

An Impact Assessment of Microfinance (SHG Model) at Household Level: An Empirical Analytical Overview

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Abstract

The objective of the microfinance programs is to provide economic resources to empower women through various means and ways. The impact of such microfinance services has been observed at various levels through a meaningful impact at household level. Primary data has been collected in terms of defunct and non-defunct groups for total of 65 self-help groups (SHGs). The results about the impact reveal that 90% of 'defunct' groups have been formed by the group leader based under some government scheme or subsidy program. The most interesting finding that can be observed is that during the 1st or 2nd year after the formation itself the groups have become defunct.

The major reasons for the groups becoming defunct can be attributed to misappropriation of bank accounts, fraudulent practices, and concept of SHGs not being explained properly. So, members withdrew, and credit is not disbursed on time. There are several groups which are of homogenous nature which are formed by Anganwadi teachers and group. These groups have not become defunct because they have been following very good practices of maintaining records, meetings were held on time and the credit disbursement process is very much regularised.

The study will be very insightful for the government, MFIs, and Banks in developing policies especially in terms of understanding the impact. The study would further help the overall participation of women in the development process towards having a meaningful financial intermediation process.

Key words: *small loans, institutional economics, microfinance, financial inclusion, Self Help group, credit needs, empowerment*

1. Introduction

1.1 Credit needs: small loans

Small loans for basic needs and entrepreneurial activities at grass root level in rural areas are the key role and functions of the microfinance services with

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respect to the SHG Model. Microfinance can be conceptualised as a mechanism and a way towards having credit and savings access to the neglected sections and strata of Society. This includes Below Poverty Line (BPL) persons and women who are not directly bankable. The major role of microfinance is to provide loans to all entrepreneurs, mostly women, with the help of which they can start their own business or income generation activity. Banks are not best suited to offer microfinance as a source of lending since the objective of their lending purpose is not long-term but only short term. Microfinance Institutions have a unique way and style of operating where they offer non-financial services such as training; and they also follow a combined qualitative and quantitative approach as a credit delivery mechanism.

1.2 Role of SHG

SHGs give an important opportunity for starting an income generation activity. This provides them with the necessary and needed access to credit. There are regular meetings which are conducted by all the SHG, and they also make contributions in terms of their share in the group account. The Objective of this research is to analyse the major impacts faced by women at household level and understand role of defunct groups and members who have dropped out from groups.

Currently, India hosts about 12 million Self-Help Groups (SHGs), with a notable 88% being women led. This initiative began in 1992, and by 2022, it has become the world's largest microfinance project, serving 142 million families with savings deposits totalling Rs 47,240 crore. (Lodha Sudha, 2023).

2. Literature Review

2.1 Financial Inclusion: Major aspects

Financial inclusion broadly can be defined as a concept of reaching out to all the poorer households (HHs). The role of small and medium enterprises also plays an important role through provision of financial services. According to the World Bank definition financial inclusion can be viewed as the number of households, individuals and all firms that have direct access to all financial services and products.

On the other hand, according to ADB, financial inclusion is making finance available to HH at reasonable prices. However, according to Atkinson and

Messy Financial Inclusion is a very multidisciplinary concept which can be defined in terms of a process for promoting wide range of regulated financial products at affordable, timely and adequate rates to broaden the overall use by all segments of society. According to some economists, financial inclusion involves, directly as an implementation strategy through specific innovative approaches that also further include awareness in terms of financial inclusion. (Atkinson and Messy, 2013).

The SHG, model under Financial Inclusion was first of its kinds formulated by Prof Muhammad Yunus and was set up as Grameen Bank in Bangladesh. Microfinance programmes is the foremost pioneering programme to empower women. It is important to note that in rural areas most of the time women are challenged with issues related to gender discrimination and domestic violence.

Historically, for the Indian economy, the role of development strategy has been over the distribution of resources and has focussed on economic growth and industrialisation. The main agenda of this strategy has been on mobilising the rural poor through community development programmes. The rural areas were perceived to be lagging, and agricultural production had to be increased to support the industrialisation process. It was perceived and believed in the entire development process debate that the rural poor, especially women were ignorant, traditional, and primitive. (Shetty, 2012). To make credit available at cheaper rates to the poor women has been the major purpose of microfinance programmes. These women get automatically excluded from the mainstream development process from the formal credit sector and that is the reason why they are forced to rely on very expensive sources of informal finance. Within this context one of the sources of very expensive informal sources includes money lending activity. (Shetty, 2012).

In particular, safer, borrowers would accept loans with high collateral requirements, enabling the bank to identify them as low risk and offer them low interest rates. The development agenda argues that development should be people centric. It is further argued that the marginal groups must be put first in terms of priority. The role of every government is to investigate the aspects and components of economic development because of a strong relationship and linkages between agricultural and industrial development or vice versa. This is done in order to curb their overall monopoly in terms of charging very high interest rates. There is less dependence on moneylenders.

During the early eighties a credit-based scheme called as the Integrated Rural Development Programme had a huge element of subsidy that was launched

as a major poverty alleviation Programme. This programme was one of the most innovative and ambitious programmes of its times. Less than 10 percent of the borrowers of this programme were associated with the banks. People's involvement and participation is an active or dynamic process which means that person or target groups take the initiative, organise themselves and make efforts to increase their control over resources and benefits. Participation of people has been observed as being voluntary, very spontaneous and based on the local needs. However, outside help is required to initiate the empowerment process. GOI recognised participation as essential and the key and tried its introduction in various forms like joint identification of income generating activities under Government sponsored programmes. However, the subsidy orientation, restrictive participation, and political mileage acted as obstacles. Keeping this in mind the Programme for Women and Children in Rural Areas was introduced. However, the implementing government agencies wanted participation on their own terms. (Shetty, 2012: 93).

Despite the fact that there had been considerable growth in deposits and credit owing to quantitative expansion of the credit delivery system, the fact remains that this has not made any remarkable dent into the rural economy. According to the RBI's, All India Debt and Investment Survey, it is proved that there is reduced share of rural families (from 64% in 1991 to 57% in 2001) that have access to the formal banking sector. A number of weaknesses in the banking sector were responsible for the unhealthy state of rural credit delivery system. Some of the identified institutional weaknesses were low recovery and poor recycling of funds, poor mobilisation, and ineffective lending vis-à-vis the potential available. Against this backdrop, it was thought necessary that the existing arrangements for purveying credit should be reviewed critically and alternatives must be suggested. The Two Narasimhan Committee reports on banking reforms (Ministry of Finance, 1991 and 1998) have been worked out with such alternatives (Shetty, 2012). In general, increase in the income levels for women living in poorer communities should be the most important impact of microfinance.

Once again, the microfinance model is inspired by the Grameen Bank Model. Within this context, the low interest rates are generally associated with microfinance as against the moneylenders who primarily create the overall space for additional earnings with respect to the small income-generating activities. It is also important to note that due to very high-pressure tactics, moneylending operations are very profitable. There is outright violence in order to enforce very high repayment on high interest of microloans.

“Empowerment” is said to happen when women receive a microloan, this primarily becomes her responsibility to follow the process in terms of and take charge in terms of further repayment of the loan. This whole aspect further improves their level of confidence and business acumen.

2.2 SHG Bank Model

The Grameen Bank model seeks its origins in the SHGs and the overall microfinance movement. The fact remains that the poor are not bankable. Informal sources are major sources of credit of the poor. These include moneylenders, neighbours, relatives, and local traders. These are Informal associations of up to 20 women who meet on regular basis. Once a month the meetings are held primarily to save meagre amounts which could be anywhere between the range Rs 10 to Rs 50. This process becomes a part of the savings and credit functioning operations of the group.

