have also lesser number of SHGs credit linked compared to SHGs savings linked when compared to other regions.

### **Figure1: Intra Region SHG Penetration-North-East Region**



	of SGHs	Amount	SGHs	Amount	of SGHs	Amount	SGHs	Amount
Assam	81717	6438.90	178655	4585.61	24955	265.0	285327	11289.51
Arunachal Pradesh	551	39.00	1549	110.98	488	3.03	2588	153.01
Manipur	2672	63.08	6367	31.84	00	0.00	9039	94.92
Meghalaya	1428	114.43	3019	380.41	2783	41.81	7230	536.65
Mizoram	187	4.46	00	0.00	00	0.00	187	4.46
Nagaland	2437	210.08	00	0.00	00	0.00	2437	210.08
Sikkim	343	35.49	00	0.00	00	0.00	343	35.49
Tripura	9148	558.00	00	0.00	00	0.00	9148	558.00
Total	98483	7463.44	189590	5108.84	28226	309.84	316299	12882.12

substantial decline in both number and amount of loans have been reported in the North Eastern region.

Table 1.2: Progress under Microfinance – Bank Loans Disbursed during the year State-wise/Agency-wise Position in North-East Region during 2013-14

States	Commercial Banks		Regional Rural Banks		Co-operative Banks		Total	
	No. of SGHs	Loan Disbursed Amount	No. of SGHs	Loan Disbursed Amount	No. of SGHs	Loan Disbursed Amount	No. of SGHs	Loan Disbursed Amount
Assam	4444	3510.21	10202	8110.25	272	247.05	14918	11867.51
Arunachal Pradesh	43	72.67	28	27.59	65	5.12	136	105.38
Manipur	148	76.69	204	17.78	00	0.00	352	94.47







Tripura															
Total															

## SHG POGRESS IN MOKOKCHUNG AND KOHIMA

### Review of Literature:

As preliminary and preparatory part of present research work, the research scholar undertook a review of literature on microfinance and micro enterprises. The review enabled the research scholar to ascertain the contributions made by various experts and scholars in the field and to identify the promising virgin field awaiting fresh initiatives.

### Micro Finance

The collected literature on “Micro Finance” is organized under three heads, namely ‘Organizational Aspects’, ‘Financial Aspects’ and ‘Impact of Micro Finasnce.’

### Organizational Aspects

Ramalingam C. (1987)<sup>1</sup> studied SHGs through case study method and reported that the group system failed where the members had come together only for the sake of taking loan and the group pressures did not work because the group did not have a very cohesive structure and the group comprised members of both the poor and the non-poor classes.

Puhazhendhi V. (1997)<sup>2</sup> evaluated the SHGs in Tamil Nadu and observed that among the total number of groups promoted by different NGOs, about 9 per cent of them disintegrated over the last five years. Reasons attributed for such disintegration were non-cooperation of individual members with group activities, personality clas between office bearers and the group and lack of follow up by the NGO field staff.

Narain M.K. (1998)<sup>3</sup> in his Ph.D. research in Meerut distric, while examining the factors, which brought the people together to form a group, found out that proximity and relationship of any kind namely social, economical, or political are tha important factors.

Srinivasan Girija (2000)<sup>4</sup> while making a case study on Sahyadri Gramin Bank in Shimoga, Karnataka, observed that initially loans were assured to many of the groups, and hence the groups were formed very quickly. However, since loans were linked to savings of the group and the loans were not sufficient to meet the credit needs of members, many of the groups became defunct. She also reported that as per the estimates of the head office of the Sahyadri Gramin Bank, nearly 40 per cent of the groups were defunct.

Puhazhendhi V. and Satyasai K.J.S. (2001)<sup>5</sup> carried out the evaluation study in 11 States and found that the major factor influencing the cohesiveness of the group was homogeneity in terms of standard of living as reported by 60 per cent of the members, followed by stay within the neighbourhood as reported by 20 per cent of the members and similar activities as reported by 10 per cent of the members.

Satish P. (2001)<sup>6</sup> analysed the issues in the formation of self-help groups and found that the proportion of the poorest is generally high at 38.8 per cent of the total SHG members in case of NGO promoted groups, whereas the poorest is only 14.6 per cent of the total SHG members in case of bank promoted groups.

Chaudhury, A. Iftekhar and Imran Matin (2002)<sup>7</sup> studied the effect of same member joining different groups in Bangladesh and observed that the loan repayment performance of the same member joining different groups is significantly worse than the member joining only the groups of BRAC.

Lalitha N. and Nagarajan B.S. (2002)<sup>8</sup> reported that bigger the size of the groups, lower is the group cohesion. Thus, the size of group is inversely related to cohesiveness. It is found out from the study that 45 per cent of the sample respondents were not satisfied with the present size of loans. There is an emerging gap between credit expectation and credit supply and unless this gap is reduced, the social momentum of the project may be adversely affected in course of time.

Fernandez Aloysius Prakash (2003)<sup>9</sup> while sharing the MYRADA experience observed that a government sponsored microcredit scheme in Dharmapuri district, which provided loans only for income generating assets, showed that over 60 per cent of repayments on asset loans, came from sources other than the income generated by the asset.

Basu, Priya et al. (2004)<sup>10</sup> reported that there was an absence of strong relationship between village level indicators of poverty and number of SHGs in a village. They also found that higher the rates of illiteracy, fewer were the SHGs in the village.

Basu, Priya and Pradeep Srivastava (2005)<sup>11</sup> reported that the rural finance access survey carried out in Andhra Pradesh and Uttar Pradesh revealed the fact that 54 per cent of the SHG members hailed from poorest categories of landless and marginal farmers.

### **Financial Aspects**

Chandra D. (1993)<sup>12</sup> analyzed the rural lending systems in India and tested the findings in three districts of Punjab through field survey. Her findings brought out clearly the huge gap between credit requirement and credit supply in rural areas. She also found that supply side from formal sector can never reach anywhere near the credit demand of the rural people.

Puhazhendhi V. (1995)<sup>13</sup> studied the transaction cost of lending through SHGs and found that lending through SHGs reduces the bank's transaction cost of lending by 41 per cent and the borrower's transactions cost comes down by 85 per cent.

Puhazhendhi V. (1997)<sup>14</sup> reported that the transaction cost at bank's level was reduced by 40 per cent in case of lending through SHGs for the first loan as compared to IRDP lending and further by 59 per cent for the second and subsequent loans. This was mainly due to familiarity of bank personnel with the groups and lending norms for them.

Groen, Ruth Goodwin (1998)<sup>15</sup> quoted a world bank study (Khandeker et al. 1995) on Gramin Bank to find out its efficiency and future sustainability, which revealed that for Gramin Bank to be fully financially self sufficient, it needed to either increase its interest rate from 16.5 per cent to 20.2 per cent or increase its volume of lending by 41 per cent annually, while keeping costs stable. Gramin Bank has increased its volume of lending.

Ledgerwood Joanna (1998)<sup>16</sup> observed that as per the world bank's sustainable banking with poor project survey of micro finance institutions, by September 1995, about 7 billion US dollars in outstanding loans had been provided to more than 13 million individuals and groups.

Srinivasan Girija (1998)<sup>17</sup> found that a peculiar feature of SHG lending is that the average loan registers quantum jump in the subsequent years since the savings of the members to which the credit is linked increases. Banks also increase the savings to credit ratios for subsequent loans from 1:1 to 1: in phases. Neither individual loans nor IRDP loans register such an increase. In fact, the discussions with the branch managers revealed that the majority of the borrowers under Model I (Individuals- small borrowers) and Model II (Individuals under IRDP), who are availing loans for creating assets, neither renew their accounts nor avail fresh loans once the first loan is repaid. However, SHG loans almost double every subsequent year. Thus, the bank's transaction cost of lending per Rs 100 has the potential to register a sharp decline in respect of SHG loans as compared to individual loans.

CENDERET (Centre for Development Research and Training) (2000)<sup>18</sup> while examining the information available with Wester Orissa Resource Centre, found out that out of the total groups linked during 1999-2000, about 2 per cent of the groups were linked during the first quarter, 2 per cent of the groups during II quarter, 22 per cent in III quarter and 74 per cent in the last quarter. This procedural delay distracted most of the NGOs and the groups from linkage because the groups did not avail the bank loan at the time of need.

Dasgupta Rajaram (2001)<sup>19</sup> studied the women SHGs promoted under Maharashtra and observed that around 50 per cent of the groups in MRCP have taken credit from Banks. About 10 per cent of them have taken loans three times or more and 20 per cent of the older groups have not taken any loan. Among the borrowing groups, all do not like to take bank credit indefinitely.

Jairath M. S. (2001)<sup>20</sup> analysed the performance of SHGs in Resource Poor Tribal (RPT) regions and Resource Better off Non-tribal (RBN) regions in Rajasthan and found that the ratio between group savings and lending was on an average 1:2.4 and 1:2.86 in RPT and RBN regions respectively. Purpose-wise borrowings of SHGs members revealed that the RBN region more than 75 per cent of the borrowers took loan for production purpose as against 55 per cent in RPT regions.

Malaisamy A. et al. (2001)<sup>21</sup> assessed the repayment and overdue position of SHG and Primary Agricultural Co-operative Bank (PACB) beneficiaries in Madurai district of Tamil Nadu and found that the average borrowing per member of SHG was Rs 4528, where as the average borrowing per member of PACB was Rs. 10065. PACB members had a higher overdue of Rs. 4884 per household as compared to the SHG members overdue of Rs. 1012 per household. The regression analysis further revealed that 53 per cent of the variation in overdues position was explained by the debt-asset ratio, educational level of the beneficiaries and membership in SHGs.

Namboodiri N. V. and Shiyani R.L. (2001)<sup>22</sup> studied the financial deepening of SHGs formed by Panchmahal Vadodara Gramin Bank (PVGB), Gujarat as well as those promoted by NGOs and found that 62.7 per cent of total SHGs formed by PVGB was credit linked with bank, the credit advanced per SHG was Rs. 21540 and the credit-savings ratio was 3.67, whereas only 42 per cent of total SHGs formed by NGOs was credit linked with bank credit, the credit advanced per SHG was Rs. 12876 and the credit-savings ratio was 1.27.

Nedumaran et al. (2001)<sup>23</sup> examined the performance of SHGs in Erode and Tiruchirapally districts of Tamil Nadu and observed that the savings and the average loan per group member in the groups showed an increase based on the age of the groups. The average annual savings per member was Rs. 550 in the Self-Help Group in the age group of 2- 3 years, which almost doubled and the loan advanced increased by 33 per cent after a period of 4 years.

Sethi Binodini et al. (2001)<sup>24</sup> evaluated the performance of SHGs in Kalahandi district of Orissa and reported that only 18 per cent of the members of SHGs in the district received credit support from banks under the linkage programme. There was uneven distribution of credit among the members. As regards the quantum of credit support, the per capita loan was about Rs. 650.

Srinivasan G. et al. (2001)<sup>25</sup> analyzed the comparative financial performance of rural and urban SHGs in Coimbatore district of Tamil Nadu and observed that the average total defaults were found to be higher at Rs. 956 in rural SHGs, when compared to Rs 647 in urban SHGs. Because of higher defaults, the rural SHGs showed lower average recovery index (80 per cent) than the urban SHGs (87 per cent). They reported that the overall financial performance of the urban SHGs was better than that of the rural SHGs.

Srinivasan Girija and Satish P. (2002)<sup>26</sup>, while studying the transactions cost of lending through self-help groups, estimated that the risk cost is also reduced to 0.03 per cent in case of lending through SHGs, whereas it is as high as 7.88 per cent in normal bank lending.

Chellappa, Chitra C. (2002)<sup>27</sup> reported that SHG women respondents raised the capital for their micro enterprises from different sources of the capital from commercial bank loans and 23 per cent of the capital from the loans obtained from their SHGs.

Hickson Robert (2002)<sup>28</sup> carried out a study on the slum dwellers in Dhaka and found that the better –off households utilize microfinance services more extensively than do poorer households. On average the better-off households were participating in slightly over three different microfinance programmes, whereas poorer households were clients of 1.8 programmes.

Institute for Development Policy and Management (2002)<sup>29</sup> investigated the financial lives of the poor in North India and observed that banks and microfinance institutions must recognize that assetlessness precludes borrowing. If they wish genuinely to bring the poorest groups into the market, it must be first through a savings (or insurance linked savings) strategy through which people develop an asset base positioning them to bear risk and shocks in future. Savings must be more than a qualifying procedure for loan finance.

Kropp W. Erhard and Dr. B.S. Suran (2002)<sup>30</sup> found that the present indicators used to measure the linkage banking programme performance are number of SHGs credit linked with banks, volume of micro credit extended by the formal banking system and number of banks/branches involved. They suggested that savings accumulated by the groups and the internal loans given by the groups out of their savings, should also be collected to measure the linkage banking programme performance.

Seibel, Hans Dieter and Harishkumar, R. Dave (2002)<sup>31</sup> while assessing the commercial aspects of SHG banking in India, found that the non-performing loans in lending through SHGs were zero per cent. The operational self sufficiency of SHG banking ranged from 110 per cent to 165 per cent by average and 142 per cent to 286 per cent by marginal cost analysis.

Tankha, Ajay (2002)<sup>32</sup> analysed the cost of promotion of SHGs and found that for promoting SHG under a minimalist model of pure bank linkage, it costs Rs 4000 per SHG, whereas for promoting SHG under empowerment model and livelihood support, it costs between Rs 10000 and Rs 12000 per SHG.

Ananth Bindu and Soju Annie George (2003)<sup>33</sup> quoted a study carried out in Andhra Pradesh which revealed that for the poor, the main sources of risk are nature related (drought and floods) and health related aspects with the effect that any credit availed gets utilized for these two purposes.

Manthiri, Abbas A. (2003)<sup>34</sup> compared the transaction costs of lending through SHGs and other normal loans and found that the total transaction cost of lending through SHGs is reduced by 59.37 per cent, when compared with the other loans.

Seenivasan R. (2005)<sup>35</sup> examined the impact of DHAN foundation's 'Kalanjiam community banking programme' on SHG members and found that on an average a member in a group of 3-5 years old group has taken an average loan of Rs. 19975 during the period and a member in more than 5 years group got an average loan amount of Rs. 38476, which showed that the amount available as loan for the members are increasing as the life of membership increases.

Devaprakash R. (2006)<sup>36</sup> estimated the microfinance vision for banks in India for 2008 and reported that the formal banking system will reach 120 million clients with microfinance through 60 lakh SHGs.

Purushotham P. (2006)<sup>37</sup> in his national study on SGSY carried out in 23 States found that 45 per cent of group swarozgaris have been under financed, when they availed the bank loan under the SGSY and the amount of under financing varies from 6 per cent to 36 per cent of the unit costs approved for those activities taken up by them.

Ramakrishna R.V. (2006)<sup>38</sup> studied the performance of all banks under the SHG-Bank linkage programme and found that the total SHG loan outstanding with the banking system is Rs. 42054 million. The net non-performing assets under the SHG-Bank linkage programme are 1.36 per cent of the total SHG loan outstanding.

Christen, Robert Peck (2006)<sup>39</sup> analyzed the sustainability of SHGs in a federated model with loan loss provision and amortized promotion costs added to the regular operational costs and found that cost of providing support to SHGs is 15 per cent of the total assets of the SHGs on an annulized basis and members would need to pay an interest rate in excess of 36 per cent on loans in order to cover the all-in-costs of building and maintaining their access to financial services, if there were no subsidy involved.

### **Impact of Micro Finance**

Puhazhendhi V. (1997)<sup>40</sup> while carrying out NABARD's evaluation study of self-help groups in Tamil Nadu found that during the early years of group formation, around 72 per cent of loans were provided for consumption purposes whereas in the latter period of the group functioning, 69 per cent of loans were provided for production purposes. In the case of 45 per cent of embers, the loans were utilized for income generating activities such as animal husbandry, poultry and other on-farm activities.

Sebstad Jennefer and Cohen Monique (2000)<sup>41</sup> analyzed the impact of micro financial services on the non-income dimensions of poverty, specially those related to risk, vulnerability and assets and found that a mix of human and social assets may be more important for reducing the vulnerability of extreme poor households, while physical and financial assets may increase in importance for moderate and vulnerable non-poor households.

Chinnaiyan P. and Krisnamurthi P. (2001/2000)<sup>42</sup> studied the impact of community banking (SHGs) and the attitude of beneficiaries towards community banking in Madurai district of Tamil Nadu and observed that 86.67 per cent of people realized that the community banking (SHGs) programme improved their economic condition. They also found that 20 per cent of the members expressed that the community banking (SHG) programme needs modification for further expansion.

Datta K. Samar and Raman M. (2001)<sup>43</sup> estimated the contribution of average educational level of members in the SHGs to the SHG's net income per member. They found that on an average, one year of additional education leads to an increase of SHG net income per member by Rs. 318.

Marguerite S. Robinson (2001)<sup>44</sup> reported that Bank Rakyat Indonesia's (BRI) Unit desa system of microfinance programme helped Indonesia to reduce poverty from 40 per cent in mid-1970s to about 11 per cent in 1996.

Puhazhendhi V. Satyasai K. J. S. (2001)<sup>45</sup> evaluated the performance of SHGs with special reference to social and economic empowerment and found that the impact of SHGs was relatively more pronounced on the social aspects than on the economic aspects, the score value of the social aspects being 40 in the pre-SHG period as against 74 in the post-SHG period, while in the case of the economic aspects, it was 40 and 52 respectively.

Singh D. K. (2001)<sup>46</sup> studied the impact of SHGs on the economy of target groups in Kanpur Dehat district and reported that the per household annual income increased about 28 per cent from Rs. 20275 in the pre-SHG situation to Rs. 25883 in the post-SHG situation. He also found that the households were dependent on labour income in the pre-SHG situation. But, after formation of SHGs, they derived maximum income from dairy.

Puhazhendhi V. and K. C. Badatya (2002)<sup>47</sup> observed that 45 per cent of the members registered an increase in assets between pre-SHG and post-SHG situation. Increase in asset value is from Rs. 4498 to Rs. 5827 – a 30 per cent increase. They further noted that 20 per cent of SHGs had not received any sort of the training and 15 per cent of members moved above the Below Poverty Line (BPL) standard.

Rani, Sudha et al. (2002)<sup>48</sup> examined the impact of SHGs on women empowerment through four aspects, namely 'Participation of women in house management', 'Empowerment in health and sanitation', 'Economic empowerment' and 'Leadership.' They found that the empowerment of women in the age group of 31-40 is higher than the other groups. In all the above four aspects, there is positive co-relation between the educational status and empowerment. They further observed that the extent of empowerment in all four aspects increases with the period of participation.

Halder, R. Shantana (2003)<sup>49</sup> analysed the impact of microfinance programmes of BRAC in Bangladesh and observed that the poverty among BRAC households reduced by 7 per cent from



59 per cent to 52 per cent during the last four years, while the incidence of poverty among non-BRAC households increased from 68 per cent to 73 per cent during the same period.

EDA Rural Systems (2004)<sup>50</sup> carried out a study on development impact of microfinance in microfinance support project of SIDBI and found that nearly one third of supported enterprises were newly started with micro credit. It was also observed that 64 per cent of the enterprises reported increase in income. The study revealed that within the supported enterprises, 8 per cent of them were closed and higher rate of closure was reported in newly started enterprises.

Ganeshamurthy V.S. et al. (2004)<sup>51</sup> assessed the level of satisfaction about the bank services from the members of the SHGs banking with Lakshmi Vilas Bank, Suriyampalayam branch of Erode district of Tamil Nadu and found that majority (79.59 per cent) of the respondents reported low level of satisfaction and the range of score was between 5 and 15. About 20.41 per cent of the respondents reported medium level of satisfaction and the score was between 15 and 25. No respondent reported high level of satisfaction, for which the score was above 25.

Honohan Patrick (2004)<sup>52</sup> examined the impact assessments of microfinance programmes in Bangladesh and reported that the penetration of micro lending has increased to the point, where one household in every six actually borrowed from multiple lenders.

Venkateswaran S. (2004)<sup>53</sup> studied the impact of SHGs on their members in Madurai district and found that the respondents below Rs. 15000 income level were 69.3 per cent of the total respondents in pre-SHG period, which has come down to 34.7 per cent of the total respondents in post-SHG period.

Kabeer, Naila (2005)<sup>54</sup> analysed the impact study finding from South Asia and reported that 1 per cent increase in loan to women borrowers with Grameen Bank increased the probability of school enrolment by 1.9 per cent for girls and 2.4 per cent for boys.

Mahajan, Vijay (2005)<sup>55</sup> reported that the impact assessment study carried out at BASIX revealed that 52 per cent of their three year plus microcredit customers reported an increase in income, 23 per cent reported no change, while another 25 per cent actually reported a decline. The reported reasons for these, were un-managed risk, low productivity in crop production/livestock rearing and inability to get good pricing from input and output markets.

### **Micro Enterprises**

The studies on “Micro Enterprises” are organized under two heads, namely ‘Micro Enterprise Development’ and ‘Impact of Micro Enterprise.’

#### **Micro Enterprise Development**

Chen Martha Alter (1996)<sup>56</sup> outlined the participatory sub-sector approach for promoting women’s enterprises, wherein she observed that the participatory sub-sector approach promotes

selection of interventions by target people themselves rather than selection of interventions by outside experts.

Asian Development Bank (1997)<sup>57</sup> observed that women enterprises concentrated in sector with particular ease of entry and low returns. So, new starts and closures tend to be higher. Poverty reducing micro enterprises programme make an impact by increasing income rather than generating new jobs. As a best practice, NGO can take up skill, capital and management intensive functions and leave the production function to the micro-enterprises.

Kotaiah P. (1997)<sup>58</sup> pointed out that micro enterprises/micro-entrepreneurs have major constraints which inhibit their access beyond local markets. The constraints being market information, inability to scale up production and services due to inadequate capital, inability to adopt technological transformation to meet the quality standard required by the market, lack of standardization, lack of adequate infrastructural support, absence of what is called “Brand Equity” to enter niche markets and tendency to remain small.

Rengarajan V. (1997)<sup>59</sup> observed that an important ingredient in China’s success with rural enterprise has been a minimum package of transport, telecommunications and power at the village level.

Ledgerwood Joanna (1998)<sup>60</sup> found that the access to continuous financial services, including loans for capital purchases and savings services to build up reserves, allows micro enterprises to increase their asset base and improve their ability to generate revenue.

Mosley, Paul and David Hulme (1998)<sup>61</sup> found that the tendency for the willingness to take risk and to invest in new technology increases with people having increased income and poor are more risk averse.

Manimekalai N. and Rajeswari G. (2000)<sup>62</sup> investigated the problems of women entrepreneurs of SHGs in rural Tirucirapally district of Tamil Nadu and found that majority (33 per cent) of women entrepreneurs face the problems of shortage of capital. This is due to the fact that the members get the loan only from their SHGs and their own microfinance institutions-“Vizuthugal”. The study revealed that 21 per cent of the women entrepreneurs face the raw material related problems like non availability of quality raw materials. About 31 per cent of women entrepreneurs faced the marketing problem.

Awasthi P. K. et al. (2001)<sup>63</sup> analysed the working and impact of SHGs on economic status of women in watershed area of Madhya Pradesh and found that the SHG members suffered from lack of motivation, lack of backward and forward linkages, inadequacy of infrastructures, insufficient loan, inadequate provision for marketing and availability of inputs, lack of systematic monitoring and follow up of the activities. They reported that there is need to evaluate the SHGs annually to assess the progress of different income and employment generating schemes under SHG.

Choudhury R. C. et al. (2001)<sup>64</sup> in their study concluded that there exists no symbiotic relationship between SHG-led microcredit movement and microenterprise development. However, there are evidences, which indicated that the flow of micro credit did trigger growth impulses among small entrepreneurs. The study observed that group enterprise on a big scale would involve greater risk but would yield better results to the entrepreneurs. The study reported that the active intervention by NGOs is a pre-condition for the successful conception of micro enterprises in terms of skill training, designing products, providing new technology and access to market.

Perrett Graham (2001)<sup>65</sup> while assessing the AMIR programme in Jordan found that the entrepreneurial culture is lacking and a major roadblock preventing entrepreneurship is that Jordanian micro entrepreneurs are not great originators of ideas, but excellent copycats, who then end up undercutting each other in the market place.

Perrett Graham (2001)<sup>66</sup> observed that technical assistance for helping micro enterprises better manage their business can generate an increase in the loan demand by these clients combined with a lowering of the risk of lending to them.

Burjorjee M. Deena et al. (2002)<sup>67</sup> while documenting the best practices in micro finance reported that the gender based obstacles are related and can be mutually reinforcing together, they work to limit the profitability of women's enterprises by building constraints to information, markets and capital into the very structure of women's businesses. They also noted that the entrepreneurship training for girls provides them with education, self-confidence and role models during their youth.

Kropp W. Erhard and B. S. Suran (2002)<sup>68</sup> reported that using the total volume of SHG money to start a joint enterprise like food processing, food catering, running a village shop jointly, auctioning the right to organize the village market, manufacturing of milestones, etc. with all group members involved, is an indicator for the entrepreneurial enthusiasm created at the beginning; but joint micro enterprises may not last long.

Kumaran K.P. (2002)<sup>69</sup> evaluated the role of self help groups in promoting micro enterprises through micro credit in Pune district of Maharashtra and found that 37.93 per cent of total entrepreneurs were in the age group of 25 to 30 years and 20.69 per cent were in the age group of 31 to 35 years. The most common enterprises were tailoring and dairy. About 45.23 per cent of the capital was raised from the SHGs and 29.39 per cent of the capital came from banks as loans. The promotion of technical and back up services helped the micro enterprises to achieve sustainability to a great extent.

Pandian Punithavathy and R. Easwaram (2002)<sup>70</sup> found that majority of women (59 per cent) take up petty business units like milk vending, petty shop, vegetable vending, cloth merchant and tiffin centre, because the rural women find it easy to manage the petty business with their inherent skills and little education.

Chatterjee Shankar (2003)<sup>71</sup> studied the implementation of Swarna Jayanthi Gram Swarozgar Yojana (SGSY) through SHGs in Jaunpur district of Uttar Pradesh and reported that 3909 SHGs had been formed during the period from April 1999 to November 2002 and out of which, only 61 SHGs (less than 2 per cent) have obtained the bank loan for economic activities.

Eswaran R. (2003)<sup>72</sup> analysed the reasons for starting the businesses by SHG women in Madurai district and observed that 35.14 per cent were motivated to be self-employed, 32.58 per cent had started the business as they had been trained on the similar activity, 19.14 per cent of them had entered into the business to earn money and 13.14 per cent of them to carry on the family business.

### **Impact of Micro Enterprise**

Dunn E. (1997)<sup>73</sup> concluded that despite the fact that the target micro enterprise is not growing, the welfare of household may be improving. Therefore, the target micro enterprise is insufficient as the unit of analysis for impact assessment and must be expanded to include the household economic portfolio.

Puhazhendhi V. and B. Jayaraman (1999)<sup>74</sup> found that as a result of group formation, women were able to diversify their activities through undertaking non-farm and animal husbandry activities. Members taking up more than one increased from about 30 per cent during pre-group formation to about 53 per cent during post-group formation situation.

Dunn Elizabeth and Gordon Arbuckle (2001)<sup>75</sup> evaluated the impact of micro credit on micro enterprise performance in Mibanco, Peru and found that micro credit had an beneficial impact on the enterprise promotion as it resulted in an additional 1000 US dollars in annual enterprise profits, an additional 500 US dollars in the value of the enterprise fixed assets and an additional nine days per month of enterprise employment.

Ahuja Abha et al. (2002)<sup>76</sup> analysed the impact of the rural entrepreneurship training to women SHG members and found that 60 per cent of the trainees are active and utilizing their learned training skills. About 20 per cent of women are not taking any initiative.

Dwarakanath H. D. (2002)<sup>77</sup> carried out the socio-economic survey of self-help groups and revealed that the DWCRA Bazar helped rural women to earn an additional monthly income ranging from Rs. 500 to Rs. 2500 depending on the enterprising activities taken up by them. He also quoted that the major research project study of self-help groups under DWCRA in Ranga Reddy district revealed that due to lack of skills and non-availability of infrastructure facilities, a viable project becomes unmanageable.

