



## OPTIMIZING PERFORMANCE THROUGH THE SELF-HELP GROUP-BANK LINKAGE PROGRAMME IN THE MICROFINANCE SPACE IN BANGALORE RURAL DISTRICT

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### ABSTRACT

The Self-Help Group (SHG) – Bank Linkage programme has been striving to uplift the downtrodden segments of society economically – in particular, such segments as reside in rural India. Out of the rural-based segments, the programme seeks to emancipate women who for centuries have been exploited for various reasons. Emancipation of women entails the social and political emancipation of women. In other words, women should be set free from legal, social and political restrictions. In this backdrop, the researcher set out to ascertain how the SHG-Bank linkage programme could be optimised in the microfinance space in Bangalore rural district. Towards this end, the researcher interacted with three categories of stakeholders associated with the programme, namely, bank officers, consultants and the women beneficiaries themselves. The researcher concluded that the beneficiaries were not being supported adequately on the marketing front. Poor co-ordination between the government and the channelizing agencies led to this state of affairs. Hence the researcher recommended that corporate players in particular and trade and industry in general be involved in this programme. Incorporated businesses could be involved in the task since under the statute they had to shoulder corporate social responsibility (CSR). The researcher was convinced that the programme could be used as an ideal class leveller, that broke through all class barriers and made all people equal. Left to itself, the government would require very many years to achieve this. But the linkage programme could achieve it in almost a cost-free and hassle-free manner. By way of social transformation, the programme led the women beneficiaries to save for a rainy day. It also led them to take the education of their children seriously. The children in due course would emerge as semi-skilled or skilled employees and help their families rise above the poverty line upon employment.

**KEYWORDS** : beneficiaries; CSR; emancipation; linkage; poverty line; stakeholders; statute

### 1.1 Theoretical background of the problem

Women empowerment is vital for any country be it economically advanced or otherwise. If one half of the population is not treated on a par with the other half (the other half being men), the society concerned and the country the society is part of, cannot achieve overall progress even if the said society or country is rich in matters material. At the earliest, the gulf between the two segments, namely men and women, in terms of how the two are treated by the society has to be eliminated if overall growth is to be achieved by the said country and by extension, its economy. India is one country where one can find the best and the worst in the gender equality space. Gender inequality is pronounced in rural India. Rural women suffer worse than their counterparts in the urban pockets of India. In the circumstances, the State government concerned, and the Central government have been launching various programmes to empower rural women and thus help them lead normal lives, a la their men counterparts elsewhere in the country.

### 1.2 Statement of the problem

Women empowerment programmes have been in force in the country for quite some time now. The programmes have succeeded in various degrees in various parts of the country for various reasons. The inconsistency in the outcome is being blamed on the flaws that obtain in the programmes. The so-called flaws notwithstanding, the programmes, it is claimed, have rung in positive changes in the lives of the women beneficiaries they are targeted at. Hence it is relevant to analyse the women empowerment programmes to identify the flaws, if any, they suffer from. It is also relevant to ascertain how the programmes have impacted the beneficiaries they are supposed to serve. The present study addresses these problems.

### 1.3 Review of literature

1. Women empowerment has become a serious topic of discussion in developmental economics. Empowering women to participate fully in all economic spheres is imperative to build stronger economies, to achieve internationally-pursued goals for development and sustainability, and to improve the quality of life for women, men, families and communities. Women empowerment is all about making women financially independent, so they can

make their own decisions concerning their lives and wellbeing in the family and society. It amounts to empowering women to claim what is rightfully theirs in society.

2. The 21st century has witnessed various changes in many spheres of economic activity. One change relates to achievement of long term sustainability of social development and economic prosperity among the women of the country, (2017). As women, they have been confronted with various issues for centuries. Policymakers of the country have been finding it challenging to achieve balance and economic growth in our country where a big chunk of women still remains un-empowered in spite of the various programs being implemented by the government for alleviation of poverty. The researcher concludes, upon review of the various studies conducted by eminent authors, government agencies, NABARD and NGOs that there has been an improvement in the standard of living of women.

3. Microfinance is becoming a powerful tool for raising the entrepreneurial spirit of women in the new economy. Most of the microfinance programmes target poverty mitigation and women empowerment through promotion of the entrepreneurial spirit in women. In addition, more of microfinance institutions (MFIs) prefer women members since they are convinced that women are more accountable and more reliable than their men counterparts. Small enterprises in India suffer from the burden of indebtedness. They are exploited in the credit market by loan sharks. During the past 25 years, microfinance organisations have been challenging the traditional financial sector. Today, microfinance is conspicuous on the agenda of public policy. It is being increasingly used to achieve entrepreneurial goals. Microfinance programs like Self Help - Bank Linkage Program have been continuously promoting women empowerment and women welfare by inculcating the entrepreneurial spirit in women. The SHG programme has come up with a new system of saving and lending. It involves group lending to provide microfinance to its predominantly female members.