This model is managed, by the group members. The decision making about how much each member will contribute as savings is decided by the group members, so as to reach a minimum balance of group savings. For this purpose, they maintain and keep their own records and they also further decide which members shall borrow, how much they will and what will be the interest rates charged. The meeting schedule is also decided by the members. The cycle of regular saving goes on for a minimum period of six months. According to Sinha, (2009) the saving amounts decided by the members are very small. They range between Rs 40-50 (US\$1) a month. The loans from this fund and from the banks can then be made to members for businesses and petty trading activities. These funds can also be used for consumption purposes. A major part of the consumption expenses is targeted towards family and household expenses towards schools, medical expenses, or wedding celebrations. (Sinha, 2009).

2.3 Ideological Concept of Self-Help Group (SHG)

There has been a growing interest in informal credit for the overall role expansion of rural credit. There is a huge element of trust or social capital that primarily exists among the group members. So, classification of groups becomes very important in terms whether these groups fall in the overall category of the Grameen replicator, solidarity groups, SHGs, village banks, and credit co-operatives as well.

Social capital as a concept, permits the MFO to reduce their overall transaction costs by assigning the group in terms of the overall tasks of

selecting and monitoring borrowers. There is also a way in which a lot of peer pressure can be exerted wherever necessary and further even in terms of guaranteeing for each other's loans in terms of the loan process.

Another aspect that can be noted is that according to the Classical Microfinance Theory of Change the SHGs play a very important and major role with respect to the HH level data to bring about positive changes that can be related to all the lending patterns with respect to any kind of microfinancing model. Effective delivery of micro-financial services can be done through the process of social intermediation.

'Social intermediation', is a concept which means to enable the delivery of a technical solution. Organising poor people around concrete activities, micro-finance and others, has much wider goals in mind, of building assets and ownership, of developing opportunities, capacities and skills of empowering marginalised people. With respect to the SHG model, it has been observed that there is a lot of scope for group member participation. 20 members under this model usually women, act as catalysing agents. Besides, social intermediation, the SHG model has a bigger role to play in terms of financial intermediation as well. It is a model in terms of an institution which is based on the ideology and on the concept of peer learning as against learning from externally controlled variables. There is an overall enhancement of a very powerful process that enables growth and community mobilisation.

The process of empowerment is a very multi-dimensional approach which covers social, political, economic and all other multidisciplinary aspects. Leadership plays a very important role as a part of ideological basis of the SHG. Another aspect which is very important while, doing the analysis of the SHG model is to look at the aspects, that relates to the evolution of the group and the role of the lead person or the group leader in steering the group. In the first part of the analysis the performance of the SHG becomes important. The second part of the analysis looks at the role of a social entrepreneur and the challenges faced. Finally, the third aspect is the analysis of the women social entrepreneurs, involved in this process. (Kanitkar, Ajit; 2002). Major stakeholders in microfinance sector are:

The Table 1 clearly brings out the activities and limitations of the role of the Key stakeholders of the Microfinance sector.

Table 1: Micro-Finance Sector: Key Stakeholders

Contributor	Activity	Limitations
Government	Identification of areas with political preferences Policy instruments Allocation of resources Incentives such as tax breaks	Agencies under government Single agencies with diverse competencies Mobilisation of resources
Regulations	Regulation and supervision	Primary reliance on mainstream ideas Lack of investment
Key Agencies	Key Resources	Different resources have Conflict of interest.
Banking Sector	Providing debt and equity	Debt appraisal on collateral Lending to the microfinance institution as an obligation
Role of Donors	Resources flows for: Public goods Debt Equity	Intervention related instruments less (limitations) Learning by doing
Community based	Service delivery provision	Inadequate attention to microenterprises
Service providers	Service Delivery	MIS systems not strong

Source: Fisher and Sriram, (2002)

The SHG Bank linkage programme was introduced in 1992, as a major milestone and landmark to primarily enhance credit delivery towards affordable banking services and solutions at the doorstep; so as to achieve major goals of financial inclusion. Classification of MFIs can be done broadly with due respect to, NGOs which are mainly engaged during the promotion of the groups and in terms of their federations at a cluster level.

On the operational side, the NGOs typically lend directly to the borrowers wherein the borrowers are organised into SHGs or into Grameen Bank-model replicators. Donor funded NGOs initially, but public sector second tier organisations have since entered the market with the provision of bulk loans. NABARD's role is seen in terms of refinancing of commercial bank loans towards the groups.

Table 2: Classification of Microfinance Model

Type of the Model	Banking Model	Classification type of Model	State of operation
Co-operative Model	Sewa Bank Mutually Aided Cooperatives (MACs)	Savings and credit	Andhra Pradesh
Non-Banking Finance Companies (NBFC) / Microfinance Institutions (MFI)	BASIX and Share Microfin Ltd.	Individual banking model, service delivery model, development banking model.	Gujarat
Non- Banking Finance Companies (NBFC)	ASSEFA	Development banking Model	Tamil Nadu
Non- Banking Finance Companies (NBFC)	SHARE, BASIX, CARE and MACS	Co-operative Development Foundation (CDF)	Andhra Pradesh
Savings and credit Sangha	MYRADA	Federation development model	Karanataka
Non-governmental Organisation (NGO)	PRADAN	Savings and credit mechanisms	Bihar, Rajasthan
Non-Governmental Organisation (NGO)	Dhan Foundation	Kalanjams	Tamil Nadu
Non-Governmental Organisation (NGO)	ADITHI	Women's federations Groups	Bihar
Non-governmental Programmes	Rashtriya Gramin Vikas Nidhi (RGVN)	Savings and credit programmes	Assam and Orissa

Source: Compiled by Author

Several banks from the banking industry are looking at micro-finance sector as a huge potential. Staring out as a major bank outreach programme, the SHG –BLP moved into a programme for building the overall capital building in rural parts of India. For example, foreign bank operating in India is ABN-AMRO, which has a target of Rs 6 crores for its micro-finance portfolio. The aim is to have an outreach of one million households.

3 Research Gap

The research question is that why does an individual member drop out from the group? Or in other words, who leaves the group? Does an individual dropping out of a group lead to a broken group or a 'defunct group' in the long run? And what are the causes for the group to become defunct?

The literature from 1990s to 2013 does not mention anywhere the caste of an individual as a reason for a person member to drop out from the group, and responsible in making a broken group or 'defunct group'. The literature also further highlights small number of SHGs that had broken up, and no longer existed in terms of bank accounts, office-bearers, savings and loan settlements pending and also some SHGs that still had these attributes but were no longer functioning effectively. Such a 'defunct' group usually has only a nominal amount in the SHG bank account, but the group is not operational, which means that for a year or more meetings have not been held, with no savings deposits made, nor any disbursement or repayment of loans. (Sinha, 2009).

Microfinance programs and institutions have become an increasingly important component of strategies to reduce poverty or promote micro and small enterprise development. However, knowledge about the achievements of such initiatives remains only partial and contested. At one extreme are studies arguing that microfinance has very beneficial economic and social impacts (Holcombe, 1995). At the other are writers who caution against such optimism and point to the negative impacts that microfinance can have (Adams and von Pischke, 1992)

Given this state of affairs the assessment of microfinance programs remains an important field for researchers, policymakers and development practitioners. The literature on impact assessment (IA) reviews the methodological options for assessing the impacts of microfinance programs. Subsequently, it explores ways in which impact assessment practice might be improved and made more meaningful. Enhancing the contribution that impact assessment can make to developmental goals requires both better science and better art. The scientific improvements relate to improving standards of measurement, sampling and analytical technique. Econometricians and statisticians are particularly concerned with this field. Improving the 'art' of impact assessment has at least three strands. One concern is making more systematic and informed judgements about the overall design of IAs in relation to their costs, specific objectives and contexts. The second is about what mixes of impact assessment methods are

most appropriate for any given study. The third relates to increasing our understanding of the ways in which the results of IA studies influence MFI policy makers and managers.

