

PERFORMANCE ANALYSIS OF FISHERWOMEN SELF HELP GROUPS IN TAMILNADU

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ABBREVIATIONS

AWED	Association for Women Education and Development
BWDA	Bullock - cart Women Development Association
BPL	Below Poverty Line
CMG	Credit Management Groups
EA	Economic Activity
FIs	Financial Institutions
IEC	Information Education and Communication
IOB	Indian Overseas Bank
MFI	Microfinance Institutions
Mfi	Microfinance insurance
MFO	Microfinance Organization
NABARD	National Bank for Agricultural and Rural Development
NBFCs	Non-Banking Financial Corporations
NGO	Non Government Organization
PRI	Panchayat Raj Institution
PLF	Panchayat Level Federation
PGB	Pandyan Grama Bank
RRB	Regional Rural Bank
RBI	Reserve Bank of India
RFA	Revolving Fund Assistance
SFDA	Small Farmers Development Agency
SGSY	Swarnajayanthi Gram Swarojar Yojana
SHGs	Self Help Groups
SIDBI	Small Industrial Development Bank of India
TMSSS	Thoothukudi Multipurpose Social Service Society
MFDF	Microfinance Development Fund
IFAD	International Fund for Agricultural Development

CONTENTS

Chapter No.	Topic	Page No.
1.	INTRODUCTION	1
2.	DESIGN OF THE STUDY	8
3.	SOCIO- ECONOMIC PROFILE OF FISHERWOMEN	10
4.	SAVINGS, LOAN PRODUCTS AND MICROCREDIT TO FISHERWOMEN	14
5.	IMPACTS OF THE MICROCREDIT PROGRAMME	21
6.	ECONOMIC EMPOWERMENT	31
7.	SOCIAL EMPOWERMENT	35
8.	SUSTAINABILITY OF THE MICROCREDIT PROGRAMME	42
	BIBLIOGRAPHY	53

TABLE OF CONTENTS

Table No.	Title	Page No.
1	SHG -Bank Linkage Cumulative Progress (1992-2004)	4
2	Distribution of fisherwomen respondents	8
3	Age group of the fisherwomen	11
4	Marital status of the fisherwomen	11
5	Educational status of fisherwomen	12
6	Economic activities of the fisherwomen	12
7	Annual income of the fisherwomen	13
8	Periodicity of savings by the fisherwomen	14
9	Monthly savings of the fisherwomen SHGs	15
10	Savings of the fisherwomen SHGs	15
11	Internal loan circulated among the fisherwomen SHGs	16
12	Microcredit supply to the fisherwomen SHGs	17
13	Utilisation of loan amount by the fisherwomen SHGs	20
14	Demand for microcredit by the fisherwomen SHGs	20
15	Revolving Fund Assistance to the fisherwomen SHGs	32
16	Revolving Fund Assistance received by fisherwomen SHGs	32
17	Fisherwomen SHGs engaged in Economic Activities	34
18	SGSY loan received by the fisherwomen SHGs	34
19	Fisherwomen SHGs members visit to bank	36
20	Decision making by fisherwomen	37
21	Fisherwomen participation in PRI meeting	38
22	Fisherwomen participation in federation and collective action	39
Annexures		
I.	Innovations in savings, credit and insurance services by microcredit institutions	49
II.	Microcredit approaches	51

EXECUTIVE SUMMARY

The present study attempted to assess the *Performance Analysis of Fisherwomen Self Help Groups (SHGs) in Tamilnadu*. Primary data required for the study were collected from 725 fisherwomen SHG members representing 41 SHGs from five coastal villages - Tharuvaikulam, Pazhayakayal and Therespuram in Thoothukudi district and Kootapuli and Uvari in Tirunelveli district - during May –October 2004.

The study found the fisherwomen SHGs performing well in availing and repaying microcredit which had contributed to their socio – economic empowerment and to better livelihood conditions .

Major Findings

Socio – economic profile :

- ❖ The average membership of the SHGs is about 17. About 88 % of the fisherwomen belonged to the age group 21 to 50 years which is the most productive period. About 86 % of the fisherwomen were married .Women headed households constituted 10 % of the total married members of the sample SHGs. About 96 %, were of them Christians (MBC) and the rest were Hindus (BC). About 46 % of the respondents had primary education and 42 % had high education. The house hold-size of the fisherwomen families showed that more than half of the fisherwomen families (52.68 %) had five or more members. The study observed an average earner –dependency ratio of 1.
- ❖ The study found that 86 % of the fisherwomen SHG members participated in banking activities for microcredit utilisation and 75 % of them are equal partners in decision making in their families. Fisherwomen monthly savings ranged from Rs 20 to 120 per member. About 68 % of them made weekly savings and 32 % had monthly savings. The total savings of the fisherwomen SHGs ranged from Rs 2,80,284 in Thoothukudi district to Rs 13,43,032 in Tirunelveli district. The internal lending of the fisherwomen SHGs is Rs.26,02,368 in Thoothukudi district and Rs 68,93,853 in Tirunelveli district, with an overall average of Rs.12,909.
- ❖ Only 61 % of the SHGs received Revolving Fund Assistance (RFA). The total amount of RFA received by the fisherwomen SHGs in both the districts was Rs. 5,41,300. The 41 fisherwomen SHGs received Economic Activity loan to the tune of Rs.1,51,33,621 .The total amount of microcredit provided to the sample SHGs in both the districts was Rs.1,51,33,621. The Pandyan Grama Bank (PGB) provided Rs.98,91,621 under microcredit alone in Thoothukudi district for the sample SHGs. Out of 41sample SHGs, 29 SHGs (71 %) are engaged in economic activities. Among the 725 sample fisherwomen, only 101 (above 14 %) were engaged in traditional economic activities and 167 fishermen (23 %) took up new economic activities. Overall, 268 fisherwomen (about 37 %) are involved in economic activities.

- ❖ The banks charged an interest rate of 9 % to 12 % for microcredit extended to the fisherwomen SHGs. The interest rate charged by the SHG members for internal circulation of loan amount was 24 % per annum and its goes to SHG's savings. The interest savings is provided as dividend to members later.
- ❖ The SHGs are known for prompt repayment , often 100 % , of the microcredit availed by them from the banks .In this study also, almost all the SHGs reported 100 % repayment .
- ❖ The internal loan amount as well as bank loan credit are used for various purposes by the members. Utilization pattern of loan amount by the sample SHGs in Thoothukudi and Tirunelveli districts shows that slightly over half of the loan was invested in the improvement of their occupation, for buying fishing nets, catamarans and boats. It varied from 52 % to 56 % in Thoothukudi district and 59 % to 60 % in Tirunelveli district. About 11 % each of the loan money was used for old debt repayment and house alteration and construction, about 9 % on education, 5 % on economic activity and about 2 % in gold jewellery. The pattern of loan utilization showed that investment in unproductive purposes has been minimum and over half of it was invested in income generation.
- ❖ Participation in Panchayat Raj Institution (PRI) activities, particularly in *Grama sabha*, is a necessity required for speedy social and economic development. The SHG movement has created awareness among the poor women about the PRI activities. About 63 % of the fisherwomen SHGs members participated in Panchayat Raj meetings and other PRI activities which merit significance in the context of their social empowerment. About 86 % of the fisherwomen SHGs members participated in banking activities.
- ❖ The study results showed that about half of the fisherwomen had organized Women's day and participated in the celebrations. They have also helped the Panchayats in popularising rain water harvesting among the villages. They themselves adopted it in their houses and set an example for others to follow .
- ❖ The World Microcredit Summit envisaged providing microcredit to 25 million poor families in India by year 2015. NABARD, the nodal agency for microcredit in India, set a target of credit linking 1 million SHGs in a decade's time, that is by the year 2007 which has already been achieved, three years ahead of the schedule, indicating that there is still a long way to go. Majority of the groups would be forming part of the SHG philosophy while some could come through alternate mechanisms comprising application of Grameen model, credit unions and other emerging approaches. According to NABARD, 16.7 million people accessed microcredit during 2003-04 and the estimated number of people assisted up to March 2004 is 83.5 million which augurs well.
- ❖ The study found that microfinance had indeed contributed to the overall socio-economic empowerment of the fisherwomen apart from improving their livelihood conditions besides providing an opportunity to the banks to serve the '*unreached*' coastal poor and to make profitable business.

CHAPTER 1

INTRODUCTION

Women in India constitute about 50 % of the total population and comprise one third of the labour force. It is, therefore, important that when considering the economic development of this segment of the population, due attention is given to their socio-economic empowerment. In India, of the total population of 5.4 million active fishers, 3.8 million are fishermen and 1.6 million are fisherwomen. These fisherwomen are engaged in several fisheries vocations. The major activities in which women's contribution can be noticed throughout the country are fish processing and marketing. However, their participation and contribution are increasing in the areas of aquaculture, development and education. The involvement of women in these activities generates supplemental income to support their families. Even though women are as efficient as men, earnings are not always the same. The wages for men and women are often different with men being paid at least 30 % more than that received by women. Microcredit for self help groups is fast emerging as a promising tool of promoting income generating enterprises for reaching the 'unreached' for credit delivery in rural areas, particularly the women who are often considered to have very low net worth for availing any credit facilities from the formal financial institutions, the banks. Microcredit is also considered as the vehicle for achieving empowerment of the women, in all spheres viz., social, cultural, political and economic. It is a way of self-sustenance without looking for financial help or subsidy from 'elsewhere'.

The Union Minister of Finance, while presenting the budget for 2004-05, identified Self Help Groups (SHGs) as the potential tool for rural development through microfinance. The number of SHGs has been increasing ever since NABARD introduced the concept in the country in the early nineties. The performance of SHGs has been overwhelming and they seem to have come to stay so far as rural development is concerned.

The first official interest in informal group lending in India took shape during 1986-87 when NABARD supported and funded an active research project on "*Savings and Credit Management of SHGs*" (NABARD, 1995) of Mysore Resettlement and Development Agency (MYRDA). In 1988-89, NABARD undertook a survey of 43 NGOs spread over 11 States in India to study the functioning of the SHGs and possibilities of collaboration between the banks and SHGs in the mobilization of rural savings and improving the credit delivery to the poor (NABARD, 1995).

The Self Help Groups (SHGs) have become a component of the Indian financial system after 1996. They are small, informal and homogenous groups of not more than 20 members each. The size of 20 has been made mandatory because any group larger than this has to be registered under the Indian legal system. Also, the repayment rate tends to be lower in large groups as the magnitude of the free rider problem and the propensity to default are high in heterogeneous groups. These are the features, which distinguish small, homogenous and informal SHGs from large, heterogeneous and formal co-operatives although both are founded on the principles of co-operation. Because of the heterogeneity and bureaucracy the co-operatives in many countries have been hijacked by the less poor, the landowners and by allied political interests (Harper,

1998). Several countries including India have had problems with credit co-operatives although the co-operative management has succeeded in some countries (Yaron, 1992).

Microcredit helps the financial institutions as well. When Financial institutions (FIs) extend credit to SHGs, (1) the transaction cost for the FIs is minimised because the group takes decision to borrow on behalf of the members with the responsibility to repay; (2) the transaction cost of the individual member is reduced because the member transacts at the group level; (3) the mismatch between the demand and supply is reduced because the FIs lend to SHGs because they provide credit in lump sum and the group uses the amount according to its own needs; also, repayment pattern of members of the groups and of the group to the bank need not be the same.

The SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. It is an organised set up to provide microcredit to the rural women on the strength of the group savings without insisting on any collateral security for the purpose of encouraging them to enter in to entrepreneurial activities and for making them enterprising women (Gurumoorthy, 2000). The National Bank for Agriculture and Rural Development (NABARD) had launched a number of programmes to improve the socio-economic status of women in all sectors with a focus on providing credit support through SHGs (NABARD, 2004).

Institutional Framework for Microcredit

Microcredit refers to provision of small amounts of credit to the poorest of poor who were not served by the formal financial institutions for many reasons and remain '*unreached*'. Frequent requirement of small amounts of credit, a large number of clientele and consequently high transaction cost and low net worth of the clientele are some of the reasons which excluded the poorest village people from availing the credit facilities of formal financial institution such as banks. Hence, they were dependent on loan sharks who provided timely and adequate credit at door steps but at spurious interest rates, up to 500 % p.a. The term microfinance may look new but the concept and process existed in many Asian countries long ago in various names. Informal and small-scale lending arrangements have long existed in many parts of the world, especially in the rural areas, and they still survive. Good examples are schemes in Ghana, Kenya, Malawi and Nigeria ("*merry-go-rounds*", "*esusus*" etc.). In Asia too they existed, particularly in India, Vietnam, Thailand, etc.

Why Microcredit?

Recent interest in microcredit worldwide has been phenomenal as it is seen as a tool for attacking poverty and promoting gender empowerment particularly among rural populace. Since males dominate in many a country, more so in developing countries, microcredit is believed to have potential for empowerment of poor women. Contribution of women in the economy has been significant. They produce 80 %, 60 % and 40 % of food in Africa, Asia and Latin America, respectively. They also play an active role in marketing the products as well. In India, for example, fisherwomen play a major role in marketing fish landed by fishermen. Apart from this productive role, they have family "*reproductive role*" besides attending to domestic chores and looking after the family in all ways and means.

For all their significant contributions women have often been discriminated against, the world over, in all possible ways. So women's emancipation and empowerment are now recognised necessary for social justice.

Although microcredit is lent to individuals as well as groups, the Microcredit Institutions (MFIs) prefer the latter as it helps to reduce transaction cost apart from contributing to prompt repayment through peer pressure and to the empowerment of the beneficiaries.

Microcredit in India

The Self Help Groups (SHGs) emerged as a component of the Indian financial system after 1996. They are small, informal and homogenous groups of not more than 20 members each. The size of 20 has been made mandatory because any group larger than this has to be registered under the Indian Societies Registration Act. Also, the repayment rate tends to be lower in large groups as the magnitude of the free rider problem and the propensity to default are high in heterogenous groups.

The present availability of credit for women in India is from the following sources:

- Formal credit structure which represents banks ,co-operatives ,Regional Rural banks and other financial institutions like NABARD, SIDBI (through NGOs), etc.
- Quasi informal which represent linkage between banks and Self Help Groups , providing bulk financing for NGOs for lending to set up of a National credit fund for women by Government of India (Rashtria Mahila Kosh).
- Informal credit from relatives, money lenders, wholesalers, Self-Help savings and Credit groups of women.
- Women Development Corporation providing loans for margin money, training and assistance in arranging credit.