Year	Author	Issues Covered
1990	Seibel and Parhusib	<ul style="list-style-type: none"> <li>- Expansion of credit coverage through state intervention</li> <li>- Need of subsidized credit for rural micro</li> </ul>

		entrepreneur.
1994	Yaron	<ul style="list-style-type: none"> <li>- Micro financing is much more than micro credit</li> <li>- Provision of thrift, credit and other financial services and products to poor.</li> <li>- Mobilizing saving as first building block of financial services.</li> </ul>
1994	Otero	<ul style="list-style-type: none"> <li>- Financial intermediaries providing services and generate domestic resources.</li> <li>- MFI need to cut down administrative cost</li> <li>- Simplified and decentralized loan applying approval and collection processes</li> </ul>
1996	Berry	<ul style="list-style-type: none"> <li>• MFIs finally viable, self-sustaining and integral to the communities.</li> <li>• Potential to attract more clients.</li> </ul>
1997	Benjamin and Piprek	<ul style="list-style-type: none"> <li>• Key problem area visualized for rural finance market.</li> <li>• Need for monitoring the development of micro finance sector.</li> </ul>
2000	Borbora and Mahanta	<ul style="list-style-type: none"> <li>• Analysed impact of micro finance through SHG</li> <li>• Found 80% of SHG members were from poor families.</li> <li>• The repayment performance was about 91%</li> </ul>
2001	Singh	<ul style="list-style-type: none"> <li>• Undertaken study in U.P. comparison of the pre and post SHG situation of women SHG.</li> <li>• Average value of assets increased by 46%.</li> <li>• Annual income per household increased by 28%.</li> </ul>
2002	Pubazhendi	<ul style="list-style-type: none"> <li>• Micro financialization at spatial dimension.</li> <li>• Findings on spatial variation and changes in development of micro financing sector.</li> <li>• Linking of formal credit investment to borrowers through group approach.</li> </ul>
2007	Supovadia	<ul style="list-style-type: none"> <li>• Typical micro finance clients-self employed, household and low income persons with no access to formal financial institution.</li> <li>• Various micro enterprise development programmes have helped micro entrepreneurs.</li> <li>• Successful micro entrepreneur have contributed much to society by creating wealth, economic assets.</li> </ul>
2007	Sinha	<ul style="list-style-type: none"> <li>• Series of critical development in micro finance.</li> <li>• MFIs have started to leverage their new found management enterprise.</li> <li>• MFIs have recorded high growth rate of order of 80%per annum.</li> <li>• Reaching 3,00,000 one million clients.</li> <li>• Expansion either in less developed areas.</li> </ul>
2008	Hans	<ul style="list-style-type: none"> <li>• Analysed credit as one of critical input for economic</li> </ul>



A perusal of the Table provides a remarkable picture of the spread of SHG linked microfinance in North-Eastern states. The table reveals that of the total number of SHG linked to banks, 0.013 per cent is from Arunachal Pradesh but only 0.009 per cent of the total loan was disbursed to these SHG. Assam accounts for 3.005 per cent of bank linked SHGs of the nation with only 1.4 per cent of loan disbursed to these SHGs, Manipur accounts for 0.054 per cent of bank linked SHGs of the nation with 0.045 per cent of loan disbursed to these SHGs, Meghalaya accounts for 0.031 per cent of bank linked SHGs of the nation with 0.012 per cent of loan disbursed to these SHGs, Mizoram accounts for 0.052 per cent of bank linked SHGs of the nation with 0.064 per cent of loan disbursed to these SHGs, Nagaland accounts for 0.018 per cent of bank linked SHGs of the nation with 0.025 per cent of loan disbursed to these SHGs, Sikkim accounts for 0.006 per cent of bank linked SHGs of the nation with 0.002 per cent of loan disbursed to these SHGs, and Tripura accounts for 0.108 per cent of bank linked SHGs of the nation with 0.029 per cent of loan disbursed to these SHGs.

Similar type of situation is available in case of refinance also. Of the total number of SHG refinanced, only 0.001 per cent of SHGs are from Arunachal Pradesh which has received a share of only 0.001 per cent of the total refinanced amount. Similarly, 0.942 per cent of SHGs are from Assam which has received a share of only 0.474 per cent of the total refinanced amount, 0.017 per cent of SHGs are from Manipur which has received a share of only 0.046 per cent of the total refinanced amount, 0.015 per cent of SHGs are from Meghalaya which has received a share of only 0.012 per cent of the total refinanced amount, 0.100 per cent of SHGs are from Mizoram which has received a share of only 0.200 per cent of the total refinanced amount, 0.001 per cent of SHGs are from Nagaland which has received a share of only 0.001 per cent of the total refinanced amount and 0.059 per cent of SHGs are from Tripura which has received a share of only 0.008 per cent of the total refinanced amount.

#### **Spread of SHG Bank-Linkage Programme in Nagaland as on 31 March 2007**

State	Cumulative Achievement upto 2007 (%)			
	Coverage of Bank Linkage		Coverage of Refinance Linkage	
	No. of SHGs (%)	Bank Loan (%)	No. of SHGs (%)	Refinance (%)
Arunachal Pradesh	0.013	0.009	0.001	0.001
Assam	3.005	1.400	0.942	0.474
Manipur	0.054	0.045	0.017	0.046
Meghalaya	0.031	0.012	0.015	0.012
Mizoram	0.052	0.064	0.100	0.200
Nagaland	0.018	0.025	0.001	0.001
Sikkim	0.006	0.002	0.000	0.001
Tripura	0.108	0.029	0.059	0.008

Source: Computed from NABSTATS Issue No. 1: April-June 2007 (NABARD)

### **Issues Investigated:**

- The types of micro enterprises promoted in the study area with the SHG-Bank Loan.
- To what extent does the efficiency of SHGs in terms of savings and recovery increase with time?
- How far can the performance level of SHGs as business units be improved through institutional linkages?
- In what ways has the linkage programme been beneficial for the borrowing groups?
- To what extent has the dependence of the SHG members on informal sources of credit been reduced?
- How have the group cohesion and economic activities changed the social autonomy in terms of attitudes, perception and decision-making power of SHG members?

### **Sampling Design**

The SHGs under SGSY and NGOs-formed SHGs are being run block-wise in Kohima and Mokokchung districts. The SHGs pass through different stages of working. These are initially formed as saving and credit groups, which later on qualify for bank linkage and out of these some groups further mature into income generating groups. These stages are not watertight compartments as such and in fact, overlap each other. The income generating groups are bank-linked groups and all the groups are essentially saving and credit groups.

Income generation in SHG mechanism takes place two ways. Either the group as a whole is given funds for income generation or individual SHG members can access funds for income generating activity under the banner of their respective groups. Such members are called Swarozgaris.

To draw the sample, the lists of SHGs were obtained from the district agencies. The secondary data revealed at a glance that recently the SHGs were being formed in the districts at a maddening pace as the number of women SHGs formed in the year was 1814, i.e. 302 SHGs on an average in each block. Since these SHGs were a few months old, these toddler saving and lending groups could actually serve as sort of control group and therefore had to be given a low representation in the sample size. The universe became smaller after excluding these groups and it was decided to stick to the original plan of studying 100 SHGs as given in the research proposal since this sample is more than 10 per cent of the universe excluding the provision for inclusion of the toddler groups. It was further proposed to select 25 groups from each block. The pilot survey, however disclosed the fact that many of the groups existing in the financial records had disintegrated or the members of many groups had joined the groups formed by independent NGOs.

Considering the wastage of time, money and energy in such visits, which proved to be futile at the end of the day, it was decided to alter the sampling plan and work in conformity with



the district officials to identify the working SHGs. Finding out the rate of demise of SHGs or blowing the air out of the balloon of the official records, which claimed highly inflated number of SHGs existing in the districts, would make no sense in the present context and in fact, is an altogether a new area of research. Moreover, looking at the erratic formation of SHGs the rate of demise was not at all surprising as it clearly implied a target-based approach of the government agencies. This study aimed at assessing the impact of SHGs on the economic and social empowerment of the members, so it was appropriate to identify the working SHGs beforehand.

The three working stages of the SHGs were treated as strata for sampling to ensure the representation of all three types of SHGs. In fact, all the SHGs are basically saving and lending groups so all the 100 groups were selected in the sample essentially belonged to this category. Therefore, 20 ( per cent) bank-linked groups were purposively selected out of the 100 women bank-linked SHGs in the universe, as these had taken up income generation activity either on group or on individual level. There happened to be 12 SHGs (22 per cent) engaged in income generation and 41 swarozgaris involved in income generation. The remaining 8 SHGs ( ), which were purely saving and lending groups, were randomly selected from the lists. Higher weightage was given to the bank-linked groups involved in income generation in proportion to their occurrence in the universe because the information beyond the functioning aspect could be derived from such groups only.

All the 100 SHGs were then mapped across the villages falling in different blocks of the districts. The original plan of the selecting 20 SHGs per blocks also did not materialize to serve the purpose of selecting the functional groups according to their working stage. Since each group involves 10-20 members, two members were purposely selected from the office bearers and the other one was randomly selected from the group. Thus, in all 300 women were selected to get their responses. The final survey design is as shown in Table

#### **Status of Block-wise Coverage of Villages and Self-Help Groups**

Block	No. of Villages	No. of SHGs		Break up of Income Generation		Totoal no. of SHGs	No. of Res @ 3 per group
		S&L	BL	IGGs	Swa		

S&L= Saving and Lending; BL= Bank-Linked; IGGs= Income Generating Groups; Swa= Swarozgaris; Res= Respondents.

#### **The Data**

Both secondary and primary data have been used in this study. For primary data a structured schedule was administered on the women members of SHGs. Theses schedules consisted of sections to cover questions on socio-economic background of respondents,

leadership profile in SHGs, and details about membership, savings, credit, and income-generation. The second part of the schedule consisted of questions to judge the attitudes, perception and awareness about issues like entitlements, gender, health, education, social customs, political issues, sources of entertainment and information status in family and society, confidence building, decision-making, public space, capacity of the individuals and groups to organize and contribute to community.

There was provision for seeking respondents' views regarding the problems faced, benefits experienced by them and possible suggestions emerging after involvement in SHG mechanism. In this way, the schedule included both closed and open-ended questions. Besides this, a range of methods like observation, interviews, group discussion, and maintenance of field diary were used to collect the primary data. Visits were made to the sales exhibitions, which the district agencies organized to involve and promote SHGs.

The secondary data was collected from various documented sources for literature review. Moreover, data regarding the expense and position of SHGs in Kohima and Mokokchung Districts were collected from government offices. The geographical and demographic details were gathered from District Statistical Offices.

**Sample:** Two districts have been taken as sample- Kohima and Mokokchung Districts. From these two districts 300 respondents from SHGs located under these two districts have been interviewed. Respondents have been taken from both areas- Urban and Rural. Urban areas have been considered Resource Better-off area and rural as Resource Poor area.

**Statistical Tools Used:** The statistical tools used in the analysis of data are given below:

**Percentage:** Percentage was used to compare distributions and sub-groups.

**Mean and Standard Deviation:** Mean and standard deviation were used to classify the respondents into three groups, namely those below the mean- standard deviation as 'Low', those above mean+ standard deviation as 'High' and those in between this two categories as 'Medium'.

**T-test:** T-test was used to test the significance of the difference between pairs of means to find out whether there is a significant difference between pre-and post-SHG period.

**Multiple Regression Analysis:** Multiple regression analysis was used to find out the relative importance of various factors, which influence the post-SHG income of the SHG women micro entrepreneurs in the study area.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12}$$

**Scale:** Three point scale, nine, ten point scale were used to measure the stage of growth of the micro enterprises promoted by the respondents and another three point scale was used to measure the changes in entrepreneurial behavioural competencies of the respondents between pre-and post-SHG period.

**Index:** Index was used to measure the changes in Entrepreneurial Behavioural Competencies (EBC) between pre-and post-SHG period.

**Five indexes were made:**

**Functional Efficiency Index:** The functional profile of the SHGs involves several parameters. Moreover, there are no fixed operational rules laid down for the management or functioning of SHGs. Thus, to get an overall picture of the functional efficiency of the SHGs, it was essential to construct an index. The size of SHG, BPL membership, method of appointment of office bearers, frequency of meeting, issuing of personal pass-book, basis of bank linkage, grading, record-keeping, training for management, and participation in community development are the parameters selected to construct the Financial Efficiency Index.

A dummy variable 1 was assigned for (1) a size of more than 9 members in SHG, (2) more than 50 per cent of BPL membership, (3) adoption of democratic measures for appointment of office bearers, (4) holding of meeting within a month, (5) issuing of personal pass-books, (6) bank linked after attaining sound status of saving and lending, (7) groups which have undergone grading exercise, (8) keeping records (9) received training for management (10) who participated in community development. A dummy variable 0 was assigned in the absence of these features.

**Economic Activity Index:** To get an overall picture of the status of the groups on the front of economic activities, an Economic Activity Index was constructed. Monthly savings, per capita savings, use of savings amount, percentage of borrowers, use of amount of interest, inter-lending for the first time, purpose for which loan is given, and monitoring of use of loan are the parameters selected for constructing this index as these parameters are common to all types of SHGs.

A dummy variable 1 was assigned to the SHGs with a monthly saving exceeding Rs 300; (2) per capita saving of more than Rs 30; (3) SHGs using the amount of saving as fixed deposits in banks, for inter-lending, or for group's income generating activity; (4) SHGs with a borrowing profile of 75 per cent or more members; (5) SHGs not giving the amount of interest in internal loans; (6) SHGs having started giving internal loans after completing six months of age; (7) SHGs which have given loan for agriculture, individual income generation, household occupation, health, education, repaying of old debts; (8) SHGs which follow up or monitor the use of loan. A dummy variable 0 was assigned to the SHGs with a monthly savings of less than Rs 300, per capita savings of less than Rs 30, SHGs with members ignorant of the use of saving or the facilitator and/or office bearers monopolizing the use of savings; SHGs with less than 75 per cent

of borrowers; SHGs which give away amount of interest also as loans; SHGs having started inter-lending within six months of their formation; SHGs which have used loans to members for household consumption and social customs; and SHGs which do not monitor the use of loan.

**Interface Index:** The groups in the course of their evolution come to develop linkages with many institutions on different levels. This networking breeds certain backward and forward linkages, which in turn build a support system for the groups. Participation in capacity development programmes, support in income generation by various institutions, participation in exhibitions, cooperation from banks and association with VDBs are some of the parameters, which decide the interface status of the SHGs.

A dummy variable 1 was assigned to (1) cooperation by banks; (2) participation in capacity building programmes; (3) development of links with VDBs; (4) income generation support on group or individual level; (5) participation in exhibition/fair on any level with the help of some institutions. A dummy variable 0 was assigned to the absence of these features.

**Economic Empowerment Index:** The parameters signifying the empowerment of the members of the SHGs are scattered and to get a single picture they were treated together to construct an Economic Empowerment Index.

A dummy variable (1) was assigned to judge the improvement in savings after association with SHG; (2) borrowing loan from group for agriculture, individual income generation, medical reasons, education and pay off of old debts; (3) borrowing loan from bank for individual or group income generation and agriculture; (4) group loans returned or being returned; (5) bank loans returned or being returned; (6) involvement in individual income generation, increase in efficiency to work; (7) will to increase scale of production; (8) will to increase level of income; (9) asset creation after association with SHG; (10) asset entitlement; (11) freedom to spend income; and (12) post-group loan sources as bank, cooperative society or group.

On the other hand, a dummy variable 0 was assigned to status quo in saving status even after group membership; borrowing from group for social customs and/or household consumption; default in group loan; borrowing from bank for consumption purposes; default in bank loan; no involvement in income generation; no increase in efficiency; no will to increase scale of production; no will to increase income; no asset creation after SHG membership; no asset entitlement; no freedom to spend income; still resorting to sahuakar/mahajan, friends/relatives and/or employer for credit after group membership.

**Social Empowerment Index:** The study included several parameters, which aimed at exploring the health and education awareness, social awakening, transformed family equations and potential, information and political awareness. All these parameters were treated together to construct Social Empowerment Index.

A dummy variable (1) was assigned to responses supporting early motherhood as harmful; (2) vaccination of children; (3) family planning; (4) marriage after 18 years of age; (5) widow remarriage; (6) husband's cooperation in household chores; (7) essentiality of girls' education and to the responses reporting infrequent illness in family; (8) consultation with doctor for illness; (9) completion of prescribed medical dose; (10) absence of family conflicts due to SHG activities; (11) knowledge of welfare programmes; (12) voting regularly in all elections; (13) voting on the basis of the contesting candidate's ability; (14) gaining strength to oppose wrongdoing due to SHG membership; (15) improved articulation; (16) increase respect in family and increased role in decision-making at home and to responses which opposed drinking.

**Chi-square Test:** Chi-square test was used to find out the association between selected variables and the growth of micro enterprises. Chi-square test was also used to find out the association between selected variable and the incremental entrepreneurial behavioural competency category.

**Lorenz Curve:** Lorenz curve was used to test the income inequality among the respondents in both pre-SHG and post-SHG period.

**Case Study:** Case studies has been used to explore why and how the changes occurred to respondents' households and enterprises, focusing on key events, decisions, constraints faced and the actions taken up by the respondents.

**Reference Period:** The study's reference period is 2010-2014. The survey was conducted between the months of February 2010 and July 2014.

**Scope of the Study:** Out of the 3 models of SHG-Bank linkage in India as on 31.3.02, about 75 per cent of the total number of SHGs comes under the model, wherein the SHGs are formed by NGOs and other formal agencies, but directly financed by banks and 100 per cent SHGs are exclusively women SHGs. Hence, the present study focuses exclusively on women SHGs (SHGs which have availed credit more than once), which are formed by the banks through the bulk lending to NGOs are outside the scope of the present study.

**Limitations:** Due to the resource and time constraints, the sample survey was carried out only few SHGs of Mokochung and Kohima districts formed by only two NGOs. However, to memory bias, the research scholar had taken sufficient measures like cross checking with other members in the household and other SHG members or NGO field staff.

#### **Operational Definition of Concepts Used in the Study:**

**Micro Finance:** Micro finance is provision of a set of micro financial services namely savings, micro credit, insurance and technical services, like training to the poor in rural, semi –urban, urban and metropolitan areas for enabling them to build assets, to reduce their vulnerability and improve their living standards.

**Micro Credit:** Micro credit refers to the supply of small amount of credit to the poor, wherein the lenders, namely SHGs, NGOs or banks as the case may be, have discretion to determine the rate of interest on its micro credit.

**Micro Enterprise:** Micro enterprise is an enterprise of production or service provider or trading, which may be in farm sector or non-farm sector, requiring a total investment of Rs 50,000 or less and serving the local market.

**Micro Entrepreneur:** Micro entrepreneur is one, who takes the risk of organizing and managing a micro enterprise with a view to earn profit.

**Self Help Groups (SHGs):** Self-Help Group is an informal association of homogeneous, 10 to 20 poor persons in a place, with a common objective of helping themselves mutually, striving for their economic as well as social advancement and also for their overall community development.

**Business Development Services (BDS):** Business Development Services are those services which help an enterprise to expand its market, improve its efficiency and to find a solution to the business problems. The most common BDS include training on entrepreneurship development programme, skill development training, business management trainings, auditing, and business plan preparation, registration with government authorities for complying with various legal provisions, product/process development technical assistance, market information and quality control and so on.

**Backward Linkages:** Backward linkages are the services which provide the supply of some or all of the raw materials/services that are used for the production of products or services of the enterprises.

**Forward Linkages:** Forward linkages are the services which takes care of distribution and marketing of the products or services of the enterprises.

**Human Assets:** Human assets constitute, labour, investments in education and investments in health and nutritional care. Building human assets improve the productivity of the individuals and the household.

**Social Assets:** Physical assets comprise of land, buildings, machineries, equipments, tools, livestock, grain stocks, jewels and consumer durables.

**Financial Assets:** Cash, savings, insurance cover and access to credit are poor's financial assets.

**Household:** Family, a basic unit is the household, which includes its different family members, their resources and capabilities.

**SHG-Bank Linkage Program:** SHG-Bank linkage programme is a major microfinance programme in India, wherein the banks lend to the SHGs in proportion to their common fund, after the development of funds management capacity and stabilization of their operations by

SHGs. SHG-Bank linkage programme delivers capacity building services also to its members through the NGOs.

**Vulnerability:** Vulnerability is the capacity of the household/individual to face the risk.

**Empowerment:** Empowering is building capacity of women to have access to and control of resources and making their voices heard to mainstream institutions.

**Non-Governmental Organization (NGO):** Non-Governmental Organization is the organization, which works very closely with the people in the lowest strata of the society, in development interventions and motivates them to change. NGO facilitates the SHG promotion in microfinance programme.

**Apex Organization:** NABARD, SFMC (SIDBI Foundation for Micro Credit) and Rashtriya Mahila Kosh (RMK ) are the apex organizations in the Indian Context, which deliver the on lending funds/promotional grants to the banks, NGOs and MFIs for on lending to the SHGs and for the development of the microfinance sector.

**Regulator:** The country's central bank is the regulator and in India, Reserve Bank of India (RBI) is the country's regulator for the banking and monetary policy and responsible for the supervision of all banking related matters.

**Below Poverty Line (BPL) Families:** Below Poverty Line families are those which are below the poverty line prescribed by the government of India from time to time.

**Block:** For the convenience of implementing development schemes, the government has separated the districts into units called "Blocks".

**Rural Area:** Rural area is the area, which has a population of 10,000 or less. The main occupation of the rural people is based on agricultural activities.

**Semi-Urban Area:** Semi-urban area is the area, which has a population of more than 10,000 and up to 1, 00,000.

**Sanga Loan:** Sanga loan is the loan given by a SHG to its members, out of its own common fund.

**Common Fund:** The common fund of the SHG includes total savings, interest income earned by the SHG and other receipts minus expenses and the savings returned.

**Social Entrepreneur:** Social Entrepreneur is one who applies the entrepreneurial skill in a professional way for the well being of the community and brings out changes.

**Capacity Building of SHGs:** Capacity building refers to imparting necessary knowledge and skills to SHGs through structured trainings.

**Promotion of Micro Enterprises:** Planning and facilitating the women to start micro enterprises and manage them effectively.

**Justification for Selection of Variables:**

The twelve variables selected as independent variables are generally bound to influence the income of the respondents. The justification for selecting these variables in this analysis is presented herein below:

**Education (X<sub>1</sub>):** It is assumed that education will help women to identify the economic opportunities better and they would deal with the changes in the business environment in a better way.

**Age (X<sub>2</sub>):** Age is an important factor in enterprise promotion, as the young aged are more dynamic and take more risk, where as the middle aged are having a maturity to deal with difficult situations in the business.

**Number of Children (X<sub>3</sub>):** Number of children in a family is also to be taken into consideration, as some of the old jobs are performed by children in micro enterprises, most of which are home based.

**Own Funds (X<sub>4</sub>):** For any micro enterprise, the promoter's contribution is an important prerequisite, which takes care of the long term capital needs of the enterprise. Own funds contribution increases the stake and interest of the SHG women in the business.

**Non-Institutional Loans (X<sub>5</sub>):** SHG women get funds from various sources for launching a micro enterprise as the bank loan amount given is not adequate. Institutional loan is easily accessible and available in time to the SHG women

**Bank Loan Amount (X<sub>6</sub>):** Bank loan investment in a micro enterprise will trigger its growth in terms of sales, profit, customer base, assets. Bank loan remains as the largest funding source for launching of micro enterprises by SHG women.

**Loans from other Sources (X<sub>7</sub>):** Some time bank loan releases may be delayed for certain reasons. But, the SHG women need capital at a given point of time, to take advantage of the emerging opportunity, in such cases, they seek the loan from other sources like friends, relatives, traders and money lenders. Even though the amount of these loans may be small, they carry more value as they are accessed at the time of need.

**Savings (X<sub>8</sub>):** Savings enable the SHG women to absorb the economic shocks in the business without selling off the productive assets.

**Number of Times Bank Loan Availed (X<sub>9</sub>):** One shot bank loan will not help SHG women, as the needs of their business enterprises keep on growing, they require multiple doses of credit one after another so as to sustain the growth of their micro enterprises.



**Sales (X<sub>10</sub>):** Sales turn over is the main factor a micro enterprise has to achieve to receive the income stream.

**Cost of Sales (X<sub>11</sub>):** Reduction in cost of sales will automatically translate into added income. Hence, this is an important variable, which have a bearing on the income of the SHG women.

**Number of Days Employed per Annum (X<sub>12</sub>):** Number of days employed is directly proportional to income. When the employment in terms of man-days increases, the income of the SHG women also go up.

The joint effect of a group of independent variables on the post-SHG income of the respondents is studied by framing the multiple regression equation of the variable “Y” on the other independent variables.

## **Chapterisation**

Chapter I gives a conceptual framework of the micro finance. It also presents a review of the Indian and International literature on micro finance and micro enterprises. It further identifies the research gap and issues for investigation. Research design is explained in this chapter.

## **SUMMARY**

Poor have little access to education, health care, nutrition, skill development, training, employment opportunities, credit, market, technology and information. Poverty deprives women of the opportunities to have equal access to participation in development programmes, mobility and decision-making, which leads to gender inequalities. Even though the formal rural financial institutions have a wider network in India, their outreach to the rural poor is not high. As banks faced a set of problems in increasing their rural credit operations, the need for alternative delivery systems was felt keenly and some Bank-NGO collaborations have begun to take shape. SHG-Bank linkage programme emerged as one of the world’s largest micro finance programme.

The review of literature enabled the research scholar to gain a background knowledge on the topic and identify the research gap. On the basis of research gap identified, a suitable research design and the methodology was planned, for going ahead in a systematic way to find the facts for the research hypotheses.

Thus, this study tries to offer a broad framework in which functional efficiency, interface level, economic activity level, bank linkage and financial inclusion of SHGs along with economic and social empowerment of the women SHG members have been assessed intricately in order to trace the linkages between credit, gender and empowerment.

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## **ANNEXURE 1**

### **A History of Microfinance**

1300+ Forms of microfinance and collective lending have existed for hundreds of years. These include the “susus” of Ghana, “chit funds” in India, “tandas” in Mexico, “arisan” in Indonesia and “tontines” in West Africa, writes David Patrikarakos.

#### **1865**

Friedrich Wilhelm Raiffeisen develops the concept of the credit union. From 1870, unions expand across the German states. The co-operative movement spreads to Europe, North America and developing countries.

#### **1895**

Indonesian People’s Credit Banks or The Bank Perkreditan Rakyat (BPR) opens, specializing in an early form of microfinance. Today it is the largest microfinance system in Indonesia, with 9,000 operators.

#### **1961**

With \$90,000 raised from private companies, Joseph Blatchford founds Accion International in Venezuela. Initially concerned with building schools and water systems, it turned to microfinance in 1973. It becomes one of the premier microfinance organizations in the world.

#### **1971**

Al Whittakar and David Bussau begin lending to micro-entrepreneurs in Indonesia and Colombia. In 1979 they form Opportunity International, lending across south-east Asia and South America.

#### **1976**

Muhammad Yunus discovers that a loan of \$27 can change the lives of 42 families in an impoverished village in Bangladesh. They pay back with interest and begin to lift themselves out of poverty.

#### **1983**

Yunus creates Grameen Bank. To date, it has lent more than \$983m. Its methods have become the basis for modern microfinance.

## **1992**

Accion helps found BancoSol of Bolivia, the first commercial bank dedicated solely to microfinance. It now has more than 70,000 clients.

## **1997**

The National Microfinance Bank in Tanzania (NMB) is created. Meanwhile, Deutsche Bank enters microfinance as part of its drive to embrace social investing.

## **2001**

The Microenterprise Access to Banking Services initiative in the Philippines helps integrate rural banks' microfinance loan clients into the credit system'

## **2005**

The UN names 2005 the International Year of Micro credit. Citibank opens Citi Microfinance. Based in London, New York, India and Colombia, its goal is to broaden the outreach of its financial services.

## **2006**

The Microfinance Summit Campaign Report estimates that there are more than 3,000 microfinance institutions serving 100 million poor in developing countries. The total cash turnover of these institutions worldwide is estimated at \$2.5 billion. Yunus is awarded the Nobel Peace Prize. Barclays Launches Ghanaian Microfinance, tapping into one of Africa's most ancient forms of banking, "Susu Collection" International Finance Corporation, part of the World Bank, announces a \$45 million investment in credit-linked notes to be issued via Standard Chartered bank to facilitate microfinance lending in Africa and Asia.

## **2007**

JP Morgan launches a microfinance unit as part of its emerging markets strategy.

## **Annexure 2**

### **Microfinance in the North-East Region (NER) of India**

The North-Eastern region comprises of the eight states of Assam, Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Manipur, Tripura and Sikkim. Though similar in some ways, each state possesses a distinct physical, cultural and socio-economic identity. The region as a whole has a population of nearly 5 crores of which Assam accounts for nearly 4 crores.

## **Annexure**

### Micro-Borrowers Ranked by Country

Country	Total Population (million)	Poor People (in millions)	Borrowers (Total)	Penetration Rate for Microfinance borrowers/poor (in %)
Bangladesh	142	70.7	24,757	35
India	1,090	311.7	10,886	3
Indonesia	221	59.9	6,421	11
Vietnam	83	24.0	6,116	25
Mexico	103	18.1	2,615	14
Peru	28	14.9	2,036	14
Philippines	83	30.6	1,919	6
Colombia	46	29.2	1,449	5
Sri Lanka	20	4.9	1,422	29
Ethiopia	71	31.5	1,420	5
Nigeria	132	45.0	1,392	3
Morocco	30	5.7	1,046	18
Pakistan	156	50.9	926	2
Brazil	186	40.0	915	2
Nepal	27	8.4	707	8
Kenya	34	17.8	692	4
Ecuador	13	6.1	632	10

Source: "How Many MFIs and Clients are there?" MIX.

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## **CHAPTER: II**

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#### **Summing Up**

## **AREA PROFILE**

The area of study in this work journey is Kohima and Mokokchung districts of Nagaland. Nagaland state is the smaller state with a population of 19.2 lakhs of which 78 per cent lives in rural areas. It has a large segment of tribal population (around 100 per cent). Agricultural labourers comprise 43 per cent of the workforce. The household industries sectors have been quite underdeveloped, giving to just four per cent of the workforce. The state has a high percentage of population living below poverty line (26.0 per cent) and low per capita Net Domestic Product of Rs . A high Infant Mortality Rate of 86 per thousand births and a distressingly high incidence of child malnourishment (50 per cent) and a low Human Development Index of 0.282 place the state at the bottom of the development ranking. Further 51 per cent of the farm households are reported to be in distress with an average debt per farmer of Rs 14, 218. Kohima district lies between

## **SOCIO-ECONOMIC PROFILE OF NAGALAND**

An attempt was made to highlight the socio-economic profile of Nagaland, taking three sample districts, namely, Mokokchung, Wokha and Tuensang for intensive study. These districts possess high, medium and low level in terms of socio-economic infrastructure as previous studies reveal. Using both primary and secondary data, attention was focussed on finding transition scenario from both social and economic point of view. Characteristic in terms of demographic, economic, social and socio-economic was studied.

### **Physical features of Nagaland**

Home to a number of tribes, the state of Nagaland is located in the North Eastern region of India. It borders the state of Assam to the west, Arunachal Pradesh and part of Assam to the north, Burma to the east and Manipur to the south. The state is mostly mountainous except those areas bordering Assam valley. Mount Saramati is the highest peak in Nagaland with a height of 3,840 meters and its range forms a natural barrier between Nagaland and Burma. It lies between the parallel of  $98^{\circ}$  and  $96^{\circ}$  East Longitude and  $26.6^{\circ}$  and  $27.4^{\circ}$  latitude north of the Equator.