Impact assessment studies have become increasingly popular with donor agencies and, in consequence, have become an increasingly significant activity for recipient agencies. In part this reflects a cosmetic change, with the term IA simply being substituted for evaluation. But it has also been associated with a greater focus on the outcomes of interventions, rather than inputs and outputs. While the goals of IA studies commonly incorporate both 'proving' impacts and 'improving' interventions, IAs are more likely to prioritise the proving goal than did the evaluations of the 1980s. A set of factors are associated with the extreme 'pole' positions of this continuum, and these underpin many of the issues that must be resolved (and personal and institutional tensions that arise) when impact assessments are being initiated.

Behind the shift from 'evaluation' to 'IA' are a number of factors. These are not explored in any detail in this paper but they form an essential element for the understanding of IA and its potential contributions. Explicitly, IAs are promoted by both the sponsors and implementers of programs so that they can learn what is being achieved and improve the effectiveness and efficiency of their activities. Implicitly, IAs are a method by which sponsors seek to get more information about program effectiveness than is available from the routine accountability systems of implementing organisations. IAs are also of significance to aid agencies in terms of meeting the ever-increasing accountability demands of their governments and for contesting the rhetoric of the anti-aid lobby. While recipient agencies benefit from this, they are one stage removed, and many are likely to see donor-initiated IA as an activity that has limited practical relevance for program activities.

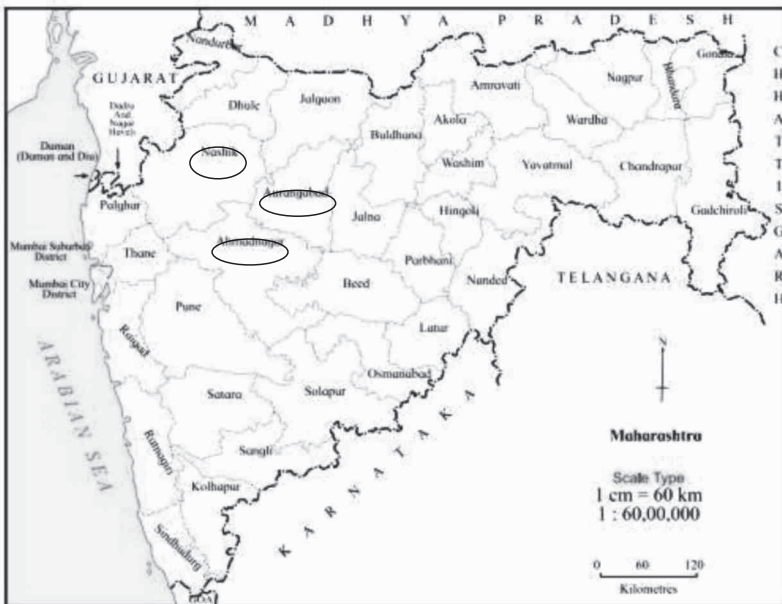
The second important question that will be highlighted is that are homogenous groups more cohesive, and those groups that are not homogenous break or become 'defunct'. An attempt is made to investigate this aspect through qualitative and quantitative research.

4. Methodology

The entire study is based on empirical data collected from the field. Primary data is collected through a survey conducted in 43 villages in Ahmednagar, Nasik and Aurangabad district of Maharashtra. All the 3 districts are located in Western Maharashtra and are agricultural districts. Classification of data has been used as one way to define the research problem and arrive at the hypothesis. With the help of classification, the sample size is classified into

defunct and non-defunct groups over a sample size of Self-Help Groups (SHGs). Longitudinal survey was carried out over a period of time in all the 3 districts of Ahmednagar, Nasik and Aurangabad in Maharashtra state.

The data has been collected by way of purposeful sampling⁷. The selection of the sample for the groups has been done based on two major criteria of selecting defunct and non-defunct groups. The indicators chosen for this have been distance of the group from the village to the place where meetings are held, the way the group was formed, who formed it and what were the monthly savings of the group over a period of time. Based on classification, 65 Self-Help Groups (SHGs) were selected out of which 35 were defunct and 30 non-defunct. The total members studied are 120 out of which 60 are defunct and 60 non- defunct. As far as the defunct or drop out groups were concerned, 3 districts, 2 talukas were selected from which 22 villages were incorporated. And as far as the non- defunct groups are concerned from 1 district 2 talukas and 12 villages were selected. Overall, based on purposeful selection of sampling techniques from Ahmednagar district, 116 defunct groups were selected and 35 were studied. As far as non-defunct groups were concerned, 95 groups were selected, and 30 were studied.



Source: <https://www.whereig.com/india/states/maharashtra-map.html>
Maharashtra Map, Maharashtra State Map, India (whereig.com)

⁷ Purposive sampling refers to a group of non-probability sampling techniques in which units are selected because they have characteristics that one needs in the selected sample. In other words, units are selected “on purpose” in purposive sampling.

The process of research started by first designing two separate questionnaires, one questionnaire was designed for members who have stayed within in the group, and second for those members who have dropped out from the groups, or the group has become defunct or dissolved over a period of time.

The questionnaires were designed based on a pilot study that was carried out from February 2010 to October 2011 in 43 villages in the districts of Ahmednagar, Nasik, and Aurangabad in the state of Maharashtra. The justification of using this data is because it has a lot of relevance in terms of looking at defunct groups very closely. So, though the collection of the primary data has happened about 10 years back, it can be used to bring out the whole concept of defunctness in detail.

4.1 Selection of Sample:

The selection of sample is indicated in Table 3.

Table 3: Village level sample: HH level data

Type of Group	Total No. of Villages	No. of SHGs	No. of Members
Defunct	22	35	60
Non-Defunct	12	30	60
Total	43	65	120

4.2 Profile of Sample Villages:

The socio-economic profile of the sample villages is indicated in Table 4.

Table 4: Socio-Economic Profile of Sample Villages :