There is a vast network of banking and cooperative finance institution in India and therefore formal financial services are in theory available and accessible to low income families in virtually every part of the economy . There are three broad approaches (Commercial banks , Regional Rural Banks and Co-operatives) employed for providing financial services to the poor all of which focus on women.

Role of NABARD

The NABARD is the apex institution for microcredit in India, although many other institutions such as SIDBI are also involved.NABARD took its first initiative of providing microcredit to the SHGs through what it calls the *SHG Credit Linkage Approach* which began in February, 1992. It was a pilot project to cover just 500 SHGs only with policy back up from the Reserve Bank of India (the national bank of India) to test the efficiency of rural poor people's participatory approach in improving their employment income generating capabilities and empowerment through microcredit. NABARD perhaps consciously wanted to experiment it in safer areas and hence chose southern states of India, notably Karnataka and Tamil Nadu, as its

testing ground. Probably, NABARD did not want the experiment to fail as it would have sent wrong signals to all concerned.

From that small beginning in 1992, Microcredit in India has emerged in a very big way. In 1992-93, only 255 SHGs were credit-linked but it grew rapidly over the years reaching 1,079,091 SHGs in 2003-04 (Table 1). With over 16.7 million poor households accessing banking services including microcredit through over one million SHGs, the SHG-bank linkage programme of NABARD is perhaps the largest and the fastest growing microcredit programme of the world in terms of its outreach. To day, over 3,024 non-Governmental organisations (NGOs) and 35,294 branches of 560 banks are providing microcredit making it the most cost effective microcredit initiative as well, thanks to the economies of scale involved. Cumulatively, 10,79,091 SHGs are now credit linked with banks till 31st March 2004. Cumulative ground level microcredit disbursement as on 31st March 2004 was Rs.39,042 million. NABARD is called the banker's bank. It does not provide microcredit to the beneficiaries directly. It channels microcredit through banks which first provide money to the SHGs and later claim it as 'refinance' from NABARD. The banks receive 'refinance' at a relatively low interest rate and offer it at a slightly higher rate to the SHGs, as stipulated by NABARD. The differential interest rate enables the MFIs to cover the transaction cost and to make a moderate profit as well. Cumulative 'refinance' availed by the banks from NABARD for the SHGs was Rs.21,242 million as on 31 March 2004. NABARD had set a mission of credit linking 1 million SHGs by 2007 and the mission was achieved 3 years ahead of the schedule .

Table 1 SHG -Bank Linkage Cumulative Progress (1992-2004)

<i>Up to March</i>	<i>Number of SHGs financed</i>	<i>Bank Loan (Rs. in million)</i>
1992-1999	32,995	571
1999-2000	114,775	1,930
2000-2001	263,825	4,809
2001-2002	461,478	10,263
2002-2003	717,360	20,487
2003-2004	1,079,091	39,042

Review of earlier research work in microcredit

Jayaraman (2000 and 2002) reported on the role and performance of fisherwomen SHGs in India. He found the fisherwomen SHGs performing well in availing microcredit, utilising it and repaying it in time. The microcredit programme implemented through SHGs contributed to the socio-economic welfare and empowerment of the fisherwomen. It also contributed to the eradication of usury and illicit liquor.

Nagayya (2000) stated that there has been a massive expansion in the formal credit delivery network in the last three decades and there is an acceptable gap in financing the genuine poor, especially in remote rural area. .

Sabyasachi Das (2003) reported on the functioning of Self-Help Groups and microcredit. It included social, economic, political and spiritual development of the poorer section of the society. NGOs gave some training to the SHGs for awareness building, entrepreneurship and skill training and some help in arranging inputs, and marketing, introduced saving and internal lending, helped in the maintenance of accounts and linked them with the banks for credit requirements.

Deepti Agarwal (2001) reported that the status of women is low and their socio economic conditions are much more depressed than that of men. Jeyesh Talati and Venkatakrisnan. (2001) explained women's empowerment in Jhabua district, Madhyapradesh. The women 'leaders' elected by the group members were responsible for the maintenance of group records and management of group. These women's groups laid the foundation for the empowerment of women.

Radhakrishna Rao (2002) says, Kerala's remarkable achievements in education and health have been greatly facilitated by its social and physical terrain. Socially speaking, community based social reform movements competed with each other for social advancement.

Bharat Dogra (2002) reported that 15 to 20 women formed such groups with as monthly savings of Rs.10 each or Rs.20 each. Initially, men in many villages used to make fun of these groups with their small savings and also observed that when these savings grew and women were able to take loans to meet several pressing needs, men also started self-help groups with monthly savings of Rs.50 each or more.

Laxmi Kulshrestha and Archana Gupta (2002) reported that Non-Government Organisations (NGOs) and voluntary action has been part of the historical legendary. In the 19th and early 20th centuries, several voluntary efforts were started in the fields of education and health. They projected development practitioners, government officials and foreign donors who observed that non-governmental organisations (NGOs) by virtue of being small scale, flexible, innovative and participatory are more successful in reaching the poor for poverty alleviation. This consideration has resulted in the rapid growth of NGOs involved in initiating and implementing rural development programme.

Shetty (2002) reported on the impact of Rural Self Help groups and other forms of micro-financing. Solanki (2002) identified technologies for rural development in the directory of rural development published by National Institute of Rural Development, Hyderabad which is a unique effort in assembling the detailed information of 100 technologies developed by various R & D institutions/ agencies. This reference book will help the policy makers and technologists in analyzing and implementing the practical approaches. A large number of these technologies are being transferred free of cost, with a few on consultancy basis while some of them need license to enable their transfer.

FAO (2003) reported on the best practices and success stories in microcredit programs for women in coastal fishing communities in India. Uwe Tietze and Villared (2003) reported on the Regional proceedings of the workshop in support of Responsible Agriculture and Marine Capture Fisheries in Asia. Shankar chatterjee (2003) reported that Networking Swarnajayanti

Gram Swarozgar Yojana (SGSY), Banks and SHG initiatives in Utter Pradesh. Suman Krishna Kant (2001) reported that women's empowerment and mutual cooperation in the family.

Jeyasudha (2004) reported that eradication of poverty and the ushering in of speedy socio-economic progress is the goal with which the developmental programmes are being implemented through a multipronged strategy, reaching out to the most disadvantaged sections of the society. She placed the concept of rural development at the top of agenda in national policies of developing countries of Asia, Africa and Latin America. The developed countries have also recognized this need and have directed their efforts towards meeting the basic needs of the poorest people in developing countries.

Meenambigai (2004) stated that self-help groups play a major role in transforming rural economy. Microcredit helps the rural poor to improve their standard of living and fulfills their credit needs. Microcredit encourages savings, promotes income generating activities and benefits women.

Sheik Mohammed (2004) reported that Self-Help Groups worked for the success of women entrepreneurs. Senthil Vadivoo and Sekar (2004) stated that the self help groups is a movement for women empowerment; it covered women collectively struggling against direct and indirect barriers to their self development and their social, political and economic participation. Women's empowerment can be viewed as a continuous process of several inter-related and mutually reinforcing components. Empowerment is a process of awareness and capacity building, leading to greater participation, greater decision – making power and control the transformative action to overcome the constraints in this process.

Tripathy (2004) explained economic empowerment through income generating activities through self help groups and also explained its importance in education, mid -day meals scheme, health, agriculture and allied activities, community action and sustainable development and rural sanitation.

Thus, the SHGs have been found to be an effective tool of micro-credit delivery for women empowerment and rural development (Desai, 2000; Puhazhendhi, 2000). There are several success stories of how SHGs have benefited the poverty-ridden people in the rural areas in emerging empowered and how lending to SHGs have made loss-making branches of banks to turn around. Although SHGs have come to stay there are some germane issues that need to be sorted out.

Objective of the study

There have been many studies in microcredit as briefly outlined above. NABARD also compiles data on microcredit delivery to the SHGs every year. But the data is an aggregate and does not spell out how much it benefited the people in each sector. This study has the overall

objective of analysing the performance of the fisherwomen SHGs in Tamilnadu as no such study has not yet been undertaken. The specific objectives of the study are :

1. To collect comprehensive information on the microcredit extended so far to fisherwomen through SHGs in coastal TamilNadu.
2. To collect data on the socio-economic structure and activities of the fisherwomen SHGs.
3. To evaluate the financial performance of the SHGs.
4. To compare the impact of micro finance on the socio-economic conditions of the members of fisherwomen SHGs before and after the formation and functioning of SHGs .
5. To identify the reasons for the success, the constraints and suggestions on how micro finance could be delivered in future.
6. To study the extend of bank credit services available to the coastal fisherfolk and explore scope for furthering banking services in the coastal areas.
7. Assessment of saving needs of the SHG members and to suggest saving products.
8. Sustainability of the SHGs on long term basis.

Scope of the study

The study is important for applied research as well as basic research in the field of rural development. The study would provide a framework for drawing suitable programmes for the upliftment of traditional fisherfolk with particular focus on fisherwomen. The opportunities for the creation of supplementary sources of income would also be explored. In short, the study would be highly useful to researchers, planners and policy makers in overcoming the problems of fishermen and in formulating strategies for the socio-economic development and empowerment of fisherfolk through microcredit in Tamilnadu in general and in particularly in Thoothukudi and Tirunelveli districts.

Limitation of the study

The study was confined to Thoothukudi and Tirunelveli districts of Tamilnadu state covering only five coastal fishing villages. The researcher personally contacted the fisherwomen individually and it was a herculean task to make them willing to answer the questions listed in the interview schedule. The fisherwomen hesitated to answer several questions. However, with great difficulty their responses were obtained by paying sincere and thoughtful attention in bringing out several distinct features of saving and credit programmes. The data collected were cross- checked with available records such as registers, Bank Savings Account pass-books and records of banks concerned to ensure accuracy of the data collected. Limited logistics and time available to the researcher made the study confined to the five villages only. However, there is a scope for further research in this area with more emphasis on all aspects of the microcredit programme.

CHAPTER 2

DESIGN OF THE STUDY

The choice of research method does have an influence on the inferences drawn from the analysis of data. This chapter describes the choice of the study area, selection of respondents, method of data collection and analysis of data and interpretation of results for drawing inferences.

Choice of the study area

Thoothukudi and Tirunelveli are maritime districts along the south coastal Tamilnadu. They were purposively chosen for the present study. Thoothukudi district has 19 fishing villages amongst which three villages namely Tharuvaikulam, Pazhayakayal and Therespuram, were randomly selected and the coastal district of Tirunelveli has seven fishing villages out of which Kootapuly and Uvari villages were purposively selected for the study. Microcredit lending, utilisation, repayment and economic activities have been actively going on in these villages compared to other coastal villages.

Selection of the respondents

The study utilised both primary and secondary data. Primary data relating to the socioeconomic background, microcredit lending, utilisation and repayment, constraints and various other aspects relating to social empowerment of the fisherwomen were collected through pre-designed questionnaire from 725 fisherwomen representing 41 SHGs from the selected five coastal villages (Table 2). Average membership of the respondents in Thoothukudi study area was about 17 members. The lowest average membership of about 13 was observed in Uvari and the highest average membership of 19 was observed in Tharuvaikulam and Therespuram villages. Thus, the membership pattern of the fisherwomen SHGs was good.

Table 2 Distribution of the fisherwomen respondents

<i>Village</i>	<i>District</i>	<i>Total Number of SHGs</i>	<i>Total Members</i>
Tharuvaikulam	Thoothukudi	6	118
Pazhayakayal		8	140
Therespuram		5	92
<i>Sub Total</i>		<i>19</i>	<i>350</i>
Kootapuli	Tirunelveli	15	279
Uvari		7	96
<i>Sub Total</i>		<i>22</i>	<i>375</i>
<i>Grand Total</i>		<i>41</i>	<i>725</i>

Secondary data relating to the savings, loans, revolving fund received from banks and repayment undertaken were elicited from the relevant records of the SHGs and from the animators/leaders concerned. Information on microcredit and fisherwomen at the state and district levels were obtained from many sources including Governmental and Non-Governmental Organizations (NGOs) and financial institutions. Besides, detailed discussions were also held with the officials involved in the implementation of the project at various levels and the representatives of Panchayat Raj Institutions (PRIs).

Tools for data collection

Two separate interview schedules were designed, pilot tested and used for data collection. One schedule was employed to obtain general information on the SHG concerned from its office bearers. The other schedule was used to collect specific information from each member of the 41 fisherwomen SHGs.

Tools of analysis

Percentage analysis was used owing to the constraints imposed by the nature of data. Also, tabular analysis of data on socio-economic condition, women empowerment and microcredit lending, utilization, repayment and economic activities was carried out. Class interval technique was used to analysis the age, income, savings and food expenditure.

CHAPTER 3

SOCIO- ECONOMIC PROFILE OF FISHERWOMEN

This chapter provides an overview of the salient socio-economic characteristics of the fisherwomen SHG members covered under the study. The sample consisted of 725 fisherwomen from 41 SHGs operating in five coastal villages in Tirunelveli and Thoothukudi districts. The profile of the respondents is organized under the following categories:

1. Distribution pattern of the respondents
2. Age of the respondents
3. Marital status of the respondents
4. Religions followed by the respondents
5. Community characteristics of the respondents
6. Educational status of the respondents
7. Occupational status of the respondents
8. Household size of the respondents
9. Earning status of the respondents
10. Income of the respondents
11. Housing status of the respondents
12. Amenities available to the respondents
13. Livestock owned by the respondents
14. Possession of consumer durables by the respondents
15. Expenditure on food

1. Distribution pattern of the respondents

NABARD stipulated that the SHG may have 12-20 members and the size should not cross 20 since that would warrant registration under the Societies Act. Besides, cohesion of the group may also get weakened and may go beyond management when the size is above 20. The average membership of the SHGs covered under the study was about 17. The lowest average membership of about 13 was observed in Uvari village in Tirunelveli district and the highest average membership of 19 was noted in Tharuvaikulam village in Thoothukudi district. Thus, the membership pattern of the fisherwomen SHGs was good (see Table 2 in chapter 2).

2. Age of the respondents

NABARD prescribed that individuals aged above 18 years and below 60 years could form an SHG. In the present study, about 88 % of the fisherwomen belonged to the age group 21 to 50 years which is the most productive period. Among the respondents, about 20 % were in the age class 36-40 years, 18 % in 31-35 years, 16 % each in 26-30 years and 41-45 years and 13 % in 46-50 years (Table.3). The proportion of the fisherwomen SHG members in the productive age group 21-45 years was highest (80 %) in Thoothukudi district which was closely followed by Tirunelveli district (76 %).

