

# Micro-Finance In Krishnagiri District: A Tool For Poverty Alleviation

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Globally, Micro-Finance (MF) has been recognized as a powerful instrument to address poverty. Beyond the direct link with poverty reduction, it is an indirect link to address the issues of health, education, gender.

The task force would like to emphasize in its definition that MF will cover not only consumption & production loans, but will also include other credit needs such as housing & shelter improvement; while other financial services like savings and insurance are also included under it. It may be left to the MFIs (Micro Finance Institutions) to identify the poor. Thus, MFI is an organization that provides financial services to the poor. "Provision of thrift, credit & other financial services & products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels & improving living standards".

MF may cover programmes implemented by Govt. either directly or through various agencies, as also programmes implemented by banks, NGO's, Co-operatives etc., provided that the components of MF as explained above are adhered to.

Broadly, MFIs provide all or some of the following financial services in different combination:

1. Saving or thrift components either compulsory and/or optional savings.
2. Credit for consumption, production, trade services, housing or other needs.
3. Insurance or risk fund services.

For their efforts to provide financial services to the poor, MFIs offer both savings & credit related services. The task force has not been able to come across any example of an MFI providing insurance services to the poor. However, some of them have promoted risk funds to cover their credit operations.

## **INCORPORATION & REGISTRATION OF THE MFIs:**

There are three forms of registration available in India for incorporating a non-profit organization:

1. Societies under the Societies Registration Act, 1860 or Analogous State Acts;
2. Public Trusts registered under the Indian Trust Act, 1882;
3. Non-profit Companies registered under section 25 of the Companies Act, 1956.

The task force has examined the need for involvement of the MFI association with the registration procedure & feels that before applying for registration, an MFI should be registered to take membership of any one association of MFI.

## **WOMEN & MF**

**"When women move forward, the family moves, the village moves and the nation moves"** words of Jawaharlal Nehru about the status of women that is closely associated with their economic position, which in turn depends upon their access to productive resources of the country & the opportunities for participation in economic activities. Women's participation in workforce in India is only 25.68% of the female population. So many problems of women are due to lack of financial independence.

Both the governmental & non-governmental institutions in India began to play an important role in mobilizing women, both in rural & urban areas to become economically strong by providing income-generating programmes, training and employment. A woman should have a vision for herself, her children, her home, rather than just being concerned about the meals and pleasing her husband.

Thus, availability of finance to women ensures that recourses & profits generated are ploughed back into the development of the immediate household & family. Protection of family values, health & safety of household members and a more even distribution of income can be seen as a result.

## **PRESENT SCENARIO**

Funding is no longer a problem primarily, because banks now see MF as a profitable opportunity to deploy their funds or at least a cost efficient way of meeting their priority sector targets. The larger of the 2 main models, SHG - Bank linkage programme (SBLP) covered about 143 million poor households in March 2006 & provided indirect

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access to the banking system to another 14 million. The other MFI model, served 7.3 million households of which 3.2 million were poor. (Source: Business world, Jan 2007). Thus, it has registered 24% growth over 2005-2006.

Another trend is greater formalization. Several former NGO-MFIs are seeking to transfer themselves into Non-Banking Finance Companies (NBFCs). A number of start-ups too are seeking to enter the sector as NBFCs.

Yet another development has been the setting up of urban MFIs. One existing & at least 4 new MFIs are also increasingly acting as agents of insurance companies & offering Micro insurance. Life insurance is now quite common among that the MFI members & some of them even insure their loan-financed assets. A growing number of MFIs are also offering health insurance in collaboration with charitable hospitals.

During 2006-2007, 87,699 new SHGs were credit linked to banks in the State involving bank loans to the tune of Rs. 726.29 Crore. As on 31.03.07, the cumulative number of SHGs credit linked in the state stood at 4, 02,976 & the cumulative bank loans aggregated to Rs. 3845.72 crore. (source:NABARD Annual Report) The RBI has observed MF system faced certain challenges such as regional imbalance, quality of the SHGs, high cost of delivers, emergency of SHG federation etc. It also noted that MFI model was comparatively costlier in delivery of financial services because of low volume & size of the loan.

### **MF & KRISHNAGIRI DISTRICT: AT A GLANCE**

Krishnagiri District was carved out of erstwhile Dharmapuri District as 30<sup>th</sup> dist. of Tamil Nadu on 09.02.04 consisting of 10 Blocks with its headquarters at Krishnagiri. There are 20 commercial banks with 95 branches & one Regional Rural Bank (Pallavan Grama Bank-PGB) with 14 branches in the bifurcated Krishnagiri district. In addition, there is Dharmapuri District Central Co-operative Bank having 20 branches in the district, 3 PLDBs (Hosur, Krishnagiri & Uthangarai), one Urban Co-operative Bank, TamilNadu Investment Corporation Ltd., in the district providing credit facilities for the development of the District. The credit agencies are actively involving themselves in the planning process initiated by NABARD.

With a view to enrich women (7.58 lakhs i.e 48.6 % of total population), more actively in the development process, special efforts & programmes aimed towards woman enrichment & development have been undertaken in the district.