	Name of the Village	Total population	Literacy Rate	Total HHs	BPL HHs	Agriculture crop	Economic activity	% SC/ST
	Ahmednagar district – Rahata Taluka							
1	Loni – 1	15,000	10%	3,000	200	Bajra,sugarcane,wheat,onion	Agriculture	10%
2	Loni Dattanagar	10,000	20%	2,000	250	Bajra,sugarcane,wheat,onion	Agriculture	4%
3	Loni Khurd	5,000	15%	2,000	100	Bajra,sugarcane,wheat,onion	Agriculture	3%
4	Loni Budruk	12,000	15%	3,000	200	Bajra,sugarcane,wheat,onion	Agriculture	3%
5	Loni,Brahma newasti	3,500	15%	1,000	250	Bajra,sugarcane,wheat,onion	Agriculture	3%
6	Ashirwad Nagar	20,000	20%	3,000	300	Bajra,sugarcane,wheat,onion	Agriculture + Service	5%
7	Samata Nagar	16,000	12%	3,000	100	Bajra,sugarcane,wheat,onion	Agriculture + Service	6%
8	Yashwant Nagar	10,500	8%	2,000	300	Bajra,sugarcane,wheat,onion	Agriculture + Service	3%
9	Sai Colony	8,500	4%	2,000	200	Bajra,sugarcane,wheat,onion	Agriculture + Service	8%
10	Pravara Nagar	9,500	15%	2,000	100	Bajra,sugarcane,wheat,onion	Agriculture	7%
11	Nehru Nagar	5,000	30%	1,000	150	Bajra,sugarcane,wheat,onion	Agriculture	6%
	Ahmednagar district – Kopargaon Taluka							
12	Shinganapur	6,000	20%	2,000	150	Wheat,sugarcane,soybean	Agriculture	8%
13	Nehru Nagar	5,000	3%	1,000	200	Wheat, sugarcane, soybean	Agriculture	6%
14	Savavahir	4,000	10%	2,000	100	Wheat, sugarcane, soybean	Agriculture	3%
15	Kopargaon	3,000	8%	1,500	100	Wheat, sugarcane, soybean	Agriculture	5%
	Nasik district – Satana Taluka							
12	Shinganapur	6,000	20%	2,000	150	Wheat, sugarcane,soybean	Agriculture +Services	10%
13	Malwadi	5,000	10%	1,000	100	Wheat, sugarcane	Agriculture	6%
14	Umbale	3,000	5%	2,000	100	Wheat, sugarcane	Agriculture	5%
15	Sutarwadi	4,000	3%	2,000	200	Wheat, sugarcane	Agriculture	3%
16	Nandgaon	5,000	4%	1,500	150	Wheat, sugarcane	Agriculture	4%
17	Vadgaon	4,000	3%	2,000	100	Sugarcane	Agriculture	3%
18	Pimpalgaon	3,000	2%	1,500	200	Wheat	Agriculture	4%
19	Rahuri	4,000	4%	1,000	200	Wheat	Agriculture	3%
20	Lasalgaon	2,000	3%	2,000	150	Wheat	Agriculture	2%
21	Sakur	4,000	2%	1,000	200	Bajra, wheat	Agriculture	3%

22	Alephata	3,000	3%	2,000	150	Bajra, onion	Agriculture	2%
	Aurangabad – Phulambri Taluka							
23	Vaijapur	3,000	2%	1,000	120	Bajra	Agriculture	3%
24	Sillod	4,000	3%	2,000	130	Wheat, soyabean	Agriculture	4%
25	Paithan	3,000	2%	2,000	120	Bajra	Agriculture	3%

Source: Field Village level data

Table 4 clearly depicts the total number of households chosen from districts with the detailed total population and the literacy rate. The literacy rate has been chosen as a very important indicator as it brings out the level of literates as a part of the total population. This brings out the characteristic for the SHGs. Below Poverty Line Households (BPL) is another indicator which depicts district wise the level of poverty at village level. Agriculture is the major, economic activity for all the three districts. The highest number of BPL HHs are in the Rahata Taluka of Ahmednagar district which has 300 BPL Households. The major crops cultivated are wheat and bajra. The highest SC/ST population in percentage terms is observed in Shingapur village, Satara taluka, Nasik district and in village Loni – I, Rahata taluka, Ahmednagar district.

On the other hand, Table 5 depicts the total number of defunct SHGs in the villages of the chosen districts. The maximum groups formed during the period 2000-2010 were 35 in the village Loni, Khurd in Rahata taluka of Ahmednagar district. The reason being in this region there are many SHG bank led schemes/ programmes which can be introduced, and groups can be promoted. There are a number of women who are in need of loans not only for income generation purposes but also mainly for consumption purposes. These are all small and medium-term loans for purposes like education, road construction, health, garden / horticulture purposes and poultry business. Savantsarkar village in Ahmednagar district -Kopargaon taluka and Malwadi village in Nasik district – Satana taluka have a total of 25 and 20 SHGs formed during the period of 2000-2010. Again, these are mostly groups of women are working as agricultural labourers or who own small land and use it for agricultural purpose only. The groups that have become defunct is again in villages where the highest number of groups were formed. Like for example, in Loni, Khurd Ahmednagar district – Rahata taluka 35 groups were formed out of which 15 groups became defunct, similarly, on the other hand Aashirwad nagar Ahmednagar district – Rahata taluka 20 SHGs were promoted and out of those 15 groups have become defunct over a period of

time. There are various reasons which are responsible why the groups have become defunct over a period of time. As, we proceed the major reasons will be explored to understand the debate of defunctness within the SHGs.

Table 5 : No of Defunct SHGs in selected villages

	Name of the Village	Total No. of SHGs formed in the village 2000-2010	Total No of Defunct Groups
Ahmednagar District – Rahata Taluka			
1	Loni I	6	1
2	Loni II	2	1
	Loni Brahmanewasti	3	2
	Loni, Khurd	35	15
3	AashirwadNagar	20	6
4	Pravara Nagar	8	6
Ahmednagar District – Kopargaon Taluka			
5	Shinganapur	10	7
6	Nehru Nagar	15	5
7	Savalvihir	5	3
8	Kopargaon	8	6
9	Savant Sarkar	25	15
Nasik District – Satana Taluka			
10	Malwadi	20	10
11	Umbale	3	2
12	Sutarwadi	5	2
13	Nandgaon	5	3
14	Vadgaon	4	2
15	Pimpalgaon	3	3
16	Rahuri	19	15
17	Lasalgaon	2	1
18	Sakur	4	2
19	Alephata	4	2
Aurangabad – Phulambri Taluka			
20	Vaijapur	2	2
21	Sillod	3	2
22	Paithan	7	3
	Total	218	116

Source: Field Village Level Data

Table 6: Number of Non-Defunct SHGs

	Name of the Village	Total No. of SHGs formed in the village 2000-2010	Total No of Non-defunct groups
Ahmednagar District – Rahata Taluka			
1	Loni I	6	3
2	Loni Dattanagar	10	5
3	Loni Khurd	35	20
4	Loni Bhudruk	10	5
5	Loni Brahmanewasti	3	1
6	Ashirwad Nagar	20	14
7	Samatanagar	4	4
8	YashwantNagar	15	10
9	Sai Colony	20	10
10	Pravara Nagar	15	10
11	Nehru Nagar	15	10
Ahmednagar district – Kopargaon Taluka			
12	Shinganapur	10	7
13	Nehru Nagar	15	5
14	Savalvihir	5	3
15	Kopargaon	8	6
16	Savant Sarkar	25	15
Nasik district – Satana Taluka			
17	Malwadi	20	10
18	Umbale	3	2
19	Sutarwadi	5	2
20	Nandgaon	5	3
21	Vadgaon	4	2
22	Pimpalgaon	3	3
23	Rahuri	19	15
24	Lasalgaon	2	1
25	Sakur	4	2
26	Alephata	4	2
Aurangabad – Phulambri Taluka			
27	Vaijapur	2	1
28	Sillod	3	2
29	Paithan	7	3
	Total	163	95

Source: Field Village level Data

The Non Defunct SHGs have been formed during 2000-10 and the maximum groups which are non-defunct are from Ahmednagar district -Rahata taluka from Loni Khurd and Ashirwad Nagar. While on the other hand, groups from Rahuri village, Nasik district, Satana taluka have also shown relatively higher number of non-defunct groups. In this region there is also substantial level of migration, so in many villages it has been observed that though for seasonal work women migrate with their families for domestic work like looking after the children, household work and petty work, their labour force participation rate in agriculture may look negative but they are contributing in other ways at the household level. Migration may show temporary breakdown of activities for the SHG. But, when it is seasonal migration the women again join the SHG and so the group does not become defunct. Another important aspect with the non-defunct SHGs is that most women are agricultural workers and are also in stone cutting profession earning daily wages.