Table 3 Age group of the fisherwomen

<i>Age</i>	<i>No</i>	<i>%</i>
16-20	8	1.1
21-25	39	5.4
26-30	115	15.8
31-35	127	17.5
36-40	147	20.3
41-45	114	15.7
46-50	94	13.0
51-55	63	8.7
56-60	18	2.5
<i>Total</i>	<i>725</i>	<i>100.0</i>

3. Marital status of the respondents

It is specified that the SHG members should preferably be married women and women who are the bread- winners of the family but those who remain unmarried could also be included in the SHG. Preference is accorded to the poorest women (below the poverty line, BPL) amongst the target groups with particular focus on widows, divorcees, deserted and disabled women and women belonging to the downtrodden communities. Out of 725 members, about 86 % (714) were married, 9.5 % were widows (69), 3 % (22) were divorcees and destitutes and 1.5 % (11) were unmarried women. Thus, women - headed households constituted 10 % of the married members of sample SHGs (Table.4).

Table 4 Marital status of the fisherwomen

<i>Women status</i>	<i>No</i>	<i>%</i>
Unmarried	11	1.5
Married	623	85.9
Widow	69	9.5
Divorcee	1	0.1
Destitute	21	2.9
<i>Total</i>	<i>725</i>	<i>100.0</i>

4. Religions followed by the respondents

Distribution of the fisherwomen by their religious faith showed that majority of them, about 96 %, were Christians and about 4 % were Hindus. Generally, the coast along the study area is dominated by Christian fishermen and no fishermen of muslim faith was found.

5. Community characteristics of the respondents

Distribution of the fisherwomen by social group showed that 95.6 % of them belonged to the Most Backward Class (MBC) and only 4.4 % belonged to the Backward Class (BC) which may be the fisherwomen who belonged to the Hindu religion.

6. Educational status of the respondents

Though no specific educational qualification has been prescribed by the NABARD for those who wish to enroll themselves in an SHG, possession of education could help to acquire necessary technical skills and knowledge for empowerment and economic upliftment. About 46 % of the respondents had primary education, about 42 % had high education, about 7 % possessed higher secondary level education and only about 2 % had pursued degrees. Further, only about 3 % remained illiterate (Table 5).

Table 5 Educational status of the fisherwomen

<i>Education level</i>	<i>Number</i>	<i>%</i>
Primary	333	45.9
High school	304	41.9
Higher Secondary	49	6.8
Degree	13	1.9
Others	4	0.5
Illiterate	22	3.0
<i>Total</i>	<i>725</i>	<i>100.0</i>

7. Occupational status of the respondents

Before formation of the SHGs in the coastal villages most of the fisherwomen remained housewives and their involvement in economic activities was very less. After the formation of the SHGs in coastal villages, fisherwomen enrolled themselves as members and their occupational status improved. Among the 725 sample fisherwomen, only 27 fisherwomen (3.7 %) were engaged in traditional economic activities like dry fish, fish retailing, cattle rearing, goat rearing, etc., and 30 fisherwomen (10.9 %) were engaged in new economic activities like Masala powder preparation, Washing and Cleaning powder preparation, Rasna juice preparation, Ragi flour preparation, Candle making, operating petty shop and co-operative store, etc. before becoming members of the SHGs concerned. But, after enrolling themselves in SHGs, 101 fisherwomen (nearly 14 %) took up in traditional economic activities and 167 fisherwomen (23%) were engaged in new economic activities. Overall, 268 fisherwomen (about 37%) are involved in economic activities. (Table.6).

Table 6 Economic Activities of the fisherwomen

<i>Economic Activities</i>	<i>Before enrolling in SHGs</i>		<i>After enrolling in SHGs</i>	
	<i>No</i>	<i>%</i>	<i>No</i>	<i>%</i>
Traditional economic activities	27	3.7	101	13.9
New economic activities	30	10.9	167	23.0

8. Household size of the respondents

A high family size with a low earner-dependent ratio does not augur well and would be a heavy burden for the breadwinners of the families concerned. They would find it difficult to meet both ends and may end up in poverty. More than a half of the fisherwomen families (52.68 %) had five or more members, about 24 % had four members and about 12 % had three members. Only about 12 % of the fisherwomen households had one or two members.

9. Earning status of the respondents

Out of the 725 fisherwomen covered under the study, majority of them had a low earner – dependency ratio indicating their poor economic status and limited earning capacity through fishing and allied activities. Among the 725 respondents, 339 families had only one earner (46.8 %), 262 families (36.1 %) had two earners, 74 families (10.2 %) had three earners, 27 families (3.7 %) had four earners and only 3 families (0.4 %) had five earners .

10. Income of the respondents

By way of utilizing the microcredit programme, fisherwomen annual income considerably increased through their economic activities and 50 % of the credit was utilized for investing in husband occupation for purchase of net , invested in catamaran or boat etc .The annual income earned by the fisherwomen households was classified into four categories, viz., below Rs.9,600, Rs.9,600 – 24,000, Rs.24,000-48,000 and above Rs.48,000. It was found that majority of the fisherwomen households lived in abject poverty with about 66 % of them lying under the Below Poverty Line (BPL). About 25 % of the respondents belonged to the lower middle class and about 7 % of them were in the upper middle class. Thus, the fisherfolk had low, varying levels of annual income. Among the 725 fisherwomen, 21 were destitutes and among them 4 members were regular earners and the remaining 17 members had irregular income and hence were excluded for this purpose (Table.7).

Table 7 Annual income of the fisherwomen

<i>Annual Income level (Amount in Rs)</i>	<i>Before enrolling in SHGs</i>		<i>After enrolling in SHGs</i>	
	<i>No</i>	<i>%</i>	<i>No</i>	<i>%</i>
Upto Rs 9,600	408	56.3	117	16.1
9,600-24,000	183	25.5	360	49.5
24,001-48,000	105	14.5	182	25.1
Above 48,000	27	3.7	49	6.8

11. Housing status of the respondents

One of the indicators of progress and development in the living conditions of fisherfolk is the housing status of the population. In order to assess the economic status of the respondents, information on their housing status was collected. A little less than half of them (46.1 %) lived in concrete houses while about 41 % dwelled in tiled houses. Only about 13 % lived in huts. Nearly 34 % of them occupied free houses provided by the government to fisherfolk. Also, about 91 % of the fisherwomen households lived in own houses and 8 % occupied rented houses.

12. Amenities available to the respondents

Majority of the fisherwomen households (95.6 %) had electricity, about 97 % the families utilized the Public Distribution System (PDS), about 31 % had access to LPG and about 9 % possessed communication facilities. About 78 % of the families had access to education for their children. About 70 % of them had sanitation facility .

13. Possession of livestock

Livestock maintenance is an additional source of income. About 20 % of the fisherwomen families had goat / sheep, about 18 % of them maintained poultry and about 4 % of them had cattle.

14. Possession of consumer durables

Improvement in the socio-economic status is reflected by the consumer durables possessed. The study revealed that about 56 % of the sample fisherwomen families possessed Television, about 22 % had Radio, about 21 % possessed Mixer Grinder / Mixi, about 11 % each had Wet Grinder and bi-cycle, about 6 % possessed motor cycle and only about 2 % had refrigerators .

15. Expenditure on Food

Expenditure on food indicates the socio-economic status of people. As the income increases, the proportion of money spent on food increases first but soon and eventually decreases. About 36 % of the fisherwomen families spent 51-60 % of their income on food, about 30 % spent 61-80 % of their income on food, about 21 % spent over 80 % of their income on food and only about 13 % of them spent less than half of their income on food.

CHAPTER 4

SAVINGS, LOAN PRODUCTS AND MICROCREDIT TO FISHERWOMEN

The Self Help Group movement has triggered off a silent revolution in the *rural credit delivery system* in India. The SHG has proved to be an effective medium for delivering credit to rural poor for their socio- economic empowerment. The bank loans are made available to the SHGs without any collateral security something unique for this purpose only. Since the savings of the groups are part and parcel of the aggregate loans rotated by the groups among their members, peer pressure ensures timely repayment. The performance of the SHGs in terms of savings, internal loan to members, economic activity loan, revolving fund received from banks, and economic activities started by the groups was assessed. The SHGs have undertaken various economic activities.

After the formation of the group, commencement of regular savings and its rating, release of revolving fund and receipt of loan for economic activity can be taken up. In this study, the supply side of credit access to credit timeliness and availability of credit were examined. Utilization of the microcredit by the SHGs almost eradicated usurious transaction from the coastal villages.

Savings of the SHGs

The core strategy of SHG bank linkage lies on building financial capabilities and self-confidence among the rural poor, through internal savings and lending from the owned funds of SHGs. Savings is the first activity taken by the SHG. The SHG members are expected to make voluntary thrift on a regular basis. They are using this saved resource to make small interest bearing loans to their members. The savings pattern differ from one group to another and from one district to another. In some SHGs, they collect savings in the weekly meetings and in some others, monthly collection is being made. Out of 41 SHGs covered in this study, about 68 % of the SHGs made weekly savings and 32 % of the SHGs made monthly savings (Table 8).

Table 8 Periodicity of savings by the fisherwomen

<i>Village</i>	<i>District</i>	<i>Number of SHGs contacted</i>	<i>Weekly saving SHGs</i>	<i>Monthly saving SHGs</i>
Tharuvaikulam	Thoothukudi	6	2	4
Pazhayakayal		8	4	4
Therespuram		5	--	5
<i>Sub Total</i>		<i>19</i>	<i>6</i>	<i>13</i>
Kootapuli	Tirunelveli	15	15	--
Uvari		7	7	--
<i>Sub Total</i>		<i>22</i>	<i>22</i>	<i>--</i>
<i>Grand Total</i>		<i>41</i>	<i>28</i>	<i>13</i>

The members of the SHGs starting with fixed quantum of savings are motivated to increase their savings in a phased manner and are involved in credit activities with all the members. Once the savings habit has been regularized for a period of six months, the group

becomes eligible for rating. After the process of rating has been completed, the SHG is eligible for receiving Revolving Fund Assistance (RFA) and Economic Activity (EA) loan from the banks.

Monthly savings of the SHGs

In this study, the monthly savings of the sample SHGs ranged between a minimum of Rs.20 and a maximum of Rs.120 (*Table 9*). Over a third of the SHGs saved Rs.31 – 60 per month and about 32 % of them saved Rs.91-120 per month. About a quarter saved Rs.61-90 every month. The amount of savings collected from the members is rotated as loan internally among themselves. It is necessary that the SHG members are motivated to increase their monthly savings for their socio - economic betterment and also for the sustainability of their SHGs through the microcredit programme.

Table 9 Monthly savings of the fisherwomen SHGs

<i>Village</i>	<i>District</i>	<i>No. of SHG's</i>	<i>Up to Rs.30</i>	<i>Rs. 31 - 60</i>	<i>Rs. 61-90</i>	<i>Rs. 91-120</i>
Tharuvaikulam	Thoothukudi	6	1	5	--	--
Pazhayakayal		8	--	8	--	--
Therespuram		5	--	2	--	3
<i>Sub Total</i>		19	1	15	--	3
Kootapuli	Tirunelveli	15	--	--	--	6
Uvari		7	--	--	9	4
<i>Sub Total</i>		22	--	1	2	10
<i>Grand Total</i>		<i>41</i>	<i>1</i>	<i>16</i>	<i>11</i>	<i>13</i>
<i>%</i>		<i>100</i>	<i>2.4</i>	<i>39</i>	<i>26.8</i>	<i>31.8</i>

Savings and individual savings

Information on the amount of savings by the sample SHGs from the time of inception till the date of survey was also collected. The overall savings of the SHGs was Rs 2,80,284 in Thoothukudi district and Rs 13,43,032 in Tirunelveli district. Similarly, individual savings ranged from Rs 3,046 to Rs 7,288 in Thoothukudi district (*Table 10*)

Table 10 Savings of the fisherwomen SHGs

<i>Village</i>	<i>District</i>	<i>Total No. of SHGs</i>	<i>Total Members</i>	<i>Total Savings (Rs.)</i>	<i>Individual Savings (Rs.)</i>
Tharuvaikulam	Thoothukudi	6	118	8,60,000	7,288
Pazhayakayal		8	140	9,74,942	6,963
Therespuram		5	92	2,80,284	3,046
Kootapuli	Tirunelveli	15	279	13,43,032	4,813
Uvari		7	96	3,51,335	3,660

Interest Rates

The bank charged reportedly an interest rate of 9 % to 12 % for microcredit extended to the fisherwomen SHGs. The interest rate charged by the SHGs members for internal circulation of loan amount was 24 % per annum and it goes to SHG's savings. The interest savings is provided as dividend to members later or used for a good or needed cause on consensus basis.

Membership fee

A membership fee of Rs.5 was charged by all the sample fisherwomen SHGs in Thoothukudi and Tirunelveli districts. The fee amount is utilized for meeting travel expenses and other contingencies incurred by the SHGs .

Penalty for delayed payment

The sample SHGs charged Rs.5 as penalty for delayed payments and the penalty money is included in the SHGs savings. Separate account for the delayed payments is not maintained by the SHGs.

Internal lending

The members take internal loan from amount of group savings for different purposes. The SHG, after estimating the individuals loan requirement and the purpose of requirement by the member, passes a resolution, withdraws the amount from the bank and distributes it to the member. Money lent among members by the fisherwomen SHGs ranged from Rs. 4,12,300 in Thoothukudi district to Rs.49,42,233 in Tirunelveli district.(Table 11). Internal loans availed by individual members varied form Rs. 82,460 in Thoothoukudi district to Rs. 3,29,482 in Tirunelveli district.

Table 11 Internal loan circulated among the fisherwomen SHGs

<i>Village</i>	<i>District</i>	<i>Number of SHGs</i>	<i>Amount (Rs.)</i>	<i>Average Amount per SHG (Rs.)</i>
Tharuvaikulam	Thoothukudi	6	9,53,700	1,58,950
Pazhayakayal		8	12,36,368	1,54,546
Therespuram		5	4,12,300	82,460
Kootapuli	Tirunelveli	15	49,42,233	3,29,482
Uvari		7	19,51,620	2,78,802

The members are able to take easy loans from their own savings for their usual expenses as well as at time of emergencies at low rate of interest compared to that of money lenders and loan sharks. Internal lending has become an important activity of the SHGs. The members lend their savings and also on-lend the loan amount they had received from the banks and each SHG is functioning as a mini-bank. The SHG has promoted unity among the members in giving preference to those members who are urgently in need of loans. In case a member meets with an accident or falls ill, the interest for internal loan is waived as a gesture of 'moral support'.