The location of Nagaland reveals the political and geographical significance of the state which is marked by the international border on one side. The hilly terrain of Nagaland state is instrumental in shaping the cool and pleasant climatic conditions. Summer is the shortest season in the state that lasts for only a few months. The temperature during the summer season remains between the 16 degrees Celsius to 31 degrees Celsius. The torrential monsoon downpours continue non-stop during the months of June, July, August and September. Heavy rainfall occurs between the months of May and August. September and October months influence occasional showers. Winter makes an early arrival in the state. The temperature drops as low as of 4 degree Celsius in winter. Bitter cold and dry weather strikes certain regions of the state. The higher altitudes are enveloped in snow. Strong North West winds blow across Nagaland between the months of February and April.

The rivers form an integral part of the geography of Nagaland. Nagaland state is drained by four main rivers - Dhansiri, Dikhu, Doyang and the Jhanji. The rich alluvial deposit of the rivers facilitates crop cultivation in the state. The Nagaland flora and fauna vividly illustrates the diverse nature heritage that the state is blessed with. The state of Nagaland is covered by the vegetative growth of the evergreen tropical and the sub-tropical forests which occupy 8, 62,930 hectares of land in the state. Rare species of trees and plants are found in the forests of Nagaland. The variety of endangered species of animals and birds also make the forest regions of Nagaland their home. The flora of Nagaland is dominated by the growth of the thick wooded trees.

### **Land and the people of Nagaland**

The people of Nagaland are primarily of Mongoloid race. Naga's lifestyles are closely based on the Mongoloid features. Nagaland, the 16<sup>th</sup> state of the Indian Union, was established on December 1, 1963. It is divided into eleven districts: Kohima, Phek, Mokokchung, Wokha, Zunheboto, Tuensang, Mon, Dimapur, Kiphire, Longleng and Peren. Nagaland is almost entirely tribal with distinct languages, dialects, customs and cultural features. It is a largely mountainous state. Agriculture is the most important economic activity in Nagaland.

There are fourteen major Naga tribes in Nagaland; the Angami, Ao, Chakhesang, Chang, Khiamniungan, Konyak, Lotha, Phom, Pochury, Rengma, Sangtam, Sema, Yimchunger and Zeliang. Each tribe has their own languages and cultural features. The Naga's have different stories about their origin. The crop cultivation is practiced by the tribal people in the state of Nagaland. The major crops cultivated in the state are rice, millet, grams, rubber, maize and tea. The state is also reputed for the production of fruits. Banana, orange, fruit, pineapple, pear, jack fruit and plums are cultivated in Nagaland. Garlic, chilly, cabbage, tomato, potato and ginger are some of the main vegetables that account for the cultivation in Nagaland. The agro based industries like that of edible oils and species facilitate from the cultivation of these products. The forest regions of the state of Nagaland are being cleared to practice *Jhum* cultivation.

Kohima district is the home of the Angamis, Rengmas, a small group of the Kukis and some other minor groups. Phek district is the home of the Chakhesangs, the Pochuris and a group of Sangtams. The Angamis and the Chakhesangs practice terrace cultivation. The practice of double cropping is being attempted by the Angami and the Chakhesang tribes on a small scale recently. Mokokchung district is the home of the the Aos, Wokha district is that of the Lothas and Zunheboto district of the Semas. These tribes commonly practice the *jhum* cultivation, the slash-and-burn type of rotational agriculture. However, they have also started terrace cultivation in recent times and the State government is encouraging them to start terrace cultivation by way of giving loans and subsidies towards these schemes. Peren district is the home of the Zeliangs. The Tuensang district is the home of the Changs, the Sangtams, the Yimchungers and the Khaimniungans. Longleng district is the home of Phom tribe. Kiphire district is the home of the Sangtams and a minor group of Semas. Mon district is the home of the Konyaks, who constitute the largest single percentage of the total population of the State. These tribes traditionally practice the *jhum* cultivation. Dimapur district is the commercial hub of Nagaland, which is inhabited by different Naga tribe as well as other minor tribes.

## A

### Demographic characteristic

The identification of population and demographic characteristic helps to provide a better understanding of the community that is being served. Characteristics that may be helpful in creating a community socio-economic profile include population density, size of villages and sex ratio.

### Population density

Population density is a measure of degree to which any area is being occupied and filled up by a person. It is a measurement regarding one person in terms of square kilometer. Table 2.1 shows population density of Nagaland in general and Mokokchung, Wokha and Tuensang districts in particular, during the period 2001 to 2011;

**Table 2.1 - Area, Population & Density**

State/District	Area (Sq. Km.)	2001		2011	
		Population	Density/Sq. Km.	Population	Density/Sq. Km.
<b>Nagaland</b>	<b>16, 579</b>	<b>1, 990, 036</b>	<b>120</b>	<b>1, 978, 502</b>	<b>119</b>
<b>Mokokchung</b>	1,615	232, 085	141	194, 622	121
<b>Kohima</b>	1,628	161, 223	99	166, 343	102

**Source: Statistical Handbook 2009 & 2013, Directorate of Economics & Statistics, Nagaland.**

Table 2.1 shows that Nagaland population growth during the decade 2001 to 2011 was – 0.58%. Also during this decade population growth in Mokokchung district shows – 19.24%, Wokha district shows + 3.07% and Tuensang district shows + 2.43%. This table indicates that Nagaland state is undergoing low population growth during this decade as compared to other States of India. This low growth of population is compatible with socio-economic growth because, practically, higher population growth absorbs resources meant for development thereby less resources available for development and vice versa. Therefore, Nagaland present population growth rate is most suited for faster socio-economic development which is a challenging task.

### Size of villages

In the wake of modernisation, people migrate towards urban for better communication, health, business, education to their children and other urban facilities. On the other hand, numerous new villages were creating in these modern times from their parent village with a view to gain commercial, for easier accessible with urban environment and other advantageous factors. Hence households in the village across these sample districts are found to be thin as compared to other decades.

As per 2011 census, total number of inhabited villages in Nagaland is 1,428 (executive summary, data on rural and urban areas), however it was 1,317 villages as per 2001 census. An additional of 111 villages in 2011 census as compared to census 2001 which is 8.42% increase during this decade.

**Table 2.2 - Mokokchung District Sample Villages (Households)**

2011			
Village	Administrative HQ.	Households	Total Population
Ungma	Ongpangkong (N)	1299	8683
Chuchuyimlang	Changtongya	670	4776
Aosüngküm	Mangkolemba	23	110

**Source: Administration Nagaland – list of villages in Mokokchung District**

Table 2.2 shows that out of 84 approximate recognised villages under Mokokchung district, Ungma village shows the highest number of households with 1299, followed by Chuchuyimlang village with 670 households and Aosüngküm village shows the lowest number of households with just 23. The average size of households in Mokokchung district is 664.

**Table 2.3 - Kohima District Sample Villages (Households)**

2011		
Village	Households	Total Population
Kohima Village	1690	8683
Viswema Village	670	4776
Khonoma Village	312	110

**Source: Administration Nagaland – list of villages in Mokokchung District**

Table 2.3 shows that out of 98 approximate recognised villages under Kohima district, Kohima village shows the highest number of households with 1690, followed by Viswema village with 670 households and Khonoma village shows the lowest number of households with just 312.

Given the rural base of many villages in Nagaland state, it is natural that rural development programmes is expanding but their capacity to absorb the increasing workforce and retain it in the rural areas are limited. Urban populations are increasing through natural increase and rural-urban migration. Moreover, the ongoing transition from subsistence socio-economy to globally integrated cash economies supports the trend towards urbanisation.

### **Sex ratio**

Sex ratio is the ratio of males to females in a population. Sex ratio is measured through the proportion of males to females in a given population, usually expressed as the number of

female per 1000 males. Sex ratio of Nagaland is 931, i.e., for each 1000 male, which is below national average of 940 as per census 2011. In 2001, the sex ratio of female was 909 per 1000 males in Nagaland. .

**Table 2.4 - Percentages Decadal Growth (Persons) 2001-2011**

State/District	Total	Rural	Urban
<b>Nagaland</b>	- 00.58	- 14.55	+ 66.57
<b>Mokokchung</b>	- 16.14	- 30.85	+ 78.52
<b>Kohima</b>	+ 03.18	+ 06.28	- 07.00

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

Table 2.6 shows that in the decade 2001-2011 urbanisations have increased by higher rate and rural areas are declining gradually, except for Wokha district. The total population growth in this decade was - 00.58% while in previous decade it was + 64.41%. The population of Nagaland forms 0.16% of India in 2011 and in 2001, the figure was 0.19% contribution to India's total population.

Also, Male population growth during this decade is discussed in the table 2.7 below;

**Table 2.5 - Percentages Decadal Growth (Males) 2001-2011**

State/District	Total	Rural	Urban
<b>Nagaland</b>	- 02.14	- 15.61	+ 59.62
<b>Mokokchung</b>	- 16.40	- 31.20	+ 72.98
<b>Kohima</b>	+ 01.00	+ 05.02	- 11.47

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

Table 2.5 shows that percentage decadal growth rate of male in Nagaland is increasing in urban and decreasing in rural. Generally, Nagaland experienced a decadal male's growth rate of - 02.14%. The increase of male percentage in urban Nagaland is due to natural increase on one hand and rural-urban migration on the other hand. Among the total percentage of sample districts, Mokokchung district shows decreasing growth but both Wokha and Tuensang districts shows increasing growth of male percentage. Also, Wokha district shows male population percentage increase in rural and decrease in urban.

Female population growth during this decade is also shown in the table 2.8 below;



**Table 2.6 - Percentages Decadal Growth (Females) 2001-2011**

<b>State/District</b>	<b>Total</b>	<b>Rural</b>	<b>Urban</b>
<b>Nagaland</b>	+ 01.17	- 13.40	+ 74.93
<b>Mokokchung</b>	- 15.85	- 30.48	+ 85.32
<b>Kohima</b>	+ 05.52	+ 07.59	+92.69

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

Table 2.6 shows that decadal female population growth rate have risen up sharply for urbanisation in Nagaland. In total terms, Mokokchung district shows female negative growth. More female percentage is concentrating towards urban and this is because of natural increase as well as rural-urban migration. Nagaland total female decadal percentage growth rate at + 01.17% is shown during this decade.

Subsequently, percentage share of Mokokchung, Wokha and Tuensang districts population to state total population is also discussed in the table 2.7 below;

**Table 2.7 - Percentage share of total Population**

<b>State/District</b>	<b>2001</b>		<b>2011</b>		<b>% Change</b>	
	<b>Rural</b>	<b>Urban</b>	<b>Rural</b>	<b>Urban</b>	<b>Rural</b>	<b>Urban</b>
<b>Nagaland</b>	82.78	17.22	71.14	28.86	- 11.64	+ 11.64
<b>Mokokchung</b>	86.56	13.44	71.37	28.63	- 15.19	+ 15.19
<b>Kohima</b>	76.66	23.34	78.96	21.04	+ 02.30	- 02.30

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

Table 2.7 shows the percentages share of districts to state total population. Furthermore during 2001, Nagaland's total rural population contribution to that of India's total rural population was 82.78% and 17.22% in urban population contribution. However, during 2011, Nagaland state total rural and urban population contribution to that of India's total rural and urban population are 71.14% and 28.86% respectively.

As far as the population and sex ratio is concerned, Nagaland has shown an overall decline in population with - 00.58% growth since census 2001 and the total population now stands at 1,978,502 according to the population census 2011. The sex ratio has been recorded at 931 (females per 1000 males) with - 02.14 percent decadal growth for male and + 01.17 percent for female. Although the ratio has gone up from 900 in 2001, the percentage is still below the national level of 940.

The child sex ratio in the age group of 0-6 has shown a 20 points drop from 2001 level. Interestingly, the child sex ratio of 979 recorded in urban areas of Nagaland, which is 40 points higher than 2001, is also the highest urban sex ratio in the country. In 2011, the child sex ratio in the age group 0-6 in rural areas has been recorded at 932 which is 37 point lower than that of 2001 figure (979).

## **B**

### **Economic characteristic**

This section has described the economic characteristics of sample districts, namely, Mokokchung, Wokha and Tuensang, examined for the period 2000-'01 to 2010-'11.

### **Forest**

Nagaland state has a vast and rich forest resources providing livelihood to majority of population. Forest occupies an area of approximately 8, 62,930 hectares, of which government forest account for 11.70% and rest of 88.30% is in control of private. The recorded forest area of the state is 56% of its geographical area while the total forest and tree cover of the state is 13,764 km, which is nearly 83% of the geographical area. It is rich in biodiversity and many species are endemic to Nagaland.

In Nagaland, forest particulars such as reserve, purchased, protected, wild life sanctuary, national park and village are in variation between 2000-2001 and 2011-2012, which are summarised in the table 2.10. Total forest area under reserve in 2000-'01 was 1.00% while it is decreased to 0.72% during 2011-'12; purchased forest during 2000-'01 and 2011-'12 stands constant at 2.23%; protected forest during 2000-'01 was 5.88%, while it is increased to 5.99% during 2011-'12 period; wild life sanctuary in 2000-'01 was 2.58% but it is further decreased to 0.40% during 2011-12 period; national park area during 2011-'12 is 2.34% while there were no such provision during 2000-'01. In general, State owned forest area during this period remain unchanged, i.e. 100,823. However forest area under private or village ownership which includes virgin accessible forests, virgin non-accessible forests and degraded forests have attained a decimal rise in percentage between 2000-'01 to 2011-'12 from 88.30% to 88.32%.

Forest ecosystems in Nagaland deliver a vast array of services to the society. The management of natural local water cycle like attracting rain water, purification of water and regulation of water flows can be attributed to the dense forests in the State. In areas with relief

trees protect the soil against erosion that stores the essential nutrients for healthy biodiversity. Other ecosystems services like net cooling effect through evapotranspiration while at higher altitudes are important to be acknowledged. The forests and its resources are integral to the life of the Naga's and thus large parts of the forest region are exclusively owned by private, who earn their livelihood through trade of the forest products. As indicated by the available area under forests in Nagaland, there is no second thought that it harbours a huge potential for contributing to the state's economy, if harnessed in a sustainable manner.

**Table 2.8 - Classification of Forest Area (in Hectares) between 2000-2001 & 2011-2012**

Year	Sl. No.	Particular	Forest Area	% of Total Forest Area
2000-2001		<b>(Legal Status)</b>		
	1	Reserved Forests	8,583	1.00
	2	Purchased Forests	19,247	2.23
	3	Protected Forests	50,756	5.88
	4	Wild life Sanctuary	22,237	2.58
	5	Village Forest		
	a.	Accessible Forest	1,87,832	21.77
	b.	Non-accessible forest	2,89,995	33.60
	c.	Degraded Forest	2,84,280	32.94
		<b>Total</b>	<b>862,930</b>	<b>100.00</b>
		<b>(Ownership)</b>		
	1	State	100,823	11.70
	2	Private	762,107	88.30
		<b>Total</b>	<b>862,930</b>	<b>100.00</b>
Year	Sl. No.	Particular	Forest Area	% of Total Forest Area
		<b>(Legal Status)</b>		
	1	Reserved Forest	6,226	0.72

<b>2011-2012</b>	<b>2</b>	Purchased Forest	19,247	2.23
	<b>3</b>	Protected Forest	51,679	5.99
	<b>4</b>	Wild life Sanctuary	3,469	0.40
	<b>5</b>	National Park	20,202	2.34
	<b>6</b>	Village Forest		
	<b>a.</b>	Accessible Forest	477,827	55.37
	<b>b.</b>	Degraded Forest	284,280	32.95
		<b>Total</b>	<b>862,930</b>	<b>100.00</b>
		<b>(Ownership)</b>		
	<b>1</b>	State	100,823	11.68
	<b>2</b>	Private	762,107	88.32
		<b>Total</b>	<b>862,930</b>	<b>100.00</b>

Source: Statistical Handbook of Nagaland 2004 & 2012

**Table 2.9 - Revenue and Expenditure of the Forest Department (Rs in Lakhs)**

<b>Year</b>	<b>Revenue</b>	<b>Expenditure</b>		
		<b>Plan</b>	<b>Non-Plan</b>	<b>Total (Plan + Non-Plan)</b>
<b>2000-2001</b>	257.67	265.67	923.50	1189.17
<b>2011-2012</b>	386.27	4,019.00	4,047.16	8,066.16

Source: Statistical Handbook of Nagaland 2009 & 2012

Table 2.9 reveals that the amount of revenue collected from forest related activities in the period 2000-'01 to 2011-'12 was increased by 33.30%. This very revenue amount points out that there is a revenue transition from forest activities during this period in the state. Total expenditure, including plan and non-plan, on forest activities in this period has increased by 85.25% and more emphases have been laid by the concerned department in this field.

The Department of Environment and Forests, Government of Nagaland is responsible for the scientific management of the forests in the State. It works with a vision to achieve well-stocked high-quality forests with rich bio-diversity for maintaining ecological balance and ensuring environmental stability while meeting the forest-based needs of the local people. Its efforts are aimed at increasing the area under forest cover and enhancing the quality of existing forests with active participation of the local people. Recently, active involvement of the local people through the mechanism of JFM has significantly helped the Department in its efforts to enrich and protect the valuable forest wealth of the State. Forest transitions are associated with socio-economic transformations. The different processes through which forest transitions occur are contingent upon the local socio-economic and ecological contexts in the State.

### Power and Electricity

Power and electricity plays a pivotal role in shaping the life easier and faster. Today's human life is uncomfortable in the absence of proper electrification. Naga people have adapted towards electric power equipments in the domestic fields rather than to be depends on woods or natural resources from the forest. Also, traditional and hand machines for small and cottage industries have been gradually transformed into modern machines which mostly functions with the help of electric power.

**Table 2.10 - Installed Capacities and Generation of Electricity**

Particulars	Unit	2000-2001	2010-2011
<b>Installed Capacity</b>			
Diesel	<b>KW</b>	1.80	0.10
Hydro	<b>KW</b>	2.54	27.59
Bio Mass Gasifier	<b>KW</b>	0.16	0.16
<b>Total</b>	<b>KW</b>	<b>4.50</b>	<b>27.85</b>
<b>Generation</b>			
Diesel	<b>MKWH</b>	Nil	Nil
Hydro	<b>MKWH</b>	Nil	74.94
Bio Mass Gasifier	<b>MKWH</b>	Nil	Nil
Energy Purchased	<b>MKWH</b>	220.10	443.03
<b>Total</b>	<b>MKWH</b>	<b>220.10</b>	<b>517.97</b>

**Source: Statistical Handbook of Nagaland 2004 & 2011**

**Table 2.11 - Electricity Consumption of Sample Districts (in MKWH)**

Items	2000-'01		2010-'11	
	No. of Consumer	Unit Consumed	No. of Consumer	Unit Consumed
<b>Domestic Light &amp; Power</b>	111,160	91.32	163,178	187.62
<b>Commercial</b>	14,877	14.02	15,731	32.27
<b>Industry</b>	1,260	22.25	2,147	11.03
<b>Public Lightening</b>	790	7.73	573	4.80
<b>Public Water Works</b>	31	3.28	23	1.70
<b>Bulk</b>	175	23.42	555	46.90
<b>Inter State</b>	2	0.17	1	0.60
<b>Agri power</b>	8	0.13	2	0.04
<b>Total</b>	<b>128,303</b>	<b>162.32</b>	<b>182,210</b>	<b>284.96</b>

**Source: Statistical Handbook of Nagaland 2004 & 2011**

Table 2.11 shows that state electricity have achieved transition during this decade. Under installed capacity, 1.80 KW of diesel in 2000-'01 came down to 0.10 KW, which implies that dependence on diesel generator operator system have now gradually decreased. Several new hydro projects were created and few upgraded from the existing projects in the state that power installed capacity of 2.54 KW in 2000-'01 have been increased dramatically to 27.59 KW during 2010-'11, that is, 25.05 KW increase in this decade which is worth cost of anything else in the state so far. However, there is a constant of 0.16 KW for Bio-Mass Gasifier in the state during this decade. Under generation heads, there were no generation from hydro projects in 2000-'01 but 2010-'11 hydro generation leapfrogged to 74.94 MKWH. Energy purchased also show changes in this period, i.e., 220.10 MKWH in 2000-'01 to 443.03 MKWH in 2010-'11. The factors that has led to purchase of more energy is due to the demand for high electric energy in the state because of increasing pressure of population, mini manufacturing units involving electric energy, creation of new districts and villages across the state, usage of more electric equipments by household and so on.

Also, electricity consumption in overall Nagaland during 2000-'01 to 2010-'11 period in terms of number of consumer and its respective unit consumed is shown in the table 2.13. When comparing item-wise, it indicates that number of consumers and its unit consumed show increase in almost all the items, except in items like public lighting, public water works, sales to other states and power house auxiliary which shows a decline. The overall electricity picture reveals that there is an increase of 53,907 (29.59%) new electricity consumers and consumed 122.64 (43.03%) additional Mega Unit (MU) between 2000-'01 and 2010-'11 period.

Table 2.12 shows sales of electricity to various consumers unit during the decade 2000-'01 to 2010-'11 period. It has been sold to additional 53,907 (29.59%) electricity consumers and consumed 64.46 MKWH (22.62%).

**Table 2.12 - Sales of Electricity by Class of Consumers (in MKWH)**

Items	2000-2001		2010-2011	
	No. of Consumers	Consumption	No. of Consumers	Consumption
<b>Domestic Light &amp; Power</b>	111,160	120.22	163,178	187.62
<b>Industry</b>	1,260	23.55	2,147	11.02
<b>Bulk</b>	175	47.42	555	46.89
<b>Public Lighting</b>	790	5.68	573	4.80
<b>Irrigation/Agri pump</b>	Nil	Nil	2	0.04
<b>Public Water Works</b>	31	3.28	23	1.70
<b>Power House Auxiliary</b>	8	0.13	Nil	Nil
<b>Commercial</b>	14877	20.02	15,731	32.26
<b>Inter-State</b>	2	0.17	1	0.60
<b>total</b>	<b>128,303</b>	<b>220.47</b>	<b>182,210</b>	<b>284.93</b>

**Source: Statistical Handbook of Nagaland 2004 & 2011**

The revenues and receipts earned by the state government over power and electricity during 2000-'01 and 2010-'11 are discussed in the Table 2.13 below:

**Table 2.13 - Revenues and Receipts (Rs in Lakhs)**

Year	Sales of Power	Miscellaneous Receipts	Total
<b>2000-2001</b>	1,869.50	6.92	<b>1,876.42</b>
<b>2010-2011</b>	8,344.00	48.32	<b>8,392.32</b>

**Source: Statistical Handbook of Nagaland, 2011**

Mentioned in Table 2.14, there has been an increase of Rs. 6,515.9 lakhs (77.64%) generated through sales of power and other miscellaneous receipts during the period 2000-'01 to 2010-'11 period.

**Table 2.14 - Expenditure: Plan and Non-Plan (Rs in Lakhs)**

<b>Categories</b>	<b>2000-2001</b>	<b>2010-2011</b>
<b>Plan</b>	4,671.00	59.26
<b>Non-Plan</b>	5,891.02	220.00
<b>Total</b>	<b>10,562.02</b>	<b>279.26</b>

**Source: Statistical Handbook of Nagaland 2004 & 2011**

Expenditure on plan and non-plan has been discussed in the table 2.16. Total expenditure comprises of plan and non-plan amount to Rs 10,562.02 lakhs in 2000-2001, whereas it is just Rs 279.26 lakhs in 2010-2011. An amount difference in this period is a decrease of Rs 10,282.76 lakhs.

Consumption of electric power in the state also increases in the wake of urbanisation and technological progress. Everyday activities require electric power. Thus, Nagaland state is focusing maximum attention to dynamic electric power installation and efforts are being made to upgrade the existing power system. State department of power is trying to bring out drastic changes in policy making, implementation, execution, organisation, and also in collecting revenues generated out of electrical power in the state.

Nagaland state power and electricity is still has challenging task ahead, despite various measures to augment power generation and improve the distribution network. The State government introduced more comprehensive Power Development Policy, covering generation, transmission and distribution of power. Recently, the Power Department has taken several major steps to improve power supply management, including the establishment of a separate Electricity Regulatory Commission, setting up locally constituted management board both at urban and rural level for electricity revenue collection, which has brought great hope and expectation towards finding new solution.

### **Agricultural Resources**

Agriculture is considered the prime source of revenue for the state. Economy of Nagaland gets a major boost through the agricultural activities. The local people of Nagaland earn their living by growing a number of crops in their fields. Since agriculture contributes significantly towards the economy of Nagaland, the state government is taking major initiatives to develop this particular field. From seed farms to irrigation projects, the government is leaving no stones unturned to encourage the Nagaland agriculture.



**Table 2.15 - Area & Production of Principal crops in Nagaland during 2000-'01 and 2010-'11**  
(Area in Hectare/Production in Metric Tonnes)

Crops	Area & Production	2000-2001	2010-2011
<b>A. Cereals</b>			
<b>Total</b>	<b>Area</b>	202,674	264,400
	<b>Production</b>	302,610	531,860

**Source: Statistical Handbook of Nagaland 2001 & 2011**

Table 2.15 shows area and production of cereals crop in Nagaland during the period 2000-'01 to 2010-'11. It clearly indicates that there has been an increase of 61,726 hectares (23.34%) under cereals cultivation and produce, an additional of 229,250 metric tonnes (43.10%) during this period.

**Table 2.16 - Area & Production of Principal crops in Nagaland during 2000-'01 and 2010-'11**  
(Area in Hectare/Production in Metric Tonnes)

Crops	Area & Production	2000-2001	2010-2011
<b>B. Pulses</b>			
<b>Total</b>	<b>Area</b>	25,500	34,430
	<b>Production</b>	20,960	36,460

**Source: Statistical Handbook of Nagaland 2001 & 2011**

Table 2.16 shows area and production of pulses crop in Nagaland during the period 2000-'01 to 2010-'11. It clearly indicates that there has been an increase of 8,930 hectares (25.93%) under pulses cultivation and produce, an additional of 15,500 metric tonnes (42.51%) during this period.

**Table 2.17 - Area & Production of Principal crops in Nagaland during 2000-'01 and 2010-'11**  
(Area in Hectare/Production in Metric Tonnes)

Crops	Area & Production	2000-2001	2010-2011
<b>C. Oil Seeds</b>			
	<b>Area</b>	33,370	65,840

<b>Total</b>	<b>Production</b>	77,980	67,530
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**Source: Statistical Handbook of Nagaland 2004 & 2009**

Table 2.17 shows area and production of oil seeds crop in Nagaland during the period 2000-'01 to 2010-'11. It clearly indicates that there has been increased in an area of 32,470 hectares (49.31%) under oil seeds cultivation but produced quantity of 10,450 metric tonnes (-15.48%) during this period.

Table 2.18 shows area and production of commercial crops in Nagaland during the period 2000-'01 to 2010-'11. It clearly indicates that there has been increased in an area of 19,040 hectares (64.77%) under commercial crops and produce an additional of 348,260 metric tonnes (88.80%) during this period.

**Table 2.18 - Area & Production of Principal crops in Nagaland during 2000-'01 and 2010-'11**  
(Area in Hectare/Production in Metric Tonnes)

<b>Crops</b>	<b>Area &amp; Production</b>	<b>2000-2001</b>	<b>2010-2011</b>
<b>D. Commercial</b>			
<b>Total</b>	<b>Total Area</b>	10,360	29,400
	<b>Total Production</b>	43,910	392,170

**Source: Statistical Handbook of Nagaland 2004 & 2011**

The State economy solely depends on agricultural production by the farmers through judicious use of water. The Department of Irrigation & Flood Control, Nagaland is therefore entrusted to provide and create necessary infrastructure for irrigation to mitigate the farmer's need of reliable and sustainable supply of irrigation. As such the Department's role in providing continuous and assured irrigation has become a vital ingredient in making an agricultural based State like Nagaland to bridge the gap for economic prosperity.

Recently, Agriculture Department, Government of Nagaland, conducted a thorough study of present Information Technology infrastructure for AGRISNET Project to analyse its objective, current status, its strength and weaknesses, threat and opportunities present in the current scenario. This envisions implementing AGRISNET in the State of Nagaland with a view to enhance transparency, efficiency and provide quality and prompt service to its citizens. Action Plan was chalked out by the Government of Nagaland detailing the existing status, proposed activities, roles and responsibilities, and implementation methodology. The Department is committed to the welfare and economic upliftment of farming community in general.

## Horticulture

Nagaland is strategically located where all types of agro-climatic condition suitability for cultivation of tropical, sub-tropical and temperate crops available. Thus, the geography of the land does provide a good scope and added advantage for the development of horticulture, plantation crops, medicinal and aromatic plants, fruits, vegetables, flowers, mushrooms, spices crops, and so on.

**Table 2.19 - Area & Production of major fruits in Nagaland during 2000-'01 and 2010-'11  
(Area in Hectare/Production in Metric Tonnes)**

	<b>Area &amp; Production</b>	<b>2000-2001</b>	<b>2010-2011</b>
<b>A. Fruits</b>			
<b>Total</b>	<b>Total Area</b>	23,566	33,276
	<b>Total Production</b>	277,572	209,548

**Source: Statistical Handbook of Nagaland 2004 & 2013**

Above table 2.19 shows the area and production of major fruits in Nagaland during the period 2000-'01 to 2010-'11. The table reveals that there is an increase of 9,710 hectares (29.19%) cultivation area but production for major fruits has gone down by 68,024 metric tonnes (- 32.47%) during this period.