### 1.4 Research gap

The reviewed literature has no doubt analysed the various aspects of the country's microfinance industry and women empowerment

programmes. Group pressure and sequential lending have motivated prompt repayment in some cases. In some cases, MFIs have alleviated poverty by raising the income and enhancing the economic status of the women beneficiaries that patronize them. These reviews would have been complete if the researchers had also ascertained the demerits, if any, obtaining the programmes. Further, it has not examined how the programmes have impacted the targeted beneficiaries. Thus, a research gap has arisen which this study seeks to bridge.

### 1.5 Scope of the study

The study confines itself to the major stake-holders, namely, bank officers, consultants and women beneficiaries from Bangalore (Rural) district, Karnataka.

### 1.6 Objectives of the study

The objectives of the study are to:

1. Identify the flaws, if any, that obtain in the women empowerment programmes.
2. Examine how the programmes have impacted the women beneficiaries they targeted.

### 1.7 Hypothesis proposed to be tested

The study proposes to test the following hypothesis:  
"It is not easy to constitute SHGs"

### 1.8 Research design

The following paragraphs explain how the research is designed.

#### 1.8.1 Research methodology

The study is descriptive in nature and uses the 'fact-finding' survey method. Interview schedules specially designed for the purpose were administered to the respondents for collection of primary data. Being a structured / directive interview, the interview was conducted with a detailed standardised schedule.

#### 1.8.2 Sources of data

Data required for the research has been collected from both primary and secondary sources. Primary data has been collected from bank officers, beneficiaries and consultants.

Secondary data has been collected from banks, the financial press and the Association of Karnataka Microfinance Institutions and the government of Karnataka in soft as well as hard versions. In addition, the researcher interacted extensively with other stakeholders associated with India's forex market.

#### 1.8.3 Sampling plan

**Bank officers:** Given the limited number of bank officers into financing women beneficiaries of MFIs in the area covered by the study, purposive or judgement sampling under the non-probability method has been deployed. The researcher selected 30 such bank officers operating in the area covered by the study. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus, it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

**Women beneficiaries:** Simple random sampling under the probability sampling method has been undertaken to select the women beneficiaries since it gives each element an equal and independent chance of being selected. Accordingly, Interview Schedules was administered to 100 women beneficiaries. The first 50 Interview Schedules received from them, duly completed, were selected for the study.

**Consultants:** Given the limited number of consultants in the area covered by the study, purposive or judgement sampling under the

non-probability method has been deployed. The researcher selected 30 consultants operating in the area covered by the study at least for the past ten years. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus, it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

#### 1.8.4 Data collection instruments

Interview schedules, specially designed for the purpose, were drafted and pre-tested in order to identify the possible weaknesses in the instrument. Upon receipt of feedback, they were appropriately revised and finalised for administration to the respondents for collection of primary data.

The Interview Schedules featured open questions and closed questions. Open questions were included since the objective was to identify opinions, ascertain degrees of knowledge and seek suggestions and more information. In some cases, the subject matter of the question could be outside the range of the respondent's experience and hence open questions were deemed a better alternative. Further, open questions would help in determining the depth of the feelings and intensity of the expressions of the respondent. Open questions might give the respondent a chance to think through the topic. Since it is practically impossible for the researcher to assess the level of information possessed by the respondent, open questions came in handy. The response freedom inherent in open questions could elicit a variety of frames of references from the respondent, which might provide unanticipated insights. Given the qualitative nature of the values the variables would elicit from the respondents, they could lend themselves ideally to statistical tools like Likert scale and chi-squared test.

#### 1.8.5 Data processing and analysis plan

Non-parametric statistical units were used to test the association between some qualitative characters and conclusions were drawn on the basis of formation of  $H_0$  and  $H_1$ . To be specific, Likert scale and chi-square test were applied to test the hypotheses.

#### 1.8.6 Limitations of the study

Primary data has at times been deduced through constant topic-oriented discussions with the respondents. It is possible that a certain degree of subjectivity, albeit negligible, has found its way in. In addition, one has to admit that the respondents, being human, could err. Hence, the researcher would like to admit that the findings of the thesis, which draw equally heavily from the discussions the researcher held with the said respondents, may have been affected, albeit to a negligible extent. In the circumstances, it will not affect the accuracy of the findings of the study.