Microcredit supply

Andhra Pradesh tops in the country in microcredit delivery with a cumulative total Rs.17,283.79 million followed by Tamilnadu with Rs.9,314.25 million upto 31 March 2004 (Progress of SHG-Bank Linkage in India, 2003-04, NABARD, 2004). In Tamilnadu, Tirunelveli district ranks first in credit-linking the largest number of SHGs (15,952) followed by Dharmapuri district (14,898) and Thoothukudi occupied third place having 9,111 SHGs. Microcredit supply through banks in Tamilnadu stood at Rs.5,059.09 million (against Rs.18,551.31 million for the country) during 2003-2004 and the cumulative bank loan was Rs.9,314.25 million upto 31 March 2004 (Rs.39,042.08 million for the country). In Tamilnadu, Dharmapuri disbursed the largest cumulative bank loan (Rs.1,552.81 million) followed by Tirunelveli (Rs.1,034.43 million), Sivaganga (Rs.773.04 million) and Madurai (Rs.725.01 million) while Thoothukudi provided Rs.505.70 million upto 31 March 2005. NABARD supports and promotes agricultural and rural development including fisheries. It provides credit for both farm and non-farm activities by way of refinance support to banks. NABARD's cumulative refinance disbursement for fisheries activities stood at Rs.7,445.5 million.

In the coastal villages of Tharuvaikulam, Pazhayakayal and Therespuram, microcredit activities are carried out largely by the Pandyan Grama Bank (PGB). The microcredit provided for 6 sample SHGs in Tharuvaikulam was Rs. 62,56,000. In Pazhayakayal, the PGB provided Rs. 32,55,921 to 8 sample fisherwomen SHGs and in Therespuram, it provided Rs. 3,79,700 for 5 sample fisherwomen SHGs. The PGB provided overall Rs.98,91,621 as microcredit in Thoothukudi district for the sample SHGs.(Table 12). In Tirunelveli district, the PGB provides microcredit to the fisherwomen SHGs through its Chettikulam branch. It provided Rs. 35,09,000 as microcredit to the SHGs. The Indian Overseas Bank provided Rs.2,00,000 as microcredit to the SHGs. In the coastal village of Uvari, Canara bank provided Rs.1,25,000 for one sample SHG and the PGB's Thisayanvilai branch extended Rs.14,08,000 as microcredit to 6 sample SHGs. The microcredit provided to the sample SHGs in both the districts was Rs.1,51,33,621

Table 12 Microcredit supply to the fisherwomen SHGs

<i>Village</i>	<i>District</i>	<i>Name of the Bank</i>	<i>Branch</i>	<i>Loan Amount (in Rs)</i>
Tharuvaikulam	Thoothukudi	PGB	Tharuvaikulam	62,56,000
Pazhayakayal		PGB	Pazhayakayal	32,55,921
Therespuram		PGB	Thoothukudi	3,79,700
<i>Sub Total</i>				<i>98,91,621</i>
Kootapuli	Tirunelveli	PGB	Chettikulam	35,09,000
		IOB	Panagudi	2,00,000
Uvari		CANARA BANK	Uvari	1,25,000
		PGB	Thisayanvilai	14,08,000
<i>Sub Total</i>				<i>52,42,000</i>
<i>Grand Total</i>				<i>1,51,33,621</i>

Repayment of microcredit

The SHGs are known for prompt repayment , often 100 % , of the microcredit availed by them from the banks .In this study also, almost all the SHGs reported 100 % repayment .

Microcredit utilization pattern

The internal loan amount as well as bank loan credit are used for various purposes by the members. Utilization pattern of loan amount by the sample SHGs in Thoothukudi and Tirunelveli districts shows that slightly over half of the loan was invested in the improvement of their occupation, for buying fishing nets, catamarans and boats. It varied from 52 % to 56 % in Thoothukudi district and 59 % to 60% in Tirunelveli district (*Table 13*). About 11 % each of the loan money was used for old debt repayment and house alteration and construction, about 9 % on education, 5 % on economic activity and about 2 % in gold jewellery. The pattern of loan utilization showed that investment in unproductive purposes has been minimum and over half of it was invested in income generation.

Microcredit supply gap

Demand for microcredit often surpasses its supply particularly among the 'unreached' poor coastal populace. An estimate of the demand for and supply of microcredit as expressed by the fisherwomen SHGs would be helpful to assess business potential. The study revealed that while the average demand for microcredit by an SHG ranged from Rs.3,00,000 to Rs.5,00,000 the average supply ranged from Rs.75,940 to Rs.40,6991. The supply gap for microcredit was between Rs.81,000 and Rs.3,95,600 per SHG (*Table 14*). The estimated demand for microcredit by the 41 fisherwomen SHGs covered in this study was Rs.2,37,29,603 while the actual supply was Rs.1,51,33,621 leaving a supply gap of Rs.85,95,982 (57 % approximately).

The study reveals under-utilisation of available immense market potential for microcredit delivery in the short-run. Also, from *Table 13* it could be seen that hardly 5 % of internal loan was invested in economic activity. When this level increases, which will eventually occur, the demand for microcredit will increase further. So there exists good business potential for banks in microcredit portfolio business in coastal villages.

Future of Microcredit

Microcredit has emerged as a potential tool for poverty alleviation with particular focus on women. Because, women are disproportionately placed in the group of people who earn less than US \$1 a day. According to the World Microcredit Summit, women make up one billion of the 1.5 billion people living in poverty. The Summit declared that 100 million poor with focus on women will be supported with microcredit by 2007. It envisages providing microcredit to 25 million poor families in India by the year 2005. NABARD, the nodal agency for microcredit in India, has set a target of linking 1 million groups in a decade's time, that is by the year 2008. However, this target has been achieved in 2003-04 as the cumulative number of SHGs financed stood at 10,79,091.

Table 13 Utilisation of loan amount by the fisherwomen SHGs

<i>Village</i>	<i>District</i>	<i>Occupation (Invested in fishing net, catamaran, boat, etc) (%)</i>	<i>Economic Activities (%)</i>	<i>House Alteration/ Construction (%)</i>	<i>Education (%)</i>	<i>Medical expences (%)</i>	<i>Old debt Repayment (%)</i>	<i>Investment In gold (%)</i>	<i>Total (%)</i>
Tharuvaikulam	Thoothukudi	56	5	9	9	6	10	5	100
Pazhayakayal		52	8	10	8	8	11	3	100
Therespuram		53	3	12	10	7	15	--	100
Kootapuli	Tirunelveli	59	4	10	11	5	9	1	100
Uvari		60	4	10	6	5	12	3	100
Average		56	5	10.2	8.8	6.2	11.4	2.4	100

Table 14 Demand for microcredit by the fisherwomen SHGs

<i>District</i>	<i>Village</i>	<i>Total No. of SHGs</i>	<i>Demand for microcredit</i>	<i>Supply of microcredit</i>	<i>Supply gap</i>	<i>Total credit Supply gap</i>
Thoothukudi	Tharuvaikulam	6	5,00,000	1,04,400	3,95,600	23,91,010
	Pazhayakayal	8	5,00,000	4,06,991	93,009	7,44,072
	Therespuram	5	3,00,000	75,940	2,24,060	11,20,300
Tirunelveli	Kootapuli	15	5,00,000	2,47,266	2,52,734	37,91,010
	Uvari	7	3,00,000	2,19,000	81,000	5,67,000

Role of Financial Institutions

A vast number of SHGs have been formed in recent years, as self-reliant autonomous, local financial intermediaries through NGOs, Government agencies and banks. About 90 percent of these groups are women groups which have proven to be better savers, borrowers and investors. SHG banking seems to be rewarding and relatively risk free, a message that has seemingly convinced the banks. This is probably the world's largest and most successful micro-finance programme for the rural populace and is unique in its emphasis on self-reliance and the local autonomy of the poor. The banking sector performs a crucial task in both direct and indirect financing of SHGs and within the banking sector. The role played by the various banks such as Pandyan Grama Bank (PGB), Indian Bank, Indian Overseas Bank, ICICI and Canara Bank in promoting saving credit programme in coastal villages in Thoothukudi and Tirunelveli districts has been significant. The PGB plays the dominant role in SHG financing programme and remains perhaps the foremost Regional Rural Bank (RRB) in microfinancing in the country for many years. Microcredit is a priority in the PGB portfolio management and it seems to have realised the business potential in rural areas. When its Satankulam branch slipped into red, it was large-scale microfinancing that enabled the branch to make a turn - around towards profit. Recently, even banks such as ICCI bank and State Bank of India are making special drive for microcredit. Gone are the days when these banks frowned upon microcredit as a peanut business, something untouchable for them. To day the scene is different. Yet an intensive drive for microcredit adopting a holistic approach is needed as the response of the banks is not matched with the demand for microcredit which has a very high repayment performance.

Innovation in savings, credit and microinsurance

There have been a diverse innovations in savings, credit and microfinance across the globe. In fact, the very sustainability and future of the microcredit programme across the world is believed to lie in adopting realistic innovations in these areas. Although they may have location – specific applications for obvious reasons, some of them may find wider use also. The recent innovations are summarized in Annexures I & II.

CHAPTER 5

IMPACTS OF THE MICROCREDIT PROGRAMME

The Sixth Five Year Plan (1980 to 1985) of the Government of India is a landmark in the history of women's development with emphasis on health, education and employment. The Seventh Five Year Plan (1985 to 1990) provided top priority for programs to improve the status of women and operationalized the concern of equality and empowerment, generating awareness about their rights and privileges and training them for economic activities and employment. The focus also was on bringing them into the main stream of national development. The Eighth Five Year Plan (1992 to 1997) continued emphasis on ensuring that benefits of development in the different sectors do not circumvent women and that women are enabled to function as equal partners in the development process. A major development in the empowerment of women is the 73rd constitutional amendment to Panchayat Raj Act which requires 1/3 rd of the posts of 'Sarpanch' and chairman of the block level assemblies (*Samiti*) and in the district assembly (*Zilla parishad*) to be filled with women. This is expected to bring radical change in women's status and will generally increase their political participation.

The microcredit program launched in the early nineties ushered in a silent revolution for the empowerment of women. The benefits received in terms of employment and income, *inter alia*, generated in the saving-credit programmes have (SHG-Saving credit linkage) led to the following changes in the lives of the beneficiary fisherwomen.

Change in social 'Status' and 'Role'

- A. Increase in participation in outdoor activities.
- B. Increase in participation in decision making.
- C. Increase in right on income.
- D. Positive change in the general attitude and behaviour of the husbands and other family members towards the fisherwomen.

Social awareness among respondents

- A. Awareness pertaining to social customs (such as Dowry, Remarriage, child marriage, marriage of girls under 18 years, etc.)
- B. Awareness regarding rights among respondents (Social, legal, political)

Social status

- i) SHG members show willingness to participate in-out door activities.
- ii) SHG members are involved in SHG activities. Membership attendance increased in participation of weekly meetings and participation in PRI activities. About 86 % of the SHG members participated in weekly meetings where family problems regarding finance, health, children education, economic activities and women empowerment and so on are also discussed. Suggestions are also provided to them by fisherwomen SHGs federation members. Some of the members faced the problem of husband's misbehavior (towards wives). In that case, animator or federation members got involved in the problem and provided

counseling to them to help them solve their family problems. That fisherwomen SHG members have the backing of other women has helped to minimize such misbehaviour on the part of men.

- iii) Participation by the fisherwomen in family decision making increased.
- iv) Better behaviour of husbands towards wives.
- v) Family income increased because the SHG loan amount was invested for improving husband's occupation. In case of fisherwomen SHG members the loan amount was utilized for purchase of fishing net, catamaran , boat etc.

Social awareness regarding child marriage, child labour, correct marriage age, family health care and children education had increased. Personal development, self confidence have also increased among the fisherwomen after they enrolled themselves in the SHGs.

The very status of being a SHG member has provided social status and self esteem which are hall marks of women emancipation and empowerment. The microcredit programme has clearly contributed a lot towards this significant development for which the contribution of NABARD, banks and NGOs has been immense. NABARD's role as a change agent was made possible by its refinance of the almost entire microcredit provided by the banks and in serving as the national apex body for microcredit. The good beginning in microcredit through SHGs made way back in 1994 with MYRDA has come a long way and now appears to be poised for not only rural development but also socio-economic upliftment of the *unreached* poor through SHGs

Impacts of the microcredit programme

The impacts of the microcredit program are many encompassing the various spheres such as cultural, socio-economic and political sectors. The salient impacts of the microcredit programme in the present study may be listed below:

I. Economic Impact

- 1. There is considerable increase in the monthly income of the respondents through their various economic activities.(Table 6)
- 2. Increase in annual household income is clearly demonstrated. (Table 7)
- 3. Raise in expenditure incurred on various consumption needs is evident, mainly on food, health and education.
- 4. High number of respondents could save in post loan period.

II. Household Impact

- 1. About 13 % of the members lived in Huts.
- 2. About 41 % lived in Tiled houses.
- 3. About 46 % lived in Concrete houses.

In this study, nearly 34 % of the fisherwomen lived in Government provided free fishermen colony houses. Most of the houses had civil amenities (water, electricity, toilet, etc.) but needless to say they are in dilapidated condition.

III. Impact on health

1. Awareness of treatment seeking behaviour during ill health showed considerable shift from ‘ *doing nothing and use of home remedies* ‘ to contacting Government and private hospitals.
2. Involvement of husbands in care taking during sickness of respondents was found.
3. Food contents in family’s meal established improvement in quality and quantity.

IV. Impact on Educational Status

Education plays an important role in moulding an individual’s life and its main aim is to provide better, richer, peaceful and purposeful life. Education is a medium of employment and success to various kinds of exploitation. An effort was made to study the educational status of the fisherwomen respondents and explore the inter-relationships between income and educational status in terms of change in respondents view pertaining to education in its broader sense which showed positive changes in attitudes and behaviour.

Besides availing microcredit in banks, the members are also exposed to various awareness campaigns and multipurpose activities such as educational, economic, vocational and health activities which contributed to improve their overall awareness. Also, educational trips to social agencies are arranged. As a result, educational status of the fisherwomen in terms of their attitudinal change to various issues is considerably high.