**Table 2.20 - Area & Production of major vegetables in Nagaland during 2000-'01 and 2010-'11  
(Area in Hectare/Production in Metric Tonnes)**

	<b>Area &amp; Production</b>	<b>2000-2001</b>	<b>2010-2011</b>
<b>B. Vegetables</b>			
<b>Total</b>	<b>Total Area</b>	28,680	36,905
	<b>Total Production</b>	313,382	284,216

**Source: Statistical Handbook of Nagaland 2004 & 2013**

Table 2.20 shows the area and production of major vegetables in Nagaland during the period 2000-'01 to 2010-'11. The table reveals that there is an increase of 8,225 hectares (22.29%) area under cultivation but production for major vegetables has gone down by 29,166 metric tonnes (- 10.27%) during this period.

Though quantity of production for major fruits and vegetables has gone down during the period 2000-'01 to 2010-'11, as tables 2.21 and 2.22 shows, yet horticulture is the mainstay of the people and about 60 percent of the rural population in the State directly or indirectly depend

on it. Horticultural crops are being grown in almost all the regions of the State due to suitable natural conditions. Further, the horticulture sector provides more employment opportunities in the rural areas. The recent hi-tech nature of horticultural interventions by central as well as state government has further attracted the educated youths to take up commercial ventures on horticulture.

The state is characterised by different terrain, wide variability in slope and altitude, land tenure system and cultivation practices. The transport and communication system is poorly developed. As a result the majority of the area in the state is still inaccessible. The horticulture production system in the state is mostly rain fed, mono cropped and at subsistence level. Therefore, proper crop planning for each of the district is very essential.

## C

### Social Characteristic

In recent times, there is a growing realization that social sector is an inseparable element of any economy. There are numerous attributes that align with this social sector, out of which, education and health sectors of Nagaland is discussed in this section.

### Education

The Government has taken special care for the development of elementary education in the state. Nagaland education dimension has been undergoing a transitional stage in this decade. Since statehood, Nagaland state is deploying maximum efforts in the field of education to increase not only literacy percentage but also to develop quality and cognitive curriculums through various schemes and missions created by the State government as well as funding from the Central government in the light of intensive educational aspects. Comparative study on the literacy percentage in the State between 2001 and 2011 are discussed in the tables below;

**Table 2.21 - Literacy percentage rate by residence – Persons**

State/Districts	Literacy Rate (Persons) 2001			Literacy Rate (Persons) 2011		
	Total	Rural	Urban	Total	Rural	Urban
<b>Nagaland</b>	<b>66.59</b>	62.79	84.74	<b>80.11</b>	75.86	90.21
<b>Mokokchung</b>	<b>83.92</b>	82.67	92.06	<b>92.68</b>	92.01	94.34
<b>Kohima</b>	<b>80.55</b>	77.20	91.41	<b>87.60</b>	85.18	96.47

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

Table 2.21 clearly shows literacy transition that has been achieved in Nagaland between 2001 and 2011 census. Nagaland's overall literacy percentage increased by 13.52%, Mokokchung district by 8.76%, Kohima district by 7.05% during 2001 to 2011 period. Also this

table indicates that Nagaland as well as Mokokchung and Kohima districts the literacy percentage, both male and female, have increased in both rural and urban.

Table 2.22 shows males literate percentage rate by residence between 2001 and 2011 period. Here, male's literacy percentage increased by 12.13% in overall Nagaland, 7.52% in Mokokchung district, 5.18% in Kohima district .

**Table 2.22 - Literacy percentage rate by residence – Male**

State/Districts	Literacy Rate (Males) 2001			Literacy Rate (Males) 2011		
	Total	Rural	Urban	Total	Rural	Urban
<b>Nagaland</b>	<b>71.16</b>	67.58	87.44	<b>83.29</b>	79.49	92.11
<b>Mokokchung</b>	<b>86.03</b>	85.08	91.78	<b>93.55</b>	93.06	94.70
<b>Kohima</b>	<b>85.35</b>	82.74	93.30	<b>90.53</b>	88.63	97.30

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

The male literate percentage has increased in overall Nagaland .

**Table 2.23 - Literacy percentage rate by residence – Female**

State/Districts	Literacy Rate (Females) 2001			Literacy Rate (Females) 2011		
	Total	Rural	Urban	Total	Rural	Urban
<b>Nagaland</b>	<b>61.46</b>	57.52	81.42	<b>76.69</b>	72.01	88.10
<b>Mokokchung</b>	<b>81.61</b>	80.07	92.41	<b>91.74</b>	90.90	93.91
<b>Kohima</b>	<b>75.32</b>	71.36	89.13	<b>84.58</b>	81.68	95.56

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

Between 2001 and 2011 census, female literate percentage rate has increased by 15.23% in overall Nagaland; while it increased by 10.13% in Mokokchung district, 9.26% in Mokokchung district as Table 2.23 shows. Female literate percentage rate increased both in rural and urban sectors in Nagaland.

More efforts have been made by the School Education Department towards reforming and expanding educational facilities in the state at all levels. Through the SSA and RMSA, efforts are being made to provide more qualified teachers, better buildings, better teaching aids and other amenities. These efforts have resulted in improving the literacy rate in the State from

66.59% to 80.11% during the last 10 years. The Department focused more on upgrading the then existing institutions to higher level with a view to impart maximum education and anti-illiterate mission. Recently, there was upgradation of many schools to next higher levels, because the State government wants to ensure that pupils will not move to other places in view of next higher education. To be more precise, whether it is in rural or urban areas, the State government educational system provide sufficient Schools to all the villages and sectors with suitable levels of institution as per the enrollment of pupils of those areas. Following table show the changes in the number of educational institutions between 2000-2001 and 2007-2008:

**Table 2.26 - No. of Educational Institutions of School Level**

Institution types	2000-2001				2007-2008			
	Central	State	Private	Total	Central	State	Private	Total
<b>Higher Secondary</b>	NIL	4	16	<b>20</b>	3	16	50	<b>69</b>
<b>High School</b>	NIL	121	194	<b>315</b>	10	109	218	<b>337</b>
<b>Middle School</b>	NIL	246	223	<b>469</b>	NIL	287	178	<b>465</b>
<b>Primary School</b>	NIL	1,299	192	<b>1,491</b>	NIL	1442	220	<b>1662</b>
<b>Total</b>	<b>NIL</b>	<b>1,670</b>	<b>625</b>	<b>2,295</b>	<b>13</b>	<b>1,854</b>	<b>666</b>	<b>2,533</b>

**Source: Statistical Handbook of Nagaland 2001 & 2011**

Table 2.26 shows educational institutions at School level. This table clearly reveals that more institutions were created in Nagaland so as to accommodate the growing number of pupils seeking academic education both in rural as well as urban sectors. There has been an increase in institutions during this period in Nagaland.

Education is a continuous process which makes people become self-reliant and the State a giving state. Thus, the people of Nagaland too look forward for higher knowledge keeping in mind the value of knowledge in nation building.

## **Health**

The health sector, throughout the State, has undergone significant changes over the last two decades with declining IMR, MMR and increased life expectancy. The Nagaland State Programme Implementation Plan 2008-09 is based on the District Health Action Plan as prepared by the different districts. The compilation of the district plan is on for all the districts and during the appraisal of the block plans, the district plan, whatever the respective district could prepare, was taken as base while formulating the state health action plan. The Programme

Implementation Plan has also made genuine effort to depict the gaps identified and interventions adopted to address the objectives of the different programmes.

NRHM was launched in April 2005 and has made the public health institutions - PHCs, CHCs and District Hospitals - easier to respond when people really need services but for these to happen provisions made under NRHM have to be enjoyed. All these factors help in transferring health of the people at their own hand and government plays a role of facilitator providing all round support, ensuring access to health services.

Total number of Medical Personnel's in the State, as table 2.28 shows, changes during this period. Increase in Doctors in this period is 19.02%. However, since the needs of Pharmacists in the State in recent times have declined, its percentage has decreased by 9.95%. With the development of different health sectors and expansion of existing Health establishment to various rural and sub-urban areas in the State, increase in the number of Nurses in this period is 36.27%.

The prevalence of non-communicable diseases has increased over the years with diabetes, hypertension, heart problems, and cancers leading the group. On top of it, HIV as a disease has had the notorious distinction of achieving close to epidemic proportion. The present rate of incidence of HIV infection if left unchecked would have a serious impact in the health care services in the near future. Various focused and need based interventions have been proposed for ensuring effective service delivery with regards to the diseases prevalent in the state.

Adequate steps have been initiated to ensure convergence with the key stakeholders. Nagaland is devoting special attention and care to upgrade health status through various special schemes, missions, and projects to sustained prolonged life longevity and also setting up acceptable infrastructure plus other physical necessities for the people of the State. Nagaland is focusing maximum efforts especially in the rural and sub-urban sector to provide better health condition throughout the state. Within the time span of these few years, the State has shown definite visible improvement in health care delivery and that has resulted in better health status of the community.

This decade recognised a health transition in the Nagaland State. It is becoming clear that Nagaland is in the midst of a health care transition across four dimensions:

- Demographic: With declining mortality and fertility, in 2011 as compared to 2001, the percentage of total population in the age group 0-6 years is 14.44, where 15.22 for rural and 12.52 for urban. Further, the total percentage of male in this decade is 14.34, where 15.29 for rural and 12.05 for urban. Again, female total percentage in this decade is 14.54, where 15.14 for rural and 13.04 for urban. The percentage of population during 2001 to 2011 in the age group of 0-6 years is as follows:

**Table 2.29 - Percentage of child population between 2001 and 2011**

	<b>Total</b>	<b>Rural</b>	<b>Urban</b>
<b>Persons</b>	-1.28	-11.22	48.19
<b>Male</b>	-0.28	-9.56	45.17
<b>Female</b>	-2.31	-12.94	51.41

**Source: Census of India 2011, Provisional Population Totals – Nagaland.**

This window of demographic opportunity for 6 years and above, as per 2011 census when compared to 2001 census, in Nagaland major increase in the working age group population is 4.39%, will last for quarter century. Among the increasing older population, many may be widows, without family support. This demographic shift has implications for the way in which health care is delivered and accessed.

- **Epidemiological:** A high proportion of the population continue to die from preventable infections like diarrhea, pneumonia, under-nutrition, child birth related complications, tuberculosis, malaria, and HIV. Simultaneously, the growing of non-communicable, chronic conditions of ill-health like cardio-vascular disease, diabetes and cancer attributed to changing life-styles, is stretching the capacity of the healthcare system, since it must continually attend to the “unfinished agenda”.
- **Social:** There is on the one hand, arising demand for high quality healthcare, including a preference for multi-specialty hospitals, though there are several hospitals in this recent times with updated medical equipments, even if these entail higher costs. On the other hand, there is an unwillingness (even developed, moderate and developing districts), to discard myths and misconceptions, for example, those contributing to adverse sex selection;
- **Managerial:** There is need to develop health financing systems (inclusive of risk pooling), that will address the shift in disease burden, the increase in health costs, and inefficiencies across healthcare management in the State.

### **Respondents’ Socio-Economic Profile**

#### **Period of Participation in SHG**

The period of participation as a member of a SHG is a vital factor from the point of view of the eligibility criteria for sanction of bank credit under the microfinance programmes.



The group member can access bank credit only after 6 months of inception of their SHG as the SHG becomes eligible for credit rating only after six months of active existence. A long term membership enables the member to harness benefits of various training programmes compared to a member, who have joined recently. Table 2.1 portrays the period of the association of the members with SHGs. From the Table 2.1, it is understood that a little above half of respondents ((51.67per cent)

**Table 2.1: Period of Participation in SHGs**

S. No.	Period of Participation	Kohima		Mokokchung		Total
		Urban	Rural	Urban	Rural	
1.	Less than 2 Years	30 ((40)	25 (33.33)	35	25 (33.33)	105 (35.00)
2.	2-3 years	40 (53.33)	40 (53.33)	40	35 (46.67)	155 (51.67)
3.	Above 3 years	5 (6.67)	10 (13.34)	-	15(20.00)	25 (8.33)
	Total	75(100)	75(100)	75(100)	75(100)	300 (100)

Source: Field Survey

Figures in parentheses indicate the percentage

### Age

It is an established fact that age plays a dominant role in shaping a personality of an individual. The age factor is interrelated with the ability to learn, grasp and retain. Level of participation in different walks of life and holding of several responsibilities are determined to a great extent by age. The stages of life cycle of women are specially affected by the age span. Thus, for the purpose of analysis, age has been divided into four groups as 20 to 30; 31 to 40; 41 to 50 and 50 and above. The age-wise distribution of SHG members has been obtained to understand their quantitative and qualitative contributions to their groups.

**Table 2.2: Age-wise Distribution of SHG Members**

Age Group (in Years)	Mokokchung		Kohima		Total	
	No.	Per cent	No.	Per cent	No.	Per cent
18-35	55	36.67	75	50.00	130	43.33
Above 35-40	60	40.00	45	30.00	105	35.00
Above 50	35	23.33	30	20.00	65	21.67
Total	150	100	150	100	300	100

Mean: 36.83; S. D.

Table 2.2 reveals that the younger category (18-35 years) of women constitute 43.33 per cent of the respondents, who are keen to participate in training and start new enterprises, more closely followed by the middle aged category (Above 35-40 years) of women, who form 35.00 per cent of the respondents. The old-age category (above 50 years) of women is only 21.67 per cent of the respondents. It is obvious that the younger and the middle aged are eager to join the SHGs and like to seize the opportunities, where as only a few women in the old-age category, who expect support, come forward to enroll themselves in the SHGs and take up income generation activities. The reason may also be attributed to the practice of the branch managers, who hesitate or refuse to give bank loans to SHGs, with old-age members, even though the government norm says that women of up to 60 years of age are eligible to join in a SHG. The researcher has seen that even though the number of old aged people is less in SHGs, the guidance they give in many groups is more to be valued, as they are having a rich experience and the younger generation should make use of their expertise to the optimum level.

### Education:

Education is again one such important factor, which affects the attitudes and shapes the personality of individuals in a positive manner. Besides enhancing information and awareness level, education is an important ingredient for social and economic development. The rural women have little access to education due to social, economic, cultural and situational reasons. The mental abilities improved through formal education might lead to qualitative involvement in the SHG management, banking functions and income generation.

It is observed from the Table 2.3 that percentage of illiterate respondents is negligible that is a matter of satisfaction. Further, it is observed that 21.33 per cent of the respondents completed primary level of education, 34 per cent of them completed middle school, 40 per cent of them completed high school and 2.34 per cent completed graduation.

**Table 2.3: Educational Status of SHG Members N=300**

Sl No.	Educational Status	Mokokchung		Kohima		Total	
		No	Per cent	No	Per cent	No	Per cent
1	Illiterate	03	2.00	04	2.67	07	2.33
2	Primary	38	25.33	26	17.33	64	21.33
3	Middle	46	30.67	56	37.33	102	34.00
4	High School	60	40.00	60	40.00	120	40.00
5	Graduation	03	2.00	04	2.67	07	2.34
	Total	150	100.00	150	100.00	300	100.00

Source: Field Survey

## Martial Status

Martial status affects the life of women tremendously and this influence is much more prominent in the rural areas. The level of education, fertility, child bearing and rearig, work-leisure ratio, social mobility, status in the society and many other factors are interlinked with the martial status of a woman. Several variables related with social autonomy to be explored in this study are directly related with martial status of the SHG member as the involvement, awareness, attitude and decision-making regarding certain variables are associated with marriage.

**Table 2.3: Martial Status**

Martial Status	Mokokchung		Kohima		Total	
	No	Per cent	No	Per cent	No	Per cent
Married	98	65.33	110	73.33	208	69.33
Unmarried	20	13.33	21	14.00	41	13.67
Widow	03	02.00	03	02.00	06	2.00
Divorced	29	19.34	16	10.67	45	15.00
Total	150	100.00	150	100.00	300	100.00

Source: Field Survey

Table 2.4 indicates that 69.33 per cent of the respondents are married women, which comply with the existing best practice of enrolling married women only in SHGs, as unmarried women's migration is possible to other villages/places after getting married. But 13.67 per cent of respondents are unmarried and during the interview with SHG members, it was informed that these unmarried are not expected to move out of their villages. 15 per cent of the respondents are divorced that shows who are really suffering lot due to their low economic status and only 2 per cent of them are widow. For such marginalized women, membership in SHG has proved to be a turning point.

## Type of Family

The type of family implies that whether the family is a nuclear one or a joint family. The size of family, the number of dependents, number of earning members, social mobility, status of women in the family, the level of savings, the level of adherence to the social and religious customs and traditions may depend, to some extent on the nature of the family. Generally, a joint family is somewhat rigid in its values as opposed to a nuclear family. It is a general belief that the process of urbanization has led to breaking up of joint families while, they are a routine feature in the rural areas. However, this myth is exploded in the distribution of sample in this study.

**Table 2.5: Family Type****N=300**

Sl. No	Family Type	Mokokchung		Kohima		Total	
		Frequency	Per cent	Frequency	Per cent	Frequency	Per cent
1.	Nuclear	115	76.67	132	88.00	247	82.33
2.	Joint	35	23.33	18	12.00	53	17.67

Table 2.5 shows that out of the 300 SHG members in our sample, 82.33 per cent of the respondents have nuclear families and remaining 17.67 per cent have joint families.

**Family Size**

The size of the family depends to some extent on the nature of the family. It is presumed that the joint families are larger in size as compared to the nuclear families. The size of the family, generally, determines the number of dependents, savings capacity, per capita income and standard of living. Whereas, factors like the knowledge and adoption of family planning measures, religious beliefs, preference for son, age at marriage, fertility level, belief in positive correlation between family size and income etc. determine the size of the family. The distribution of the SHG members according to the size of the family is as follows.

**Table 2.6: Size of Family**

Sl No	Size of Family	Mokokchung		Kohima		Total	
		No	Per cent	No	Per cent	No	Per cent
1.	Up to 4	91	60.67	114	76.00	205	68.34
2.	5-7	29	19.33	32	21.33	61	20.33
3.	7 above	30	20.00	04	2.67	34	11.33

Table 2.6 shows that 68.34 per cent of the SHG members have up to 4 members in their families, while 20.33 per cent of the respondents have a family size of 5 to 7 members and remaining 11.33 per cent of the respondents come from the families having more than 7 members. When we look at this variable in context of the type of family, it is found that respondents having more than 7 members in their families have a joint structure of family and about 20.33 per cent of the respondents having 5 to 7 members in their families along with parents. However, 68 per cent of the total respondents belong to nuclear families.

**Occupation:**

The family occupation of the individuals decides the economic as well as the social status. The main occupation profile of the respondents' families is given below.

The trading activities engage majority (45.00 per cent) of the SHG women in the study area (vide Table 2.7). This may be attributed to the fact that petty trading involves a very low skill level, further it requires a low startup capital and the entry barriers are less. For the target poor in the study area, who are mostly first generation entrepreneurs, trading emerges as the safest entry point to the world of micro enterprises. It is closely followed by the agricultural activities, which engage 36.67 per cent of the respondents. Being a relatively risk free and traditional activity, like farming, pig rearing are most sought after by the poor rural women in the study area. 13.33 per cent of the respondents depend on services sector.

**Table 2.7: Family Occupation of Respondents**

Family Occupation	Mokokchung		Kohima		Total	
	No.	Per cent	No.	Per cent	No.	Per cent
Agriculture	50	33.33	60	40.00	110	36.67
Manufacturing	10	6.67	05	3.33	15	5.00
Trade	60	40.00	75	50.00	135	45.00
Service	30	20.00	10	6.67	40	13.33
Total	150	100.00	150	100.00	300	100.00

### Number of Income Earners in the Household

Number of income earners in the households of the respondents is an important indicator for judging the dependency of household members for their sustenance. Income earners to total members in the household- ratio for the study area work out to 42.05 per cent. There is a compelling need to undertake more livelihood micro enterprises by the sample respondents' households due to the low income earner to total member's ratio. It has been observed that in some poorest families, the households have taken out their children from the school and sent them for employment in the nearby towns, particularly in the construction industry flourishing in the outskirts of the towns and in the small hotels.

Once the livelihood promotion is given thrust through the microfinance programmes, the above ratio is bound to go up reducing the dependency status in the households.

**Table 2.8: District-wise Distribution of Income Earners in the Respondents' Households**

District	Household Earners		Income earners to Total Members Ratio (Per cent)
	Income Earners	Total Members	
Mokokchung	268	657	40.79
Kohima	406	946	42.91
Total	674	1603	42.05

## Participation in Networks

Networks play a vital role in the society by protecting its members rights, doing advocacy for policy changes and offering support services to cater to the needs of their members. The network of vegetable vendors and hawkers in Ahmedabad emerged as the SEWA (Self-Employed Women's Association) a trade union, which later evolved itself into a MFI and a regulated bank – SEWA bank.

The networks wield considerable power in the corridors of decision-makers. For the poor, even in participation in a SHG, is deemed to be joining a social network. Over a period of association with the SHGs, the members become aware of the benefit of networking and mostly SHG leaders represented one or more networks operating in their area.

Table 2.9 shows that 91.67 per cent of the respondents are having membership in a SHG, whereas 8.33 per cent of the respondents are having membership in other networks apart from having SHG membership. It is found that 10.00 per cent of the respondents from the Mokokchung district as against 6.67 per cent in Kohima district have membership in other networks apart from having SHG membership. It is observed during the survey that as the SHG women join more number of networks, their exposure is increased and they get acquainted with more institutions and officials, which results in opening up of new opportunities to them.

**Table 2.9: Participation in Networks**

Respondent Representing	District				Total	
	Mokokchung		Kohima			
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Only SHG members	135	90.00	140	93.33	275	91.67
Membership in other networks apart from SHGs	15	10.00	10	6.67	25	8.33
Total	150	100.00	150	100.00	300	100.00

## Preference for Type of Loan

Banks offer both direct SHG loans without subsidy and subsidized SHG loans under government sponsored poverty alleviation programmes to the poor. Generally for direct loans without subsidy, no targets are prescribed, whereas for the subsidized loans targets are given, which are usually limited, as the subsidy has to be given by the government out of the tax payer's money through the budget.

It is observed from the Table 2.10 that 62.00 per cent of the respondents preferred to have a subsidy loan as against 38.00 per cent who preferred direct loan without subsidy.

From the Table 2.11, it is evident that there is a direct relationship between the period of participation of respondents in SHGs and the increase in the preference for the subsidy SHG loan among the SHG women. This may be attributed due to the normal perception of the people to take the benefit of subsidy.

**Table 2.10: Preference for Direct SHG Loan vs. Subsidy Loan**

Type of Loan	Mokokchung		Kohima		Total	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Direct Loan without subsidy	58	38.67	56	37.33	114	38.00
Subsidy Loan	92	61.33	94	62.67	186	62.00
Total	150	100.00		100.00	300	100.00

**Table 2.11: Preference for Loan vs. Period of Participation**

Type of Loan	Period of Participation of Respondents in SHGs					
	Less than 1 Year		1-2 Years		Above 2 Years	
	No.	Per cent	No.	Per cent	No.	Per cent
Direct Loan without subsidy	25	27.78	50	27.78	05	16.67
Subsidy Loan	65	72.22	130	72.22	25	83.33
Total	90	100.00	180	100.00	30	100.00

### **Organisational Structure of the Self-help Groups**

Empowerment of rural people in India demands that members of village communities should have their organizations, which will serve their own economic and social needs. Due to a number of constraints like poor educational background, low status, limited resources, lack of motivation, communication gap etc., the rural people do not have their own organizations, through which they can become direct counterparts of their promotion agencies at the village

level. Self-Help Groups are voluntary associations of people to fulfil their needs through facilitating financial linkage of poor borrowers with the formal financial institutions in the country.

Self-Help Group is a small economically homogeneous and cohesive group of rural poor voluntarily coming together to:

- Save small amounts of money regularly;
- mutually agree to contribute to a common cause;
- meet their emergency needs on mutual help basis;
- have collective decision making;
- solve conflicts through collective leadership; and
- provide collateral-free loans with terms and conditions decided by the group (NABARD: 1999).

These thrift and credit based groups then enter into the bank/self-help group linkage programme. Some of them evolve into income generating units and serve the cause of self-employment. The SHGs are formed and promoted by government agencies/NGOs, which survey the socio-economic status of the people in the area, identify the poor, disseminate information about principle purpose and the procedures of setting up an SHG for saving and credit, spread the concept of thrift, group savings, mutual assistance, banking habit and group activity for income generation. Further, the Self-Help Promoting Institute (SHPI) generally deputed frontline workers, who are called facilitators and who undertake the task of forming and nurturing the SHGs. Membership of an SHG should be between 15-20 for each group and from similar socio-economic background. All members should preferably be between 18-60 years of age. Apart from this, the SHGs are free to develop their rules about membership, leadership, meetings, record-keeping by mutual consent. Therefore, in absence of written bylaws for the SHGs in general, the formation, functioning and development of SHGs have to be studied in particular separately to understand the working trend.

### **Types of SHGs**

The entry points for all SHGs are thrift and saving. These savings groups gradually get engaged in inter-lending. These thrift and credit groups after a minimum period of six months of working have to go through grading and assessment programmes, which finally their eligibility for bank-linkage.

Some groups evolve into income-generating units. The broad classification of the SHG in the sample on the basis of their type is given below.

Table 2.12 shows that out of the 150 SHGs studied under our sample, 64 per cent SHGs are purely thrift and credit groups restricted to pooling funds and inter-lending. While, 36 per



cent SHGs have been linked with bank. The break-up of income generation shows that there are 12 income generating groups and 41 are swarozgaris.

**Table 2.13: Types of SHGs**

SHG Type	No. of Groups	Per cent
Thrift and credit	12	
Bank-linked	08	
<ul style="list-style-type: none"> <li>• Income-generating- 06</li> <li>• Swarozgaris- 02</li> </ul>		
Total	20	100.0

### Size of SHG

The ideal size of SHG ranges from 10 to 20 members. For operational it is recommended that the number of members in the group should not exceed 15-20. This is because small sized groups allow for more participation from all members, something that would be difficult in larger groups. Moreover, the larger group, the more will be the conflicting interests among the members, which would be difficult to address. The distribution of the groups in the sample according to size is given below:

**Table 2.14: Size of SHG**

Members of SHGs	No of SHGs	Per cent
6-10	81	54
11-15	65	43.33
16-20	4	2.67
Total	150	100

It is clear from Table 2.14 that 54 per cent of the groups have a membership ranging between 6-10 members. Among these most of the groups have 10 members.

About 43.33 per cent of the groups have 11-15 members and only 2.27 per cent of the groups have 16-20 members. The groups in the sample are not large but are, in fact, of manageable size.

### Duration of SHG Formation

The duration of SHG formation is an important determinant of its performance level. The SHGs are in an infant stage the first year of their formation, but as the group progresses along, it starts gaining in confidence in its routine activities of savings, lending and record keeping. Its sustainability and efficiency level prepare it for bank linkage, which, in turn adds to the maturity

of the groups. The older groups enter into the sphere of income generation and some start getting involved in community actions. The age-wise distribution of SHGs is given below:

**Table: Age of SHG**

Age of SHG (in months)	No of SHGs	Per cent
1-12	4	8.00
13-24	7	30.67
25-36	7	24.00
37-48	1	20.00
>48	1	17.33
Total	20	100.00

### Membership

The Self-Help Groups in Kohima and Mokokchung Districts, under the Swarnjayanti Gram Swarozgar Yojana (SGSY) have been formed by Cooperative banks and NGOs. Our sample profile reveals the fact that NGOs have played the lead role in forming SHGs as they formed about 90 per cent of the total SHGs selected in the sample. Cooperative banks have formed about 10 per cent of the total SHGs. The most disheartening fact relating to this aspect is that 19 per cent of the respondents had no knowledge about the agency formulating their SHGs. On the other hand, 55 per cent of the total respondents knew that their SHG had been formed under the SGSY, while 45 per cent of the respondents did not have the knowledge about the programme under which they had come together in a group.

The SGSY programme and the SHG approach are formed to address the poorest of the poor in rural areas. The basic task of group formation begins with the identification of poorest section, in fact, of the persons living below poverty line. The groups have representation of BPL members in varying per cent as shown below:

**Table: Percentage of BPL Membership in SHGs**

Percentage of BPL membership	No. of Groups	Per cent
0-25		
26-50		
51-75		
76-100		
Total		

**Reason of Association with SHG:** Since an SHG is a voluntary group formation, therefore, every individual who decides to become a member of an SHG has her or his own reason behind doing so. What are the motivating factors behind joining an SHG, or what does an individual

expect from an SHG are important considerations in judging the successful working of a group. The active role of members of a group depends on the fulfillment of their short-term expectations and family the sustainability of a group depends on fulfillment of long-term expectations. The reasons of association with SHGs have been given below:

Reasons for SHG Membership	No. of Respondents	Per cent
Economic Reasons	273	91.00
Non-Economic Reasons	14	4.67
Others' Persuasion	13	4.33
Total	300	100.00

Table shows that economic factors played the main role in motivating the respondents to get associated with the self help groups. It is clear that 91 per cent of the total respondents became members of SHGs with an aim to increase the family income, or with intentions of becoming able to save and get loan from banks, or wished to become economically independent through SHG membership. The other factors like children's future, wish to enhance social status, gain group strength against exploitation, payment of old debts, social service, and others' persuasion played a very negligible role in acting as motivating factors for the respondents to associate with SHGs.

**Basis of Membership:** The two basic features of group formation are voluntary membership and homogeneity of the group in respect of the sex, caste, class, language, age etc. However, affinity, which is determined by mutual trust, support and understanding, like-mindedness and shared interests, is also one of the major factors, which informally plays an important role in a group formation. This is an important variable to be studied as the sustainability of the groups depends on the criteria of group-formation.

**Table : Criteria of Group Formation**

Basis of Membership	No. of Groups	Per cent
BPL Members		
Similar Economic Status		
Social Connectivity		
Facilitator's Will		
Anyone		
Total		

### **Entry and Exit of a New Member**

SHG is neither a registered entity nor a formal agency bound by specific rules and regulations. Still, the groups decide some rules on their own for their functioning, which differ from group to group. Once a group has been formed and happens to function well, fresh members might get motivated to join the group, or else, some individuals might come to know

about the group somewhat at a later stage. In such cases, it depends on the individual group's discretion whether or not to allow a fresh entry and on what terms will this entry be allowed.