The TamilNadu Corporation for Development of Women Ltd. has extended Tamil Nadu Women's Development Project with State funds namely 'Mahalir Thittam' to erstwhile Dharmapuri Dist from 1999. The NGOs & Voluntary Agencies (VAs) have been entrusted with the responsibility of forming women groups providing the required training, helping the members to identify & promote income-generating activities etc. The corporation has since made partnership with 13 NGOs for promoting SHG functioning in the district. There were 70,038 members of which 10,134 were tribals. Till date, the savings effected from members amounted to Rs.39.39 crore and average savings amounted to 1.038 lakh. Till date, 6444 SHGs have been assisted with bank loans amounting to Rs. 69.74 Crore (Source: NABARD annual Report).

### **MAJOR PLAYERS OF MF IN KRISHNAGIRI DISTRICT**

#### **A. Government of India:**

The Government of India promoted several programmes to improve the incomes of the disadvantaged sections of the society. Additional programmes for rural housing, drinking water supply, sanitation etc. were also taken. Notwithstanding the degree of success or failure of several programmes, they have contributed to the improvement in the socio-economic status of the poor.

Table 1 provides information about cumulative economic assistance upto 31.03.07 and from March 2007 to October 2007, which reveals that the maximum assistance has been disbursed in accordance with geographical

**TABLE I : Cumulative Economic Assistance (Purpose wise)**

| Sl.No | ACTIVITY                         | TOTAL<br>NUMBER<br>OF SHGS<br>AVAILED<br>LOAN<br>UPTO 31 <sup>st</sup><br>MARCH | % OF<br>PURPOSE<br>AS PART<br>OF<br>TOTAL<br>PURPOSE | NUMBER<br>OF SHGS<br>AVAILED<br>LOAN<br>MARCH<br>2007 TO<br>OCT2007 | % OF<br>PURPOSE<br>AS PART<br>OF<br>TOTAL<br>PURPOSE |
|-------|----------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------|
| 1     | Milch Animal                     | 366                                                                             | 52.97                                                | 41                                                                  | 46.59                                                |
| 2     | Coconut Trading                  | 49                                                                              | 7.09                                                 | 4                                                                   | 4.55                                                 |
| 3     | Sheep Rearing                    | 40                                                                              | 5.79                                                 | 2                                                                   | 2.27                                                 |
| 4     | Floriculture                     | 34                                                                              | 4.92                                                 | 2                                                                   | 2.27                                                 |
| 5     | Cut piece and Readymade garments | 27                                                                              | 3.91                                                 | 3                                                                   | 3.41                                                 |

|    |                            |     |       |    |       |
|----|----------------------------|-----|-------|----|-------|
| 6  | Brick kiln                 | 22  | 3.18  | 14 | 15.91 |
| 7  | Tamarind                   | 11  | 1.59  | 13 | 14.77 |
| 8  | Agarbathi (incense sticks) | 5   | 0.72  | 1  | 1.14  |
| 9  | Coir                       | 6   | 0.87  | 2  | 2.27  |
| 10 | Jaggery                    | 11  | 1.59  | 2  | 2.27  |
| 11 | Others                     | 120 | 17.37 | 4  | 4.55  |
|    |                            | 691 | 100   | 88 | 100   |

Source: Collectorate, Krishnagiri.

area, and to the preference of activity. Milch animal activity, which is the livelihood of the disadvantaged poor people of the district, has been given more importance by the GOI.

Table 2 shows the Economic Assistance given by the GOI for 10 Blocks of Krishnagiri District. The Table also includes the data from the year 2000 to 2007 with percentage analysis. Maximum amount has been disbursed to Krishnagiri block in the initial year and thereafter, it has been disbursed according to the requirement of the block. Thally block in the Dist. is the most backward area and hence more importance was granted.