V. Impact on Social status

India is the seat one of the oldest civilizations of the world but today it is known for its caste-ridden and paternalistic societal system. Women, though entitled to equal rights as per the constitution of the country, lead a life of subjugation and exploitation and are considered as second class citizens. Further, women from the millions of the poor families in India have to earn and supplement the income of the family to either survive or lead a reasonably decent life.

Assessment of saving needs of the SHG members savings products

The fulcrum of any microcredit scheme is savings. There exists numerous savings mobilization schemes among the MFIs across the globe. MFIs make it mandatory that savings are an inextricable part of their microcredit programme because several studies have shown that *poor people can and do save*, which is a simple plain fact but amazingly not fully appreciated for formal financial institutions. Savings is not a mere strategy of microcredit. It goes beyond that. Indeed savings determine the success of the microcredit programme and the very sustainability of the MFIs as well as that of the SHGs themselves. The world Bank’s “ *Worldwide Inventory of Microcredit Institutions* ” found that many of the largest, most sustainable and institutions in microcredit rely heavily in savings mobilization.

According to Paxton (1996a), over \$19 billion are held in surveyed microcredit institutions in more than 45 million savings accounts compared to nearly \$7 billion in the million active loan accounts. Often neglected in microcredit, deposits provide a highly valued service to the world’s poor who seldom have reliable places to store their money or the possibility to earn a returns on savings. The World Bank

survey revealed that the macroeconomic and legal environment influence deposit mobilization. Paxton (1996a) reported that, ‘ *Statistical analysis of the surveyed institutions reveals a positive correlation between the amount of deposits mobilized and the average growth in per capita GNP of the country from 1980 to 1993*’. Likewise, *higher deposit ratios are negatively correlated with high levels of inflation*. Finally, *the amounts of deposits are positively correlated with high levels of population density*.

Mobilisation of savings is carried out in two ways: (1) compulsory savings and (2) Voluntary savings.

Compulsory savings

MFIs insist that the borrower must save as a necessary condition to obtain loan. The size of savings could be a certain percentage of the loan amount availed or just a nominal amount. Generally, compulsory savings are considered part of a loan product rather than an actual product because it is related to availing and repaying loans. It is an asset to the borrower and to the MFI on the strength of which the microcredit is made available. MFIs may or may not let borrower the withdraw the savings until the loan available is fully repaid.

Compulsory savings are useful to :

- ✓ demonstrate the value of savings practices to borrowers ;
- ✓ serve as an additional guarantee mechanism to ensure the repayment of loans ;
- ✓ demonstrate the ability of client to manage the cash flow and make periodic contributions (important for loan repayment) and
- ✓ help to build the asset base of the clients.

The demerit of the compulsory savings is that borrowers consider it as a *fee* as the MFI treats the savings as a collateral and most often do not permit borrowers to use the savings even before the loan is fully repaid. There is an increasing awareness among MFIs that this is ‘*unfair*’ and so they do let the borrowers withdraw their savings irrespective of loan repayment.

NABARD Experience

NABARD has rightly pursued the strategy of compulsory savings as mandatory to benefit from Microcredit. Members of an SHG have to necessary save regularly for at least six months in a savings account with a bank to become eligible for availing microcredit. This process is termed “*linkage with bank*”. Generally, the SHG is rated as per the NABARD guidelines and also *only* when the bank manager is satisfied with the conduct of the SHG, it is “ *Credit linked* ” with the bank.

Also, NABARD pursues the fair policy of allowing the borrowers withdraw their savings also along with the loan sanctioned. This policy of not insisting on the borrower’s savings as a collateral for the loan availed has paid rich dividends in encouraging the borrowers to save. Further, to encourage savings, NABARD stipulated that the size of loans depends on the size of savings and promptness on loan repayment and a saving –credit ratio of 1:4 has been stipulated by NABARD .

But, we have found that the loan amount granted has often exceeded the maximum ratio stipulated. In Tharuvaikulam, for example, a ratio of 1:17 (savings: loan) was found. It indicated the readiness of the bank in undertaking microcredit and the confidence of the bank on the borrowers.

However, banks have been found to advance on the strength of *Term Deposits* of the SHGs as was reported by some respondents.. However, these SHGs need not have any *Term Deposit* with a bank to avail microcredit from it.

Changes required

a) Flexibility in savings

As per existing rules, NABARD insists on

- 1) regular savings and
- 2) fixed monthly-equated installments.

Members of an SHG may contribute Rs.100 per month and if there 15 members, it will pay Rs.1,500 per month to its savings account. The present system expects them to pay Rs.100 per month throughout. In primary production sector like fisheries, agriculture and horticulture etc. vagaries of nature influence production. In fact, agriculture is often quoted as a '*game of monsoons*' and so the income of the farmers and fishermen is not stable. It is more so in the case of fishermen as fishing is a hunting venture even today. When the income fluctuates widely, it would be difficult for the fisherwomen contribute the same amount regularly.

What is required is a flexible savings policy

Borrowers should be free to contribute an amount of their *choice* at different periods. An occasional default may also be allowed depending on the '*genuiness*' of the cause. Private MFIs have benefited immensely from a flexible savings policy. Regulated, government MFIs often lack in *flexibility* in their approach. What is important is there would be no *write off* but interest waiver, loan rescheduling, moratorium when the clients have any difficulties in making the repayment..

Incentives for savings

Incentives help to save more, to increase their share in the common fund and to respond to requests from members to adopt policies similar to the financial institutions where their savings were earning interest. The incentives for savings may be calculated, for example, as follows.

Formula : 50% net income (Income – Expenditure) x individual savings.

Income taken for calculation

1. Interest earned on SHG loans
2. Fines
3. Bank interest
4. Donations
5. Cash awards given by external agencies and visitors
6. Any grant received

Expenditure taken for calculation

1. Honoraria to book writers
2. Stationery
3. Travel
4. Auditors fee
5. Contribution to federation or apex body
6. Community action programmes
7. Visitors
8. Social functions
9. Penalty paid by SHG

Criteria for selection of SHGs

Groups which met the following criteria may be selected to initiate this experiment :

1. The age of the group should be 5 years and above from the date of lending a repayment.
2. The repayment performance should be 85 % at least.
3. External loan repayment to the banks should not average below 98 %.
4. Attendance at meetings of each member should average 90 % during the previous 12 months.
5. There should be sufficient funds in the group for meeting the loan demand.
6. The group should be willing to re-assess itself according to these criteria once in 3 years.

Example :

50 % net income x individual savings

.....
Total SHG savings

Net income after deductions	=	Rs.1, 03,585
50 % of net income	=	Rs. 51,792
Total savings	=	Rs. 81,865

Now,

				Dividend paid
	51,792	x	3, 320	Rs. 2,100
Ramalakshmi =	-----		(Savings)	
	81,865			
	51,792	x	3,365	Rs. 2,128
Seetha =	-----		(Savings)	
	81,865			

- 3) A flat rate of dividend of 5 % on savings provides an amount above Rs.1,500/-

Impact of providing dividend on savings

A survey conducted by MYRADA among members in groups where the payment of dividend was practiced indicates the following.

- ❖ The amount of savings in the personal accounts of members in the banks has decreased while there is an increase in the common fund of the group through an increase in savings.
- ❖ The demand to withdraw savings has decreased considerably and in most groups it has not occurred; this demand was made when members decide that they had saved enough and wanted to utilize their savings. After withdrawing the amount they would start again to save.
- ❖ Members interest and ownership in group affairs increased.
- ❖ Those members who had not acquired the regular savings habit became motivated to save by cutting down non-essential expenditure. They felt they had to ‘*Keep up*’ with others who had not only saved but had been ‘*rewarded*’ for their efforts through the dividend.
- ❖ Competition between the affinity groups to improve savings and pay dividend has increased.
- ❖ Over dues decreased significantly.
- ❖ The respect for the affinity group offering dividend has increased in the village.
- ❖ Members are more interested in knowing and discussing financial matters and management.

c) Concession rate of interest

When an SHG has availed at least four loans, it is expected to reach ‘*stability and maturity*’ and may be in a ‘*take off*’ stage. If so, the SHG may not prefer to avail microcredit from the bank any longer. Instead, it may prefer to circulate its savings among its members. In Tharuvaikulam, an SHG is a case in point. They have availed four loans successively and successfully and now they are not interested in approaching bank for microcredit whereas the bank is very much interested to extend credit facilities to the SHG. Instead, the SHG plans to circulate the savings among its members. To quote the president of the SHG, “*why should we pay interest to the bank unnecessarily? If we circulate savings among ourselves, interest income from the circulation of savings benefits each one of us*”. In such cases, the bank may offer a ‘*reduced interest rate*’ as an incentive to motivate the SHG to avail credit facilities.

Further, when such SHGs reach the point where they could be “*federated*” with similar SHGs at the taluk / district level to form a “*Community or village bank*”. (some think that federation of SHGs may affect them, particularly its democratic functioning and the group interests may be hijacked by the ‘*strong*’ members to serve their ‘*vested interests*’, something like what happened to the co-operatives or even to the men SHGs). Such banks would emerge as an MFI and would offer microcredit more successfully than Government run MFIs as they would be doing “*relationship banking*” which is lacking in the Government MFIs.

Voluntary savings

Voluntary savings services are provided to both borrowers and non-borrowers who can deposit or withdraw according to their needs. When MFIs offer the service, they benefit from advantages such as consumption smoothing for the clients and a

stable source of funds for the MFI. The CGAP (1997) opined that three conditions must exist for an MFI to consider mobilizing voluntary saving:

- ✓ An enabling environment, including appropriate legal and regulatory frameworks, a reasonable level of political stability and suitable demographic conditions.
- ✓ Adequate and effective supervisory capabilities to protect depositors.
- ✓ Consistently good management of the MFI's funds. The MFI should be financially solvent with a high rate of loan recovery.

Reasons for the success of Fisherwomen SHGs in Tamilnadu

Our study covered 41 fisherwomen SHGs in the two coastal districts of Thoothukudi and Tirunelveli. In both the districts, fisherwomen SHG members are engaged in various economic activities. In our study we found the following reasons for the success of fisherwomen SHGs in the coastal villages:

- Close interaction among the members.
- Unity and collective efforts in their aims (or) goals.
- Self confidence
- Financial independence
- Personality development
- Greater awareness about useful skills and various government programmes
- Changed attitude for better living
- Emphasizing psychological empowerment and awareness generation
- Information sharing and motivation
- Ability to solve community problems
- Arresting alcoholism in their localities
- Greater participation in family decision making
- Improved family income.
- Better access to education
- Access financial support to strengthen their husband's occupation (especially in fishing)
- Eradicating the '*usurious*' transaction in their villages
- Financial independence of the destitutes by utilizing the small saving credit loan
- Increase in their leadership skills
- Greater participation in the PRI activities
- Increase in their purchasing power. (as reflected by increased expenditure on food, clothing, furniture, jewels, improvement of houses facilities, etc.)
- Awareness about family health, nutrition, etc.
- Awareness about family planning, family size, contraception and sterilization, etc.
- Awareness about legal marriage age, remarriage, child marriage, dowry, etc.
- Participation in outdoor activities, social and national functions, etc.

Women have become more articulate when they take active part in all economic, political and social activities. The above reasons are contributed to the success of fisherwomen SHGs in the coastal villages.

Constraints

The SHGs have constraints too. The constraints reported by the respondents are discussed below:

Default in loan repayment

Some of the SHGs in the coastal villages faced the problem of default in loan repayment. Loan repayment problem occurred due to unemployment in marine fishing and due to their low level of income their basic amenities were not fully fulfilled. So, fisherwomen savings also got affected which in turn constrained repayment.

Marketing problem

Fisherwomen SHGs faced the problem of marketing their products. Lack of marketing strategies, no liaison with other SHGs in interior urban markets, lack of imagination and co-ordination had constrained their marketing efforts. Unless it is sorted out, fisherwomen would not be able to enlarge their economic activities which does not augur well in the long run as it would adversely affect the very sustainability of the SHGs. The Tamilnadu government, for example, had started an e-bazar (web-based marketing of SHG products and services) but its reach and coverage of far, remote coastal villages is limited. All District Rural Development Agencies (DRDAs) have either built or provided place for display and marketing of SHG products in district headquarters. Canara Bank has established such a facility at its Sankarankoil branch. Similar efforts on a wider basis and coverage are required. Also, the SHGs need to be trained in aggressive and appropriate marketing strategies and assistance required in this regard need to be provided to them.

Availability of raw materials

The members reported that raw materials required to produce various commodities are not available in the local market and so some of the members are unwilling to participate in the production activities. With higher cost of production and minimum level of profit in the beginning stage, SHGs produced only minimum quantity of the products, for which, transport cost, labour charges (wages) and other miscellaneous costs are high and so profit earned is very low. Hence, the SHG members are not interested in producing commodities for additional income generation.

Unskilled labour Force

SHGs members are an unskilled labour force with poor education and fear for social customs which remain a stumbling block in their socio – economic empowerment. Hence, their techno-economic skill up-gradation is important.

Entrepreneurs development programme

Entrepreneurs Development Programmes (EDP) provided by the Government remains more in theory than in practice for many reasons. Due to marketing problems, the SHG members have not attained self sufficiency level in entrepreneurship activities.

These are the main problems faced by the fisherwomen SHG members in the study area. Now the NGOs are promoted to act as a bridge between the members for

catalysing these developments and contribute to their social, economical and political activities.

Suggestions for future microcredit delivery

Microcredit tenant needs to be successfully carried out in Tamilnadu. The SHG concept is not fully covered in all small villages, towns and cities (Panchayat, Municipalities and Corporations). This concept is utilized especially for the poor section of the community belonging to the lower income group. Women SHGs could usher in marvelous changes in the society, in the economic, social and political levels. The victory of women SHGs had led to promote 'Men SHGs' also.

The utilization of microcredit concept provides a new scenario of the poor society. The NGOs promote the SHG in all localities. The up-liftment of the poor, their standard of living, income, education, health, sanitation and other basic amenities, water and transportation. The Government developed institutions NGOs and private institutions need to conduct awareness programmes to promote the SHG concept to cover the "Unreached" section of the society.