About 49 per cent of the respondents reported that no new member will be allowed to enter into their original group, while 40 per cent of the respondents had no reservations regarding the fresh entry of a member once she deposited the total amount saved by the group saved till that point of time. This aspect of membership was unknown to 11 per cent of the respondents.

As a new member would be encouraged to join an SHG, so would some existing member(s) would like to leave the group. In such a case, it is very clear that the member will not be allowed to do so if she has a loan to her credit still to be paid back. Otherwise, the member will be allowed to leave the group but with different considerations with regards to the amount of saving. About 76 per cent of the respondents reported that their groups will return the respective amount of savings of that member as against groups of 12 per cent of the respondents, which would withhold some amount. On the other hand, groups of 11 per cent of the respondents will not return the amount of savings at all. The latter two cases might be harsh on the person making the exit but they would check willful and frequent exit of members. Besides, this technique would add to the financial resources of the group. On the other hand, returning the full amount of savings without any pressure-building would not keep the group intact for a long time because initially the group does face some teething problems and the tendency to quit might be higher.

### **Leadership**

The groups often have office bearers like the president, secretary and/or treasurer who besides carrying out the major functions of the group might represent the group in other areas. The representatives are either elected or appointed by general consensus or may be selected by the facilitator/SHPI. The sample groups have only President and Secretary as their office bearers and their selection criteria is given below.

**Table 2. : Criteria of Selecting Office Bearers**

Selection of Office Bearers	No. of Groups	Per cent
Voting	6	
Consensus	68	
Majority's Decision	16	
SHPI or Facilitator's Will	10	
Total	100	

Table shows that per cent of the groups have appointed their office bearers through general consensus and 20 per cent of the groups have appointed them on the basis of majority decision. On the other hand, per cent of the groups have their office bearers appointed by the facilitator/SHPI. Voting is a measure very rarely used just in per cent of the cases. The sample of this study included 100 SHGs from which three persons from each SHG were selected as

respondents. Two of these three persons were deliberately selected from the office bearers and the other one was any member of the group. Although there were 200 office bearers in the sample, however, the information regarding the leadership profile was collected from all the 300 respondents to verify the information provided by the office bearers and also to check the awareness level of the members regarding their leaders.

A discouraging revelation about leadership profile was that office bearers of only 5 groups had rotated their terms and office bearers of 95 groups were the very first appointees and were holding their posts from the day of SHG formation. This trend was observed in case of three to five years old SHGs also. The mean value of duration of post held by president is 34.2, and S.D. is 14.89. These values in context with the mean value and S.D. age of SHG establish the absence of democratic rotation of leadership in SHGs.

The educational profile of the presidents shows that about 12 per cent of the persons holding the post of President are literate and 40 per cent of the presidents are matriculate.

### **Summary:**

This chapter dealt with the socio-economic profile of the respondents. The profile of the respondents shows that they hail from more or less the same kind of social background. The norm of including members between ages 18 to 60 years has been followed. The membership number in the SHGs is optimum in most of the SHGs as they are cantered on a strength ranging from 10 to 15 members per SHG. The strict norm of including BPL members in SHGs under SGSY has however not been followed to its fullest. However, same economic status or social connectivity forms the basis of membership in majority of the cases and so the homogeneity factor has been followed. On the other hand, the long-term motivations behind SHGs like, increase in family income or getting easy access to bank loan are not good for sustainability of the group. The selection of the office bearers is less democratic. A little above half of respondents (52.5 per cent) are participating in SHGs for a period of 2 to 5 years. Larger share (47.8 per cent) of the respondents constitutes women in the age group of 18-35 years category. Nearly, one fourth (24.5 per cent) of the respondents are illiterates. The major category of castes is backward class, which accounts for 53 per cent of the respondents. The coverage of Scheduled Caste/Scheduled Tribes is comparatively low at 17 per cent of the respondents. The targeting of the poorest in the study area has been good as 73.25 per cent of the respondents are landless. About 46.25 per cent of the respondents are having three to 4 children. Income- earners to total members in the household- ratio for the study area works out to 31.9 per cent. There is compelling need to undertake more livelihood micro enterprises by the sample respondent' households due to the low income earner to total members ratio. Majority (35 per cent) of the respondents are engaged in trading activities. This may be attributed to the fact that petty trading involves a very low skill level, further it requires a low start up capital and the barriers are less. For the target poor in the study area, who are mostly first generation entrepreneurs, trading emerges as the safest entry point to the world of micr enterprises. About 28.75 per cent of the

respondents are having membership in other networks apart from having SHG membership. Activity-based networks, which have a good potential role to support the women in stabilizing their micro enterprise activities, have not been promoted widely by the NGOs as well as by the government in the study area.

## CHAPTER: III

### PERFORMANCE OF MICRO FINANCE THROUGH THE SELF HELP GROUPS

#### Introduction

Saving is one exercise that rural poor seldom engage in or rather cannot afford to engage in. Whatever meager amount a poor individual or a single household can even afford to save, will not be able to make a remarkable difference in the individual's life. So, casting a positive impact on the rural economic cycle through such individual saving schedule is unthinkable. This saving schedule also cannot continue for very long to enable the saver to reach the level of investment in face of perpetual consumption needs in case the economic operations are at subsistence level. For self-reliance and reduced dependence on financial institution, a strong saving programme is essential. Thus group savings can serve a wider range of objectives other than immediate investment. It inculcates a sense of prioritizing on the expenditure agenda and practice thrift and economy at the same time. Besides serving the purpose of a saving cushion to cover to individual's risk against normal business risks, natural calamities, diseases and other emergent needs, a common fund enables the members to acquire expertise in money management and financial discipline. The acquired experience also encourages the group members to take up larger projects, on a collective basis in future.

The SHGs in India are small, informal and homogenous groups of not more than twenty members each, who come together for addressing their common problems. The groups are kept informal to minimize their association with bureaucracy and corruption, unnecessary administrative expenditure and profit constraints. The size of twenty is devised as any group larger than that would need to be registered under the Indian legal system and that brings a whole range of regulatory constraints (Harper: 2002). The members of SHGs are encouraged to make voluntary thrift on a regular basis. During this period, the groups are expected to open a savings account with a financial institution, which would like to extend credit.

After accumulating a reasonable amount of resources, the group starts lending to its members. 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 prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline and credit history for themselves, as the money involved in the lending operations is their own hard earned money saved over time with great difficulty. This is 'warm money.' They also learn to handle resources of a size that beyond their individual capacities. As the group members develop the experience of handling resources, understand the value of credit and the importance of repayment and accountability to the group it can approach the financial institution for term loans. The group becomes jointly liable to the bank for repayment and it is expected to assume responsibility in monitoring the members. This is the "peer pressure" which acts as a collateral in case of SHG banking.

Thus, thrift and saving are supposed to be good starting points for group formations called Self-Help Groups (SHGs), which can soon ensure to be credit groups. It is this understanding, which prompted the government and voluntary agencies to promote SHGs among the women with the aim of helping them save, collect and manage their funds, and help one another by way of credit from their own funds. SHGs are financial intermediaries owned by the poor that rely on social collateral and its many enabling and cost-reducing effects are a feature of microfinance. It is possible to distinguish between groups that are primarily geared to deliver financial services provided by microfinance institutions to individual borrowers (such as the joint liability groups of Grameen and NGO-banks of Bangladesh); and the groups, which mobilize savings and deliver their accumulated savings as credit and extremely leveraged funds to their members.

In India, the SHGs fall within the latter category of groups. A distinction can be made between different types of SHGs according to their origin and sources of funds. Several SHGs have been carved out of larger groups, formed under pre-existing NGO programmes for thrift and credit or more broad-based activities. Some have been promoted by NGOs within the parameters of bank-linkage scheme but as a part of an integrated development programme. Banks and the District Rural Development Agencies (DRDAs) have promoted the others. Still others have been formed as a component of various physical and social infrastructure projects. Broadly, SHGs in India are initiated by a development, agency (such as an NGO, state development department, or bilateral and multilateral agency) for a purposeful development intervention.

The programme of SHGs is mainly credit-based and subsidy is just small and supportive part. There is no upper limit of investment in this scheme. This programme makes provision for extending help in the form of grants and revolving fund. The loans are given away to the groups by banks, which in turn get their share through refinance aid from NABARD under the rules and regulations of the Automatic Refinance Facility of NABARD. The rate of interest will be determined accordingly by the RBI/NABARD. These loans can be given for marketing services, advertising, processing, transportation, packaging, labeling, capacity building etc. In case of revolving funds, the aid will be given on a selective basis to the NGOs and Voluntary Agencies, which are unable to access loans through banking channel.

This chapter is discussed under the following headings:

- Investment in Micro Enterprises
- Thrift and Credit Activities of the SHGs
- Credit Flow Realised
- Regression Analysis of SHGs



## Cumulative Investments in Micro Enterprises

SHG members source their funding from different sources as own funds, loan from SHG group, banks loans and other sources, which include friends, relatives, traders and money lenders, for investing in their micro enterprises. SHG loans are available at an interest rate ranging from 18 per cent to 36 per cent per annum. The loans from relatives and friends often do not carry interest but require some commitments for mutual help in future. The loans from traders always have hidden costs apart from informal market rates of interest, as the members have to purchase the stock or input from the trader at a higher price or have to sell their products to these traders at a lower price. Some members take the loan in the market (vegetable and fish markets) from informal sources at an interest rate 10 per cent per day and they repay the loan with interest in the evening.

In case of small loans, generally banks insist the enterprise promoting borrowers to bring in 10-15 per cent of the project cost as margin (promoter's own funds), to ensure that the promoter takes a keen interest in the economic activity. Table 3.1 reveals that in the study area, SHG women's own contribution constituted 15 per cent of the total investments, which is a welcome sign. It is found that 13 per cent of the investments has come from non-institutional sources namely loan from SHGs (10 per cent) and loans from other sources (3 per cent) like friends, relatives, traders and moneylenders.

Bank loan constituted the largest (72 per cent) share of the total investments. Among the districts, the mean SHG-Bank loan for Mokokchung district is higher at `16055 than that of for Kohima district (`11585). Likewise, mean total investments for Mokokchung district is higher at `21860 than that of for (Kohima district (`16486). The reason may be attributed to the fact that Mokokchung district is having a larger share of respondents (90.91 per cent) from above 1 years SHGs, as a result their credit absorption capacity is higher compared to Kohima district, which have only 83 per cent of respondents involved in income generation programmes for more than 2 years. Table 3.1 further shows that 57 per cent of the respondents only brought in own funds for enterprise promotion. Investment of the own capital increases the promoter's stake and adequate care in the business. As 43 per cent of the respondents have not brought in any money of their own, they may tend to change over a period, from proving proper care to the assets bought out of the loan.

**Table 3.1: Sources of Cumulative Investments in Micro Enterprises- District-wise**

Sources of Investment	Mokokchung		Kohima		Total	
	Number	Amount	Number	Amount	Number	Amount
SHG women's	80 (53.33)	546550	85 (56.67)	6,04850	185	1151400

own contribution		(14)		(17)	(61.67)	(15)
Loan from SHGs	65 (43.33)	457150 (12)	55 (36.67)	2,90000 (8)	120 (40.00)	747150 (10)
Net Bank Loans	150 (100)	2722400 (70)	150 (100)	26,49100 (73)	300 (100)	5371500 (72)
Loans from other sources	15 (10)	140150 (4)	10 (6.67)	62,900 (2)	25 (8.33)	203050 (3)
Total Investments	150 (100)	3874250 (100)	150 (100)	36,06850 (100)	300 (100)	7481100 (100)
Mean-SHG-Bank Loan	-	11585	-	16055	-	13429
Mean Total Investment	-	16486	-	21860	-	18703

Source: Field Survey

Figures in parentheses indicate the percentage

It is evident from the Table 3.2 that the mean SHG-Bank loan for urban areas constitutes `15092 as against `12068 in rural areas. Mean total investments for urban areas amount to `21050 and for rural areas, it amounts to `16782. Again, the reason is due to the larger share of respondents (94.50 per cent) from above 2 years old SHGs with good credit absorption capacity, in case of urban areas and only 79.55 per cent of respondents from above 2 years old SHGs, in case of rural areas. The Table 3.2 also shows that the respondents in urban areas have met 19 per cent of the total investments from their own sources, as against 11 per cent by the respondents in rural areas. In both urban and rural areas, the largest share (72.00 per cent) of the total investments has come from the bank loans, which shows that the respondents from both urban and rural areas have enjoyed equal access to the formal credit system.

**Table 3.2: Sources of Cumulative Investments in Micro Enterprises- Area-wise**

Sources of Investment	Urban		Rural		Total	
	Number	Amount	Number	Amount	Number	Amount
SHG women's own contribution	90 (60)	733650 (19)	65 (43.33)	417750 (11)	155 (51.67)	1151400 (15)

Loan from SHGs	45 (30)	263500 (7)	80 (53.33)	483650 (13)	125 (41.67)	747150 (10)
Net Bank Loans	150 (100)	2716500 (72)	150 (100)	2655000 (72)	300 (300)	5371500 (72)
Loans from other sources	10 (6.67)	75350 (2)	15 (10)	127700 (4)	25 (8.33)	203050 (3)
Total Investments	150 (100)	3789000 (100)	150 (100)	3692100 (100)	300 (100)	7481100 (100)
Mean-SHG-Bank Loan	-	15092	-	12068	-	13429
Mean Total Investment	-	21050	-	16782	-	18703

Source: Field Survey

Figures in parentheses indicate the percentage

Table 3.3 brings out an interesting phenomena that the share of bank loan to the total investments and the mean SHG-Bank loan keep on increasing with the increase in length of participation of the respondents in SHGs. Share of bank loans and mean SHG-Bank loan for less than 2 years old SHGs category is 52 per cent and `9529. The same for above 2 years old SHGs category is 74 per cent and `11904 and for above 5 years category, it is 76 per cent and `17389.

Table 3.3: Sources of Cumulative Investments in Micro Enterprises- SHG Age-wise

Sources of Investments	SHG Women's Period of Participation in SHGs					
	Less than 1 year		1-2 years		Above 3 years	
	Number	Amount	Number	Amount	Number	Amount
SHG women's own contribution	135 (90.00)	206000 (20)	70 (46.67)	491200 (15)	205 (68.33)	454200 (15)
Loan from SHGs	140 (93.33)	199000 (19)	55 (36.67)	308400 (9)	195 (65.00)	239750 (8)
Net Bank Loans	150 (100)	524100 (52)	150 (100)	2499900 (74)	300 (300)	2347500 (76)

Loans from other sources	35 (23.33)	73700 (9)	7 (4.67)	68000 (2)	42 (14.00)	61350 (1)
Total Investments	150 (100)	1010800 (100)	150(100)	3367500 (100)	300 (100)	3102800 (100)
Mean-SHG-Bank Loan	-	9527	-	11904	-	17389
Mean Total Investment	-	18378	-	16036	-	22984

Source: Field Survey

Figures in parentheses indicate the percentage

As the respondents develop the credibility and credit absorption capacity over a period of time, while their access to formal finance through SHGs keep on increasing, their dependence on other sources of high cost funds keep on decreasing, which will result in added profit to their micro enterprises. The study confirms this fact from the figures (vide Table 3.3) for the percentage of loans from SHGs to the total investment (19 per cent) for less than 1 year old SHGs category, 9.00 per cent for 1-2 years old SHGs category.

Table 3.4 shows that the largest share of total investments is from bank loans for both respondents engaged in farm sector (73 per cent) and non-farm sector (71 per cent). The difference between the mean SHG bank loan for farm sector (₹13271) and non-farm sector (₹13509) is only marginal.

Table 3.4: Sources of Cumulative Investments in Micro Enterprises- Sector-wise

Sources of Investments	Farm Sector		Non-Farm Sector		Total	
	Number	Amount	Number	Amount	Number	Amount
SHG women's own contribution	85	445600 (18)	80	705800 (14)	165	1151400 (15)
Loan from SHGs	48	177300 (7.00)	75	569850 (11)	123	747150 (10)
Net Bank Loans	150	1791600 (73.00)	150	3579900 (71)	300	5371500 (72)
Loans from other sources	10	40450 (2)	12	162600 (4)	22	203050 (3)

Total Investments	150	2462950 (100)	150	5018150 (100)	300	7481100 (100)
Mean-SHG-Bank Loan		13271	-	13509	-	13429
Mean Total Investment		18244	-	18936	-	18703

Source: Field Survey

Figures in parentheses indicate the percentage

### Thrift and Credit Activities of the SHGs

The activities of the selected self-help credit management groups were basically related to the promotion of thrift among the members with income generation and asset creation efforts. The saving and lending procedures adopted by groups were very simple and were based on mutual trust and confidence of the members. As a democratic body, all the members had equal opportunity to express their opinions. Decisions were to be made unanimously after thorough discussion among them. The purpose of loans provided was need-based and prioritization among different purposes and members was collectively decided. The details of thrift and credit activities of the SHGs are dealt with under the following sub-headings:

1. Reasons for forming SHGs
  2. Motives in Joining the SHGs
  3. Quantum and level of savings
  4. Sources of income for thrift
  5. Details of internal lending
- **Reasons for Forming SHGs**

Table 3.5 gives the reasons mentioned by the members for forming the Self-Help Groups.

Table 3.5: Reasons for Forming SHGs

S. No.	Reasons	Urban Area		Rural Area		Total	
		No. of groups No.20	% to total	No. of groups No. 20	% to total	No. of groups No. 20	% to total
1.	To improve the economic and social status of the	16	80	15	75	31	77.50



		Members	total	Members	total	Members	total
1.	To obtain credit	144	96	145	96.67	288	96.00
2.	From savings habit	136	90.67	135	90.00	270	90.00
3.	To meet unexpected expenditure	61	40.67	45	30.00	110	36.67
4.	Domestic demand	80	53.33	140	93.00	268	89.33
5.	Persuaded by others	110	73.33	135	90.00	265	88.33
6.	Access to bank credit	105	70.00	137	91.33	260	86.67
7.	Socio-economic empowerment	115	76.67	125	83.33	255	85.00

(Figures given in the column relate to multiple responses evinced by the groups)

It is observed that a majority of the members (96.00 per cent) conceded that obtaining credit has been one of the prime motives for joining SHGs. This is followed by other reasons like fostering savings habit (90.00 per cent), domestic demand (89.33 per cent), persuasion by others (88.33 per cent), access to bank credit (86.67 per cent, socio-economic empowerment (85.00) and meeting unexpected expenditure (36.67 per cent).

- **Quantum and Level of Savings**

The amount saved every month is detailed in Table 3.7.

Table 3.7: Amount of Savings

S. No.	Thrift collected per head per month	Urban Area		Rural Area		Total	
		No. of groups No.20	% to total	No. of groups No.20	% to total	No. of groups No.20	% to total
1.	`30	-	-	16	80	16	40
2.	`50	20	100	20	100	40	100

The quantum of money saved by the members ranged from `30 to `50 per head per month. In the rural areas a large majority of 80 per cent of the groups saved `30 per head per month and the

remaining 15 per cent of the groups saved `50 per head per month. All the members in the urban groups saved `50 per head per month.

Table 3.5 given the level of savings reached by the groups.

The level of savings is calculated as following

Actual Savings Mobilized

x 100

Common Savings Rate x Number of Members x Age of the Group

**Table 3.8: Level of Savings**

S No.	Level of percentage	Urban Area		Rural Area		Total	
		No. of groups No.20	% to total	No. of groups No.20	% to total	No. of groups No.20	% to total
1.	Less than 90	-	-	-	-	-	-
2.	90-99	1	5	1	5	2	5
3.	100	19	95	19	95	38	95
4.	Total	20	100	20	100	40	100

It has been noted that 95 per cent of the groups, both in urban and rural areas, reached 100 per cent level of savings, which is highly remarkable, this shows that the members in these groups were regular and prompt in contributing their savings. Only five per cent of the groups, that is, only one group each from the urban area and rural sector, reached the level of 90- 99 per cent savings.

- **Sources of Income for Thrift**

Thrift is one of the foundations of SHG edifices. Sources of income of thrift contributions made by SHG members are reported in Table 3.9.

Table 3.9: Sources of Income of Thrift Contribution Made by SHGS members in the Study Area



S No.	Item	Urban Area (150)		Rural Area (150)		Total (300)	
		Number	% to total	Number	% to total	Number	% to total
1.	Own Labour	110	73.33	120	80.00	230	76.66
2.	Husband Wage	25	16.67	17	11.33	42	14.00
3.	Livestock	10	6.67	10	6.67	20	6.67
4.	Others	5	3.33	3	2.00	8	2.67
	Total	150	100	150	100	300	100

It is seen that income from own labour was the major source (83.33 per cent) towards thrift contribution; followed by husband's wage (10.00 per cent), livestock (4.00 per cent) and others (2.67 per cent).

- **Details of Internal Lending**

#### **Lending Norms**

It was learnt from the members of SHGs that some members borrowed a huge amount of money from SHGs for various domestic purposes, such as water and sewage connection, repairing of house and house construction. A large number of borrowers utilized the loan for business purposes, such as setting up petty shop, fruit stalls, dairy farming, pig rearing, cottage industries, tailoring and so on. The members generally agreed to divide group loans in rotations on the basis of consumption/business priority without involving themselves in conflicts when all were in need of loans. The decision-making powers rested with the members. The maximum repayment period for the loan was fixed at 12 months. In extreme cases, if the loan was not repaid in the scheduled month, the least interest due was to be paid for that month. Discussions with the members showed that group pressure would be brought, though not amounting to coercion, upon the defaulting members. The interest rate charged did not vary among the groups. Members showed maturity in running the organization. Though they were entrusted with the power of fixing their own rate of interest, and were aware of using it as a regulatory tool for rating credit, they did not want to cause much inconvenience to their members by hiking interest rates. The SHGs charged a uniform interest rate of 24 per cent, irrespective of the loan amount. The number of installments for the repayment of the loan were usually fixed by the groups. The repayment of loan started in the month following the loan disbursement.

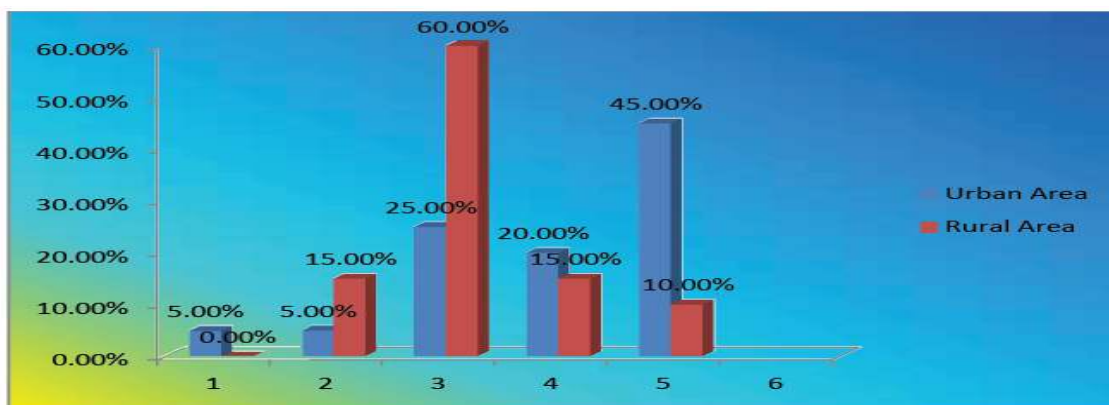
## Quantum of Internal Lending

The details of quantum of lending disbursed by the groups are given in Table 3.10.

**Table 3.10: Quantum of Internal Lending as on 30.12.13**

S No.	Credit Range	Urban Area		Rural Area		Total	
		No. of groups No.20	% to total	No. of groups No.20	% to total	No. of groups No.20	% to total
1.	Below `5,000	1	5	-	-	1	2.5
2.	`5,001-10,000	1	5	3	15	4	10.00
3.	`10,001-20,000	5	25	12	60	17	42.50
4.	`20,001-30,000	4	20	3	15	7	17.50
5.	`30,001 and above	9	45	2	10	11	27.50
	Total	20	20	20	100	40	100.00

The Table 3.10 and Figure 3.1 reveal that in the case of urban area, five per cent of the groups had lent below `5000, another five per cent had lent out between `5000 and 10,000. A majority of the groups, i.e. 45 per cent had given above `30,000 as credit to its members. Twenty-five per cent of the groups, that is, five groups had given financial assistance to its members ranging between `10,001 and 20,000, while in the case of the rural area, 15 per cent of the groups had disbursed loans between `5,001-10,000, 60 per cent for `10,001-20,000, 15 per cent for `20,001-30,000 and 10 per cent for above `30,000. Among the total of 40 groups, a majority of groups, i.e. 42.5 per cent, had given financial assistance between `10,001-20,000.



### Purpose of Credit Availed

Purpose-wise number of SHG members who availed credit from SHGs during 2010-2014 is given in Table- 3.11.

**Table 3.11: Purpose-wise Number of SHG Members Who Availed Credit from SHGs in the Study Area**

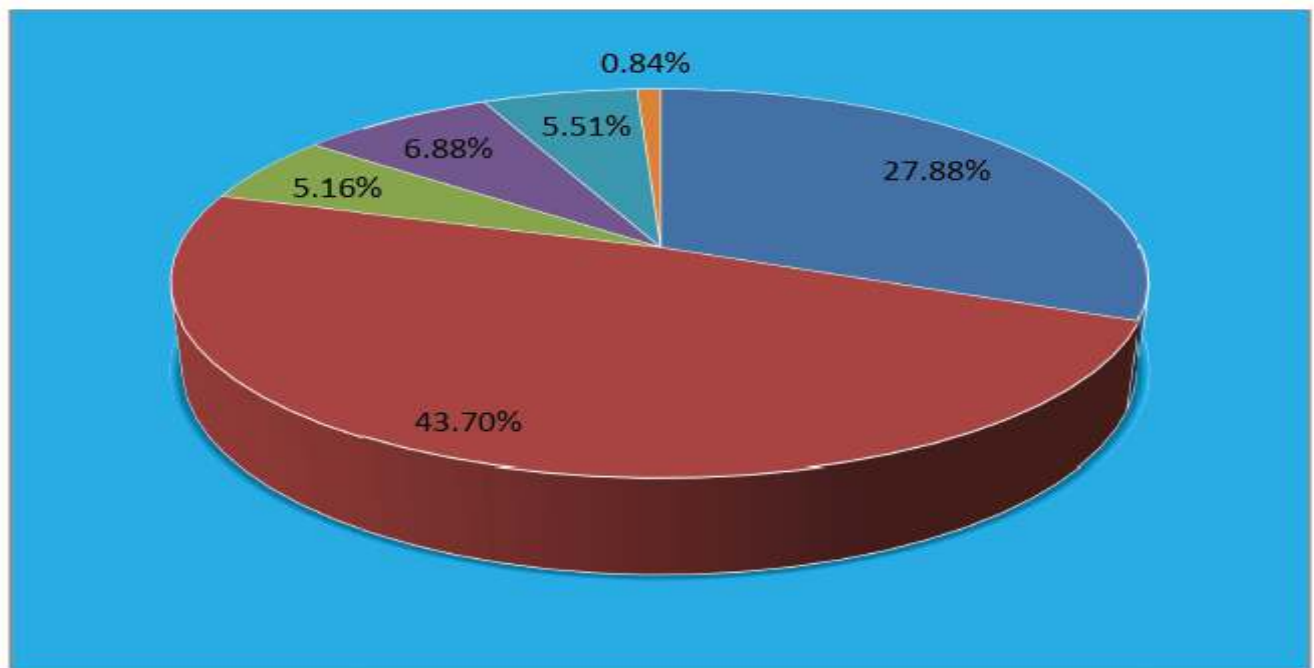
S No.	Purpose	Urban Area		Rural Area		Total	
		No. of Members	% to total	No. of Members	% to total	No. of Members	% to total
1.	Income Generating Activities						
	1.1 Agriculture and Allied	15	10.00	13	8.67	28	9.33
	1.2 Manufacturing	05	1.33	05	3.33	10	3.33
	1.3 Trading	20	13.33	20	13.33	40	13.33
	1.4 Servicing	17	11.33	12	8.00	29	9.67
	<b>Sub Total</b>	37	24.67	50	33.33	87	29.00
2.	Domestic Consumption	57	38.00	24	16.00	81	27.00
3.	Family Health	35	36.67	15	10.00	50	16.67
4.	Festivals/Ceremonies	10	6.67	11	7.33	21	7.00
5.	Repayment of Old Debts	15	10.00	30	20.00	45	15.00
6.	Children's Education	16	10.67	20	13.33	36	12.00
	<b>Sub Total</b>	113	75.33	100	66.67	213	71.00
	<b>Total</b>	150	100.00	150	100.00	300	100.00

It is seen that 20.00 per cent of SHG members had availed credit for initiating income generating activities. Their proportion in the rural area was 33.33 per cent and in the urban area, 24.67 per cent.

A significant proportion (27.00 per cent) of SHG members availed credit for domestic consumption. Their ratio was the highest in urban area (38.00 per cent). In the rural area it was 16.00 per cent. Family health ((16.67 per cent), repayment of old debts (15.00 per cent), festival/ceremonies (7.00 per cent) and children’s education (12.00 per cent) were other purposes for which SHG members were reported to have availed credit from SHGs. The purpose-wise loans disbursed by SHGs are shown in Figure 4.2.