**TABLE 2 : Economic Assistance Provided by GOI to Krishnagiri District during 2000 to 2007.**

| Block Years | K'giri | K' Patnam    | Bargur       | Mathur | U'karai | V'Palli | K' Mangalam | Hosur        | S'giri | Thally       | Total  |
|-------------|--------|--------------|--------------|--------|---------|---------|-------------|--------------|--------|--------------|--------|
| <b>2003</b> |        |              |              |        |         |         |             |              |        |              |        |
| Physical    | 4      | 7            | 9            | 8      | 6       | 6       | 6           | 9            | 12     | 17           | 84     |
| Loan        | 16.00  | 4.42         | 18.58        | 18.80  | 12.40   | 7.80    | 19.60       | 14.48        | 28.9   | <b>29.26</b> | 170.33 |
| %           | 9      | 3            | 11           | 11     | 7       | 5       | 12          | 8            | 17     | 17           | 100    |
| <b>2004</b> |        |              |              |        |         |         |             |              |        |              |        |
| Physical    | 3      | 6            | 16           | 9      | 5       | 3       | 10          | 11           | 8      | 10           | 81     |
| Loan        | 2.40   | 6.30         | <b>44.01</b> | 22.63  | 18.96   | 6.93    | 37.70       | 33.27        | 22.0   | 16.71        | 210.92 |
| %           | 1      | 3            | 21           | 11     | 9       | 3       | 18          | 16           | 10     | 8            | 100    |
| <b>2005</b> |        |              |              |        |         |         |             |              |        |              |        |
| Physical    | 8      | 25           | 3            | 16     | 8       | 6       | 22          | 5            | 16     | 13           | 122    |
| Loan        | 22.00  | <b>80.50</b> | 8.60         | 77.59  | 33.63   | 9.30    | 65.22       | 14.68        | 33.4   | 48.23        | 399.44 |
| %           | 6      | 20           | 2            | 19     | 9       | 3       | 16          | 4            | 9      | 12           | 100    |
| <b>2006</b> |        |              |              |        |         |         |             |              |        |              |        |
| Physical    | 6      | 22           | 6            | 2      | 8       | 3       | 10          | 8            | 7      | 12           | 84     |
| Loan        | 23.02  | <b>81.00</b> | 25.00        | 6.88   | 29.53   | 6.00    | 25.98       | 21.80        | 17.7   | 47.97        | 273.88 |
| %           | 8      | 29           | 9            | 2      | 10      | 2       | 9           | 8            | 6      | 17           | 100    |
| <b>2007</b> |        |              |              |        |         |         |             |              |        |              |        |
| Physical    | 5      | 1            | 11           | 9      | 19      | 0       | 14          | 15           | 5      | 4            | 83     |
| Loan        | 18.39  | 2.00         | 62.00        | 43.50  | 45.32   | 0       | 60.74       | <b>71.00</b> | 15.4   | 17.94        | 336.30 |
| %           | 5      | 1            | 19           | 13     | 13      | 0       | 18          | 21           | 5      | 5            | 100    |

Source: Collectorate, Krishnagiri. (Rs.in lakhs)

K' Giri = Krishnagiri;

U' Karai = Uthangarai

K' Mangalam = Kelemangalam

K' Pattinam = Kaveripattinam

V' Palli = Veppanapalli

S'Giri = Shoolagiri

## B. NABARD

NABARD has been playing a leading role in the MF programme for last one and half decades now. The pilot project, which started in 1997 with a modest target of linking just about 500 SHGs with few banks across the country, had crossed the milestone of one million SHGs by 31.03.04 and rose further to over 2.7 million by 31.03.07.

Apart from forming the farmers clubs, various other support programmes from NABARD are

- Separate scheme for financing Joint Liability Groups of Tenant Farmers.
- Equity support to MFIs whose rating is above the cut-off point indicated.
- Refinance to banks for financing MFIs for on lending to SHGs.

- Grant assistance for rating of MFIs.
- Refinance scheme for financing mature SHGs for farm production and investment activities.

### C. BANKS

Banks were free to formulate their own lending norms keeping in view the ground realities. The SHG Bank linkage programme in India, as it is now popularly known, has emerged as the largest MF outreach programme in the world. Tamil Nadu, is ranked second in the country, after Andhra Pradesh in SHG-BLP.

#### SHG-BLP: Progress as on 31.12.05

Cumulative No. of SHGs credit linked : 18, 29,847  
 Cumulative bank loan disbursed : Rs. 83,191million  
 Cumulative refinance drawn by banks: Rs.37, 414million

**TABLE 3 : SHG Linkage Programme for the years 2004-05 & 2005-06**

| Banks                 | 2004-05        |                |           | 2005-06        |                |           |
|-----------------------|----------------|----------------|-----------|----------------|----------------|-----------|
|                       | No. of members | Amount of Loan | % of Loan | No. of members | Amount of Loan | % of Loan |
| Indian Bank           | 3040           | 2301.00        | 33.34     | 2869           | 5117.57        | 38.21     |
| Pallavan Grama Bank   | 1676           | 2327.85        | 33.73     | 1869           | 3287.35        | 24.55     |
| DCCB                  | 15             | 10.09          | 0.15      |                |                | 0.00      |
| Bank of India         | 711            | 1335.00        | 19.34     | 779            | 1739.30        | 12.99     |
| Indian Overseas Bank  | 229            | 346.46         | 5.02      | 707            | 352.63         | 2.63      |
| State Bank of India   | 329            | 346.07         | 5.03      | 886            | 2772.26        | 20.70     |
| Central Bank of India | 162            | 122.39         | 1.77      | 35             | 34.00          | 0.25      |
| Lakshmi Vilas Bank    | 91             | 52.66          | 0.76      | 8              | 4.09           | 0.03      |
| Bank of Baroda        | 40             | 28.20          | 0.41      |                |                | 0.00      |
| Syndicate Bank        | 10             | 9.65           | 0.14      | 104            | 57.95          | 0.43      |
| State Bank of Mysore  | 10             | 7.12           | 0.10      | 18             | 27.70          | 0.21      |
| Karur Vysya Bank      | 5              | 14.52          | 0.21      |                |                | 0.00      |
|                       | 6318           | 6901.01        | 100.00    | 7275           | 13392.85       | 100.00    |

Source: NABARD Annual Reports. (Rupees in lakhs)

The bulk of the supply of credit to the poor came from the 12 banks, which disbursed about Rs. 13,392.85 lakhs during 2005-06 (based on compiled figures given in Table No.3) under various schemes including the Govt., sponsored poverty alleviation programmes. Compared with the year 2004-05, there is an increase of Rs.6491.84 lakhs i.e., 94.07 %. Among the 12 banks, Indian Bank, Pallavan Grama Bank and State Bank of India are playing major role in the SHG-BLP in Krishnagiri District.