The sustainability of the SHGs on long term basis could be assured with following strategies :

- ❖ Microcredit interest rate should be reduced.
- ❖ Loan repayment installment term should be increased.
- ❖ Flexibility in loan repayment to suit change in their occupation structure and varying levels of income and savings.
- ❖ Providing subsidy loan for fisherwomen SHGs for innovative projects.
- ❖ Providing self employment loan for individual SHG members.
- ❖ Providing marketing facilities to the SHG products (Proper marketing channel could be arranged by the Government (or) NGO (or) private institutions).
- ❖ Providing self employment training to the rural people.

CHAPTER 6

ECONOMIC EMPOWERMENT

Economic empowerment is recognized as an important goal of the SHGs. Economic empowerment may be defined as a state wherein the SHG members are able to fulfill their basic needs through reasonable opportunities for income generation and to own assets, liquid or immovable properties such as land, through individual or group activity.

Empowerment basically refers to the process of raising women status by way of promoting economic, social, political and local empowerment. Economic empowerment has been shown to occur in most microcredit programs which is its most natural result. Economic empowerment has been measured in terms of control of their loans, profit and savings, family assistance in enterprise, taking product to market and doing most of the accounting.

Microcredit has become a powerful tool in helping women transform their lives, the lives of their families and that of their communities. Microcredit is about much more than mere access to credit. According to Muhammad Yunus, founder of Grameen Bank, “ *women have plans for themselves, for their children, for their home and the meals. They have a vision. A man wants to enjoy himself* ” (<http://www.soc.titech.ac.jp/icm/wind/wind.html>).

A study by the Women's World Banking has found that only 40 to 50 % of men's earnings will reach his family while women will reinvest 92 % in their families which underscores the importance of women banking (Betsy Beril, “ A little Credit, A Huge Success”, <http://www.examiner.com/microloans/0502microloans.html>). In India, about 25 % of women labour force are involved in pre-harvest activities, 60 % in export marketing and 40 % in internal marketing. About 0.5 million women are employed in the pre and post harvest operations in marine fisheries sector out of a total of 1.2 million workforce.

Opportunities for women in fisheries could be enlarged in the field of integrated aquaculture, fishery estates, marine products processing, manufacture and export, development, management of fishery infrastructure, marketing and export as well as in research and technology development.

In the present study, the members of fisherwomen SHGs were found to have regularly contributed to the savings and had paid the installments towards repayment of loans taken from the group. The repayment records of the members in general was observed to be exemplary. The lending institutions such as banks and other financial institutions have also confirmed that the repayment record of the SHGs has been almost hundred percent. So, one can conclusively make the observation based on empirical findings that the first step to economic empowerment, i.e. Propensity to save, has been well and truly established.

Revolving Fund Assistance (RFA)

Once the savings habit has been regularized for a period of six months, SHGs become eligible for rating. After the process of rating is completed, the SHGs are

eligible to receive an amount of Rs.25,000 /- as Revolving Fund Assistance (RFA) from the banks which is expected to be rotated among the members according to their needs, preferably for individual income generating activities. A subsidy of Rs.10,000 is availed for RFA if majority of the SHG members belong to Below Poverty Line (BPL) 'households'.

Out of the 41 SHGs covered in our study, all the SHGs have functioned for a period of more than six months, collected regular monthly savings and became eligible for rating and thereby got credit linked with banks for receiving RFA and Economic Activity (EA) loan. Out of the 41 SHGs, 27 SHGs received RFA (61 %) from the banks (*Table 15*).

Table 15 Revolving Fund Assistance to the fisherwomen SHGs

<i>Village</i>	<i>District</i>	<i>No. of SHGs</i>	<i>No. of SHGs Eligible for RFA</i>	<i>No. of SHGs which actually received RFA</i>	<i>No. of SHGs which received subsidy</i>
Tharuvaikulam	Thoothukudi	6	6	6	2
Pazhayakayal		8	8	5	4
Therespuram		5	5	--	--
<i>Sub Total</i>		<i>19</i>	<i>19</i>	<i>11</i>	<i>6</i>
Kootapuli	Tirunelveli	15	15	12	--
Uvari		7	7	2	--
<i>Sub Total</i>		<i>22</i>	<i>22</i>	<i>14</i>	<i>--</i>
<i>Grand Total</i>		<i>41</i>	<i>41</i>	<i>25</i>	<i>6</i>
<i>%</i>			<i>100</i>	<i>61</i>	<i>14.6</i>

All the 19 sample SHG's in the Thoothukudi district were eligible for RFA. But only 11 SHGs received RFA . In Tirunelveli district, all the 22 SHGs were eligible for RFA, but only 14 SHGs received RFA. The RFA received by the fisherwomen SHGs was Rs 5,41,300 (*Table 16*)

Table 16 Revolving Fund Assistance received by fisherwomen SHGs

<i>Sl. No.</i>	<i>District</i>	<i>Village</i>	<i>No. of SHGs Availing RFA</i>	<i>Total Amount (Rs)</i>
1.	Thoothukudi	Tharuvaikulam	6	1,35,000
		Pazhayakayal	5	56,300
		Therespuram	--	--
		<i>Sub Total</i>	<i>11</i>	<i>1,91,300</i>
2.	Tirunelveli	Kootapuli	12	3,00,000
		Uvari	2	50,000
		<i>Sub Total</i>	<i>14</i>	<i>3,50,000</i>
		<i>Grand Total</i>	<i>25</i>	<i>5,41,300</i>

Table 16 showed that out of 41 SHGs, 25 SHGs fisherwomen SHGs (61 %) received Rs. 1,91,300 and Rs.3,50,000 towards RFA in Thoothukudi and Tirunelveli districts, respectively. There seems to be a considerable time lag between the due date of rating and actual date of rating done by the authorities and also between date of rating and date of credit linkage with banks. These delays affect the growth of the SHGs in earning additional income and hence effective steps need to be taken to reduce the delays.

Economic Activity Assistance

For release of Economic Assistance loan (EA), preparation of project reports, proper documentation and follow up action at the bank level are required. The fisherwomen SHG members are engaged in many economic activities. Some of the SHGs members are likely to take up the economic activities on full time basis and some others are likely to take up them on part time basis (see *Table 6* in chapter 3). It could be seen from the *Table 12* that in Tharuvaikulam village the sample fisherwomen SHGs received the highest of Economic Activity loan of Rs.62,56,000 followed by Pazhayakayal (Rs.32,55,921) and Therespuram (Rs.3,79,700). The three coastal villages are in Thoothukudi district. In Tirunelveli district, the highest amount of Economic Activity (EA) loan was received in the coastal village of Kootapuli (Rs.37,09,000) followed by Uvari (Rs.15,33,000). About 70.7 % of the SHGs are engaged in various economic activities.

By utilizing the EA loan the individual income of the fisherwomen increased. Housing status also improved. The loan was utilized for children education, medical expenses and old debt repayments etc, apart from investment in income generation activities. The amount of Economic Activity loan disbursed by the banks depends upon the activity proposed by the SHG as well as the amount of savings and credit rotated by the SHGs. The sample fisherwomen SHGs received economic activity loan to the tune of Rs.1,51,33,621, overall.

Economic Activities

Even though a majority of fisherwomen SHGs got EA loan, all the SHGs have not started the economic activity as proposed by them. The members have shared equally the amount of loan drawn from the banks and spent either on repayment of loans received from money lenders or on starting some petty trade to earn additional income. Since the members are taking efforts to repay the bank loan promptly, the bankers feel secure and are not bothered about the economic activities of the fisherwomen. Thus, banks play an important role in supporting and facilitating economic activity. The NABARD and Lead bank for each district have demarcation of sectors for priority lending. The number of fisherwomen who have actually started economic activity was found to be lower than what was expected (*Table 17*).

Table 17 Fisherwomen SHGs engaged in Economic Activities

<i>District</i>	<i>Village</i>	<i>Number of SHGs</i>	<i>No . of SHGs which Received Economic Activity Loan</i>	<i>No . of SHGs Engaged in Economic Activity</i>
Thoothukudi	Tharuvaikulam	6	6	5
	Pazhayakayal	8	8	8
	Therespuram	5	5	4
	<i>Sub Total</i>	<i>19</i>	<i>19</i>	<i>17</i>
Tirunelveli	Kootapuli	15	15	9
	Uvari	7	7	3
	<i>Sub Total</i>	<i>22</i>	<i>22</i>	<i>12</i>
<i>Grand Total</i>		<i>41</i>	<i>41</i>	<i>29</i>

Table 17 shows that in Thoothukudi district, out of 19 fisherwomen SHGs, 17 fisherwomen SHGs (89.5 %) are engaged in economic activities. In Tirunelveli district, out of 22 SHGs, 12 SHGs (54.4 %) are engaged in economic activities. Overall, 29 SHGs (71%) are engaged in economic activities. The study found insignificant participation of the fisherwomen SHG members in taking up economic activities (see Table 6 in chapter 3). All of the sample fisherwomen SHGs received Economic Activity loan (EA). Some of them received SGSY loan also. They received subsidy for their economic activities as well (Table18).

Table 18 SGSY loan received by the fisherwomen SHGs

<i>S.No.</i>	<i>District</i>	<i>Village</i>	<i>Total No. of SHGs</i>	<i>No. of SHGs which received SGSY loan</i>	<i>Amount (Rs)</i>
1.	Thoothukudi	Tharuvaikulam	6	2	3,99,000
		Pazhayakayal	8	4	9,77,850
		Therespuram	5	--	--
2.	Tirunelveli	Kootapuli	15	--	--
		Uvari	7	--	--
<i>Total</i>			<i>41</i>	<i>6</i>	<i>13,76,850</i>

CHAPTER 7

SOCIAL EMPOWERMENT

Empowerment is a process of awareness and capacity building leading to greater participation to greater decision making powers and control and to transformative action . The goals of women empowerment are to challenge patriarchal ideology, to transform the structures and institutions that reinforce and perpetrate gender discrimination and social inequality and enable poor women to gain access to and control over both material and information resources.

Self-help groups acquire strength and power not merely through plans or programmes but through a process of continued functioning, close interaction, concerted unity and collective efforts in accomplishing certain tasks and by achieving goals. The practice of savings, distribution of short credits, their utilization for emergency / consumption or productive purposes alone do not generate the required solidarity and strength for an empowered status. The core strengths of an SHG are as follows:

- ❖ Sensitisation of the groups to social realities.
- ❖ Determination of the groups to take up social issues.
- ❖ Courage to defy indiscriminate, gender biased social order.
- ❖ Conviction to indulge in personal / marital problems of women in their groups / community.
- ❖ Strength to organize protests for atrocities against the innocent and rallies for satisfaction of their basic needs
- ❖ The wisdom to co-operate with local leaders and Panchayats in addressing long pending community needs.

This stage is attained through a continuous process, emerging only where there is greater solidarity, unison and inner strength of members, their willingness to co-ordinate with each other and thirst for tackling burning social issues and fulfilling basic needs. The SHGs, therefore, have a broad focus in empowering women in multi-dimensional spheres unlike the efforts made by other change agents.

In Thoothukudi and Tirunelveli districts, NGO's play an important role in promoting the fisherwomen SHG's in coastal villages. In Thoothukudi district, the Thoothukudi Multi-Purpose Social Service Society (TMSSS) played a major role followed by other NGOs. In Tirunelveli district, Bullock-carts Women Development Association (BWDA) and Association of Women Education and Development (AWED) contributed significantly in promoting the SHGs.

In the present, study the following indicators of social empowerment are considered:

- ❖ Ability to visit banks for banking transactions of the SHG;
- ❖ Decision making either as equal partners with husband or independently on purchases for the family;
- ❖ Awareness about various government schemes implemented for the improvement of the rural poor;

- ❖ Participation of SHG members in *Grama sabha* meetings and other Panchayat activities;
- ❖ Participation in federation and collective action.;
- ❖ Participation in organising events such as Womens' day and other events;
- ❖ Age at marriage of the SHG members;
- ❖ Education of girl children;
- ❖ Eradication of female infanticide;
- ❖ Eradication of illicit liquor from the village and
- ❖ Adoption of family planning.

Broadly speaking, the above indicators of social empowerment may be divided into three groups:

- i) Group dynamics and individual behaviour
- ii) Social change and
- iii) Social control.

Group dynamics and individual behaviour

One of the important parameters to assess the change in personal group behaviour is to analyse the change in personal traits, qualities and attributes viewed from their perspectives. It has been observed that the SHG members gained self confidence and certain changes have occurred in the personality of the women members and they have developed new attributes which were higher to latent (or) curtailed under social orthodoxy and prevailing practices.

Interpersonal communication skills among the fisherwomen have been brought out quite clearly during the course of study. Improved communication skills amongst SHG members have been observed throughout the Thoothukudi and Tirunelveli districts selected for the study. The members of the SHG are able to communicate effectively adapting to the requirements of the situation, time and place. For instance, almost all the members of the group take turns in visiting the bank to conduct banking transactions in respect of their group activities (*Table 19*).

Table 19 Visit to bank by fisherwomen SHGs members

<i>Village</i>	<i>District</i>	<i>Members visit to Bank</i>	
		No.	%
Tharuvaikulam	Thoothukudi	105	89.0
Pazhayakayal		120	85.7
Therespuram		79	85.8
<i>Sub Total</i>		<i>304</i>	<i>86.9</i>
Kootapuli	Tirunelveli	237	84.9
Uvari		83	86.5
<i>Sub Total</i>		<i>320</i>	<i>85.3</i>
<i>Grand Total</i>		<i>624</i>	<i>86.1</i>

In the various development programmes, the SHG members are increasingly being relied upon for the purposes of information, education and communication (IEC). So they are assisting the development administrators in the better implementation of various interventions designed for their improvement and up-keep.

An interesting development of the improved communication skill acquired by the fisherwomen SHGs is that the literacy level of the individual member has shown improvement in as much as they are signing documents instead of fixing thump impression as was the case in the past.

Decision making is an area which affects domestic harmony and also reveals the status enjoyed by women. The beneficiaries contacted during the evaluation study clearly mentioned that they are more or less equal partners in decision making and the husband being the sole decision maker in the family is a bygone matter and a thing of the past. Husbands of some of the SHG fisherwomen admitted that their wives contributed to the family welfare and income apart from attending to their domestic chores and so they could no longer ignore the wisdom and role of their wives in family decision making process (*Table 20*).