### 1.9 Analysis of primary data collected from the 50 beneficiary respondents

In the following paragraphs, the primary data collected from the 50 beneficiary respondents is analysed.

#### 1.9.1 Flaws in the women empowerment programmes

No programme, however carefully designed, can be free of flaws, owing to various reasons. Allegations are levelled by various stakeholder groups to the effect that the said programmes suffer from one flaw or the other. Hence the researcher requested the respondents to furnish the flaws they have detected in the programmes. Their replies to the query appear in the following Table.

**Table-1 Flaws in the women empowerment programmes**

Flaw	Number of respondents
Loan amount does not cover the cost of the project fully	46

It is not easy to constitute SHGs	44
Beneficiaries do not get adequate marketing support	42
Eligibility norms are too stringent to satisfy	39

Loan amount does not cover the cost of the project fully and this is a flaw according to 46 respondents. It is not easy to constitute SHGs and this is a flaw according to 44 respondents. Beneficiaries do not get adequate marketing support, and this is a flaw according to 42 respondents. Eligibility norms are too stringent to satisfy, and this is a flaw according to 39 respondents.

### 1.9.2 Impact of women empowerment programmes

Women empowerment programmes are implemented with fanfare and a lot of hope. It is necessary to ascertain whether such fanfare and hope were justified in the first place. Hence the researcher requested the respondents to reveal how the empowerment programmes have impacted them. Their replies to the query appear in the following Table.

**Table-2 Impact of women empowerment programmes**

Impact	Number of respondents
The programme has raised the standing of women in the community	45
The programme has promoted the "community feeling"	44
The programme has raised the income of women	42
The programme has inculcated the "savings habit" in women	42

The programme has raised the standing of women in the community, aver 45 respondents. The programme has promoted the "community feeling" aver 44 respondents. The programme has raised the income of women, aver 42 respondents. The programme has inculcated the "savings habit" in women, aver 42 respondents.

### 1.10 Analysis of primary data collected from the 30 bank officer respondents

In the following paragraphs, the primary data collected from the 30 bank officer respondents is analysed.

#### 1.10.1 Flaws in the women empowerment programmes

No programme, however carefully designed, can be free of flaws, owing to various reasons. Allegations are levelled by various stakeholder groups to the effect that the said programmes suffer from one flaw or the other. Hence the researcher requested the respondents to furnish the flaws they have detected in the programmes. Their replies to the query appear in the following Table.

**Table-3 Flaws in the women empowerment programmes**

Flaw	Number of respondents
Monitoring mechanisms inadequate	25
Poor coordination between the government and the channelizing agencies	24
It is not easy to constitute SHGs	23
Beneficiaries do not get adequate marketing support	20
Misappropriation of assets / freebies by the beneficiaries	19

Inadequate monitoring mechanisms are cited as a flaw by 24 respondents. Poor coordination between the government and the

channelizing agencies is cited as a flaw by 24 respondents. It is not easy to constitute SHGs and this is a flaw according to 23 respondents. Beneficiaries do not get adequate marketing support, and this is a flaw according to 20 respondents. Misappropriation of assets / freebies by the beneficiaries is cited as a flaw by 19 beneficiaries.

### 1.10.2 Impact of women empowerment programmes

Women empowerment programmes are implemented with fanfare and a lot of hope. It is necessary to ascertain whether such fanfare and hope were justified in the first place. Hence the researcher requested the respondents to reveal how the empowerment programmes have impacted them. Their replies to the query appear in the following Table.

**Table-4 Impact of women empowerment programmes**

Impact	Number of respondents
The programme has raised the income of women	25
The programme has promoted the "community feeling"	24
The programme has inculcated the "savings habit" in women	23
The programme has motivated women to seek greater financial independence	23
The programme has raised the standing of women in the community	22

The programme has raised the income of women, aver 25 respondents. The programme has promoted the "community feeling" aver 24 respondents. The programme has inculcated the "savings habit" in women, aver 23 respondents. The programme has motivated women to seek greater financial independence, according to 23 respondents. The programme has raised the standing of women in the community, according to 22 respondents.

### 1.11 Analysis of primary data collected from the 30 consultant respondents

In the following paragraphs, the primary data collected from the 30 consultant respondents is analysed.