### D. NGO (NON-GOVERNMENTAL ORGANIZATION)/MFI (MICRO FINANCIAL INSTITUTION)

The task force did not have the complete data about the total number of NGOs engaged in financial intermediation. However, from the information of institutions like NABARD, SIDBI & RMK, it may be reasonably estimated that over 500 NGO-MFIs are engaged in different parts of the country.

Among 16 recognized NGOs by Mahalir Thittam & 200 unrecognized in Krishnagiri district, the experienced & reputed NGOs in the district promotes good quality of groups compared with groups promoted by the small & upcoming NGOs. A combined data of 9 NGOs in Krishnagiri are in the Table 4 and reveals that two major contributors are IVDP & MYRADA that were started in 1970s.

#### **1. MYRADA (MYSORE RESETTLEMENT AND DEVELOPMENT AGENCY)**

MYRADA started working in Dharmapuri in 1984, with a small project in Thally Block supported by HOPE-Canada. In 1989, it entered into partnership with PLAN International on a child-focused community development programme. Around the same time, it also started to collaborate with the Tamil Nadu State Women's Development Corporation on a rural women's credit and empowerment programme, taken up with part funding from IFAD. Today, Myrada-Plan Dharmapuri Project is working in 357 Panchayat Unions covering 1323 villages of 10 Blocks within Dharmapuri and Krishnagiri districts. Number of families covered is 41116 nos.

It has 2258 groups and 41116 members.

## **ACTIVITIES OF MYRADA**

### **• Community Managed Primary Health Care**

- Focusing Reproductive and Child Health program.
- Capacity Building of Community Health Workers.
- Organising awareness sessions, Health camps, Health plans to address women issues.
- Capacity building on Life skills and Personal hygiene among Adolescent Girls.
- Awareness of HIV/AIDS among schoolchildren, adolescents, youth and communities.

### **• Education**

- Quality in Education and Community Participation.
- Nurturing PTAs to enhance community participation.
- Residential schools for Tribal children.

### **• Vocational Skills Training**

- Vocational training to 150 rural youth (boys & girls) every year at NFTTC, Thally.
- 6 months Training courses offered in welding, electrical skills, electronics, bakery, tailoring, and two wheeler mechanism.
- Training in tailoring is given in CMRCs.
- So far, 1086 candidates have been trained and more than 90% are employed.

### **• Natural Resource Management**

- Watershed management, Rainwater (rooftop) harvesting.
- Agriculture Extension and Training, Fodder development and Tank Rehabilitation.
- Household toilets and drinking water project.

### **• PROJECTS**

- Titan Industries- MEADOW pvt. Ltd., working independently with strength of 252 rural women. It is involved in sub- contractual works of watch assembly, Tanishq jewellery making, precision of engineering parts.
- Pointech Pens Company- Pen assembly contract works through SHGs.

## **2. IVDP (INTEGRATED VILLAGE DEVELOPMENT PROJECT)**

In 1979, IVDP was started with a clear vision of “Transforming the lives of poor into blissful one by drastically reducing their sufferings through watershed, Health and SHG activities”. It operates in the Krishnagiri and Dharmapuri Districts. It operates in 7 blocks in Krishnagiri District and 2 blocks in Dharmapuri District. Total no. of groups upto 31.03.07 were 5165 and 97653 SHG members. The SHG Bank linkage is with Indian Bank, Pallavan Grama Bank, Bank of India and State Bank of India.

## **ACTIVITIES OF IVDP**

### **• Water Shed Program**

- IVDP started watershed programmes in the forest areas of Anchetty and Thally in Denkanikottai Block of Krishnagiri District.
- Watershed Programme covers 5 panchayats, 40000 populations.
- 92 major check dams and 239 minor check dams have been constructed.

### **• Life Security Fund**

- To provide security to the members, a life security fund has been created. Under the scheme, a member has to pay Rs.100/- as premium to the federation, and in the subsequent years, the premium amount will be lesser than Rs. 100/-.
- Rs.10000 will be payable to a member from the fund for permanent disability due to accident and Rs.20000 in case of death.
- During 2006-07, Rs.37, 30,000 was given as compensation and so far Rs. 1 crore and 21 lakhs was paid as a solace to the members.

### **• “CFVP-Child Friendly Village Planning' project**

- CFVP is being implemented in the Blocks of Krishnagiri, Bargur, Kaveripattinam, Veppanpalli & Six panchayats in Thally blocks, which works on Health, Education, Nutrition, Water and Sanitation and the results from these areas are amazing. Last year alone as many as 660 toilets were constructed by people and nearly 90% achievement was made with regard to families consuming iodized salt and using safe drinking water.
- Scheme to get the Birth Certificate of children.



- For prevention of HIV in infants and young children, PPTCT (prevention of parent to child transmission of HIV) programs are conducted.

#### • Educational scholarships

- To promote IVDP members-girl children's education, Rs.95,000/- was given as educational scholarship to the toppers in 10th and +2 examination. During 2006-07, 10 students got cash awards of Rs.95000/-.
- A total of Rs.1 lakh was awarded for educational promotion activities for 20 poor girl students i.e Rs.5000/- each studying in Auxillium College, Katpadi, Vellore District, Tamil Nadu.