Table 20 Decision making by fisherwomen

Village/district	Husband		Wife		Both		Total
	No.	%	No.	%	No.	%	No.
<i>Thoothukudi</i>							
Tharuvaikulam	29	24.6	19	16.1	70	59.3	118
Pazhayakayal	27	19.3	20	14.3	93	66.4	140
Therespuraam	24	26.1	21	22.8	47	51.1	92
<i>Sub Total</i>	80	22.9	60	17.1	210	60.0	350
<i>Tirunelveli</i>							
Kootapuli	78	27.9	66	23.7	135	48.4	279
Uvari	23	24.0	23	24.0	50	52.0	96
<i>Sub Total</i>	101	26.9	89	23.7	185	49.3	375
<i>Grand Total</i>	181	24.9	149	20.6	395	54.5	725

About 25 % of the household decision making was done by husband only, about 21 % of decision making was by wife only and in about 55 % of the sample fisherwomen households decision making is by both the husband and wife. As a result of the participation of women in the SHGs they have come to know about the various schemes being implemented by the Government, especially for the welfare of women such as free supply of sewing machines, marriage assistance schemes, delivery assistance scheme ,etc. Their awareness has improved remarkably and they are able to advise and guide eligible neighbours in availing the government assistance programmes. Their regular participation in the *Grama sabha* meeting helped them to know details of various SHG assistance schemes and on the procedure to be followed to avail the same.

Social change

The conventional stereo type women of earlier decades are giving way to a more independent and socially better placed women of to-day. This aspect of social change has come about due to the group dynamics and social interaction by both inter-group and Intra-group activities. India today is moving to a position of considering people as strategic resources. Panchayats are units of local government which have been empowered to intervene in areas like health, nutrition, sanitation and safe drinking water supply. The SHG members play a facilitative role to bring

Panchayats in the domain of womanhood, emancipation and empowerment. They gain experience after joining SHGs in a broad spectrum of development activities.

The function of *Grama sabha*

Article 243A of the Constitution of India says that “A *Grama Sabha* may exercise such functions at the village level as the Legislature of a State, may by law, provide”. The Institution of *Grama sabha* has been essentially conceived to enable the village Panchayats to provide a concrete shape to the felt needs and aspirations of the fisherwomen village community to approve the following:

- ❖ Village plan,
- ❖ Village Panchayat budget,
- ❖ Audit report on village Panchayat,
- ❖ List of beneficiaries selected for various schemes,
- ❖ Selected location for the settlement of the families in the village,
- ❖ Commercial and social housing among the various groups of people in the village and
- ❖ Mobilization of labour and contribution in cash and kind for implementation of various development programmes.

The *Grama sabha* will meet at least on four important days, viz., 26th January, 1st May, 15th August and 2nd October every year. The matters raised in the *Grama sabha* related to housing, drinking water, street lights, construction of drainage, provision of burial ground, laying of road, bus service, old age pensions and other social welfare programmes besides reading out the receipts and expenditure for the various programmes.

Participation in Panchayat Raj Institution

Participation in Panchayat Raj Institution (PRI) activities, particularly in *Grama sabha*, is a necessity required for speedy social and economic development. The SHG movement has created awareness among the poor women about the PRI activities. The field study had specific queries about the participation of members in PRI activities (*Table 21*). About 63 % of the fisherwomen SHGs members participated in Panchayat raj meetings and other PRI activities which merit significance in the context of their social empowerment.

Table 21 Fisherwomen participation in PRI meeting

<i>Village</i>	<i>District</i>	<i>Fisherwomen participation in PRI meetings</i>	
		<i>No.</i>	<i>%</i>
Tharuvaikulam	Thoothukudi	83	70.3
Pazhayakayal		91	65.0
Therespuraam		---	---
<i>Sub Total</i>		174	49.7
Kootapuli	Tirunelveli	213	76.3
Uvari		66	68.8
<i>Sub Total</i>		279	74.4
<i>Total</i>		453	62.5

Organizing and participation women's Day celebrations

The study results showed that about half of the fisherwomen had organized Women's day and participated in the celebrations. They have also helped the Panchayats in popularising rain water harvesting among the villages. They themselves adopted it in their houses and set an example for others to follow .

Participation in Federations and Collective actions

In the process of development and empowerment of the poor through SHG , it is envisaged that Panchayat Level Federation (PLF) of women groups would be formed within a period of six months to one year since the date of group formation. The PLF is formed by grouping all the SHGs functioning in the Panchayat for the betterment of the SHGs in a cluster and to voice their achievements and also solve their problems as well as to represent collectively. Two representatives from each group are selected and the tenure for such representatives is two years. With a view to assess the participation of sample members in PLFs and their collective actions, they were interviewed and the data collected showed that 88 % of the fisherwomen SHGs are covered under the PLFs. Two members represented each SHG (14.2 %) and participated in Panchayat level federation (*Table 22*).

Table 22 Fisherwomen participation in Federation and collective action

<i>Village</i>	<i>Districts</i>	<i>Total No. of SHGs</i>	<i>SHGs under PLFs</i>	<i>No. of selected representative Participation in Federation and collective action</i>
Tharuvaikulam	Thoothukudi	6	6	15
Pazhayakayal		8	8	20
Therespuram		5	--	12
<i>Sub Total</i>		19	14	47
Kootapuli	Tirunelveli	15	15	35
Uvari		7	7	21
<i>Sub Total</i>		22	22	56
<i>Grand Total</i>		41	36	103

Participation in development activities

During the course of the field study, we came across enough evidence that brought out the participation of SHG members in IEC (Information, Education and communication) activities in the field of health care, family welfare, eradication of child labour and publicity for development programmes like watershed development and so on.

In the field study, a number of integrated sanitary complexes for women and children have been constructed as part of the rural development strategy. More recently, the Government of Tamilnadu has launched a "*Clean village*" campaign which includes *inter alia* sanitation, provision of protected water supply and segregation of garbage and waste and effective solid waste management measures.

The SHGs members are playing a vital role in such services of "*clean villages*". The Panchayat Presidents and rural development department officials acknowledged the significant contribution of SHG members in these spheres.

Social control

One of the important achievements of the SHGs is their emergence as a new and alternate model of dispute settlement and conflict resolution. This development has emerged as an effective instrument for social control in society. Due to the widespread of the SHG movement, based on the evaluation study, it emerged that there appears to have been considerable degree of reduction in the incidence of domestic violence in the fisherwomen households surveyed and also as reported during the interactions with the fisherwomen groups.

It was also gathered from the members of the fisherwomen SHGs that in case there are isolated instances of domestic violence being perpetrated by the wayward (or) inebriated fishermen, the SHG members counsel the errant males and this method of social correction has proved useful in containing such events. Overall, the tool of SHG has provided bargaining power to the fisherwomen in protecting their interests as a collective mechanism both at the family and community levels.

Alcoholism

Alcoholism is also a disturbing and often recurring social evil that exists in fishermen society. The fisherwomen SHG members have shown a remarkable degree of appreciation of the ills that arise out of alcoholism among the fishermen and they often work as a group to try and eradicate alcoholism.

During the course of this study, it was reported by the fisherwomen SHGs that due to their intervention, the sale of Alcoholic beverages in their Panchayats was completely reduced. Alcoholism is stated to have been completely eradicated in selected coastal villages in Thoothukudi and Tirunelveli districts, thanks to the determined drive of the fisherwomen SHGs. Ironically, the police has a separate wing to contain trade in illicit liquor resulting in law and order problems. *What the police and the government could not achieve, the fisherwomen SHGs have achieved which is something very extraordinary*

Status regarding female infanticide / female foeticide

The SHG movement has created an awareness about the importance of women in the family as well as in the society and their role in eradicating the obnoxious and inhumane practice of female foeticide and infanticide is remarkable. During the field study, the fisherwomen SHG members were specifically asked to report on this practice in their villages. Out of the 41 fisherwomen SHGs (725 members) in Thoothukudi and Tirunelveli districts covered in this study, there is no single reported case of female foeticide / infanticide in the coastal villages which is significant indeed.

Age at marriage

Marriage is intimately linked to the status of women, as well as fertility. As an institution of cardinal importance, marriage defines the role expectation and behavioral patterns of women both inside and outside the houses. Increase in age at marriage tends to reduce children born per women impacting positively on fertility and population growth. The Child Marriage Restraint Act 1978 is applicable in all the States of India. The Act stipulated that the minimum age at marriage for female 18 years and for male it is 21 years.

In this study, information collected on the age at marriage of the fisherwomen showed that 16.3 % of them married at the age 18 , 72.1 % of them married at the age group of 19-25 years and 9.5 % of married at the age of 26-30 years. The study revealed that 72.7 % of the fisherwomen SHG members married at the age group 18-25 years which indicated the awareness on the ideal age of marriage among the fisherwomen.

Adoption of family planning

Family planning is a means to bridge the gap between increasing aspirations and availability of resources. To meet such aspirations, IEC has played an important role in creating an awareness about family planning and small family norms. The activities covered the message of ideal age at marriage, ideal age to be get a child, small family norms, importance of spacing children, female literacy, upholding the image of girl child and women etc. The NGOs also placed a vital role and have contributed in popularising family planning. As a result rural women are coming forward to undergo family planning. Out of the 41 SHGs contacted, 11.7 % of the fisherwomen respondents adopted temporary sterilization and 71.2 % of them adopted permanent sterilization.

Child labour

During the course of the field study, the issue of child labour and its existence was examined. There was a significant level of awareness of the problems of child labour and its ramifications among the fisherwomen. The fisherwomen SHG members indicated that they are campaigning against child labour and sensitizing people on this issue. Further, from the sample areas covered, there was no reported instance of child labour. As a result of the contribution and efforts of the fisherwomen SHG members, the level and extent of social empowerment of women SHGs had increased in a significant manner.

Social empowerment

Thus, the tool of SHG has helped the fisherwomen to attain Social empowerment as reflected by the indicators considered in this study. It is a positive and significant development indeed.

CHAPTER 8

SUSTAINABILITY OF THE MICROCREDIT PROGRAMME

Microcredit is now accepted as a potential tool for poverty alleviation and socio-economic empowerment of the rural poor, particularly women in developing countries. There are many cases where it has proved to be a profitable business also for the microcredit institutions the world over. That it could be an ideal intervention at social, economic, financial and policy levels to address livelihood development issues has been agreed to at the World Microcredit summit which set a target of reaching 100 million of the world's poorest families (approximately 500 million people), especially the women of those families, with credit for self-employment and other financial and business services by the year 2005.

The goal of poverty alleviation through microcredit is particularly important to women. Women are found in the group of people who earn less than \$1 a day. According to the Microcredit Summit women make up one billion of 1.5 billion people living in poverty. In Asia – pacific regions, over 900 million people in about 180 million households are poor earning less than one dollar a day. More than 670 million live in rural areas. In India, an estimated 260 million people live in poverty. After adjusting purchasing power of these poor who earn less than are dollar a day, about 39 % of the Indian population come under this poor people group.

The World Microcredit Summit envisaged providing microcredit to 25 million poor families in India by year 2015. NABARD, the nodal agency for microcredit in India, set a target of credit linking 1 million SHGs in a decade's time, that is by the year 2007 which has already been achieved, three years ahead of the schedule, indicating that there is still a long way to go. Majority of the groups would be forming part of the SHG philosophy while some could come through alternate mechanisms comprising application of grameen model, credit unions and other emerging approaches. According to NABARD, 16.7 million people accessed microcredit during 2003-04 and the estimated number of people assisted up to March 2004 is 83.5 million which augurs well.

The cumulative number of SHGs financed by banks upto March 2004 is 10,79,091 and the number of poor families who have accessed bank credit upto march 2004 is 16.7 million. An estimated 83.5 million poor people were assisted till March 2004. About 90 percent of the SHGs credit linked so far comprised only women members. Against the physical target of providing credit access to 25 million poor people by 2008, NABARD has reached 16.7 million people in 2004 and is likely to surpass the target by 2008.

On the other hand, from the perspective of microcredit need for and ground-level flow to the poor, the picture is entirely different. The estimated demand for and supply of microcredit to poor households by formal financial and social institutions reveals a massive supply gap. An estimated 75 million poor households live in India of which 60 million are rural households and 15 million are urban households. To provide credit @Rs. 2,000 per family, the annual credit requirement would be Rs. 120 billion. Another estimate for microcredit services excluding housing, is Rs. 500 billion assuming that average credit usage is Rs. 6,000/- per rural poor household and

Rs. 9,000/- per urban poor household. Housing credit requirement is estimated at Rs.10 billion every year. Requirement in respect of saving and insurance services would widen the credit supply gap further.

According to NABARD, cumulative bank loans disbursed to SHGs up to March 2004 stood at Rs. 39 billion with an average loan of Rs. 36,180 per SHG from banks. On the basis of this average loan size, the credit requirement for 60 million rural households may be Rs. 2,160 billion and the present disbursement is about a fifth of the estimated demand for microcredit.

The gulf between demand for and supply of microcredit to the rural poor reveals the enormous business potential available to the microcredit organizations. One may not hesitate to accept this fact or at least acknowledge it but where one hesitates to comment is regarding the very sustainability of the microcredit programme itself.

While microcredit is considered a panacea for all the ills of the poor or our society by a section of people concerned, others consider it as a tool for ushering in social change by organizing the *unorganised*. In India, a third of the population is below poverty line and majority of the people lack basic amenities. The most affected are the women and children. Women suffer from the unbearable burden of being women and being poor. A study found that only 0.2 % of commercial lending reaches poor women. A study of 38 branches of major banks in India found that only 11 % of the borrowers are women. Some of the criticisms leveled against microcredit are:

1. They are offered as *the solutions* or panacea to eradicate poverty.
2. It is indebting the poor.
3. Poor are asked to look after themselves.
4. Coercion and high rate of interest exist
5. It does not serve the *poorest of the poor* who remain the *unreached*.
6. About 95 % SHGs in India are women and men are left out not by the MFIs but by men themselves who are responsible for very limited success of men SHGs.
7. But, the microcredit availed by women, reaches such *men who often misuse it* and the repayment burden rests on women only.
8. The services of SHGs are misused to serve the interests of MNCs for marketing their products but they do not either buy or market the products of SHGs.
9. The role of NGOs in making microcredit a success story is significant yet, there are mixed results with NGOs and all is not well them.
10. NGOs are illegally engaged in mobilizing money from the public or distributing their loan money in the garb of microcredit to the rural poor.
11. Some NGOs are stated to have been involved in activities that are detrimental to equality in religion and may subvert the religious amity in the society.
12. SHGs movement is being politicized and run the risk of being hijacked by politicians.