#### 1.11.1 Flaws in the women empowerment programmes

No programme, however carefully designed, can be free of flaws, owing to various reasons. Allegations are levelled by various stakeholder groups to the effect that the said programmes suffer from one flaw or the other. Hence the researcher requested the respondents to furnish the flaws they have detected in the programmes. Their replies to the query appear in the following Table.

**Table-5 Flaws in the women empowerment programmes**

Flaw	Number of respondents
It is not easy to constitute SHGs	26
The programme is not handled by professionals	26
Poor coordination between the government and the channelizing agencies	25
Monitoring mechanisms inadequate	23
Beneficiaries do not get adequate marketing support	22
Misappropriation of assets / freebies by the beneficiaries	21

It is not easy to constitute SHGs and this is a flaw according to 26 respondents. The programme is not handled by professionals ,

according to 26 respondents. Poor coordination between the government and the channelizing agencies is cited as a flaw by 25 respondents. Inadequate monitoring mechanisms are cited as a flaw by 23 respondents. Beneficiaries do not get adequate marketing support, and this is a flaw according to 22 respondents. Misappropriation of assets / freebies by the beneficiaries is cited as a flaw by 21 beneficiaries.

#### 1.11.2 Impact of women empowerment programmes

Women empowerment programmes are implemented with fanfare and a lot of hope. It is necessary to ascertain whether such fanfare and hope were justified in the first place. Hence the researcher requested the respondents to reveal how the empowerment programmes have impacted them. Their replies to the query appear in the following Table.

**Table-6 Impact of women empowerment programmes**

Impact	Number of respondents
The programme has raised the income of women	25
The programme has motivated women to seek greater financial independence	25
The programme has led the women to take the education of their offspring seriously.	25
The programme has promoted the "community feeling"	23
The programme has raised the standing of women in the community	23
The programme has inculcated the "savings habit" in women	22

The programme has raised the income of women, aver 25 respondents. The programme has motivated women to seek greater financial independence, according to 25 respondents. The schemes have led the women to take the education of their offspring seriously., according to 25 respondents. The programme has promoted the "community feeling" aver 23 respondents. The programme has raised the standing of women in the community, according to 23 respondents. The programme has inculcated the "savings habit" in women, aver 22 respondents.

#### 1.12 Summary of findings

In the following paragraphs, a summarised version of the findings arrived at, by analysing the primary data furnished by respondents, is furnished:

##### 1.12.1 Beneficiary respondents

1. Loan amount does not cover the cost of the project fully and this is a flaw according to 46 respondents. It is not easy to constitute SHGs and this is a flaw according to 44 respondents. Beneficiaries do not get adequate marketing support, and this is a flaw according to 42 respondents. Eligibility norms to qualify for the loan are too stringent to satisfy and this is a flaw according to 39 respondents.

2. The programme has raised the standing of women in the community, aver 45 respondents. The programme has promoted the "community feeling" aver 44 respondents. The programme has raised the income of women, aver 42 respondents. The programme has inculcated the "savings habit" in women, aver 42 respondents.

##### 1.12.2 Bank officer respondents

3. Inadequate monitoring mechanisms are cited as a flaw by 24 respondents. Poor coordination between the government and the channelizing agencies is cited as a flaw by 24 respondents. It is not easy to constitute SHGs and this is a flaw according to 23 respondents. Beneficiaries do not get adequate marketing support,

and this is a flaw according to 20 respondents. Misappropriation of assets / freebies by the beneficiaries is cited as a flaw by 19 beneficiaries.

4. The programme has raised the income of women, aver 25 respondents. The programme has promoted the "community feeling" aver 24 respondents. The programme has inculcated the "savings habit" in women, aver 23 respondents. The programme has motivated women to seek greater financial independence, according to 23 respondents. The programme has raised the standing of women in the community, according to 22 respondents.

##### 1.12.3 Consultant respondents

5. It is not easy to constitute SHGs and this is a flaw according to 26 respondents. The programme is not handled by professionals , according to 26 respondents. Poor coordination between the government and the channelizing agencies is cited as a flaw by 25 respondents. Inadequate monitoring mechanisms are cited as a flaw by 23 respondents. Beneficiaries do not get adequate marketing support, and this is a flaw according to 22 respondents. Misappropriation of assets / freebies by the beneficiaries is cited as a flaw by 21 beneficiaries.

6. The programme has raised the income of women, aver 25 respondents. The programme has motivated women to seek greater financial independence, according to 25 respondents. The schemes have led the women to take the education of their offspring seriously., according to 25 respondents. The programme has promoted the "community feeling" aver 23 respondents. The programme has raised the standing of women in the community, according to 23 respondents. The programme has inculcated the "savings habit" in women, aver 22 respondents.