#### • Community Level Federations(CLF)

- 88 CLFs were formed with 5083 groups for their prolonged development.

#### • Capacity Building

- Accounts and Book keeping Training, Personality Development Trainings, Animators & Representative Trainings, Entrepreneurship Skill Trainings, SHG members Training.

#### • Hygiene and Sanitation

- To maintain menstrual hygiene of women and protect from uterine cancer, sanitary napkins were provided to 1lakh SHG members at 25% discount rate.
- In order to ensure sanitation facilities, all the members' have been granted loans for the construction of toilets and bathrooms. IVDP has been financed by banks by way of bulk lending.

### 3. SWASAM (SOCIETY FOR WOMEN DEVELOPMENT AND SANITATION AWARENESS MOVEMENT)

SWASAM was started in 2002 and registered in 2003 for the development of community. It has 24 male groups and 163 female groups. The total SHG members are 3366 in number. It has SHG Bank linkage with Indian Bank, Bank of Baroda, Bank of India and State Bank of India.

#### ACTIVITIES OF SWASAM

##### • For prevention of Environment

- Salvage management program
- Tree plantation
- Awareness Rally on Solid Waste Management

##### • Training

- Tailoring, Mushroom cultivation, mat weaving, napkin preparation, vermicompose, sericulture, tamarind process trainings given.
- Skill training to Animators and Representatives.

##### • Development of society

- Rehabilitation of liquor brewing workers.

### PROFILE OF MAJOR NGOs IN KRISHNAGIRI DISTRICT

Abbreviations used in the Table 4 are expanded below.

**MYRADA**-Mysore Resettlement and Development Agency, Hosur.

**IVDP**-Integrated Village Development Project, Krishnagiri.

**SWASAM**-Society for Women Development and Sanitation Awareness Movement, Krishnagiri.

**PCDP**-Poor Community Development Project, Kaveripatnam.

**SWEET**- Society for Women Educational and Economical Development Trust, Bargur.

**HELPTRUST**- Health and Education for Labour People Trust, Bargur.

**SWCD**- Society for Women and Child Development, Chinna Bargur

**KOPSA**- Karimangalam Onriya Pengal Semippu Amaippu Limited.

**IB**- Indian Bank

**BOI**- Bank of India

**PGB**-Pallavan Grama Bank

**BOB**-Bank of Baroda

**IOB**- Indian Overseas Bank

**SBI**- State Bank of India

**Table 4 : PROFILE OF MAJOR NGOs IN KRISHNAGIRI DISTRICT**

| NGO                       | YEAR<br>(started) | NO.OF<br>GROUPS | NO.OF<br>SHG<br>MEMBERS | TOTAL<br>SAVINGS<br>Rs. In<br>crores | TOTAL<br>NO. OF<br>LOANS | TOTAL<br>LOAN<br>AMOUNT<br>Rs. In crores | BANK<br>LINKAGE<br>AMOUNT<br>Rs. In crores | SHGs<br>LINKED<br>WITH |
|---------------------------|-------------------|-----------------|-------------------------|--------------------------------------|--------------------------|------------------------------------------|--------------------------------------------|------------------------|
| MYRADA<br>(UPTO 30.06.07) | 1978              | 2258            | 41116                   | 29.80                                | 2,18,349                 | 85.80                                    | 44.90                                      | IB,PGB,<br>SBI         |

|                               |      |      |        |        |          |        |        |                                          |
|-------------------------------|------|------|--------|--------|----------|--------|--------|------------------------------------------|
| IVDP<br>(31.03.07)            | 1979 | 5165 | 97653  | 79.43  | 6,72,445 | 696.78 | 311.58 | IB,PGB,<br>SBI,BOI                       |
| NEW<br>LIFE<br>(31.10.07)     | 1997 | 233  | 4016   | 0.14   | 3236     | 14.63  | 12.18  | IB,SBI,<br>BOB,<br>CITY<br>UNION<br>BANK |
| SWASAM<br>(31.10.07)          | 2002 | 187  | 3366   | 1.76   | 2965     | 8.56   | 4.54   | IB,BOI,<br>SBI,BOB                       |
| PCDP<br>(31.10.07)            | 2000 | 464  | 8816   | 4.73   | 9280     | 26.95  | 22.32  | IOB,HDF<br>C,<br>SBI,IB                  |
| SWEET<br>(31.10.07)           | 2000 | 107  | 1587   | 0.45   | 7937     | 25.15  | 21.02  | IB                                       |
| HELP<br>TRUST<br>(31.10.07)   | 2006 | 30   | 500    | 0.19   | 430      | 0.55   | 0.05   | IB                                       |
| SWCD<br>(31.10.07)            | 2003 | 132  | 2323   | 0.79   | 6710     | 20.17  | 1.62   | IB,PGB,<br>CANARA<br>BANK                |
| KOPSA,<br>(Barugur<br>block ) | 2006 | 168  | 2077   | 0.34   | 1900     | 1.68   | 1.68   | IB,SBI                                   |
| TOTAL                         |      | 8744 | 161454 | 117.63 | 9,23,252 | 880.27 | 419.89 |                                          |

### E. SHGs (SELF HELPGROUPS)

SHG is a 'people's scheme' & is a significant step towards empowering women. A silent 'economic revolution' has taken place slowly but steadily in rural areas of Tamil Nadu following empowerment of women with the formation of SHGs.