5. Results and Discussions:

5.1 Socio-Economic Profile of Sample Respondents (Defunct and Non-Defunct Group)

Secondary data exhibits very clearly, that 90% of 'defunct' groups have been formed by the group leader based under some government scheme or some subsidy program. And very interesting finding has been observed that in the 1st or 2nd year after the formation itself they have become defunct. So, the way the groups have been formed in terms of the process for formation marks as a very important journey in terms of understanding the socioeconomic profile of the group and what could be the possible reasons for defunctness. The major reasons for a group becoming defunct are misappropriation of bank accounts, fraudulent practices, and concept of SHG not explained properly and credit not disbursed on time. Migration acts as one of the reasons as well. In case of Non –defunct self-help group, there are a mixed number of Groups that are formed by NGOs, Anganwadi teachers and group leaders. These groups have not become defunct because they have been very good practices of maintaining records, the meetings are held on time and the credit disbursal process is very much regularised.

Table 7 and 8 indicate the Profile of the respondents for defunct and non-defunct groups respectively. For defunct groups, majority of the members are in the age groups 25-30 years, while for non-defunct in the age group 30-35 years of age. For defunct category illiteracy is high as 43.3%, while for

non-defunct group it is 28.3%. Literacy level can be looked at as one factor for groups becoming defunct, because record keeping is not being done properly. It is observed when record keeping practices are faulty and when there are mistakes made the group disintegrate. Members do not want to have their savings in groups where money is not managed well.

Table 7 : Socio-Economic Profile of the Respondents – Defunct Group

Age			Education			Landholding			Caste / Religion		
Age Group	Nos	Percentage %	Level	Nos	Percentage %	Area	Nos	%	Caste / Religion	Nos	%
20-25	4	6.7%	Illiterate	26	43.3%	Landless	38	63.3 %	Maratha	20	33.3%
25-30	22	36.7%	1st -4th	3	50%	0.5 to 5 acres	20	33.3 %	VJNT	4	6.7%
30-35	9	15.0%	4th -8th	12	20%	5 to 10 acres	0	0.0%	OBC	10	16.7%
40-45	3	5.0%	8th – 12th	16	26.7%	10 to 15 acres	1	1.7%	SC	6	10.0%
45-50	9	15.0%	Graduation	1	1.7%	15 to 20 acres	1	1.7 %	ST	4	6.7%
50-60	10	5.0%	Post-Graduation	2	3.3%	10 to 15 acres	60	100 %	Christian	12	20.0%
60-70	60	100.0%	12 th Std	60	100.0%	15 to 20 acres			Muslim	4	6.7%
										60	100.0 %

Source: Field Survey

The dominant caste in defunct group is Maratha while in case of Non-Defunct groups it is OBC. The landholding pattern in defunct and non-defunct groups indicates that majority of members are landless.

Table 8 : Socio Economic Profile of the Respondents – Non-Defunct Groups

Age			Education			Landholding			Caste / Religion		
Age Group	Nos.	%	Level	Nos	%	Area	Nos.	%	Caste / Religion	Nos	%
20-25	9	15.0%	Illiterate	17	28.3%	Landless	42	70.0 %	Maratha	8	13.3%
25-30	12	20.0%	1st-4th	5	8.3%	0.5 to 5 acres	15	25.0 %	VJNT	10	16.7%
30-35	14	23.3%	4th -8th	12	20.0%	5 to 10 acres	1	1.7 %	OBC	23	38.3%
35-40	9	15.0%	8th -12th	21	35.0%	10 to 15 acres	0	0.0 %	SC	8	13.3%
40-45	6	10.0%	Graduation	4	6.7%	15 to 20 acres	1	1.7 %	ST	5	8.3%
45-50	6	10.0%	Post Graduation	1	1.7%	Above 20 acres	1	1.7 %	Christian	3	5.0%
50-60	4	6.7%		60	100.0%		60	100.0%	Muslim	3	5.0%
	60	100.0 %								60	100.0%

Source: Field Survey

Table 9 and 10 depict the mode of formation of the groups. In case, of defunct groups there are two leading Organisations in the Pravara Nagar area and Kopargaon area which have been instrumental for formation of SHGs. Jan Seva Foundation and Sanjeevani sugar factory are the two major organisations which have formed the SHGs in the Ahmednagar and Kopargaon areas under a government subsidy scheme which was announced during the time period 2000-10. Group leader is the second mode of formation for defunct as well as non-defunct groups. In many cases it was observed that group leader really is very important element in SHG. The leadership factor plays a key role in group formation. Over time if the leadership is not strong enough the group disintegrates.

Table 9, indicates when these groups were formed and the mode of formation such as NGO or Group Leader or local cooperative. Like for example, in one

case there were 2 groups formed in the year 2005 which became defunct over a period of time and group formation process was due to local Co-operative promoted by the Sanjeevani Sugar Factory. So, as a part of the analysis the major reason for groups to disintegrate and make groups defunct over a period of time is to do with the way groups were formed in the first place. The second factor important for the groups to be defunct is to do with formation process led by the group leader who leads the process while the saving amount for the group is decided by the group members. The group leader facilitates the way in which the loans are distributed and also decides with other group members how much will be the amount and who will be provided with the loans based on priority of the needs. If the monitoring and evaluation of these groups is not done on regular basis than there are chances that group may become defunct. Sometimes the distances are also in the interior parts of the villages and if meetings do not take place on regular basis, the group becomes defunct. The accounts must be maintained on regular basis with details of the group operation process.

Table 9: Organisations responsible for formation of SHGs in Defunct Groups

	Names of the Defunct Groups	No of members studied from the group	Year of formation 2000-2010	Mode of formation
1	Mahalaxmi	2	2010	NGO-Jan Seva Foundation
2	Aashirwad	2	2009	NGO-Jan Seva Foundation
3	Rani Laxmi Bai	1	2007	Group Leader
4	Jijau Mahila	2	2009	Group Leader
5	Bhagyalaxmi	2	2003	Group Leader
6	Dhanalaxmi	2	2008	NGO-Jan Seva Foundation
7	Swamini	2	2001	NGO –Jan Seva Foundation
8	Savitribai	2	2003	NGO led by Sanjeevani Sugar Factory
9	Shradha	2	2005	Local co-operative led by Sanjeevani Sugar Factory
10	Swabhimani	2	2006	Group Leader

11	Shakuntala	1	2002	Group Leader
12	Renuka	3	2004	Group Leader
13	Rekha Swaroop	2	2006	Group Leader
14	Govind Prabhu	3	2009	NGO led by Sanjeevani Sugar Factory, Kopargaon
15	Govindrao	2	2006	NGO led by Sanjeevani Sugar Factory, Kopargaon
16	Savitribai	3	2001	Group Leader
17	Yojana	1	2003	Group Leader
18	Jai Bhavani	2	2000	Group Leader
19	Jejuri	2	2007	Group Leader
20	Ramabai	3	2009	Group Leader
21	Janabai	1	2007	Group Leader
22	Kalubai	2	2006	Group Leader
23	Sharadha	1	2003	Group Leader
24	Gayatri	1	2006	Group Leader
25	Smruti Vihar	1	2004	Group Leader
26	Jagruti	1	2000	Group Leader
27	Vanarai	1	2000	Group Leader
28	Narayani	1	2009	Group Leader
29	Subhiksha	3	2008	Group leader
30	Rajashri	2	2005	Group Leader
31	Sagari	1	2007	Group Leader
32	Radhabai	1	2006	Group Leader
33	Krishna	1	2000	Group Leader
34	Dhanashree	1	2003	Group Leader
35	Devi Mahila	1	2001	Group Leader
	Total	60		

Source: Field Survey

Groups that have not become defunct or drop out cases have not occurred are those that have been formed by Anganwadi teachers, Group leaders and by Institutions based in those locations. Most of these groups were formed under different schemes and programmes sponsored under the SHG-Bank linkage programme under the advent of NABARD. NABARD, through its' Micro Credit Innovations Department has continued its role as the facilitator and

mentor of microfinance initiatives in the country. The overall vision of the department is to facilitate sustained access to financial services for the unreached poor in rural areas through various microfinance innovations in a cost effective and sustainable manner. Based on the observations of various research studies and an action research project carried out by NABARD, the model of 'SHG-BLP' has evolved as a cost-effective mechanism for providing financial services to the unreached and underserved poor households. What started as a pilot to link around 500 SHGs of poor persons, to the formal financial institutions during the year 1992-93 has now become the largest microfinance programme in the world, in terms of the client base and outreach. The SHGs which follow 'Panchsutras' viz. conduct of regular group meetings, regular savings within the group, internal lending based on the demand of members, timely repayment of loan and maintenance of proper books of accounts are considered to be of good quality and over years have proved themselves to be good customers of banks.