**Credit Flow Realised**

The Self Help Credit Management groups are engaged in informal banking operations through the activities of thrift and credit. Tables 3.10 and 3.11 show the details of thrift and credit flow realised, percentage of mean thrift, recovery index, outstanding loan for each group in the urban and the rural areas respectively, up to 31<sup>st</sup> March 2014. A summary of the Table 4.9 and 4.10 is presented in Table 4.11 for an overall position of the groups. The pattern of credit availed by SHG members in shown Figure 3.2



- Income Generating Activities
- Family health
- Repayments of old debts
- Domestic Consumption
- Festivals/Ceremonies
- Children’s Education

## Thrift Mobilised

In the urban areas, six out of 10 groups had been in existence for over two years, 12 groups had functioned for over one year and the remaining groups had functioned for less than one year. The amount saved by the individual self-help group was in proportion to the number of months of functioning and monthly contribution. Totally a sum of `315300 has been mobilized as savings by 264 members constituting the 20 self help groups in the urban areas. The average savings per member were `880.73. In fact, high variation in the average savings per member per group can be attributed to the size of SHG

Table 3.12: Credit Flow up to 31<sup>st</sup> March 2013 (Urban)

Name of the Groups	No of Members	Age of Groups in months	Savings Rate per month (₹)	Thrift Mobilised (₹)	Credit Disbursed (₹)	Mean Thrift (₹)	Mean Credit (₹)	% of mean credit to mean thrift	% of level of savings	Demand for Recovery (₹)	Amount Recovered (₹)
K01	20	19	50	19000	46500	950	2325	244.73	100	24450	23650
K02	15	19	50	14250	34000	950	2267.66	238.63	100	21767	20167
Ko3	16	13	50	10000	9500	625	593.75	94.88	100	6460	6460
K04	15	19	50	14250	17000	950	1133.33	119.26	100	15849	14549
K05	15	18	50	13500	17000	900	1133.33	125.89	100	9940	9140
K06	20	12	50	12000	20900	600	1045	174.17	100	12120	12120
K07	15	23	50	17250	23600	1150	1573.33	136.78	100	17301	17301
K08	17	13	50	11050	19950	650	1173.33	180.46	100	11810	11810
K09	15	30	50	22500	48200	1500	3213.33	214.20	100	29550	29550

K10	20	8	50	8000	10100	400	505	126.25	100	2710	2710
M11	20	32	50	32000	55000	1600	2750	178.88	100	33200	30700
M12	20	32	50	32000	55000	1600	2750	171.88	100	28500	26200
M13	15	24	50	18000	43000	1200	2866 .67	238.89	100	26970	26970
M14	20	13	50	13000	24300	650	1215	186.92	100	16343	15123
M15	20	11	50	11000	24300	550	1225	222.73	100	16258	14344
M16	20	11	50	11000	14500	550	725	131.82	100	11752	4917
M17	20	3	50	3000	3000	150	150	100.00	100	260	260
M18	15	22	50	16500	47700	1100	3180	289.09	100	31530	31530
M19	20	18	50	18000	45500	900	2275	252.78	100	27404	27404
M20	20	19	50	19000	53400	950	2670	281.05	100	37045	37045
Total	353			3,15,30 0	6,12,65 0	880.7 3	1711 .31	194.31		3,81,21 9	3,61,950

Table 3.13: Credit Flow up to 31<sup>st</sup> March 2013 (Rural)

Name of the Groups	No of Members	Age of Groups in months	Savings Rate per month (%)	Thrift Mobilised (₹)	Credit Disbursed (₹)	Mean Thrift (₹)	Mean Credit (₹)	% of mean credit to mean thrift	% of level of savings	Demand for Recovery (₹)	Amount Recovered (₹)	Recovery wise Rate (%)	Over Due (₹)	Outstanding Loan (₹)	% of Outstanding to total loan
K01	18	13	50	11700	25000	650	1388.89	213.68	100	14508	14508	100		11500	46.00
Ko2	15	12	50	9000	12400	600	826.67	137.78	100	4750	4750	100		8100	65.32
K03	20	16	50	16000	32200	800	1610.00	201.25	96	25700	25700	100		9450	29.35
K04	20	15	30	9000	13600	450	680.00	151.11	100	10200	10200	100		5300	38.97
K05	16	15	30	7200	15000	450	937.50	208.33	100	10758	8758	81.41	2000	4900	32.67
K06	19	15	30	8550	9000	450	473.68	105.26	100	5160	5160	100	-	4100	45.46
K0	19	11	30	627	850	33	447.3	135.5	100	396	396	100	-	4800	56.4

7				0	0	0	7	57	0	6	6				7
K08	10	23	30	6900	11500	690	1150.00	166.67	100	5404	5404	100	-	6700	58.26
K09	20	20	30	12000	16000	600	800.00	13.33	100	8400	8400	100	-	7740	48.38
K10	20	24	30	14400	27000	720	1350.00	18.50	100	17660	17660	100	-	11000	40.74
M11	15	19	30	8400	15000	560	1000.00	17.57	98.25	13966	13966	100	-	1900	12.67
M12	15	16	30	7200	14500	480	966.67	20.39	100	8726	8726	100	-	6700	46.21
M13	15	22	30	9900	13000	660	866.67	13.31	100	5508	5508	100	-	8000	61.54
M14	20	22	30	13200	24700	660	1235.00	18.12	100	17790	17790	100	-	8200	33.20
M15	20	22	30	13200	30500	660	1525.00	23.06							
M16	20	18	30	10800	15000	540	750.00	13.89							
M17	20	15	30	9000	7000	450	350.00								
M	20	15	30	9000	1500	450	750.00								



18				0	00	0	0								
M 19	15	18	30	810 0	150 00	54 0	10 00. 00								
M 20	20	14	50	140 00	165 00	70 0	82 5.0 0								
To tal	357			2,03 ,820	3,36 ,400	57 0.	94 2.3 0								

**Note: K: Kohima; M: Mokochung**

**Table 3.14: Summary of tables 4.12 and 4.3 up to 31.03.2014**

S No	Details	Urban Area (N:353)	Rural Area (N: 357)
1.	Total Thrift Mobilised ( )	315300	203820
2.	Total Credit Disbused ( )	612650	336400
3.	Mean Thrift ( )	880.73	570.92
4.	Mean Credit ( )	1711.31	942.30
5.	Percentage of Mean Credit to Mean Thrift (Velocity of Internal Lending)	194.31	165.05
6.	Demand for Recovery ( )	381219	205788
7.	Amount Recovered ( )	361950	203788
8.	Recovery Index	94.45	99.03

9.	Overdue ( )	19269	2000
10.	Outstanding Loan ( )	287210	147580
11.	Percentage of Outstanding to Total Loan	46.88	43.87

From the details in Table-3.11 the following could be deduced:

The rural groups got established and stabilised later than the urban groups. Out of 20 groups in existence, 16 had been functioning for over one and half years and the remaining four groups were formed only within the past one year. As a consequence of later formation, the savings realised in the areas was also less compared to those in the urban areas, i.e. `2,03,820 only were mobilised by 357 members from the 20 self help groups. The average savings per member were `570.92.

### Internal Lending

Internal lending to the tune of `6,12,650 was reported in the urban areas. In the rural areas the internal lending was proportionately low (i.e.) `3,36,900. Out of 353 members of SHGs in the urban areas, 280 (78 per cent) had benefitted from internal lending.

In the rural areas, 301 out of 357 SHG members (84 per cent) had availed loan from their respective groups. It is very encouraging trend, proving the potentials for self help and mutual group, which are the maxims of any developmental agenda.

### Utilization of Credit

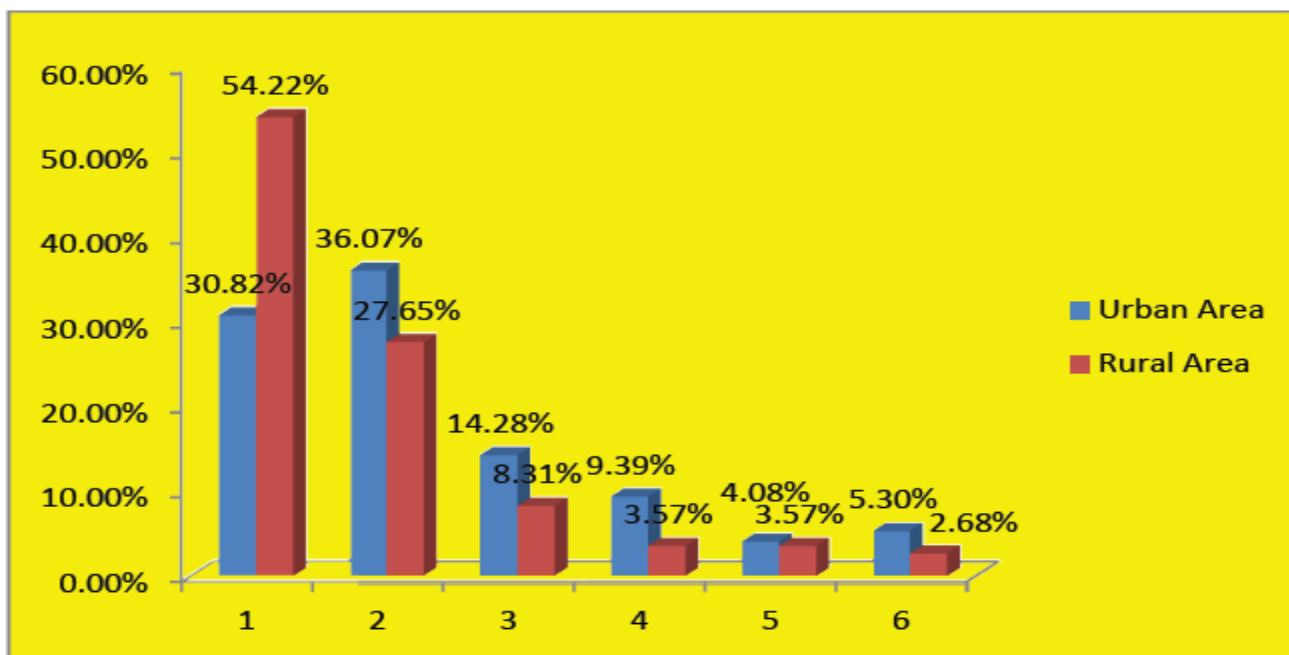
Purpose-wise utilization of credit taken by SHG members is given in Table 3.14.

**Table 3.14: Purpose-wise Utilization of Credit by SHGs in the Study Area**

S No.	Purpose of Loan Utilization	Urban Area		Rural Area		Total	
		Amount	% to total	Amount	% to total	Amount	% to total
1.	Income Generating Activities	1,88,000	30.82	1,82,400	54.22	3,71,200	39.11
2.	Domestic Consumption	2,21,000	36.07	93,000	27.65	3,14,000	33.09

3.	Family Health	87,500	14.28	28,000	8.31	1,15,500	12.17
4.	Festival/Ceremonies	57,500	9.39	12,000	3.57	69,500	7.32
5.	Repayment of Old Debts	25,000	4.08	12,000	3.57	37,000	3.90
6.	Children's Education	32,850	5.30	9,000	2.68	41,850	4.41
	Total	6,12,650	100.00	3,36,400	100.00	9,48,550	100.00

The item 'income generating activities' claimed a significant share of credit (39.11 per cent). Loan utilized for domestic consumption purpose was also significant at 33.09 per cent. Family health (12.17 per cent), festival and ceremonies (7.32 per cent). Repayment of old debts (3.90 per cent) and children's education (4.41 per cent) were the other purposes for which credit had been utilized by SHG members. A further look into the Table reveals that an overwhelming proportion of SHG members from rural areas, 54.22 per cent utilised credit from SHG for business purpose. A significant proportion of SHG borrowing (36.07 per cent in urban areas had been utilized for domestic consumption. The overall pattern of credit utilization by SHG members is depicted in Figure 3.3.



- Income Generating Activities      Domestic Consumption
- Family health                          Festivals/Ceremonies
- Repayments of old debts            Children's Education

### Relationship between the AGE of SHGs and Savings per Member

The relationship between the age of the SHGs and savings per member is studied by using correlation analysis.

**Table 3.15: Relationship between the age of SHGs and Savings per Member (Correlation Analysis)**

Area	Co-efficient Correlation
Urban	0.5371 <sup>**</sup>
Rural	0.9999 <sup>**</sup>

<sup>\*\*</sup>Significant at one per cent level

### Number of Cases-20

The Table 3.15 above shows that the estimation of correlation coefficient between the age of SHGs and savings per member was statistically significant at one per cent level both in the case of urban areas and in rural areas. The relation between the age of the group and savings per member is highly correlated in the case of urban areas and moderately correlated in the case of rural areas.

### Relationship between the Age of SHGs and Loan per Member

**Table 3.16: Relationship between the Age of the SHGs and Loan per Member (Correlation Analysis)**

Area	Co-efficient Correlation
Urban	0.9383 <sup>**</sup>
Rural	0.3128 <sup>*</sup>

<sup>\*\*</sup>Significant at one per cent level

<sup>\*</sup>Significant at five per cent level

### Number of Cases-20

The estimation of correlation between the age of SHGs and loan per member was statistically significant at one per cent level in the case of urban groups and five per cent level in the case of rural areas. The relation between the age of the groups and the loan per member is highly correlated in the case of urban areas and moderately correlated in the case of rural areas.

### Thrift Credit Ratio

When the thrift credit ratio was calculated, it is found that in the urban areas it was 1: 1.94, which is satisfactory. The corresponding rural figure was 1: 1.65, highlighting the fact that internal lending, which is the crux of SHGs, should be given focal attention in the rural areas.

The details of thrift credit ratio area-wise are presented in Table 3.17.

**Table 3.17: Velocity of Internal Lending**

S No	Range in Percentage	Urban		Rural	
		No. Of Groups (N:20)	Percentage to Total	No. Of Groups (N:20)	Percentage to Total
1.	Below 100	2	10	1	5
2.	101-150	5	25	8	40
3.	Over 150	13	65	11	55
	Total	20	100	20	100

From Table 3.17 it was noted that two groups showed the velocity of internal lending to be less than one time (100 per cent), five groups between 1 to 1.5 times (100-150 per cent) and the remaining groups (13) showed the velocity of internal lending to be over 1.5 times (Over 150 per cent). Whereas in the case of rural areas, one group showed it to be below 100 percentage of mean credit to mean thrift, eight groups showed between 101 to 150 per cent and 11 groups over 150 per cent.

The 't' value was calculated to find out the difference between the areas in the case of thrift credit ratio.

**Table 3.18: Thrift Credit Ratio**

Areas	Number of Cases	Mean	Standard Deviation
Urban	20	185.13	60.04
Rural	20	162.82	40.24

t-value = 1.38

df = 38

**The Table 3.18 shows that there is no significant difference between the areas regarding the velocity of internal lending of the SHGs.**

### **Recovery Index**

The following Table 4.19 gives the picture of recovery index prevailing among the groups.

**Table 3.19: Area-wise Recovery Index**

S No.	Recovery Index in Percentage	Urban Area		Rural Area		Total	
		No of Groups (N:20)	% to Total	No of Groups (N:20)	% to Total	No of Groups (N:20)	% to Total
1.	Below 80	1	5	-	-	1	2.50
2.	80-90	1	5	1	5	2	5.00
3.	90-99	7	35	-	-	7	17.50
4.	100	11	55	19	95	30	75.00
	Total	20	100	20	100	40	100.00

It is obvious from the above Table 3.19 that in the case of urban groups, the recovery index was 100 per cent for 11 groups, 90-99 per cent for seven groups, between 80-90 per cent for one group and only one group showed below 80 per cent. As for the rural groups the recovery index was 100 per cent for 19 groups and only one group had a recovery index between 80-90 per cent. The area-wise recovery index is depicted in Figure 4.4.

The overall recovery index for the urban area was 94.95 per cent and the rural area was 99.03 per cent, which are satisfactory levels.

Discussions with the members on the repayment method revealed that in case of delay in deployment of dues by any member, the causes for such default were debated in the meeting and all the group's members, based on merit of the individual, approved necessary postponement of repayment of instalment for that particular month. The members have suggested that the high repayment profile is due to the dynamic incentive system built into the SHGs, under which, groups which had repaid the loan within a stipulated time period were eligible for enhanced loans in the subsequent period. In the sample, a number of SHGs had obtained enhanced loan amount. This dynamic incentive system reinforces the confidence of the members and their continued business relationship with the groups.

## Loan Outstanding

The Table 3.18 shows the loan outstanding rate prevailing among the groups, both in the urban and the rural areas and Figure 3.4 shows recovery index area-wise

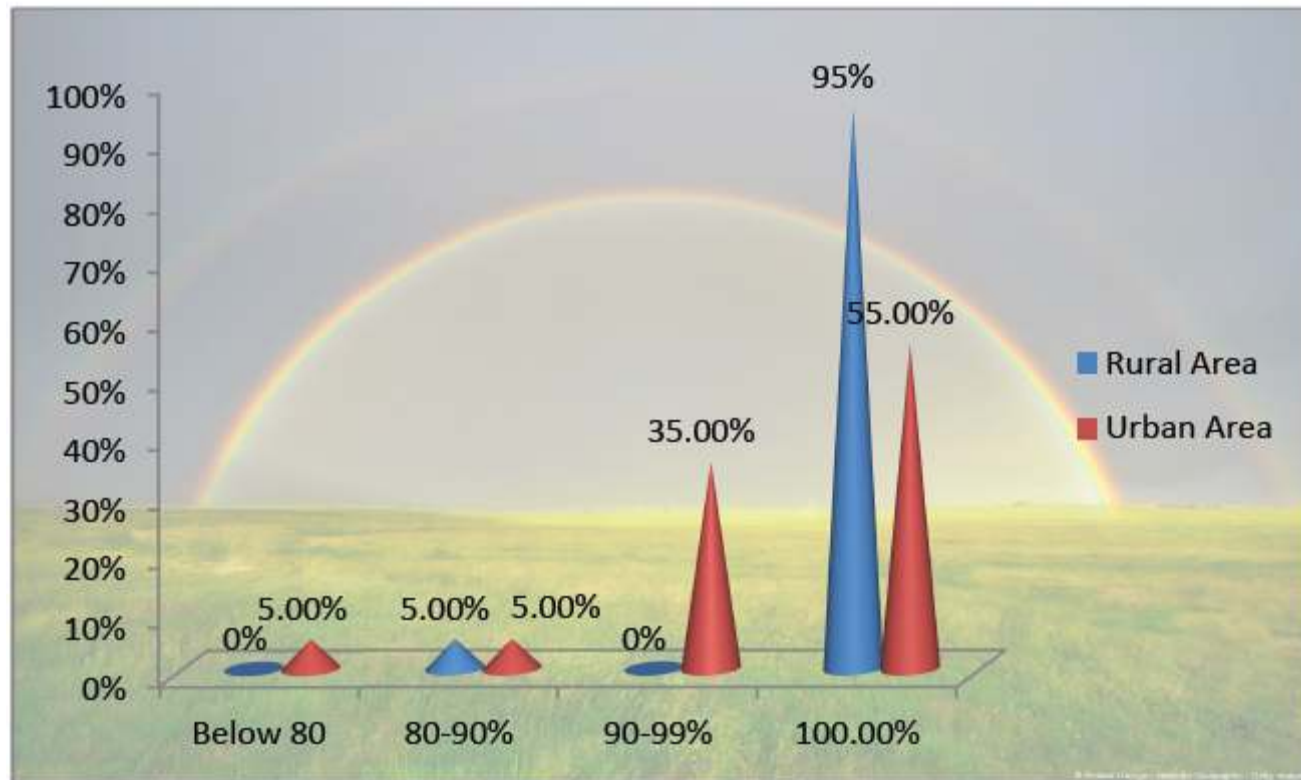


Figure 3.4: Recovery Index – Area-wise

**Table 3.20: Rate of Outstanding on Total Loans**

S No.	Range in Percentage	Urban Area		Rural Area	
		No of Groups (N:20)	% to Total	No of Groups (N:20)	% to Total
1.	Below 20	1	5	1	5
2.	21-40	3	15	4	20
3.	41-60	4	70	11	55
4.	61 and above	14	10	4	20
	Total	20	100	20	100

It was noted that more than 61 per cent of the loans were outstanding in two groups in urban areas and four groups in rural areas. In the case of urban areas, 14 groups had 41-60 per cent of loan outstanding, three groups between 21-40 per cent and only one group was below 20 per cent. In the rural areas, 11 groups had 40 per cent and one group below 20 per cent. The percentage of loan outstanding to total loans is shown in Figure 3.5.

The overall loans outstanding up to March 2013 was 46.88 per cent in urban areas and 43.87 per cent in rural areas.

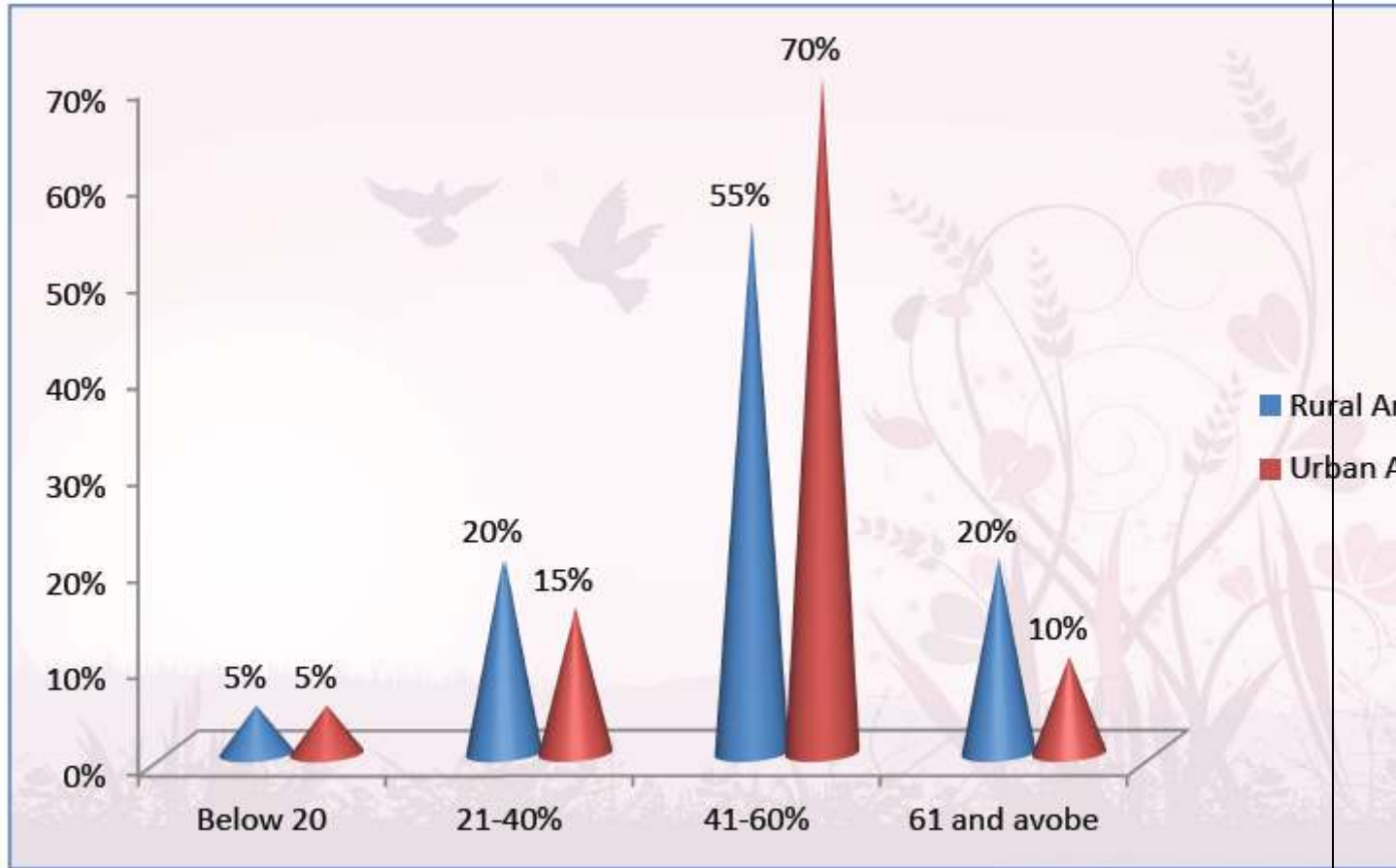


Figure 3.5: Loans Outstanding

**Portfolio- in Arrears Ratio**

This is calculated by using the formula.

Payment Overdue

$$\frac{\text{Payment Overdue}}{\text{Payments Outstanding}} \times 100$$

Payments Outstanding



**Table 3.21: An Overall Portfolio- in Arrears Ratio**

Area	Payments Overdue (₹)	Loans Outstanding (₹)	Portfolio in Arrears Ratio
Urban	19269	287210	6.71
Rural	2000	147580	1.36

The above Table 3.21 indicates that the portfolio in arrears ratio is 6.71 per cent in the case of urban self help groups, whereas the rural self help groups showed 1.36 per cent. The portfolio in arrears ratio in both the areas was standard as it was less than 10 per cent.

### Regression Analysis of SHGs

In this section an attempt has been made to assess the impact of SHGs on the net income of the SHGs. Accordingly, regression model was specified to find out the major determinants of SHG net income per member. The equation was estimated with qualitative and quantitative variables.

### Determinants of SHG Net Income Per Member (Urban Area)

In the regression model (Table 3.22), dependent variable was SHG net income per member, which is defined as interest received + other income minus interest paid + expenditure per member. Explanatory variables were (i) average distance between members in SHGs, (ii) average educational level of members in the SHGs, (iii) Loan provided, (iv) age of the SHGs, (v) percentage share of SHGs expenditure in the total income of SHGs.

**Table 3.22: Regression Estimates: dependent variable SHG net income per member (Urban Area)**

Variables	Co-efficient	't' value	R <sup>2</sup>	F Value
Average Distance among Members in SHGs	-23.4721	-0.362	0.6142	3.5028*
Average Education of Members in the SHGs	22.7869	-0.543		
Loan provided in the Year	0.03506	1.987*		
Percentage of Expenditure in Total Income	-2.0634	-1.067		
Age of SHGs	2.5341	0.680		

Number of cases – 20

\*Significant at five per cent level.

An increase in the average distance among the members in the SHGs leads to decrease of ₹23.47 in the SHG net income per member. This result is in keeping with the assumption that distance between members of SHG has to be minimal so as to maintain homogeneity and reduce the transaction cost of members, in terms of travelling and opportunity cost of time. The estimate of average educational level of members in the SHGs shows positive contribution to the SHG net income per member. On an average, one year of additional education leads to an increase of ₹22.78 per member. Loan provided has contributed to the SHG net income per member positively. One rupee increase in the loan provided to the member results in an increase in SHG net income per member by less than one rupee. An increase in the percentage share of expenditure of SHG in the total income of SHG leads to a decrease in the SHG net income per member by ₹2.06. The variables, average distance, average education and percentage of expenditure in total income are not statistically significant at five per cent level. Age of SHGs positively contributes to the SHGs net income per member. However, this variable is not statistically significant. It is reasonable to expect that the length of the period of existence of SHGs contributes to increase income per member through learning effect. The co-efficient multiple correlation  $R^2$  is 0.6142 showing that 61.42 per cent of variation is explained by the above independent variables. The F-value was 3.5028 and it is significant at five per cent level. Therefore, it may be concluded that the selected independent variables were relevant for explaining the variations in SHG net income of the member.

Table 3.23: Regression Estimates: dependent variable- SHG Net Income per Member (Rural Area)

Variables	Co-efficient	't' value	$R^2$	F Value
Average Distance among Members in SHGs	-62.1035	-2.176*	0.6506	4.8406**
Average Education of Members in the SHGs	11.5508	0.821		
Loan provided in the Year	0.0674	2.587**		
Percentage of Expenditure in Total Income	-0.8071	-0.719		
Age of SHGs	3.187	1.610		

Number of cases – 20

\*Significant at five per cent level.

\*\*Significant at one per cent level

From the Table 3.23, it could be observed that an increase in the average distance among the members in the SHGs leads to decrease of `62.1035 in SHG net income per member which is statistically significant at five per cent level. The estimate of average educational level of members in the SHGs shows positive contribution to the SHG net income per member. On an average, one year of additional education leads to an increase of `11.55 per member which is not statistically significant. One rupee increase in the loan provided to the member results in an increase in SHG net income per member by less than one rupee. The variable is statistically significant at one per cent level. An increase in the percentage share of expenditure of SHG in the total income of SHG leads to decrease in the SHG net income per member by `0.81. However, this variable is not statistically significant. Age of SHGs positively contributes to the SHG net income per member and this variable is not statistically significant. The coefficient multiple correlation  $R^2$  is 0.6506 showing that 65.06 per cent of variation is explained by the above independent variables. The F- value was 4.8406 and it is significant at one per cent level. This indicates that the SHG net income per member was influenced by the above mentioned variables.

### **Growth of Micro Enterprises**

Based on the field experience and by referring to various books and reports, initially 15 parameters for measuring the growth of the micro enterprises were identified and the experts were consulted to select the most important 5 parameters. Accordingly, sales, profit, number of customers, investments in fixed/working assets and new job creation were selected as the five parameters. Then, these 5 parameters have been subjected to content validity by requesting specialists to assess and there was an agreement among the specialists on these 5 parameters. For 3-point scale, three stages of growth of micro enterprises assumed in the study, are presented in the Table 3.24.

**Table 3.24: Stages of Growth of Micro Enterprises**

Stages of Growth – Three-Point Scale	Assigned	Parameters
Low	1	Those who had less than 10 per cent growth over the previous year.
Moderate	2	Those who had 10 to 30 per cent growth over the previous year.
High	3	Those who had more than 30 per cent growth over the previous year.

A three-point scale was constructed for measuring the stages of growth of micro enterprises. Reliability of the scale was tested using test-retest method and found that the scale was reliable. The three-point scale was used to measure the growth of micro-enterprises and the respondents were asked to chose the stages of growth for each of the five indicators based on their perception on their units' performance during the last one year, on a three-point scale (High, Moderate, Low). The stages of growth of micro enterprises of the respondent are summarized district-wise and it is given in Table 3.25.