SHG's are voluntary associations of women residing in a given area, formed democratically without any political affiliation. To form this organization, a minimum of 12 individuals are required under the guidance of the NGO. It gives preference to the widows, divorcees, deserted and physically challenged women & women belonging to SC & ST. All members should be below the poverty line & should have reached the age of 20.

The seed for this economic revolution in TamilNadu was sown in the year 1989 in the blocks in the Dharmapuri district, TamilNadu through an IFAD assisted pilot project. It received its first growth thrust and was extended in 4 phases to other parts of Tamil Nadu. The progress revealed that many SHGs turned morbid; particularly the older groups as they did not avail credit from banks after the initial few rounds.

### FINDINGS FROM QUESTIONNAIRES

To know how effectively loans have been ploughed back by SHGs, Questionnaires were distributed among 75 SHGs members from 66 Self Help Groups of 9 NGOs. To gather ideas about loan purposes, income levels, activity levels, savings habit, utilization of loan etc. 75 samples were distributed among different SHGs of different NGOs. Even though all members of a SHG are below the poverty live, they are different by geographical, educational standard of living etc. To evaluate all these issues, a trial/ micro level study has been made in Krishnagiri district.

The study does not reveal the position of SHGs in the district as a whole i.e., only 75 SHG members are taken as sample.

- 88% of SHG members reveal that there is income generation after becoming members whereas 12% refused to give the details of their income.
- 100% i.e., all the members utilize sangha loan, (loan from members' savings circulated among members on rotation bases on 1:2 ratio).
- 92% are linked with bank loan (1:4 ratio to a maximum of Rs. 50000).
- 56% are in receipt of special loan (1:4 ratio to a maximum of Rs. 60000 per member which includes bank and sangha loan).
- 32% received NGO loan (purpose wise).
- Loan utilization for the purpose of business comes to 72% ,for education purpose 67%, 41% for toilet, 15% for water facilities and 33% utilized for various other reasons collectively.
- Answering the question “difficulty in repayment of loan”, 88% reveal that there is no such difficulty, but still

12% members felt that there is less income generation, no profit margin and they also quoted that there is no marketing facilities for their business product.

- Regarding the programmes conducted by NGOs, all the members are satisfied with the performance based on the activity, 51% have had technical training, 65% for hygienic water facility, 47% for separate individual toilet programme, 44% for educational scholarship and 76% for health awareness programme.

- Savings habit and loan availing data shows that all the members save little amount on which loans are availed. 56% of SHG members reveal that they have bank saving, 8% home saving and 13% save through LIC etc.

Two major NGOs play a prominent role in the district. The Table No.5 shows the purpose of sangha loan availed by the members of these two NGOs.

**Table 5 : LOAN AVAILED BY MEMBERS-PURPOSEWISE**

| Sl.No | ACTIVITY                 | MYRADA                       |                                       | IVDP                         |                                       |
|-------|--------------------------|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|       |                          | TOTAL LOANS FOR EACH PURPOSE | % OF PURPOSE AS PART OF TOTAL PURPOSE | TOTAL LOANS FOR EACH PURPOSE | % OF PURPOSE AS PART OF TOTAL PURPOSE |
| 1     | Housing Related          | 5678                         | 24.74                                 | 11243                        | 11.77                                 |
| 2     | Animal Husbandry related | 5433                         | 23.67                                 | 10225                        | 10.71                                 |
| 3     | General                  | 5112                         | 22.27                                 | 14516                        | 15.20                                 |
| 4     | Agriculture related      | 3704                         | 16.14                                 | 14100                        | 14.77                                 |
| 5     | Non-Farm Activities      | 2791                         | 12.16                                 |                              |                                       |
| 6     | New opportunities        | 236                          | 1.03                                  | 14329                        | 15.00                                 |
| 7     | Loan repayment           | -                            | -                                     | 11846                        | 12.40                                 |
| 8     | Education                | -                            | -                                     | 10370                        | 10.86                                 |
| 9     | Medical                  | -                            | -                                     | 8867                         | 9.29                                  |
|       | Total                    | 22954                        | 100.00                                | 95,496                       | 100.00                                |

Source: Reports of MYRADA and IVDP

Members of Myrada availed the loan for house related and Animal husbandry related business and general business where as IVDP members availed for general and new opportunities, and for repayment of loan got in higher rate of interest. The preference depends upon the geographical area.

### CASE STUDIES OF SHG

Poverty alleviation through the formation of SHGs is proved from the following case studies of few SHGs of different NGOs.