The NGO sector has played a prominent role of working as a Self-Help Group Promoting Institution (SHPI) by organizing, nurturing and enabling credit linkage of SHGs with banks. NABARD later coopted many others as SHPIs including the rural financial institutions (RRBs, DCCBs, PACS), Farmers' Clubs (FCs), SHG Federations, Individual Rural Volunteers (IRVs) etc. These stakeholders were encouraged to take up promotion of SHGs by way of promotional grant assistance from NABARD. This savings led microfinance model has now become the largest coordinated financial inclusion programme in the world covering almost 100 million households in the country. With more than 84% of the groups being exclusively women groups, the programme has provided the much-needed push to empowerment of women in the country.

(<https://www.nabard.org/content1.aspx?id=1758&catid=8&mid=8>)

Table 10 indicates the organisations which have been instrumental in promoting SHGs, and are a part of the non-defunct category. Most of these groups have been formed by NGOs which are very prominent in the selected locations / villages. Jan Seva Foundation and Pirens Institute are the well-known Institutions who have been pioneers in forming SHGs. And it is important to note that non-defunct groups have also been noted due to mode of formation. The second category are the groups formed by Anganwadi teachers who as a policy have to take up the formation of SHGs as an extra activity of teaching profession. Finally, the group leader also plays a very important and key role towards promoting the SHGs and managing the group in terms of monthly meetings and taking care of savings and credit mechanisms. It is important that knowledge of maintaining the accounts and MIS is carried out on regular basis.

Table 10: Organisation Responsible for formation of SHG Non-Defunct category

	Names of Groups	No of Members	Year of formation	Mode of formation
1	Rani Laxmibai	2	2007	NGO-Jan Seva Foundation
2	Priyadarshini	3	2004	NGO-Jan Seva Foundation
3	Sarojini	2	2006	NGO-Jan Seva Foundation
4	Jijamata	2	2005	NGO-Pirens Institute
5	Srikrishna	3	2010	NGO-Pirens Institute
6	Mauli	2	2010	NGO-Pirens Institute
7	Shradha	1	2010	NGO-Pirens Institute
8	Sant Janabai	1	2008	NGO-Pirens Institute
9	Swami Samartha	2	2010	NGO-Pirens Institute
10	Sapthashringi	2	2003	Anganwadi teacher
11	Om Sai	1	2006	Anganwadi teacher
12	Ganesh Mahila	2	2000	Anganwadi teacher
13	Renuka Mahila	2	2001	Anganwadi teacher
14	VaibhavLaxmi	2	2008	Anganwadi teacher
15	Jijau	1	2000	Anganwadi teacher
16	Sant Janabai	2	2009	Anganwadi teacher
17	Gauri Mahila	3	2008	Anganwadi teacher
18	Swami Mahila	2	2006	Anganwadi teacher
19	Dhanashree Mahila	2	2001	Anganwadi teacher
20	Yogini Mahila	2	2003	Anganwadi teacher
21	Srihari	2	2002	Anganwadi teacher
22	Vidya	2	2000	Group leader
23	Pratham	2	2000	Group leader
24	Devaki	2	2005	Group leader
25	Shrividya	2	2006	Group leader
26	Rajashree	3	2008	Group leader
27	Riddhi	2	2006	Group leader
26	Seva mandal	4	2008	Group leader
27	Govind Mahila	4	2006	Group leader
28	Sadaphuli	2	2001	Group leader
29	Krishna	3	2000	Group leader
30	Smruti	3	2000	Group leader
	Total	60		

5.2 Amount borrowed by Defunct and Non-Defunct Groups

On the positive side, most members found SHGs providing small loans for consumption purposes at 2% rate of interest. Most of the loans for defunct groups range between Rs 1,000 -5,000. While in case of non-defunct groups, the loans have been borrowed in the category Rs 15,000 – 20,000. Table 11 and 12 depict the total amount borrowed in the category of defunct and non-defunct groups respectively. Data for defunct groups indicate that consumption loans could be the reason for the groups to disintegrate. With respect to amount borrowed it was observed that 80% of the borrowing was in the range of Rs 1,000 to Rs 5,000.

Table 11: Total Amount Borrowed – Defunct Groups

	Amount borrowed (Rs)	Consumption purposes (No of members)	Percentage terms (%)	Production purposes (No of members)	Percentage terms (%)
1	1,000 – 5,000	29	48	48	80
2	5,000 – 10,000	20	33	12	20
3	10,000 – 15,000	6	10	0	0
4	15,000 – 20,000	5	8	0	0
	Total	60	100	60	100

Source : Field Survey

Table 12: Total Amount Borrowed – Non- Defunct Groups

	Amount borrowed (Rs)	Consumption purposes (No. of members)	Percentage terms (%)	Production purposes (No. of members)	Percentage terms (%)
1	1,000-5,000	12	20	20	33
2	5,000-10,000	8	13	6	10
3	10,000-15,000	9	15	5	8
4	15,000 – 20,000	11	18	3	5
5	20,000 – 25,000	5	8	4	7
6	25,000 – 30,000	5	8	5	8
7	30,000 – 35,000	3	5	5	8
8	35,000 – 40,000	2	3	5	8
9	40,000 – 50,000	1	2	2	3
10	50,000 – 55,000	2	3	2	3
11	55,000 – 60,000	2	3	3	5
	Total	60	100	60	100

5.3 Reasons for SHGs becoming defunct

SHGs are primarily voluntary organisations of women who choose to come together. The entire Microfinance sector has been supply driven through the highly effective networks of co-operatives, commercial banks, and regional rural banks. The major focus is on the poor for poverty reduction and women's empowerment, especially including those who have been bypassed by the formal banking system (Nanda, 2000). Refer to Table 13, in this table the reasons for SHGs becoming defunct are clearly outlined.