**Table 3.25: District-wise Distribution of Micro Enterprises of Respondents According to the Stages of Growth**

Growth Indicators	Stages of Growth of Micro Enterprises				
	Mokokchung (N=150)			Kohima(N=150)	
	High	Moderate	Low	High	Moderate
Sales	80 (53.33)	50 (33.33)	20 (13.33)	135 (90.00)	15 (10.00)
Profit	60 (40.00)	65 (43.33)	25 (16.67)	90 (60.00)	60 (40.00)
Number of Customers	75 (50.00)	60 (40.00)	15 (10.00)	95 (63.33)	55 (36.67)
Investment in fixed/working assets	140 (93.33)	10 (6.67)	-	140 (93.33)	10 (6.67)
New Job Creation	25 (16.67)	110 (73.33)	15 (10.00)	15 (10.00)	135 (90.00)

Source: Field Survey

Figures in parentheses indicate the percentage

### **Mokokchung District**

From the Table 3.25, it is inferred that 53.33 per cent of the respondents and 50.00 per cent have achieved high growth in sales and number of customers respectively, while only 40.00 per cent of the respondents have recorded high growth in profit. The reason for the phenomena may be attributed to the fact that introduction of capital in the micro enterprise first causes increase in turnover and thereby increase in profit. But, as there is low entry barrier and copying process (If one economic activity is found profitable by the first entrepreneur, all the other members in the locality tend to start the same activity later, without looking into the demand for the activity)in many micro enterpriseslike second hand cloth selling, grocery shop etc. Hence, the profitability of the unit comes down, once the market is crowded with many suppliers. As the bank loan amount has been invested in either purchase of fixed assets like machineries or tools or working assets like raw materials or semi-finished goods, higher percentage (93.33 per cent) of respondents have reported high growth in investments in fixed/working assets of their

enterprises. Even though, in the post-SHG situation, there is an increase in the number of days employed per annum for the SHG women and there is some employment opportunity for their household members, it has been reported only by 16.67 per cent of the respondents that their units have recorded high growth in new jobs creation (Paid employment to outsiders in addition to the family members). New jobs creating micro enterprises are only really growth oriented micro enterprises.

### **Kohima District**

The Table 3.25 further reveals that 90.00 per cent of the respondents and 63.33 per cent have achieved high growth in sales and number of customers respectively, while 60.00 per cent of the respondents have recorded high growth in profit. The percentage of respondents who reported high growth in profits has not proportionately gone up as that of sales. This is due to the fact that SHG women are not well versed in pricing their products as well as they are not in position to bargain with the vendors for prices. Higher percentage (93.33 per cent) of respondents has recorded high growth in investments in fixed assets/working capital of their enterprises. Only 15 per cent of the respondents have recorded high growth in new job creation. The micro enterprises like petty shop, candle making, cake and biscuit making have created new jobs.

Sector-wise distribution of micro enterprises according to the stages of growth is presented in Table 3.26.

Table 3.26: Sector-wise Distribution of Micro Enterprises of Respondents According to the Stages of Growth

Growth Indicators	Stages of Growth of Micro Enterprises					
	Farm Sector			Non-Farm Sector		
	High	Moderate	Low	High	Moderate	Low
Sales	105 (70.00)	35 (23.33)	10 (6.67)	110 (73.33)	35 (23.33)	05 (3.34)
Profit	60 (40.00)	85 (56.67)	05 (3.33)	80 (53.33)	65 (43.33)	05 (3.34)
Number of Customers	68 (45.33)	77 (51.33)	05 (3.34)	85 (56.67)	55 (36.67)	10 (6.66)
Investment in fixed/working assets	130 (86.67)	20 (13.33)	-	85 (56.67)	50 (33.33)	15 (10.00)

New Job Creation	05 (3.34)	135 (90.00)	10 (6.67)	25 (16.67)	125 (83.33)	-
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Source: Field Survey

Figures in parentheses indicate the percentage

From Table 3.26, it is obvious that micro enterprises in the non-farm sector recorded higher share (53.33 per cent) of high growth stage in profit than that of units in the farm sector (40.00 per cent). The reason may be due to the nature of diversification of activities carried out by the SHG women in the non-farm sector and most of them, who opted for non-farm sector activities, have taken up trading activities. Trading is the safest enterprise for first generation SHG member entrepreneurs. Moreover, SHG women can start the trading enterprises even with a very little capital. SHG women, who have launched trading activities need to focus their attention only on marketing, whereas, SHG women, who have taken up production activity in the farm sector, have to focus both on production as well as on marketing of their produce and they are overburdened with this dual task. It is found that high growth stage in new job creation is higher (16.67 per cent) in non-farm sector activities than that of the farm sector activities (3.34 per cent).

### Categorisation of Growth of Micro Enterprises

A special scale was constructed and used to measure the growth of the micro enterprises and the respondents were asked to choose the stages of growth for each of the five indicators based on their perception on their units, performance during the last one year, on a 3-point scale (High, Moderate and Low) and the scores as shown in 3.22 were assigned to each of their choice. Total scores of all the five indicators for each respondent was summed up. The mean (12.59) and standard deviation (1.44) were calculated. Using the mean and standard deviation, the growth of micro enterprises were classified into three categories, namely Low growth- Scores below 11.15 (Mean- Standard deviation), Medium growth – Scores between 11.15 and 14.03 and High growth- Scores above 14.03 (Mean + Standard deviation).

**Table 3.27: Categorisation of Growth of Micro Enterprises- District-wise**

Growth	District				Total	
	Mokokchun		Kohima		No	Per cent
	No	Per cent	No	Per cent		
Low	45	30.00	30	20.00	75	25.00
Medium	100	66.67	105	70.00	205	68.33

High	5	3.33	15	10.00	20	6.67
Total	150	100.00	150	100.00	300	100.00

Source: Field Survey

Figures in parentheses indicate the percentage

The Table 3.27 reveals that nearly two thirds (68.33 per cent) of the respondents' units have reached only medium category of growth. Less than 7 per cent of units reached high growth. Hence, there is a long way to go for achieving a higher share of high growth, for which government, NGOs and banks shall have to evolve area based micro enterprise promotion strategies and hand holding support for the newly launched micro enterprises should be provided on an ongoing basis.

Table 3.28: Categorisation of Growth of Micro Enterprises According to the Period of Participation of Respondents in SHGs

Growth Category	Period of Participation of Respondents in SHGs					
	Less than 1 years		1-2 years		Above 2 years	
	No	Per cent	No	Per cent	No	Per cent
Low	15	42.85	50	31.25	15	27.27
Medium	20	57.14	95	59.38	20	36.36
High	-	-	20	12.5	20	36.36
Total	35	100.00	160	100.00	55	100.00

Source: Field Survey

It is found from the Table 3.28 that as the period of participation of respondents in SHGs increases, there is a reduction in percentage of low growth category of micro enterprises. It is observed that the respondents from over 2 years SHGs have higher share (36.36 per cent) in high growth category of micro enterprises.

Table 3.29: Categorisation of Growth of Micro Enterprises According to the Sector

Growth Category	Sector				
	Farm Sector		Non-Farm Sector		Total
	No.	Per cent	No.	Per cent	No.

Low	30	20.00	35	23.33	65
Medium	105	70.00	95	63.33	200
High	15	10.00	20	13.34	35
Total	150	100.00	150	100.00	300

Source: Field Survey

From Table 3.29, it is observed that non-farm contributed to the higher share (13.33 per cent) of high growth category of micro enterprises. In case of low growth category of micro enterprises also, the non-farm sector contributed to the higher share (23.33 per cent), which is due to the “crowding effect” (many entrepreneurs in a locality taking up the same economic activity one after another, which leads to drop sales and profit due to the cut throat competition among them) observed in many micro enterprises like second hand cloth selling, grocery shop, small hotels etc.

#### Growth of Micro Enterprises vs. Number of Bank Loans Availed

Table 3.30 shows the results of analysis of growth of micro enterprises vs. The number of bank loans Availed

Growth Category	Number of bank Loans Availed			
	One Loans	Two Loans	Three Loans	Four Loans
Low	60 (32.43)	15 (17.65)	-	-
Medium	105 (56.76)	60 (70.59)	15 (60.00)	5 (100.00)
High	20 (10.81)	10 (11.76)	10 (40.00)	-
Total	185 (100.00)	85 (100.00)	25 (100.00)	5 (100.00)

Source: Field Survey

Figures in parentheses indicate the percentage

It is found (vide Table 3.30) that 56.76 per cent of the respondents, who availed one loan, 70.59 per cent of the respondents, who availed two loans, 60.00 per cent of the respondents, who availed three loans and 100 per cent of the respondents, who availed four loans achieved medium category of growth of micro enterprises. It is further observed that no clear pattern is visible between the high category of growth of micro enterprises and the number of loans availed by the



respondents. But it is evident that the growth of micro enterprises is directly proportional with the number of bank loans availed, only upto the medium growth category of micro enterprises.

#### Growth of Micro Enterprises vs. Income Categories of the Respondents

Table 3.31 shows the results of the analysis of growth of micro enterprises vs. The income categories of the respondents.

Table 3.31: Growth of Micro Enterprises vs. Income Categories of the Respondents

Growth Category Micro Enterprises	Income Categories of the Respondents				
	Up to `10,000	`10,001- 15,000	`15,001- 20,000	`20,001- 25,000	Above `25,000
Low	60 (33.33)	20 (34.48)	15 (41.67)	9 (40.91)	-
Medium	110 (61.11)	30 (51.73)	12 (33.33)	10 (45.46)	4 (100.00)
High	10 (5.56)	8 (13.79)	9 (25.00)	3 (13.63)	-
Total	180 (100.00)	58 (100.00)	36 (100.00)	22 (100.00)	4 (100.00)

Source: Field Survey

Figures in parentheses indicate the percentage

It is found (vide Table 3.31) that higher share (25.00 per cent of respondents) in high growth category of micro enterprises has been achieved by the respondents in the income category of 15,001-20,000.

From the Table 3.32, it is observed that high growth of micro enterprises is not achieved by the respondents in SHGs of up to one year in both Mokokchung and Kohima districts. It is found that 5.00 per cent of the respondents in SHGs of 1-2 years in Mokokchung district and 12.5 per cent of such women in Kohima district achieved high growth of micro enterprises. It is evident that the high growth of micro enterprises is achieved by 14.9 per cent of respondents in SHGs of above 3 years in Mokokchung district and whereas in Kohima district, it is achieved by 20.00 per cent of the respondents. The share of high growth of micro enterprises in respondents from SHGs of above 3 years have gone up both in Mokokchung and Kohima districts, compared to with level observed in respondents from SHGs of 1-2 years.

Table 3.32: District-wise Growth Category of Micro Enterprises vs. Period of Participation in SHGs

District	Growth Category Micro Enterprises	Period of Participation in SHGs			
		Up to 1 year	Up to 1-2 years	Up to 3 years	Total
Mokokchung	Low	20 (44.44)	35 (35.00)	10 (28.57)	65 (36.11)
	Medium	25 (55.56)	60 (60.00)	20 (57.14)	105 (58.33)
	High	-	5 (5.00)	5 (14.9)	10 (5.56)
	Sub- Total	45 ( 100)	100 (100)	35 (100)	180 (100)
Kohima	Low	4 (26.67)	30 (37.5)	8 (32.00)	42 (35.00)
	Medium	11 (73.33)	40 (50.00)	12 (48.00)	63 (52.5)
	High	-	10 (12.5)	5 ( 20.00)	15 (12.5)
	Sub-Total	15 (100)	80 (100)	25 (100)	120 (100)
	Grand Total	60	180	60	300

Source: Field Survey

Figures in parentheses indicate the percentage

Hence, it can be concluded that high growth of micro enterprises is possible only over a period of time, as the SHG members would have undergone more number of trainings, workshops, meetings and awareness programmes during the period of their association with the SHGs. After the release of the bank loan to the SHG women, they have to be given assistance in registering their units, procuring the equipments, getting the power supply, trial runs and marketing.

During the survey, it was observed that the following factors contributed to the achievement of medium and high growth by certain micro enterprises.

- Activity selection purely on demand basis like operating cranes for well deepening and hiring scaffolding materials.
- SHG member or their household members having the required skill and experience in the selected activities like shawl weaving and folk dress making.

- SHG member undergoing the timely EDP training followed by the skill development training and started units like biscuit making.
- Strong will after attending the EDP training backed by the enabling family support for starting units like computer jobs.
- Introduction of latest technology (For example- production of computerised design for weaving).
- Long period of association with SHGs, thereby gaining access to various refresher training programmes (For example, members who have taken up agricultural activities).
- Participation in exhibitions/fairs and knowing the client's expectations and the competitor's strategy (for example, handicrafts making).
- Purchase of raw materials/stock in bulk and at cheaper price.
- Cash purchase of raw materials and stock (For example, timber business)
- Availability of markets nearby.

During the survey, it was found that the following are the main reasons for the low growth of micro enterprises in the study area. In reality, however, one or more of the following, would have influenced the low growth.

1. Enterprise promotion not based on the demand from the customer.
2. Cut throat competition reducing the profit margin.
3. Rise in cost of raw materials, labour and overheads.
4. More of credit sales.
5. Lack of product/process innovations.
6. Interest burden due to high cost borrowings from informal sources of borrowing.
7. Obsolete technology.
8. Lack of working capital for the unit.
9. Not able to reach out to the distant markets because of lesser volume of production.
10. Failure of the management.
11. Non-availability of required training.
12. Inadequate power supply.
13. Lack of market information.
14. Diversion of funds.
15. Not devoting full time to the business enterprise

## **SUMMARY**

The above analysis revealed that the SHGs were able to provide various credit services such as business loan consumption loan, loan for the settlement of old debt and loan for other contingency purposes to their members. The success of SHGs in terms of high repayment is mostly related to the expansion of prevailing social ties and social cohesion found among women members.

## **References**

Harper, M. (2002): "Promotion of Self Help Groups under the SHG Bank Linkage Programme in India". Paper presented at the Seminar on SHG-Bank Linkage Programme, New Delhi, India.

## CHAPTER: IV

### (Impact of Micro Finance on SHG Members)

Micro finance, when properly invested in enterprises, provide them employment and income. In this chapter, impact of the micro finance on the respondents is analysed in terms of changes in employment level, income and assets over the pre-loan period. The changes in duration of employment is measured in terms of mandays, a manday being eight hours of work per day for a worker. The change in income is measured in terms of net income.

#### IMPACT VS. PERIOD OF PARTICIPATION IN SHGS

Impact of the micro credit is clearly visible after a lapse of some period.

#### Null Hypothesis

There is no difference in mean incremental number of days employed per annum for the respondents between pre-SHG and post-SHG period.

As per the results presented in Table 4.1, the calculated 't' value is more than 2.58 and hence, the above hypothesis is rejected and it is concluded that there is a significant difference in mean incremental number of days employed per annum for the respondents between pre-SHG and post-SHG period.

Table 4.1: Impact Vs Period of Participation in SHGs

Impact Indicators Pertaining to the Respondents		Respondents from the SHGs of		
	Up to 1 year	Up to 2 years	Up to 3 years	Total Respondents
Mean Number of Days Employed Per Annum				
Pre-SHG Level	194	226	200	213
Post-SHG Level	240	296	305	292
Incremental	46	70	105	79
't' value	19.91*	33.43*	31.67*	41.35*
Mean Annual Income				
Pre-SHG Level	9492.73	10749.67	8878.89	9945.45
Post-SHG Level	13772.91	21398.47	25055.51	21584.21

Incremental	4280.18	10648.80	16176.62	11638.76
't' value	9.86*	18.07*	14.27*	21.91*
Mean Assets				
Pre-SHG Level	25418.18	33670.24	55332.59	39846.63
Post-SHG Level	29020	41757.38	69007.87	49203
Incremental	3601.82	8087.14	13675.28	9356.40
't' value	4.37*	9.08*	8.58*	12.64*

Source: Field Survey

\*Significant at 1% level.

### **Null Hypothesis**

There is no difference in mean incremental income per annum for the respondents between pre-SHG and post-SHG period.

As per the results presented in Table 4.1, the calculated 't' value is more than 2.58 and hence, the above hypothesis is rejected and it is concluded that there is a significant difference in mean incremental income per annum for the respondents between Pre-SHG and Post-SHG period.

### **Null Hypothesis**

There is no difference in mean incremental assets for the respondents between pre-SHG and post-SHG period.

As per the results presented in Table 8.1, the calculated 't' value is more than 2.58 and hence, the above hypothesis is rejected and it is concluded that there is a significant difference in mean incremental assets for the respondents between pre-SHG and post-SHG period.

It further reveals that the mean incremental number of days employed per annum, mean incremental annual income and mean incremental assets of the respondents are directly proportional to the number of years of association of respondents with SHGs. Respondents from upto 3 years category of SHGs, have recorded the highest mean incremental number of days employed per annum, which leads to more mean incremental income and mean incremental assets. This may be attributed to the fact that they might have received many trainings and their exposure level would be higher.

Effect of Training vs. Impact

Effect of training on impact indicators is given in Table 4.2.

**Table 4.2: Effect of Training on Changes in Employment, Income and Assets of the Respondents between Pre-SHG and Post-SHG Period**

Impact Indicators	Trained Respondents	Not Trained Respondents	Total Respondents
Mean Number of Days Employed Per Annum			
Pre-SHG Level	194	228	213
Post-SHG Level	288	294	292
Incremental	94	66	79
	(42.42)		
Mean Annual Income			
Pre-SHG Level	9490.57	10299.24	9945.45
Post-SHG Level	23471.70	20116.16	21584.21
Incremental	13981.13	9816.92	11638.76
	(42.42)		
Mean Assets			
Pre-SHG Level	49268.86	32518.22	39846.63
Post-SHG Level	61320.02	39778.71	49203.03
Incremental	12051.16	7260.49	9356.40
	(65.98)		

Source: Field Survey

Figures in brackets indicate the percentage increase of the incremental indicator over the pre-SHG period

In all the three impact parameters, trained respondents have registered a higher incremental growth namely, mean incremental number of days employed per annum, of trained SHG women is 94 days, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental annual income of trained SHG women is at ` 13981.13, which is 42.42 per

cent higher than that of not trained SHG women. Mean incremental total assets of trained SHG women are ` 12051.16, which is 65.98 per cent higher than that of not trained SHG women.

The reason for this effect of training on impact indicators may be attributed to the training programmes offered to SHGs under the District Rural Development Agencies, Kohima and Mokokchung. Training to Self-Help Group leaders and SHG members plays a vital role in moulding the SHG as a strong, cohesive grass root level institution. The training modules include topics on SHG rules, how to conduct the meetings, maintenance of SHG accounts, sustainability, leadership, communication, team building, conflict resolution, accessing government schemes, SHG-Bank credit linkage norms, functioning of federations of SHGs and addressing social problems.

### **Tangible Use of Incremental Income**

The bank loan investments into the micro enterprises enable the SHG women to purchase tools or fixed assets, which improves the productivity of the unit or to buy the inventory required in cash and in bulk for their micro enterprise, which result in increased turnover and leads to incremental income to the SHG women. Some of the respondents put this incremental income to tangible use.

**Table 4.3: Tangible Use of Incremental Income**

Respondents, who put the incremental income to tangible use	Districts					
	Kohima		Mokochung		Total	
	No	Per cent	No	Per cent	No	Per cent
Put to Tangible Use	123	82.00	131	87.33	254	84.67
Not Put to Tangible Use	27	18.00	19	12.67	46	15.33
Total	150	100	150	100	300	100

Source: Field Survey

From the Table 4.3, it is inferred that above three –fourth (84.67 per cent) of the respondents have put the incremental income from their micro enterprises taken up through the SHG-Bank loan, to tangible use. The larger share (87.33 per cent) of respondents from Mokokchung district used the incremental income in a tangible way, whereas 82.00 per cent of the respondents from Kohima district had put the incremental to tangible use.



## Purpose-wise Use of Incremental Income

It is found from the study that the SHG women has used the incremental income from the micro enterprises in a variety of ways, useful to the household namely for purchasing consumer durables, construction of new work shed/repairing of the existing one and investment in children's education.

The Table 4.4 indicates the purpose-wise major uses of incremental income by the SHG women, who used it in a tangible way. While utilizing the incremental income, 31.67 per cent of the respondents invested in purchasing consumer articles. It is observed that their preference is towards purchasing labour saving durables like mixie, grinder and gas stove, which helped them a lot in saving their time and they could able to devote more time for the micro enterprise. Use of gas stove instead of open fire also improved their health as they need not inhale the smoke while cooking. About 68 per cent of the respondents invested the incremental income on their children's education, which they believe as the good investment of lift their generation out of the clutches of poverty. It is found that 8.34 per cent of the respondent ploughed back to the profits so as to increase their scale of operations further to reap the benefits of economy of scale and 6.67 per cent of the respondents invested for improving the health and nutritional care to the family, as most of the families have no other productive physical asset than their body, on which they depend for their income. 7.4 per cent of the respondents invested the incremental income in improving the housing, namely replacing the wooden house with cemented house, provision of electricity, construction of toilets and provision of drinking water facility. 5.00 per cent of the respondents preferred to invest in constructing or repairing the work shed, which will lead to increased productivity. As a prudent measure, 9.00 per cent of the respondents chose to invest in gold jewellery. Though, jewels do not yield any return, the holding is valued so much culturally in the Indian social context and it acts as a cushion to fall back in case of emergency, as it is highly liquid. All banks/informal lenders freely give loans against the security of the pledge of jewels for agricultural and business purposes, at a nominal rate of interest. It is found that 5.00 per cent of the respondents used the incremental income to pay off the high cost old debts, by which they have heaved a sigh of relief.

**Table 4.4: Purpose-wise Tangible Use of Incremental Income**

Investment of Incremental Income in	Kohima		Mokochung		Total	
	No	Per cent	No	Per cent	No	Per cent
Improving the housing	6	4.00	15	10.00	21	7.00
Construction of new work	7	4.67	8	5.33	15	5.00

shed/repairing						
Children's education	30	20.00	35	23.33	65	21.67
Improving health and nutritional care to the family	9	6.00	11	7.33	20	6.67
Reinvestment in the same enterprise	13	8.67	12	8.00	25	8.34
Diversifying to new activity	5	3.33	6	4.00	11	3.67
Clearing off old debts	6	4.00	9	6.00	15	5.00
Purchasing consumer durables	56	37.34	39	26.00	95	31.67
Deposits	4	2.67	2	1.33	6	2.00
Purchase of jewellery	14	14.00	13	8.67	27	9.00
Total	150	100.00	150	100.00	300	100.00

### **Distribution of Income Inequality**

With in SHG members there is bound to be income inequality due to various reasons. This income inequality is further compounded by the phenomenon that various members of the SHG programme use the micro credit in different ways. The SHG women having the economic opportunities use the credit for micro enterprises and get incremental income, whereas some women use the credit not for productive purposes and divert it for consumption purposes, which will not add to further income accrual. It will be of interest to know whether the SHG-Bank linkage programme impacts the income inequality of the target group and paves way for the creation of more growth with equity in the society. Lorenze curve has been used to find out whether any change occurred in income inequality between the pre-SHG and post-SHG periods.

**Table 4.5: Distribution of Income across Deciles**

Percentage of Cumulative Income		
Deciles	Pre-SHG	Post-SHG
1	5.98	4.36
2	12.19	10.43
3	19.16	17.38

4	26.68	24.86
5	34.94	33.21
6	43.98	42.55
7	53.74	52.63
8	64.95	64.03
9	77.54	77.93
10	100.00	100.00

Source: Field Survey

The distribution of income across deciles is presented in Table 4.5. The data reveals that share of bottom ten per cent of members in income decreased from 5.98 per cent to 4.36 per cent between pre-SHG and post-SHG periods. The share of top ten per cent of members in income decreased from 22.46 per cent to 22.07 per cent. The Lorenz curve presented in Fig. 4.1 shows that the income inequality increased marginally between pre-SHG and post-SHG periods in bottom 80 per cent of respondents (post-SHG income curve is slightly far off from the Line of equality than the pre-SHG income curve), whereas in top 20 per cent of respondents the income inequality increase is very nominal. Thus, it is concluded that the SHG-Bank linkage programme has not impacted the respondents in reducing the income inequality among them.

### Multiple Regression Analysis

The multiple regression analysis is used to find out the relative importance of various factors which influence the post-SHG income of the respondents in the study area. As there are several factors which contribute to the post-SHG income of the respondents in varying measures, the linear multiple regression is considered to be the most appropriate statistical tool to assess the influence of independent variables on dependent variable. In the linear multiple regression model used in this study, post-SHG income of the respondents is taken to be the dependent variable and quantifiable variables like education in number of years, age in years, number of children in the family of the respondents, bank loan availed, loans from other sources, loan given by SHG, number of times bank loan availed, sales, own funds invested, cost of sales, savings and number of days employed per annum are taken to be the independent variables.

The twelve variables selected as independent variables are generally bound to influence the income of the respondents.

Education – $X_1$  (in number of years); Age- $X_2$  (in years); Number of Children-  $X_3$  ; Own Funds- $X_4$  (in rupees); Loans from SHG-  $X_5$  (in rupees); Bank Loan Amount –  $X_6$  (in rupees); Loans from other Sources-  $X_7$  (in rupees); Savings-  $X_8$  (in rupees); Bank Loan Availed-  $X_9$  (Number

of Times); Sales-  $X_{10}$  (in rupees); Cost of Sales-  $X_{11}$  (in rupees); Employment Per Annum-  $X_{12}$  (Number of Days).

The joint effect of a group of independent variables on the post-SHG income of the respondents is studied by framing the multiple regression equation of the variable 'Y' on the other independent variables. The following model with 12 independent variables is used.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + b_{10}X_{10} + b_{11}X_{11} + b_{12}X_{12}$$

A = intercept (constant) ;  $b_1$  to  $b_{12}$  = Regression co-efficients

To check whether there is any multi-collinearity among the independent variables, the multi-collinearity problem. Hence, no variable was removed and all the 12 independent variables have been used in the analysis. The values arrived using the SPSS (10: Version) in the computer data analysis, for the total study area, are presented in the Table 4.6.

Regression co-efficient of the independent variables estimated through multiple regression analysis along with their 't' values and co-efficient of multiple determination ( $R^2$ ) for the farm sector is given in Table 4.6.

The Table 4.6 shows that the co-efficient of determination ( $R^2$ ) is 0.521. It denotes that only 52.1 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis. Therefore, one must look beyond the listed independent variables in order to find out the reasons for the increase in post-SHG income of the respondents, who have taken up economic activities in the farm sector. Hence, the actual reason for the increase of post-SHG income of the respondents in the farm sector have to be the factors such as mixed cropping, crop rotation, switching to cash crop, Proper supply of agricultural inputs like quality seeds, fertilizers, pesticides and technology, availability of credit at affordable interest and in time, control of pest and diseases. The F ratio is also found significant. From the value of 't' statistic corresponding to the regression co-efficients, it is found that the three variables - $X_3$  (Number of children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of Sales) are found to statistically significant, indicating the importance of these three variables in increasing the post-SHG income of the respondents. The independent variables such as Number of children and Sales have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income. From Table 4.6, it can be observed that one unit of increase in the number of children *ceteris paribus* would increase the post-SHG income by `1293. This implies that the children in the family are used to do some agricultural works in the farm and help the women in managing her enterprise. One unit of increase in sales *ceteris paribus* would result in increase of the post-SHG income by `0.88. As sales is found to be significant variable in increasing the post-SHG income, SHG women should be well trained on the strategies to increase their sales turnover of their micro enterprises. It has been observed in Mokochung district that some women cultivating drum stick are used to enquire the price level

of the drum stick prevailing in various nearby markets and then they sell the drumstick at the market, which offer them a better price. This kind of awareness has to be given to all the SHG women, who are engaged in the farm sector and should be encouraged to use Information and Communication Technology (ICT) tools such as phone, mobile, e-mail and internet. One unit of increase in cost of sales *ceteris paribus* will bring down the post-SHG income by `0.88. Some SHG members in Bada Gaon village have used the vermicompost instead of chemical fertilizers and brought down their cost of cultivation, which resulted in more profit to them. Tissue culture banana, a hi-tech method of cultivation introduced in bada gaon village also yielded good profits to the SHG members. Hence, SHG women should be trained on no cost and appropriate technologies in the farm sector so as to bring down their cost of cultivation and increase their bottom-line.

**Table 4.6: Multiple Regression Model- Farm Sector**

Independent Variable	Regression Co-efficient	Std. Error	't' Statistic	Significance
Intercept	-109.152	5489.802	-0.020	0.984
Education (X <sub>1</sub> )	251.177	171.617	1.464	0.146
Age (X <sub>2</sub> )	-90.909	96.264	-0.944	0.347
Number of Children (X <sub>3</sub> )	1293.204*	570.494	2.267	0.025
Own Funds (X <sub>4</sub> )	-5.998	0.118	-0.051	0.959
Loans from SHG (X <sub>5</sub> )	2.756	0.271	0.102	0.919
Bank Loan Amount (X <sub>6</sub> )	-0.232	0.137	-1.690	0.094
Loans from other Sources (X <sub>7</sub> )	-0.174	0.542	-0.321	0.749
Savings (X <sub>8</sub> )	0.798	0.804	-0.992	0.323
Number of Times Bank Loan Availed (X <sub>9</sub> );	1105.186	943.780	1.171	0.244
Sales (X <sub>10</sub> )	0.883**	0.180	4.915	0.000
Cost of Sales (X <sub>11</sub> )	-0.882**	0.212	-4.151	0.000
Number of Days Employed Per Annum (X <sub>12</sub> )	28.567	17.879	1.598	0.113
R <sup>2</sup> =0.521      F value= 10.889				

Regression co-efficient of the independent variables estimated through multiple regression analysis along with their 't' value4s and co-efficient of multiple determination ( $R^2$ ) for the non-farm sector is given in Table 4.7.