**Table 6.1 NGO: SWASAM  
(Society For Women Development And Sanitation Awareness Movement, Krishnagiri)**

| Sl.No | Name of the Individual/ Group                               | Activity taken             | Banker (SHG linkage) | No. of Years |
|-------|-------------------------------------------------------------|----------------------------|----------------------|--------------|
| 1     | SHG 7 Groups Federation                                     | Solid Waste Management     | Indian Bank          | 2            |
| 2     | Om Sakthi M/m., Kattinayanapalli                            | Tamarind Processing        | Indian Bank          | 5            |
| 3     | Sivasakthi M/m., Roja M/m., Om Sakthi M/m., Ombalakattu     | Sericulture                | Bank of India        | 4            |
| 4     | Geethanjali M/m., Jayam M/m., Kaviyanjali M/m., Sikkarimedu | Artificial Flower Hangings | Bank of Baroda       | 1            |
| 5     | Kamadhenu M/m., Vinayagar Nagar, Krishnagiri                | Napkin Making              | Indian Bank          | 3            |
| 6     | Karugi M/m., Thuduganahalli                                 | Mushroom Cultivation       | Indian Bank          | 2            |
| 7     | Parvathi, Arivoli M/m, Krishnagiri                          | Mobile Canteen             | Indian Bank          | 2            |



**Table 6.2**  
**NGO: IVDP (INTEGRATED VILLAGE DEVELOPMENT PROJECT)**

| Sl.No | Name of the Individual/ Group                    | Activity taken               | Banker (SHG linkage) | No. of Years |
|-------|--------------------------------------------------|------------------------------|----------------------|--------------|
| 1     | Manimegalai, Yamuna II M/M, Oldpet, Krishnagiri. | Clay Toy making              | Bank of India        | 4            |
| 2     | Rupa, MEGA M/M, Newpet, Krishnagiri.             | Toffee making                | Bank of India        | 6            |
| 3     | Prabhavathy, Mega M/M, newpet, Krishnagiri.      | Peppermint preparation       | Bank of India        | 6            |
| 4     | Mullai M/M, Veppanapalli                         | Toy making                   | Pallavan Grama Bank  | 6            |
| 5     | Tajmahal M/M, Veppanapalli                       | Agarbathi                    | Pallavan Grama Bank  | 6            |
| 6     | Karpagam M/M, Veppanapalli                       | Mushroom cultivation         | Pallavan Grama Bank  | 6            |
| 7     | Noorjahan M/M, Egudathampalli                    | Mat preparation              | Pallavan Grama Bank  | 6            |
| 8     | Surya M/M, Kaveripatnam                          | Detergent Soap & Soap powder | Pallavan Grama Bank  | 5            |
| 9     | Lakshmi, Pandaga Nachiamman M/M, Paiyur.         | Power Triller                | Pallavan Grama Bank  | 4            |
| 10    | Rani, Naga lakshmi M/M, Kaveripatnam             | Medical Shop                 | Pallavan Grama Bank  | 5            |

**Table 6.3 NGO: NEW LIFE**

| Sl.No | Name of the Individual/ Group              | Activity taken                  | Banker (SHG linkage) | No. of Years |
|-------|--------------------------------------------|---------------------------------|----------------------|--------------|
| 1     | Kavitha, Pasa Malar M/M, Dhandekuppam.     | Masala powder                   | State Bank of India  | 5            |
| 2     | Gangammal, Annai Veerammal M/M, Bainapalli | Pickle, Appalam Panja deepa oil | Indian Bank          | 4            |
| 3     | Rajeswari, Natchatram M/M, Krishnagiri     | Rexin Bag                       | Indian Bank          | 3            |

**Table 6.4**  
**NGO: MYRADA (Mysore Resettlement And Development Agency, Hosur)**

| Sl.No | Name of the Individual/ Group                  | Activity taken      | Banker (SHG linkage) | No. of Years |
|-------|------------------------------------------------|---------------------|----------------------|--------------|
| 1     | Suseela, Saraswathi M/m., Aggondapalli         | Tamarind Processing | Indian Bank          | 4            |
|       | Gayathri M/m., M. Agragaram                    | Tamarind Processing | State Bank of India  | 2            |
| 3     | Venkatalakshmi, Om Sakthi M/m., H. Seittypalli | Agarbathi Making    | Indian Bank          | 3            |
| 4     | Lakshmi, Nehru M/m., Bodichettipalli           | Agarbathi Making    | Pallavan Grama Bank  | 2            |

|    |                                                    |                     |                     |   |
|----|----------------------------------------------------|---------------------|---------------------|---|
| 5  | Malliga, Eswara M/m., Kelamangalam                 | Petty Shop          | Pallavan Grama Bank | 2 |
| 6  | Chinnamuniamma, Om Sakthi M/m., C. Thammandrapalli | Tamarind Processing | Pallavan Grama Bank | 4 |
| 7  | Muni Elli, Sree Lakshmi M/m., Denkanikottai        | Vegetable Vendor    | Pallavan Grama Bank | 4 |
| 8  | Chinnapappa, Jayalakshmi M/m., Thammandrapalli     | Centering Materials | Pallavan Grama Bank | 4 |
| 9  | Pushpa, Om Sakthi M/m., Aggondapalli               | Flour Mill          | Pallavan Grama Bank | 5 |
| 10 | Narayanamma, Dhanalakshmi M/m., Bairamangalam      | Tamarind Processing | Pallavan Grama Bank | 4 |