As one observed, much of this is true. What is not true is that in anyway such aspects are essential to or unavailable for the microcredit programme. All these

issues, *inter alia*, do have a significant bearing on the sustainability of the microcredit programme.

Major challenges

The following are the major challenges for developing sustainable microcredit systems (Ashok Sharma, 2000):

1. Unfavourable policy environment,
2. Inadequate financial infrastructure,
3. Limited retail level of institutional capacity,
4. Inadequate emphasis on financial viability,
5. Inadequate investment in agriculture and rural development and
6. Inadequate investment in social intermediation.

In addition, the following need to be considered.

1. Increasing bureaucracy
2. Policy paradigms and dilemma in the implementation of the govt. development schemes for SHGs, women, children and the aged people in rural regions.

Lessons learned

Microcredit is an accepted tool for poverty reduction and empowerment. However, microcredit did not reduce poverty significantly in earlier days because of its limited outreach lack of mechanism to sustain the positive impact on the small number of client's beyond the project period, poor infrastructure and sluggish agricultural growth and Limited markets could slow down or impair the sustainability of the microcredit programme and as a consequence no perceptible improvement on the socio-economic livelihood conditions of the poor could be observed. Now, we have learnt many lessons.

1. Today it is an accepted fact that poor *do save* and are credit worthy. They are *bankable*, a fact not yet fully appreciated by the financial institutions in India.
2. The poor are ready to access credit services and are not '*unduly*' obsessed with the cost of the services. So interest charged for microcredit does not exclude the poor from availing microcredit. It is timely and adequate provision of credit that matters '*most*' to the poor.
3. That brings us to the other two factors that are considered as perhaps the most important new products that have emerged in microcredit in the last 15 years (William Steel, 2001).

- Savings
- Sustainability

Savings form part of the microcredit package provided to the clients. It enables them to manage risk better and help in '*asset*' building. NABARD deserves credit and appreciation for having chosen "*savings*" linked microcredit strategy which is one of the important reasons for the sustainability of the programme. There are other reasons also, group lending, for example, that ensures cohesion of the SHG and among the members.

The second major new product is sustainability. Microfinance is being increasingly considered as a viable product by the microcredit organisations. The poor are now considered *bankable* as they do save and hence are treated as *clients* and not merely as *beneficiaries* as the business has become viable and seems to hold enormous potential. Microcredit organisations would like to minimise their dependence on *donors*. Therefore, microcredit organisations need to diversify their products and aggressively market the products and services so as to gain and retain *customer loyalty* for sustainable business.

Recent innovations in microcredit products may be categorised into two broad approaches:

1. Oriented towards clients

Microcredit organisations attempt to understand the needs of the clients, meet their expectation and survive in the competitive business. Examples include insurance products and housing finance.

2. Oriented towards institutional developments

The objective of this approach are to lower risks and cost, increase sustainability and have an edge over others in business competition through *innovation*. Some examples of this approach are credit ratings and personal digital assistants.

These are already known approaches elsewhere but are now being increasingly applied to microcredit for business sustainability and development.

Sustainability of the Microcredit programme in India

In order to sustain the *sustainability* of the microcredit programme the following policy interventions are suggested:

1. Watchdog for the SHGs

Among the factors that may impair the sustainability of the SHG movement, the most threatening is the political factor. In case a government chooses to use SHGs for its own political gain, then all the progress achieved so far would be lost for ever. Now what has made the programme a grand success is the right attitude and mind set that the microcredit is a loan and should be repaid anyway, the earlier the better in the very own interest of the SHG and its members. However, if the SHGs become vehicles of publicity for a government, more so during election time, then, no one could prevent the SHG members being swayed by the incorrect yet emotional assurances that, *microcredit availed* will be *written off* by even grassroot level politicians.

We have already seen such signals and at one point of time the Election Commission had to intervene in the matter. NABARD which takes the full credit for the success of the microcredit programme has to work for the establishment of an independent **watchdog** with legal status for this purpose. Such a move will send right signals to all those who may envisage exploiting SHGs to serve their vested interests.

2.Promotion of NGOs by MFIs and NBFCs

In order to tide over the constraints in channeling development finance through government institutions there has been a conscious effort to involve NGOs for this purpose. Though the intention has been good the results obtained so far have been mixed, yielding rich dividends in some cases and working the other way in other cases. In fact NABARD has three models for delivery of microcredit of which one involves direct involvement of NGOs (one more model is also seen at times). However, commercial banks and RRBs have not preferred to use this model for microcredit delivery and have instead preferred to provide credit directly to the SHGs and at best to limit the role of NGOs as mere promoters of the SHGs. In 2003-04, the pattern of microcredit delivery was as follows:

Model –1 SHGs formed and financed by banks

The banks (MFIs) themselves promote SHGs without any assistance from the NGOs and provide microcredit to the SHGs in proportion to the savings of the groups. This model accounted for about 20 % of microcredit flow during the financial year 2003-2004. It was 52.5 % higher than the microcredit flow in 2002-03 reflecting an increased role of banks in promoting and nurturing SHGs.

Model – 2 SHGs formed formal agencies and NGOs

The NGO acts as a promoter and facilitates in bringing the SHGs to the doorstep of the (MFIs) bank branch which directly provides the microcredit to the SHGs in proportion to their savings. This model dominates the microcredit as it had an estimated 72 % of microcredit flow.

Model –3 SHGs financed by banks through NGOs

The NGO acts as a financial intermediary. It promotes the SHGs, conducts training to them and also provides them microcredit after availing the same from the bank in proportion to the savings of the SHGs. It had a share of 8 % microcredit flow. Where the banking system faces constraints, the NGOs are encouraged to approach a suitable bank for availing microcredit for on lending to SHGs. Also, when banks provide microcredit to a very large number of SHGs intermediate agencies like federations of SHGs play as a link institution. In other words, they perform the tasks of non-banking financial corporations (NBFCs) which are regulated by the Reserve Bank of India .

Nowadays banks are interested in promoting their own NGOs. This strategy offers many benefits to the banks. First, it is easy to identify existing SHGs that have been operating successfully and more so in forming the SHGs right from the scratch so that the full profile of the SHG members are well known. So Microcredit Institutions (MFIs) may be encouraged to establish their own NGOs for promoting microcredit.

3. Regulation of MFIs and NBFCs by Reserve Bank of India

Over time, NGOs have emerged as major players in the formation of SHGs for which they get incentives from governments. Although NABARD's efforts did not lead to the emergence of NGOs as the major channels for microcredit, on the other hand, *SIDBI preferred to involve NGOs in microcredit in a big way*. As a result NGOs have emerged as Finance Intermediaries (FIs). NGOs act like NBFCs mobilizing funds from the public which is very much against the stipulations laid down by the

Reserve Bank of India (RBI). The role of NGOs have also become dubious at least in considerable number of cases. Many allege that at least some of the NGOs circulate the funds they receive from overseas for microcredit and some have come under criticism of involving in '*religious conversion through such funds*'. Indeed, some NBFCs call themselves as MFIs. Nevertheless, there is an urgent need to regulate and supervise the FIs and the MFIs and even an ardent supporter of '*laizze faire*' would recognize the immediate intervention of RBI in this context. The Task Force established by the RBI on microcredit had also recognized the need but this recommendation is yet to take effect. NABARD may have to liaise with the RBI in their regard because NABARD is the apex body for microcredit in the country and its role in making the microcredit programme sustainable and successful is significant. Hence, there is an urgent need to regulate the NGOs and SHG federations which function like NBFCs by mobilising savings from the SHG members and by receiving microcredit from many sources for on lending to the SHGs.

4. Building on Social Capital

The success of microcredit lies primarily with the social intermediation carried out by the NGOs. Without this social intermediation, it would have been very difficult to ensure the phenomenal repayment rates recorded for microcredit in the country. This had been made possible by specialized social capacity building which led to the identification and use of peer guarantee mechanisms for the prompt repayment of microcredit availed by the SHGs.

Nowadays, sustainability of the MFIs have emerged as an important issue. Ruth Goodwin-Groen (1998) reported that very few institutions involved in microcredit in Asia-Pacific region were profitable. It was estimated that less than 10 % of all MFIs in the region were financially self-sufficient. However, the focus on sustainability and target orientation should not divert attention away from investment on social capital without which microfinance would have certainly come a cropper.

5. Flexibility

The MFIs need to assess the strengths of the groups instead of assessing each individual loan for provision of microcredit. The group may in turn decide to whom and for what purpose to lend it to its members. Similarly, the group may prepare its repayment schedule which need to be accepted by the MFIs.

6. Microfinance only, not microcredit

NABARD has long been implementing only microcredit programme which lays predominant, if not the entire emphasis, on credit delivery in small doses to the SHGs. Instead the microcredit should be an integrated programme and credit provision should be one of the pillars of the overall development strategy. It needs to be renamed as *microfinance* for this purpose.

7. Micro-insurance

At present, there is no single comprehensive micro-insurance policy for the SHGs. The Finance Minister announced a policy for this purpose in his budget address in February 2004. Also, a variety of other policies that could be used by the SHGs are available. But, what is required is a separate policy to address the specific needs of the SHGs. NABARD needs to take initiative not only in making available such a comprehensive microinsurance to the SHGs but also in making it mandatory

for availing the microcredit. The annual premium for the policy announced by the Finance Minister is Rs.100. When the SHGs are linked with MFIs and avail the first loan, then, they should also be provided with microinsurance. The existing SHGs that are not covered by any microinsurance may be covered immediately by the MFIs concerned. Provision of insurance cover would help to make the microcredit programme viable and sustainable in the long run.

8. Single Window for microcredit products

What NABARD and the banks do is to provide microcredit to the SHG members. Instead, what needs to be provided is a comprehensive microfinance package that should include insurance as well. It is high time that an integrated approach to offer savings and loan products and micro insurance need to be provided as a *package* through a *single window system*. Indian Bank has formed the Special Unit for Microcredit (SUM) along the lines of SUM of the World Bank. Similar initiatives by other banks are needed to reach the *unreached* rural clients.

Annexure I
Innovations in savings, credit and insurance services by microcredit institutions

Risks related to	Product innovations by MFIs	Examples of MFIs that have implemented innovations
Health (temporarily affecting ability to work, such as accident, many diseases and pregnancy, which usually lead to higher consumption expenditures and to shortfalls in income)	<p>Consumption credit lines that provide cash loans at short notice to clients.</p> <p>Frequent conditions for loan eligibility: borrower must already be a client of MFI (but exceptions in case of lending funds accumulated by members themselves).</p> <p>Loan rescheduling in case of pregnancy.</p> <p>Precautionary savings services, such as current accounts earning no interest, or term deposits with varying maturities, interest rates and penalties for early withdrawal.</p>	<p>Caja Social, Mexico</p> <p>BRAC, Bangladesh (up to a certain amount of savings deposit)</p> <p>Village banks following the FINCA model (in many countries in Latin America and Africa: consumption loans are fund with internal savings of members and often given with interest rebates that are decided by members).</p> <p>Cooperative credit and savings institutions (as in Cameroon and Madagascar).</p> <p>SEWA, India.</p> <p>Village banks (following the model piloted by FINCA, a U.S. HGO).</p> <p>BancoSol (Bolivia), a commercial banks catering to the poor.</p>
Permanent disability	Disability insurance	Village banks promoted by FINCA in Keys. FINCA assists the village banks to buy group disability insurance for their members from a insurance company.
Old age and death of family members	<p>Life insurance</p> <p>Precautionary savings (as above, but long-term deposits with higher interest rates).</p>	<p>Bank Rakyat Indonesia: The life insurance only covers debt of borrower. In case of death of borrower, the insurance pays for any outstanding debt of borrower.</p> <p>Bangladesh Rural Advancement Committee (BRAC): The life insurance is paid out to the</p>

		<p>person designated by BRAC member in case of death. The lump-sum payment to the “heir” provides implicit incentive to take care of the BRAC member during old age.</p> <p>Some microcredit institutions (mostly those registered as banks)</p>
Claims by social network to fulfil	<p>Consumption credit lines</p> <p>Holding precautionary savings, as above</p>	<p>Author does not know of any MFI that explicitly provides loans for financing social events, such as marriage or burial</p>
Divorce and other causes of household disintegration	<p>Targeting of financial services to women</p> <p>Promotions of social change, gender equality, women’s empowerment</p>	<p>Most, but not all MFIs: Savings accounts and credit lines are registered under individual names (husband does not cosign).</p>

Sources: Rashid and Twonsend 1993; Zeller et al. 1997; Hanning and Wisniwski 1998; Nelson et al. 1996; Goetz and Sen Gupta 1996

Annexure II

MICROCREDIT APPROACHES

Approach	Products	Country	Clients
Individual landing	Loan sizes of \$100 to \$ 3000 of 6 months to 5 years period savings may or may not be provided depending in the structure of the MFI.	ADEMI in Dominican Republic, Caja municipales in Peru, Bank Rakyat Indonesia; Senegal Egypt, SEWA India, Benin & Columbia	Urban enterprises or small farmers both men and women, medium – income small businesses microbusinesses and production enterprises
Brameen solidarity Group Lending	6 months to 1 year credit and payments are made weekly: Loan amounts vary from \$100 to \$300; Interest rates are 20% year. Savings are compulsory.	BAAC Bangladesh, Philippines and Vietnam	Rural or urban usually women from low-income groups pursuing income generating activities.
Latin American solidarity Group Lending	Initial loans vary from \$100 to \$200 no ceiling subsequently; high interest rate; service fees charges; savings are usually required as a portion of the loan; intragroup funds recommend as safety nets; Very few voluntary savings products are offered.	ACCION affiliates, PRODEM, Columbia, Genesis and PROSEM in Guatemala	Urban men and women with small to medium income.
Village banking	Savings tied to loans & form basis for new loans; no interest paid on savings; members receive a share from of banks' relending or investment profits. Dividend distributed is proportional to savings of each member; loans have 12 to 36 % interest rate; sometimes high;	FIWCA Mexico & Costa Rica, CART Guatemala El Salvador, Thailand, Boliria, Mali, Ghana Benin	Low income rural clients with savings capacity usually women

	loans for education, agricultural innovations, nutrition and health provided.		
Self –Reliant Village Banks	These include savings, current accounts and term deposits usually short –term loans; loan amount is not linked with member’s savings capacity; flexible interest rates; collateral necessary for individual loans, technical assistance is also provided.	Mali, Madagascar, The Gambia, Sao Tome Cameroon	Low income rural clients with savings capacity usually women

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