Table 4.7: Multiple Regression Model- Non-Farm Sector

Independent Variable	Regression Co-efficient	Std. Error	't' Statistic	Significance
Intercept	-4085.128	3138.242	-1.302	0.194
Education ( $X_1$ )	-79.800	90.407	-0.883	0.378
Age ( $X_2$ )	-17.280	45.158	-0.383	0.702
Number of Children ( $X_3$ )	905.139*	283.904	3.188	0.002
Own Funds ( $X_4$ )	1.863	0.041	0.459	0.647
Loans from SHG ( $X_5$ )	-0.186	0.100	-1.854	0.065
Bank Loan Amount ( $X_6$ )	7.674	0.046	1.680	0.094
Loans from other Sources ( $X_7$ )	-4.103	0.097	-0.422	0.673
Savings ( $X_8$ )	-7.152	0.316	-0.227	0.821
Number of Times Bank Loan Availed ( $X_9$ );	290.907	450.581	0.646	0.519
Sales ( $X_{10}$ )	0.903*	0.050	18.072	0.000
Cost of Sales ( $X_{11}$ )	-0.895*	0.057	-15.803	0.000
Number of Days Employed Per Annum ( $X_{12}$ )	37.759*	7.823	4.826	0.000
$R^2 = 0.849$ F Value= 117.235				

Source: Computed from primary data

\*Significant at 0.01 level

It is found that (vide Table 4.7) that the co-efficient of determination ( $R^2$ ) is 0.849. It is inferred that 84.9 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression

analysis. The F ratio is also found significant. From the value of ‘ t’statistic corresponding to the regression co-efficient, it is found that the four variables  $X_3$  (Number of children),  $X_{10}$  (Sales),  $X_{11}$  (cost of sales) and  $X_{12}$  (number of days employed per annum) are found to be statistically significant, indicating the importance of these four variables in increasing the post SHG income of the respondents. The independent variables such as number of children, sales and number of days employed per annum have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.

From the Table 4.7, it can be observed that one unit of increase in the number of children *ceteris paribu* would increase the post-SHG income by `905. This confirms the fact that as most of the non-farm sector micro enterprises are carried out at the household itself, the children in the family are involved in one or another part of the enterprise and help the women in managing her enterprises. One unit of increase in sales *ceteris paribus* would result in increase of the post-SHG income by `0.50. As sales is found as a significant variable in increasing the post-SHG income, SHG women should be well trained on the strategies to increase their sales turnover of their micro enterprises in the non-farm sector. One unit of increase in number of days employed per annum *ceteris paribus* would cause a rise of post-SHG income by `37.75. As the number of days employed per annum has a significant positive relationship with the post-SHG income of the respondents, efforts should be directed towards increasing the number of days employed. It is observed that most of the women do undertake the non-farm sector –micro enterprise on a part time basis, as a first generation entrepreneur. Once they build up their volume in the business, they can devote more of their time, which will lead to an increase in the number of days employed. More over, as they are having other responsibilities such as taking care of the children and maintenance of the household, most of them are able to take up micro enterprises on a part time basis. Hence, gender training may be given to the spouses of the SHG women so as to sensitize them to share their wife’s work burden and encourage the women to take up the enterprises even on a full time basis, when they scale up operations. One unit of increase in cost of sales *ceteris paribus* will bring down the post-SHG income by `0.89. Hence, SHG women should be trained on how to reduce the operational cost of their units. SHG women can also introduce technology and thereby improve the productivity as well as reduce the cost of the operations of their units.

#### Shift in Income Category

The respondent’s shift from one category in pre-SHG to another category in post-SHG period has been analysed and the results are presented in Table 4.8.

**Table 4.8: Shift in Income Category**

S. No.	Respondent’s income	Pre-SHG period	Post-SHG period

		No.	Per cent	No.	Per cent
1.	Up to `10, 000	178	59.33	19	6.33
2.	`10,001- 15, 000	80	26.67	50	16.67
3.	`15,001- 20,000	26	8.67	81	27.00
4.	`20, 001-25, 000	11	3.67	76	25.33
5.	Above `25,000	5	1.66	74	24.67
	Total	300	100.00	300	100.00

Source: Field Survey

It is observed (vide Table 4.8) that 59.33 per cent of the respondents were in below `10,000 income category during the pre-SHG period and this category has reduced to 6.33 per cent of the respondents during the post-SHG period. It is further found that 5.33 per cent of the respondents were in the category of above `20,000 income during the pre-SHG period and this category has increased to 50.00 per cent of the respondents during the post-SHG period. Hence, it can be concluded that the SHG women who have joined the SHG, when they were in the lower level of income ladder have moved upwards during the post-SHG period.

### Summary

As all the sample respondents have already availed the SHG-Bank loan more than once and sufficient time has lapsed since availing the loan, the impact is clearly visible among the respondents in the study area in terms of employment, income and assets of the respondents. The number of days employed per annum of the respondent increased in the total study area from 213 days in pre-SHG period to 292 days in post-SHG period, while the income of the respondent increased from `9945.45 in pre-SHG period to `21584.21 in post-SHG period and the assets of the respondents increased from `39846.63 in pre-SHG period to `49203.03 in post-SHG period.

As the calculated 't' value (at 1% significance) in all the three impact indicators (employment, income and assets of the respondents) is more than 2.58 and hence, all the three hypotheses are rejected and it is concluded that

- There is a significant difference in mean incremental number of days employed per annum for the respondents between pre-SHG and post-SHG period.
- There is a significant difference in mean incremental income per annum for the respondents between pre-SHG and post-SHG period.



- There is a significant difference in mean incremental assets for the respondents between pre-SHG and post-SHG period.

The mean incremental number of days employed per annum, mean incremental annual income and mean incremental assets of the respondents are directly proportional to the number of years of association of respondents with SHGs. Respondents from the above 3 years category of SHGs, have recorded the highest mean incremental number of days employed per annum, which leads to more mean incremental income and mean incremental assets.

Besides DRDO trainings, another reason for promotion of 87 new micro enterprises by respondents in Mokokchung block is due to the fact that the Indian Banks's Special Unit for Microfinance (IBUM) project at Kohima facilitates linkages between SHGs and development institutions and encourages SHG members to start new enterprises.

In all the three impact parameters, trained respondents have registered a higher incremental growth namely, mean incremental number of days employed per annum, of trained SHG women is 94 days, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental annual income of trained SHG women is at `13981.13, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental total assets of trained SHG women are `12051.16, which is 65.98 per cent higher than that of not trained SHG women.

About 74.3 per cent of the respondents in the total study area used the incremental income in a tangible way. The larger share (82.4 per cent) of respondents from Mokokchung district and only 68.5 per cent of the respondents from Kohima district had used the incremental income in a tangible way. Out of the respondents, who used the incremental income in a tangible way, 32.3 per cent of them purchased labour saving consumer durables, 22.2 per cent of them invested in children's education. The SHG-Bank linkage programme has not impacted the respondents in reducing the income inequality among them.

The multiple regressions run for the farm sector indicates that the co-efficient of determination ( $R^2$ ) is 0.521. It denotes that only 52.1 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis.

It is found that the three variables-  $X_3$  (Number of children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of sales) are found to be statistically significant. The independent variables, such as number of children and sales have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.

The multiple regressions run for the non-farm sector indicates that the co-efficient of determination ( $R^2$ ) is 0.849. It is inferred that 84.9 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis. It is found that the four variables-  $X_3$  (number of

children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of sales) and  $X_{12}$  (Number of days employed per annum) are found to be statistically significant. The independent variables, such as number of children, sales and number of days employed per annum have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.

About 59.33 per cent of the respondents were in below ₹10,000 income category during the pre-SHG period and this category has reduced to 6.33 per cent of the respondents during the post-SHG period. It is further found that 5.33 per cent of the respondents were in the category of above ₹20,000 income during the pre-SHG period and this category has increased to 50.00 per cent of the respondents during the post-SHG period. Hence, it can be concluded that the SHG women who have joined the SHG, when they were in the lower level of income ladder have moved upwards during the post-SHG period.

## CHAPTER-V

### SUMMARY AND CONCLUSIONS

This chapter presents the findings of the study and conclusions drawn from the findings. It also presents the recommendations for policy changes to boost the momentum of micro enterprise promotion and indicates the areas for further research so that the new solutions can be found out to address the ever changing needs in the emerging microfinance sector. There are more number of matured SHGs, which need to be graduated to take up growth oriented micro enterprises, not only livelihood enterprises. The present study primarily addresses this problem of enterprise promotion and attempts to find out how the continued access to micro finance has promoted the micro enterprises in the study area and empower the status of women economically and socially.

### FINDINGS

#### ➤ Growth of Microfinance Programme

It is found that even though the number of new SHG credit linked keeps on increasing every year, the percentage of growth over the previous year shows a decline, in the last few years. It shows that the programme has made a shift from an expansion phase to a stabilization phase. It is observed that the average loan size per SHG keeps on increasing over the years and it has reached from `10,450 as on 31.3.2011 to `20360.5 as of 31st March 2013, while the average SHG loan availed per family as March 2011 is only `4500, which shows that a wide scope exists for credit deepening.

#### ➤ SHG-Bank Linkage Programme

During the year 2013-2014, the number of SHGs credit linked with banks in Nagaland registered a 41.7 per cent growth over the March 2013, whereas bank loan disbursed during the year 2013-14, marked a 61.6 per cent growth over the March 2013 level. The level of growth of the SHG-Bank linkage programme in Nagaland is one among the better in the North-East India. In the last four years from 2010, Kohima district has recorded a higher per cent of growth (in terms of SHGs linked and SHG-Bank loan disbursed) than that of Mokokchung district.

#### ➤ Women Development Project

In both the districts, the growth in respect of SHGs formed and members enrolled is higher during the year 2010-11. This may be attributed to the fact that the government gave more thrust for forming new SHGs and these SHGs have not received the needed capacity building inputs and hence, they are weak. It is revealed that in some households, multiple membership in different groups were common as the DRDA officials have not used proper screening tests, while enrolling members for their new groups. The savings rotation in Kohima district shows a declining trend from 3.65 as of March 2011 to 2.96 as of March 2014, whereas in Mokokchung

district the savings rotation is increasing from 2.77 as of March 2011 to 3.15 as of March 2014. In Mokokchung district, the loan given by SHGs was used by the SHG members like a venture capital to experiment with launching of new micro enterprises. SHG members face difficulties in accessing the SGSY loans, as the time lag involved was around 8 to 10 months. It is observed that 68 per cent of the total respondents belong to nuclear families.

➤ Socio-Economic Profile of the Respondents

▪ Social Profile

A little above half respondents (51.67 per cent) are participating in SHGs for a period of 1 to 3 years, followed by one third (35.00 per cent) of respondents, who are in SHGs for than 1 year. The younger category (18-35 years) of women constitutes the major share (43.33 per cent) of the respondents, who are eager to participate in trainings and initiate new enterprises. Some of the branch managers hesitate or refuse to give bank loans to SHGs, where more number of old-aged women are members, even though the government norm says that women of up to 60 years of age are eligible to join in a SHG. It is observed that percentage of illiterate respondents is negligible that is a matter of satisfaction. Further, it is observed that 21.33 per cent of the respondents completed primary level of education, 34 per cent of them completed middle school, 40 per cent of them completed high school and 2.34 per cent completed graduation. It is observed that 69.33 per cent of the respondents are married women, which comply with the existing best practice of enrolling married women only in SHGs, as unmarried women's migration is possible to other villages/places after getting married. It is observed that out of the 300 SHG members in our sample, 82.33 per cent of the respondents have nuclear families and remaining 17.67 per cent have joint families. It is observed that 68 per cent of the total respondents belong to nuclear families.

▪ Economic Profile

Income earners to total members in the household-ratio for the study area are low at 42.05 per cent. Hence, there is a compelling need to undertake more livelihood microenterprises by the SHG members. 45.00 per cent of the respondents are engaged in trading, 36.67 per cent of the respondents is engaged in agricultural activities and 13.33 per cent of the respondents is in service sector. As the trading activities require a very low skill level, a low startup capital and the entry barriers are less, many women opted for this. For the target poor, who are the first generation entrepreneurs, trading emerges as the safest entry point. Being a relatively risk free and traditional activity, agricultural activities like pig rearing are most sought after by the poor rural women. Pig rearing fetched a good supplementary income to the SHG members. Over a period of association with the SHGs, the members become aware of the benefit of networking and mostly SHG leaders represented one or more networks operating in their area. As the women join more number of networks, their exposure increased and they got acquainted with more institutions and officials, which resulted in opening up new opportunities to them.

- 62.00 per cent of the respondents preferred to have a subsidy loan as against 38.00 per cent who preferred direct loan without subsidy. About 15 per cent of investments in micro enterprises was from own sources, 10 per cent from loans from SHGs, 72 per cent from SHG-Bank loans and 3 per cent from other sources. The average SHG-Bank loan per member for urban area stood at `15092 as against `12068 in rural areas. Mean total investments per micro enterprise for urban area amounted to `21050 and as against `16782 for rural area.

The share of bank loan to the total investments and the mean SHG-Bank loan keep on increasing with the increase in length of participation of the respondents in SHGs.

- The respondents through the micro finance programmes have invested in a variety of micro enterprises, both in farm sector (3 economic activities) and non-farm sector (five economic activities). The major activities that have been taken up by the respondents in Mokokchung district are farm activities, like pig rearing, flower cultivation etc. The major activities that have taken up by the respondents in Kohima district are non-farm sector activities, like silk weaving, petty shop, grocery shop, second hand clothing selling etc.
- A special scale was constructed and used to measure the growth of the micro enterprises and the respondents were asked to choose the stages of growth for each of the five indicators based on their perception on their units' performance during the last one year, on a 3-point scale (High, Moderate and Low). In the study area, about 25.00 per cent of the respondents experienced low growth of micro enterprises, 68.33 per cent of the respondents achieved medium growth and only 6.67 per cent of the respondents achieved high growth. 3.33 per cent of the respondents from Mokokchung district achieved the high growth, while only 10.00 per cent of the respondents achieved the high growth from Kohima.
- Factors Contributing to the Growth of Micro Enterprises:

The following factors contributed to the achievement of medium and high growth by certain micro enterprises

- Activity selection purely on demand basis like operating cranes for well deepening and hiring scaffolding materials.
- SHG member or their household members having the required skill and experience in the selected activities like shawl weaving and folk dress making.
- SHG member undergoing the timely EDP training followed by the skill development training and started units like biscuit making.

- Strong will after attending the EDP training backed by the enabling family support for starting units like computer jobs.
- Introduction of latest technology (For example- production of computerised design for weaving).
- Long period of association with SHGs, thereby gaining access to various refresher training programmes (For example, members who have taken up agricultural activities).
- Participation in exhibitions/fairs and knowing the client's expectations and the competitor's strategy (for example, handicrafts making).
- Purchase of raw materials/stock in bulk and at cheaper price.
- Cash purchase of raw materials and stock (For example, timber business)
- Availability of markets nearby.

During the survey, it was found that the following are the main reasons for the low growth of micro enterprises in the study area. In reality, however, one or more of the following, would have influenced the low growth.

16. Enterprise promotion not based on the demand from the customer.
17. Cut throat competition reducing the profit margin.
18. Rise in cost of raw materials, labour and overheads.
19. More of credit sales.
20. Lack of product/process innovations.
21. Interest burden due to high cost borrowings from informal sources of borrowing.
22. Obsolete technology.
23. Lack of working capital for the unit.
24. Not able to reach out to the distant markets because of lesser volume of production.
25. Failure of the management.
26. Non-availability of required training.
27. Inadequate power supply.
28. Lack of market information.
29. Diversion of funds.
30. Not devoting full time to the business enterprise

- It has been noted that sixty per cent of the groups were started only to avail loans from other financial institutions, 100 per cent to start income generation activities and 60 per cent to take up community development programme. In the case of rural areas, 75 per cent of the groups had started just to improve the economic status of the members. It is seen that 20.00 per cent of SHG members had availed credit for initiating income generating activities. Their proportion in the rural area was 33.33 per cent and in the urban area, 24.67 per cent.
- The mean incremental number of days employed per annum, mean incremental annual income and mean incremental assets of the respondents are directly proportional to the

number of years of association of respondents with SHGs. Respondents from the above 3 years category of SHGs, have recorded the highest mean incremental number of days employed per annum, which leads to more mean incremental income and mean incremental assets.

- Besides DRDO trainings, another reason for promotion of 87 new micro enterprises by respondents in Mokokchung block is due to the fact that the Indian Banks's Special Unit for Microfinance (IBUM) project at Kohima facilitates linkages between SHGs and development institutions and encourages SHG members to start new enterprises.
- In all the three impact parameters, trained respondents have registered a higher incremental growth namely, mean incremental number of days employed per annum, of trained SHG women is 94 days, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental annual income of trained SHG women is at `13981.13, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental total assets of trained SHG women are `12051.16, which is 65.98 per cent higher than that of not trained SHG women.
- About 74.3 per cent of the respondents in the total study area used the incremental income in a tangible way. The larger share (82.4 per cent) of respondents from Mokokchung district and only 68.5 per cent of the respondents from Kohima district had used the incremental income in a tangible way. Out of the respondents, who used the incremental income in a tangible way, 32.3 per cent of them purchased labour saving consumer durables, 22.2 per cent of them invested in children's education. The SHG-Bank linkage programme has not impacted the respondents in reducing the income inequality among them.
- The multiple regressions run for the farm sector indicates that the co-efficient of determination ( $R^2$ ) is 0.521. It denotes that only 52.1 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis.
- It is found that the three variables-  $X_3$  (Number of children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of sales) are found to be statistically significant. The independent variables, such as number of children and sales have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.
- The multiple regressions run for the non-farm sector indicates that the co-efficient of determination ( $R^2$ ) is 0.849. It is inferred that 84.9 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis. It is found that the four variables-  $X_3$  (number of children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of sales) and  $X_{12}$

(Number of days employed per annum) are found to be statistically significant. The independent variables, such as number of children, sales and number of days employed per annum have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.

- About 59.33 per cent of the respondents were in below `10,000 income category during the pre-SHG period and this category has reduced to 6.33 per cent of the respondents during the post-SHG period. It is further found that 5.33 per cent of the respondents were in the category of above `20,000 income during the pre-SHG period and this category has increased to 50.00 per cent of the respondents during the post-SHG period. Hence, it can be concluded that the SHG women who have joined the SHG, when they were in the lower level of income ladder have moved upwards during the post-SHG period.

### **Micro Finance- Operational and Strategic Issues**

#### **Operational Issues:**

**Challenge:** In the study, portfolio at risk for Mokokchung district was reported to be 11.03, which is due to the failure of group activity thrust by the officials.

**Recommendations:** The eligibility norms for availing group activity loans are to be modified as only the matured groups can manage the group activity, which require more understanding among the members to resolve the conflicts among them in sharing the work or profits or in decision making. The suggested eligibility norms are those SHGs which are functioning more than 5 years, bank loans repaid three times without any defaults, SHGs which have rotated their leadership, SHGs which are maintaining their financial records in a transparent way, duly audited and where the members visit the bank branches in rotation every month.

**Challenge:** Among the respondents, who faced the financial crisis, only 1.60 per cent of the respondents have insurance cover credit ner.

**Recommendation:** Banks shall make tie up with insurers and provide the insurance cover to SHGs Members.

**Challenge:** In the study area, among the respondents, who faced the financial crisis, 17.10 per cent of the respondents have diverted the working capital from their micro enterprises, which affected their liquidity position.

**Recommendation:** Banks shall provide an emergency line of credit to SHGs to pass on instant loans to such SHGs members, who faced the liquidity problem in their micro enterprise.

**Strategic Challenge:** Lack of credit information on sHGs linked, members assisted and other MIS requirements.



**Recommendation:**

Database for SHGs and their members, at the block level on the lines of CIBIL (Credit Information Bureau of India Limited) has to be put in place. Each SHG has to register with the block level database centre through the federation, which is to be made compulsory for availing bank finance and have to submit periodical updates regarding loans obtained and loans repaid. Only those SHGs, which have submitted the updates, need to be taken up for repeat loans. Out of the Micro finance development and equity fund, NABARD shall meet the initial capital costs and operational cost for 2 to 3 years, till the centre becomes self sustaining. Banks may pay user fee and can access the credit information.

**Challenge:** Around 75.50 per cent of SHG members in the study area did not prefer the subsidy loans, as it involves more transaction cost and the loan delivery is also delayed.

**Recommendation:** Subsidized loans may be stopped. Subsidy amount shall be better invested in SHG managed community infrastructure and for capacity building programmes.

**Challenge:** Branch managers hesitate to sanction loans to SHGs, wherein many old aged women are members, even though the government guidelines permit SHG membership upto the age of 60 years.

**Recommendation:** As the life expectancy is going up and even the rural area are also becoming nuclear, the old aged persons also have to carry out some economic activity and have to earn as they are not having access to any pension scheme, government shall raise the upper age limit for eligible membership to 65 years and the banks have to approach the senior citizens with empathy.

**Challenge:** Even though dependence on money lenders have come down after SHGs started playing the financial intermediation role, in the study area, 3 per cent of the investments for micro enterprises of the respondents have come from other sources, which include the agricultural input dealers and traders, who charges always carry hidden costs.

**Recommendation:** Banks may put this traders and input dealers in value chain financing and shall make the credit available to the needy poor through these informal channel also at an affordable rates of interest.

**Challenge:** Nearly 3.14 per cent of the loan amount disbursed was diverted to other purposes. The diversion is mainly for meeting the hospital expenses and home improvements.

**Recommendation:** Banks shall take up credit needs study and roll out customized special products like health loan, sanitation loans (toilet construction) and housing loan for SHG members.

## **Socio-economic Factors**

**Challenge:** Around 24.5 per cent of the respondents are illiterate in the study area'

**Recommendation:** SHGs have to teach their members how to sign. Likewise, SHGs shall take up a campaign to impart functional literacy to their members. At the village level, they may run a special centre with a team of volunteers.

**Opportunity:** About 47.8 per cent of the respondents are young in the age group of 18-35 and they are more eager to participate in training and start new enterprises.

**Recommendation:** NGOs shall target the SHG members in the age group of 18-35, who are more active and necessary training may be arranged to groom them as entrepreneurs.

**Challenge:** Income earner to total members ratio is low at 31.9 in the study area.

**Recommendation:** NGOs and Banks shall facilitate all the adult household members to take up livelihood activities, suitable to their age profile.

**Challenge:** Poorest households during economic shocks, take out children from school and send them for employment in households of the rich to work as servants/maid servants.

**Recommendation:** SHGs, Federation of SHGs and NGO should closely monitor the potential cases and should prevent drop outs.

### **Promotion of Micro Enterprises:**

**Challenge:** Around 43 per cent of the respondents have not brought in margin money (own money) in their business. If the entrepreneur does not make a part of the investment in micro enterprises from their own fund, then there is a possibility that the entrepreneur may not be interested in the micro enterprises, after some time.

**Recommendation:** SHGs, NGOs and Banks may ensure that a minimum margin (investment) is made by the SHG members, so that they will take active interest in the chosen enterprise.

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**Challenge:** Micro enterprises are not selected based on demand but based on the training they received (Tailoring and Biscuits making training are common).

**Recommendation:** The selection of activity should be based on demand and should not be thrust. To minimize the risk for the poor people, focus may be given on expanding the existing micro enterprises with better management inputs. Once they stabilize the existing business, then the poor SHG women can go ahead with investments in backward integration or forward integration.

Some SHG member-entrepreneurs lack liquidity, as most of their capital is locked up with the customers, as they offer more of credit sales in activities like cloth selling, grocery selling and vessels selling.

Recommendation: While sanctioning loans to such entrepreneurs, banks shall guide the SHGs to take care of these possible credit sales level and then fix the required working capital and adequate credit limit to such units.

### **Entrepreneurial Behavioural Competency**

Challenge: The changes in entrepreneurial behavioural competencies in Post-SHG period are not satisfactory in case of competencies, like initiative, goal setting, time management, quality consciousness and persistence.

Recommendation: Special training should be organized by NGOs for the SHG members for Developing the EBCS like seizing the opportunities, initiative, goal setting, time management, quality and persistence.

### **Growth and Management of Micro Enterprises**

**Challenge:** Only 4.4 per cent of the respondents in the study area have achieved the high growth rate in their micro enterprises.

Recommendation: Government should not focus on number of people trained under EDP, but on the number of units promoted by the SHG women and provide hand holding support to them for a 6 months to one year period.

Challenge: Rise in cost of raw materials or non availability of raw materials is faced by many entrepreneurs in the study area.

Recommendation:

- (a) SHG member-entrepreneurs may be encouraged to have their own activity based networks, which may take up such common functions like procuring raw materials and distributing it over a period, so that the bulk purchases would result in price reduction.
- (b) Till the activity based networks emerge, this procurement role can be taken up by the federation of SHGs.

Challenge: Most of the micro enterprises use obsolete technology.

Recommendation: As the technology have the power of transformation and will result in increase in productivity, government and NGOs should source the latest appropriate technology from the research institutions and facilitate the transfer of such technologies to the field. Banks should come forward to finance investments in technology.

Challenge: Lack of product and process innovations among the micro enterprises.

Recommendation:

1. Government and NGOs should sensitize the SHG members on the need to introduce the product and process innovations.
2. SHG members should be given training on how to collect the feedback from their clients on existing products and processes.
3. Some NGOs may be given the responsibility of managing research and development units, which will assist the SHG women in bringing out new products and processes.

Challenge: Because of lesser volume of their micro enterprises, SHG women are not able to reach out to distant markets and most of them face the price fluctuations in case of agricultural products.

Recommendation:

----- NGOs/Activity based networks shall take up bulk marketing, so that better price can be realized.

----- Tie up with fair trade organizations working at different regions, may be made.

----- As the commodity exchanges are emerging in the country, micro-futures may be introduced, which will provide hedge to the price risks faced by the farm households in the rural areas.

Challenge: Potential market information is not available to the SHG women.

Recommendation: Multi-purpose Internet kiosks should be put in place at the main villages so that the SHG women have access to more market information. Banks can play a larger role in financing these Internet kiosks to be put up at the villages.

Challenge: EDP trainings and skill trainings are given before starting the micro enterprise. But, after starting the units, the SHG women face a lot of problems and they do not get any refresher training.

Recommendation: The module can be developed based on the common problems faced by the first generation entrepreneurs and a refresher training may be given once in every six months to keep them updated in their activity chosen.

Challenge: Some of the areas lack sufficient infrastructure in terms of power, water, communication and even roads.

Recommendation: Infrastructure constraints should be addressed by the local government and the people should take up such requirements at the Village Council/Village Development Board meetings and at the other developmental forums at the district level.

Challenge: About 47.5 per cent of women in the study area take the help of their spouse in managing their enterprises and they confine themselves to the indoor works (production function) due to limited mobility.

Recommendation:

- Such SHG women should be guided on how to take over procurement and marketing functions also from their spouses.
- Two wheeler driving training may be imparted as the SHG women in the study area reported that they have saved time after they started using the two wheelers for their business.

Challenge: Around 49.5 per cent of the SHG women do not maintain their micro enterprise's accounts'

Recommendation:

- SHG women should be sensitized by the NGOs and Banks to maintain the business accounts.
- Banks shall give weightage to the account maintenance, while they consider higher loans limits to micro enterprises.
- In case of illiterates, the account maintenance function should be taken up by other household members or it should be ousted.

Challenge: Selling at the lower price to face to cut throat competition (for example, in cloth selling business, margin is coming down as more people enter into the same business in the particular area).

Recommendation:

- (a) NGOs shall sensitize the SHG women to avoid such selection of same activities by more number of women in a particular area.
- (b) Among the SHG women in the area doing the same activity, an understanding may be reached on a floor price level so as to ensure a minimum margin to them.

Challenge: Many SHG members are involved in making in food processing works and their packing is not professional. This acts as a handicap for them to sell their products in supermarkets in the towns.

Recommendation:

---- Packing machines may be given as a common facility infrastructure at the block level under the charge of a federation. SHG members shall pay a user fee and use the machines.

---- Business Development Services on packaging design may be given to the SHG women.

Challenge: About 49.25 per cent of SHG women in the study area have not used ICT in business and more particularly Internet was not used by anybody.

Recommendation:

Loan schemes for cell phones may be launched by the banks.

Use of Computers and Internets may be encouraged at the community level.

## **Suggestions for Future Studies**

### **Art of Individual Micro-lending**

In a SHG, when few members take the larger size of loan limit because of their business level or their influence with the SHG leaders, while allocating the bank loan availed by their groups, it has the potential to breed the conflicts with the group members and may explode into a big problem shaking the very existence of SHG, if not addressed at the appropriate time. So, there is an emerging need to graduate the mature SHG entrepreneurs to the Individual micro-lending stream of mainstream institutions. But, the bank's current individual loan schemes are all traditional ones based mostly on collaterals. Hence, it needs further research on how to design the customized individual micro-lending products suitable for SHG entrepreneurs.

### **Reduction in Income Inequality**

The study revealed that the SHG-Bank linkage programme has not reduced the income inequality among the SHG women between the pre-SHG and the post-SHG period. It indicates that the economically active SHG women use the microcredit effectively for production activities and increase their income and assets, while some of the SHG women, who are averse to taking risks, continue to confine to their traditional livelihood activities and not seizing the opportunities and hence the income inequality continues. Hence, further research may be focused on why some of the poor households are averse to risk taking and the ways to evolve strategies to reduce the income inequalities among the SHG women, as growth with equity would be the desirable option for a sustainable development of the poor.

### **Research on Reasons for Closure of Micro Enterprises**

It is noticed during the survey that SHG women find no entry barrier in many activities (grocery, cloth selling, tailoring and so on) and like that many women were not able to withstand the competition in the industry and come out or drop out of the activity within a short period. It will give lot of insights, if a research study is focused on why the units are dropped or closed, in which activities; closures are common and the way to address these problems.

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