**Table 6.5**  
**NGO: SWEET (Society for Women Educational and Economical Development, Bargur)**  
**Encouraging issues**

| Sl.No | Name of the Individual/ Group | Activity taken | Banker (SHG linkage) | No. of Years |
|-------|-------------------------------|----------------|----------------------|--------------|
| 1     | Saroja, Kamatchi M/M, Bargur. | Cut piece      | Indian Bank          | 6            |

### ENCOURAGING ISSUES

- Besides the financial advantages, other significant gains of SHG movement are the massive community mobilization and women empowerment in most parts of the country.
- The savings programmes in SHG help in developing a habit of thrift as a support for the future by instilling discipline in members, thereby enhancing self-confidence; covering normal business risks and meeting consumption requirements and weaning away the savers from indebtedness to local moneylenders.
- In good number of groups, members used the loan for setting up of a variety of economic activities. Table 6.1- 6.5 of case studies of SHG proves this to some extent.
- No major default in repayment/NPA a/cs has been reported.
- Government has introduced a MF Bill in parliament with the aim of regularly non-profit MFI.
- Considering the need for sustainability of SGHs by enhancing income of the members of SHGs (mostly women), NABARD has since introduced grant assistance to NGO for imparting training on Micro enterprises known as Micro Enterprise Development Programme (MEDPs). During 2006-2007, 12 MEDP Programmes & an amount of the Rs. 16.10 lakhs was disbursed as bank loan to the woman in Krishnagiri Dist.
- Recently, GOI has announced that it would set up 2 funds of Rs.500 crore each to facilitate easy availability of credit to the poor so as to be a part of MF sector. These 2 funds - Financial Inclusion Fund and Financial Inclusion Technology Fund- would be apart from the Rs.100 crore for MF development fund that has already been set up by the Govt.

### FAULTY ISSUES

There are several issues still to be tackled in MF, which concentrated in the southern region accounts for more than half of the loans. Another is the hostility of the official rural development programme, many of which have the same target groups as the MFIs.

- o Quality of groups depended on the continued attention paid by the NGOs. Wherever NGOs withdrew after promotion, there was slackness in maintenance of records, periodicity of meetings etc.
- o Lack of proper training was one of the poor qualities of SHGs.
- o Members other than leaders were not aware of banking procedures.
- o Political involvement in-group formation affected quality of groups in a few cases.
- o Internal loans (sangha loans) are used mainly for consumption purposes.
- o No proper maintenance of database about the non-mahalir thittam (Tamil Nadu Corporation for Development of Women), NGOs & SHGS.
- o Uniform mandatory savings are also the most frequent reason cited by dropouts for leaving SHGs.
- o Inadequate marketing support for the products of micro enterprises. Hence, there should be marketing facilities arranged by NGOs.

### FUTURE ISSUES

The more critical challenge would be in inducing SHGs to graduate of more mature level of enterprise, livelihood

diversification, and access to supply chain, linkages to capital market & appropriate production & processing technologies. In future, any NGO considering taking up MF activities will be required to register itself with the regional registration authorities before commencing such activities.

The RBI has identified a large gap in the demand and supply of credit to the poor and suggests the urgent need to widen the scope, outreach and scale of financial services to cover the unreached populace.

The microfinance bill, which the government is working on, may help pave the way for MFIs to access savings instead of being excessively leveraged. Also of help will be the Bill's proposal to reduce the capital requirement for MF organization with the portfolio above Rs. 2 crores to Rs.25 lakhs to register as an NBFC as against 8 times this amount. MF lenders say that they would also be comfortable with NABARD as a regulator. But still it has some pitfalls to overcome in future. Some pitfalls are:

1. The bill limits permissible savings to what it calls 'thrift' or small, compulsory savings of uniform size made by members organized in groups.
2. One of the major omissions in the bill is that it excludes MFI as registered as NBFCS & section 25 companies, which account for nearly all the large MFIs and the larger part of total micro credit in the country.

There is a need to develop strategies for increasing the range and volume of financial services and to provide Indian MF with an appropriate legal framework.

### **FUTURE STRATEGY**

The broad strategy for expansion of micro credit in Krishnagiri should focus on the following:

- To credit link the remaining groups in SHG bank linkage.
- To focus on sustainability of the programme by encouraging promotion of micro enterprises among matured SHGs.
- Special training programmes for Skill Development / Skill Upgradation for SHGs to equip them to set up micro enterprises.
- To explore various support services for marketing etc.
- To correct regional imbalances or uneven growth in various districts so as to ensure coverage of entire rural poor under SHG fold.
- To focus on the quality of groups through regular interactions and periodical training inputs.
- Strengthening existing schemes by NABARD/SIDBI and other banks.

### **CONCLUSION**

Apart from the scorching pace of growth, the rapid spread of MF has provided competition to rural moneylenders. In view of the grand success of the programme now, SHGs are at centre stage in almost every poverty alleviation programmes and developmental programmes aimed at poor. SHGs have become the development ambassadors of villages and they symbolize the growing face of rural India.

The MF sector like the IT sector has grown rapidly and in many ways, creatively. The experience of many MFI so far strongly suggests that it is possible for these institutions to reach the goal of serving people in extreme poverty without having to sacrifice their profitability.

MF is intended for the enlistment of poor farmers, shanty dwellers, jobless youths, women and the deprived strata of society.

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