Table 13 : Reasons for Groups Becoming Defunct

	Reason for Group becoming Defunct	Number of members dropped out
1	Conflict in group	10
a	Members not receiving timely loans	2
b	Loan disbursement process not uniform	3
c	Group leader favouring certain group members	3
d	Discrimination towards Caste	2
2	Group not homogenous	5
a	Caste homogeneity absent	2
b	Mixed Group element BPL +APL group	3
3	Default in repayment of loans	6
a	Employment – Agriculture workers	4
b	Lack of adequate funds to repay	2
4	Concept of SHG did not appeal	5
a	Concept of SHG was not explained properly	2
b	Groups were formed in haste	2
c	Monitoring of Groups not done properly	1
5	Monetary problems	12
a	Adequate funds not available to save	6
b	Misappropriation of funds	6
6	Family Interference	3
a	Husbands using loans in wives name	2
b	Family putting pressure on members to leave the group	1

7	Political dynamics	5
a	Sarpanch of the village controlling SHGs operation	4
b	Control over loan disbursement	1
8	Problems due to group leader	4
a	Group leader favouring a certain caste	1
b	Group leadership not on rotation basis	3
9	Problems in loan disbursement	6
a	Proper loan process not followed	4
b	Predecided – loan applications	2
10	Accounts not maintained properly	4
a	Mistakes in record keeping leading to fraudulent practices	1
b	Cheating practices leading to conflicts in groups	3
	Total	60

Source: Field Survey

Group defunctness and member dropouts are very important aspect in a SHG model. The problem of group defunctness is closely linked with access to credit, mode of formation of group, the group dynamics and how well the group is being monitored on regular basis. To begin with, the method of group formation is a very important factor and whether the group members in the initial phases have been explained properly or no about the SHG formation becomes equally crucial. Opening of the bank account is the next phase which has to be done in a very accurate manner with the group leader followed by all the banking processes which need to be introduced. These are some of the key features of the SHG formation. Maintenance of all the records is mandatory and crucial. In many cases also the cheating cases have been recorded based on fraudulent practices where the loan is borrowed in the members name but is utilised by another family member who sometimes may not return the credit amount borrowed on time. Sometimes misappropriation of funds is also recorded. The other factor is group homogeneity is not observed. This causes conflict within the group regarding loan disbursement process and lack of uniformity. Sometimes there are also conflicts related to group leader favouring certain type of group members. There are also certain observations made regarding discrimination towards caste. There are also a number of cases where default in repayment has been observed. In some cases, concept of SHG did not appeal because in some cases the entire SHG as a concept was not explained in the village by the social workers from the

NGOs who made an entry with the purpose for social and financial intermediation. In some cases for instance even the groups were formed in hurry and haste. So, they were bound to become defunct. Some members dropped out from the groups due to family pressure, family interference in running the groups and groups funds were being misappropriated. It was also observed in some villages that the sarpanch was dominating SHG models operations in villages like Savatsarkar, and Paithan.

The other factors can be attributed to access to credit which is directly linked to the process of formation of self-help groups. Therefore, one can argue that how much loan amount, for what purposes and who will be the beneficiary at the micro level are the important indicators decided based on caste in rural areas. Many groups become defunct or dysfunctional over a period of time because some member gets excluded out of the loan disbursement process based on what caste they belonged.

These causes at the micro level and at the household level can be attributed to, social family structure in rural areas. Indicators can be viewed as prevented by husband/ family, inability to save regularly, difficulty in attending meetings on regular basis, huge financial burden with respect to loans and caste factor. While on the other hand, in case of individual member dropouts, the major reasons can be attributed to migration, death and illness in the family of the member. Apart from these, other factors that can be attributed to financial difficulties faced by the members of the group, personal conflicts within the group, family pressures to leave the group and denial of anticipated loans or benefits.

5.4 : Reasons for Survival of SHG :

The reasons for survival of SHGs are indicated in Table 14. The main reasons for survival can be attributed to timely credit, availability of credit for consumption purposes, individual savings and good record keeping mechanisms. Group leader possessing strong leadership qualities and finally family encouragement towards membership to SHGs were also major reasons for survival of SHGs.

Table 14: Reasons for Survival of SHG

	Reasons for Survival of Group	No of Members in the Group
1	Timely Credit	15
2	Timely Credit for consumption purposes	10
3	Encouragement towards individual savings	10
4	Cheap rate of interest	7
5	100% repayment	6
6	Good record keeping systems and accounts	4
7	Group leader with leadership qualities	3
8	Family encouragement	5
	Total	60

Source: Field Survey

5.5 Asset Creation by SHGs after joining SHGs :

Asset creation is another aspect which is very important when we are looking at how these have helped the SHG to grow and maintain the growth of the SHG and so keep the group together, so that even singly member dropout cases do not occur. The same is indicated in Table 15.

Table 15 Asset Creation by SHGs per members after joining SHG (No of Assets)

	Before joining the Group	After joining the Group
Defunct Groups	25	40
Non-Defunct Groups	15	20
Total	40	60

Source: Field Survey

Asset creation is referred to items such as, stove, cooking gas, two-wheeler, car, television set, fridge (electronic gadget), purchase of land, ornaments (gold), house etc. After joining the groups both in terms of defunct and non-defunct groups there is a positive way in which assets have been created.

6. Creating a Conceptual Framework on various drivers of Failure in SHGs :

As a part of the discussion, a conceptual framework of Institutional Economics Framework can be viewed towards understanding why Institutions like Microfinance fail. The framework of Institutionalism started as a thought process known as Institutional political economy initially under the advent of economist Veblen. Institutional political economy focuses on the role of human-made institutions in shaping decisions, economic behaviour, and costs. The focus of this area of economics is towards institutional framework that can be related to social, financial, and business-related institutions. All these can be attributed directly to the research question of SHG model.

Table 16 depicts the limitations in developing an institutional economics framework for microfinance institutions. The major reason for linking the whole debate on defunct and non-defunct group to the framework of institutional economics is to understand why institutions fail as a matter of fact when they fail how we can connect this debate to the framework of Institutional Economics. There are various reasons why the SHG groups also as institutions have problems related to market imperfection, sustaining the ability to borrow loans at very high interest rates sometimes, manage the groups, transaction cost and asymmetric competition. This aspect is highlighted. Within this framework major categories have been observed to understand the role of SHGs and the problem of group defunctness. Process of change is another important factor and a parameter that needs to be observed in the later phase of SHG formation in terms of group defunctness where all the factors which have been discussed in the early sections have been highlighted like conflict within the group, homogeneity of group, group cohesiveness, managing SHG funds, misappropriation of funds and caste dynamics.

Table 16: Major themes within the Institutional Economics Framework

Broad area / theme	Major areas of works / studies	Testing the Research techniques	Problems related to the framework	Key Contributors to this framework
Dominated by major problems related to development economics and microeconomics.	Theory of the firm, study of wages of, study of the market institutions. Study related to marginal products and arrangements, led to share cropping arrangements. Various issues to costing techniques and variety of institutional arrangements.	Mathematical analysis	Difficult to carry out quantitative testing. Difficulty in defining the key parameters of the model. Problems related to imperfect information and asymmetric information.	Pranab Bardhan, J. Stiglitz, Holmstrom and John Roberts
Market structures based on empirical studies	Study based on the various market structures.	Empirical testing analysis	Problems related to information gaps	Mostly all political scientists and business administrators
Critics of Economic Theory, Orthodox Theory, Neo-classical theory	Study of new institutions with a new framework named classic liberal ideology.	Empirical testing analysis	Problems related to asymmetric information	Economists like J.R Commons, Glen, G. Cain, Veblen, Williamson,
	Studies based on individualistic assumptions and economic theories based on institutions. Economic theories based on and concerned to matters related to processes. Based on existing institutional arrangements.			Schotter and Hayek

Studies and Analysis based on indigenous economic institutions	Based on wide thematic issues of property rights.	Subjective testing and analysis / Qualitative analysis	Problems related to communication, risksharing, and commitment.	Klein, Peter, G., and Anderson
Cross-sectional studies carried out by institutional economists	Prime objective of this group is to work towards the improvement of policy analysis	Quantitative and Qualitative analysis	Problems related to information gaps and accuracy in data.	Douglass, North; Elinor Ostrom; Oliver, Williamson and Mary, Shirley
New Economics of Information in relation to microfinance and rural credit markets	Studies related to new economics of information	Qualitative insights and testing	Problems related to markets. How to take into account the indigenous institutions. Dealing with government agencies with respect to inefficiency and corruption	Klitgaard; Robert

Source : Menard, Claude and Shirley Mary(2005)

Major categories and types of Institutions within this Framework can be viewed as Market Institutions. These are important to note with respect to the area of economics of information. On the other hand, Non-Market Institutions, are the type of institutions which fall under the category that primarily deal with various governments and role of state. Indigenous Institutions, aim towards, understanding the role of Institutions in economic and political development. The process of economic change attributes to the overall Institutional economics and can be viewed in Table 17.