#### 1.13 Conclusions

Conclusions are inferences / generalisations drawn from the findings and relate to hypotheses. They are answers to the research questions or the statements of acceptance or rejection of hypotheses. As explained already, this study proposes to test the following hypothesis:

"It is not easy to constitute SHGs"

Hence H<sub>0</sub> and H<sub>1</sub> are as follows:

H<sub>0</sub>: It is easy to constitute SHGs

H<sub>1</sub>: It is not easy to constitute SHGs

On the basis of the primary data collected from the respondents, vide Tables: 1, 3 and 5, a chi-square test was applied to ascertain the association, if any, between the three variables. The following Table reveals the computation made using MS-Excel.

Category	Observed Values		
	Yes	No	Total
Beneficiaries	44	6	50
Bank officers	23	7	30
Consultants	26	4	30
Total	93	17	110
Expected Values			
Category	Yes	No	Total
Beneficiaries	42.27272727	7.727272727	50
Bank officers	25.36363636	4.636363636	30
Consultants	25.36363636	4.636363636	30
Total	93	17	110
	Yes	No	
o-e	1.7273	-1.7273	
	-2.3636	2.3636	
	0.6364	-0.6364	
(o-e) <sup>2</sup>	2.9835	2.9835	



	5.5868	5.5868	
	0.4050	0.4050	
$((o-e)^2)/e$	0.0706	0.3861	
	0.2203	1.2050	
	0.0160	0.0873	
CV	0.3068	1.6784	1.9852
TV			5.991464547
p			0.74

The calculated value of  $2\chi$  is 1.9852, lower than the table value of 5.991465 for an alpha of 0.05 at two degrees of freedom. Hence the null hypothesis is not rejected, and the research hypothesis is rejected.  $p=0.74$  is the inverse of the one-tailed probability of the chi-squared distribution.

#### 1.14 Recommendations

The following are the researcher's recommendations:

1. Complaints of inadequate marketing support from the government / government agencies have been rife in the beneficiaries' circles for a long time. Unfortunately, sincere efforts to mitigate the problems the beneficiaries face in the marketing area have not been made to this date. It is a typical case of "too many cooks spoiling the broth." In this backdrop, the researcher suggests that trade and industry be allowed to assist the beneficiaries in the marketing exercise. NGOs floated by businesses / industries will be more than willing to participate in the exercise. Incorporated players are required to shoulder corporate social responsibility by the statute, anyway. In the circumstances, the researcher suggests that the corporate players in particular and trade and industry in general be involved in the task of marketing the outputs turned out by the beneficiaries. Further, this strategy will also help address the issue of poor co-ordination between the government and the channelizing agencies by minimising the number of cooks and thus ensuring that the resultant broth is not spoiled, so to speak!

2. It is glad tidings that the programme has raised the standing of women in the community – something that even the governments, State or Central, have not been able to achieve in a long time. The lesson to be drawn from this outcome is that money is the best leveller or to be more specific, class leveller. It is such a great leveller and perhaps the only leveller that breaks through the class barriers and makes all people equal. If the government has to achieve this, it may take a long time and involve a much bigger budget!

3. It is a welcome outcome that the beneficiaries have acquired a tendency to put money by for a rainy day. This positive offshoot should be exploited by the bank associated with the programme by urging the beneficiaries to open recurring deposit accounts with it. This will ensure that the beneficiaries do not squander their hard-earned money. This will also lead the beneficiaries to realise the values of thrift and self-reliance.

4. Monitoring the programme is not easy, as the bank officers rightly imply. However, banks cannot afford to monitor the programme as systematically as they monitor the other loans for obvious reasons -- the loans are small ticket in value terms and it makes neither financial sense nor business sense for banks to monitor them the way they monitor their other loans. This does not absolve the banks from their duty to monitor loans. But they can prevail on the associated intermediaries like the NGOs and SHGs to tone up the monitoring exercise. Once the monitoring mechanisms are fine-tuned, misappropriation of assets / freebies by the beneficiaries can be minimised, if not eliminated altogether.

5. Another welcome outcome of the programme is that the beneficiaries have taken the education of their offspring seriously. Educated offspring eventually emerge as potential semi-skilled or skilled employees, thereby acquiring the capability to stand on their

own two feet. In other words, before long, the families they were born into will raise above the poverty line. There can be no cheaper and more effective way of raising such families above the poverty line. In the circumstances, the researcher strongly recommends that the programmes be implemented in all seriousness and with all vigour and enthusiasm.

#### 1.15 References

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