Table 17: Process of Change within an Institutional Framework

Sr.no	Types of Process	Institutional Change
1.	Interactions of Institutions and Organizations	Scarcity of economic resources and competition creates Institutional change.
2.	For their own survival and betterment, the Organizations invest.	The changes with the institutions will come in terms of skills and upgradation of knowledge.
3.	Skills and knowledge are an outcome of the changes.	Maximum payoff and trade-off are perceived in terms of change.
4.	Major stakeholders are involved in the process.	Institutional change is the outcome of the scope of the economies, complementarities, and network externalities.

7. Broad Conclusions and Issues to be addressed:

Thus, we can clearly argue that SHG model has been useful in having financial inclusion amongst groups which are BPL. These groups have been introduced to opening new bank accounts, having access to information related to how SHGs should be managed and conduct regular meetings and MIS. The women are empowered to fulfil their credit needs for consumption and production purposes. For which at the operational level they have maintain all the required information and data related to financial literacy which is cashbooks, passbooks and attendance registers. Primarily it is the responsibility of the groups and the group leaders to maintain all the records. Most of the loans disbursed by the SHG are for consumption as well as production purposes. All those members who are in-charge of accounts are being imparted training for book-keeping. Thus, it can be argued that a new generation of banking industry with a number of institutions is growing in a market which is characterised by very small transactions and not so affluent clients. Therefore, with institutional specializations and innovation in terms of credit delivery systems and with very lowered transactions costs, the microfinance industry will be able to operate in a profitable manner, keeping the development agenda in mind.

However, as far as the loan delivery mechanism is concerned there is a direct relationship between caste dynamics and loan disbursal methods. There is a positive relationship between the group defunctness and caste dynamics. A strong relationship between group cohesion / homogeneity, caste dynamics and a group becoming defunct can also be established. There is a direct relationship between time when the group was formed and the group becoming defunct. Typically, in most cases it was found that many SHGs became defunct, or a member dropped out of the group after two years or within one year. The reasons are because the group's loans or savings were not well monitored. The major reasons for a member to drop out from a group at an individual level is very different compared to a group becoming defunct. These two are very different concepts when one tries to understand the dynamics within the SHG model. On individual basis a member drops out due to family pressure, unable to repay, migration, loss of work, internal dynamics of the group, and caste factor (village specific). But group defunctness is a much broader factor can be attributed to not understanding SHG concept, lack of homogeneity, savings and credit not being done properly, record keeping not done properly and maintenance not done.

At the operational level another interesting finding observed was that smaller

loan sizes within the range Rs 1,000 to Rs 5,000 are used for consumption purposes and are repaid on time with no default. However, it is observed that the loans for business purposes are generally within the range Rs 3,000 to Rs 10,000 and above. These are typically defaulted by the members. Some of the reasons can be attributed to the nature of the members, the HH behavioural pattern and trust. Leadership of the Group should be on rotation basis. If second line of leadership is not in place the interest of members does not exist. Qualities of a good Leader keep the interest of the Group members alive. There is a huge gap in terms of literature on SHGs that does not mention about the cases of defaulters and 'defunct' groups. In future it would be rather interesting to undertake research on such an aspect.

8. Policy Implications

Empowerment in terms of social aspects can be seen with respect to all the group members. The SHG model has thus, enhanced this. The biggest asset has been inculcating good savings habit and making the poor bankable. There has been a lot of awareness amongst all the group members towards loan utilization for productive purposes. Consumption smoothing function is another important advantage that can be attributed to this sector. In the earlier phases, the impact on poverty alleviation is very ambiguous as no income stream is generated from which the loan repayment can be made. This is related to the social status of women amongst family members and in the neighbourhood.

Thus, the major policy implications here which become important are to do with how to ensure that groups do not become defunct and what could be the important ways and mechanisms in which this can be made possible.

It is important to note that most of the groups become defunct due to lack of resources and means to market those goods. SHGs are heavily dependent on their promoter NGOs and government agencies. The withdrawal of support often therefore leads to the collapse of SHGs and defunctness of the SHGs. Hence policy must address these issues so that SHGs do not collapse but continue to sustain and become economically viable.

The issue of group defunctness can be addressed by having stricter social norms of attending the meetings regularly, so that at individual level SHG members do not drop-out of the group. There is group homogeneity maintained when the group formation takes place in the initial phases itself. Who will be part of the group should be decided in the initial process itself.

Stricter norms and rules are made for financial literacy and attending training programs offered by NABARD and other agencies. Age and education should be taken as very important factors while joining the group because for maintaining records and MIS it becomes easy if members are young in age and are literate or at least familiar with MIS and registers.

Only if major variables like frequency of savings per month, average savings for the group per month, common fund created by the group, utilization of group savings and finally mode of savings collected from the members are robust, then only will group defunctness not be seen. Equally important is the credit worthiness of members which includes average loan amount accessed by the group, the average number of members who accessed the credit and the process of the credit disbursement. Those responsible for forming SHGs must ensure that sustainability of the group and credit worthiness is enshrined within the members as this will prevent the group from becoming defunct.

It was observed in Tamil Nadu state that very often there are loan delays within the group which cripple the SHGs and SHGs become defunct. Members are asked for land documents, as collateral while seeking loans during the loan disbursement process. But the members do not have these documents and so, delays are caused for loans to be made available. (Aditi, R (2018)). Thus, if this norm is relaxed it would be easy for the SHGs to provide easy credit to members.

The Government is however not complacent and is taking regular steps to strengthen the SHGs by promoting SHG federations such as Village Organisations (VOs) and Cluster Level Federations (CLFs) which provides handholding support. SHGs have been provided Revolving Fund and Community Investment Support Fund towards credit support and to leverage high doses of credits from banks. Regular training programmes have been conducted for the SHG members on SHG management, financial literacy, livelihoods related technologies etc. The Government has now approved a uniform interest subvention scheme for women SHGs across all districts in the country from next year i.e. 2022-23. Under the uniform interest subvention scheme, women SHGs will be eligible for loans up to Rs 3 lakhs at interest rate of 7% per annum. Such measures must be further strengthened because if SHGs are able to thrive, they will not only contribute to economic empowerment but also to social, political and cultural empowerment of women and the purpose for which they are formed will get served.

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Abbreviations:

ADB – Asian Development Bank

ASSEFA – Association for Sarva Seva Farms

AIDIS – All India Debt and Investment Survey

BPL – Below Poverty Line

CBOs - Community based Organisations

CDF – Co-operative Development Foundation

GOI – Government of India

HH – Households

IA – Impact Assessment

IE – Institutional Economics

IRDP – Integrated Rural Development Programme

MACs - Bank Mutually Aided Cooperatives

MYRADA -Mysore Resettlement and Development Agency

MFI – Microfinance Institutions

MFO – Microfinance Organisation

MIS -Management Information System

NABARD – National Bank for Agriculture and Rural Development

NGO – Non-Governmental Organization

NBFC – Non-Banking Finance Company

OBC – Other Backward Classes

PRADAN - Professional Assistance for Development Action

RBI – Reserve Bank of India RGVN- Rashtriya Gramin Vikas Nidhi

SHG – Self Help Group

SHG BLP – Self Help Group Bank Linkage Programme

SC – Scheduled Castes

ST – Scheduled Tribes

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