



# Micro Credit in Rural India with Reference to Poverty Reduction and Women Empowerment

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## ABSTRACT

Microcredit is a vehicle of change and helps in transforming the lives in rural areas. After the commencement of the Grameen bank in the field of micro-credit, it started to emerge throughout the countries. Self-Help Group (SHG), a homogeneous group of ten to twenty members, gets the micro-credit from the bank without any collateral. Under NRLM (National Rural Livelihood Mission) previously known as Swarnajayanti Grameen Swarojgar Yojana (SGSY), the micro credit to the SHGs helps not only in reducing poverty through the establishment of micro enterprises but also in bringing women empowerment for social change. NRLM functions as an engine for financial inclusion in the country. It aims to reach out all the rural poor families and to link them to sustainable livelihoods opportunities besides to strengthen the social mobilisation of women and excluded groups through the process of SHG-bank linkage. The role of microcredit helps to reduce poverty by enabling the poor household sustainable self-employment and skills wage employment opportunities besides it promotes to financial inclusion. It also nurtures entrepreneurs and provide skills for the job market. The sustainability of SHGs depends on the five principles or called *panch sutra* which includes regular savings, regular meetings, regular accounts, regular repayments and adherence to terms and conditions.

**Keywords:** Empowerment, financial inclusion, micro credit, poverty, social change

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Poverty and unemployment are two major problems in the socio-economic development of India, particularly in rural India. After Independence many of the poverty alleviation and employment programmes have been initiated by the government in the forms of IRDP (Integrated Rural Development Programme), TRYSEM (Training of Rural Youth for Self-Employment), DWCRA (Development of Women and Children in Rural areas), SITRA (Supply of Improved Toolkits to Rural Artisans), and GKY (*Ganga Kalyan Yojana*) etc. And finally, all these schemes merged into a single self-employment programme known as *Swarnajayanti Gram Swarozgar Yojana* (SGSY) on 1<sup>st</sup> April 1999. The important aim of this major programme was to bring the assisted poor families above the poverty line by providing a

sustainable income generation opportunities through micro-enterprise development, both land based and non-land based. In doing so, effective linkages have been established between the various components such as capacity building of the poor, credit, technology, marketing, and infrastructure. Almost after a decade of SGSY some of the shortcomings like, insufficient capacity building of beneficiaries, insufficient investments for building community institutions, weak linkages with banks leading to low credit mobilization, lack of SHG (Self-Help Group) federations, absence of support services for productivity enhancement, marketing linkage, risk management, etc. come into light. Many of the states could not be able to utilise the fund received under this programme (Hazra, 2013).

A committee was set up called Radhakrishna committee which identified credit related issues under SGSY as the most of the SHGs remain crowded in low productivity, primary sector activities. The committee argued that while nearly two-thirds of the total funds were given out as the subsidy, thus making the whole program subsidy-driven, only six per cent of the total SGSY funds were utilized for training and capacity building during the past decade. Under National Rural Livelihood Mission (NRLM) the role of microcredit is inevitable and quintessential which provide credit to initiate enterprises to get some employment to the SHGs. The proper working and functioning of the micro credit strengthen the flagship programme like NRLM (Planning Commission, Government of India 2012). Microcredit has become an important sector in developing countries for providing financial services to the poor people. It helps the poor people to increase the income and build assets through various activities such as savings, income generation activities and other productive activities. Microfinance is seen as a broader view under which micro credit play an important role. Microfinance is defined as the provision of thrift, credit and other financial services such as money transfer and micro-insurance products for the poor, to enable them to raise their income levels and improve living standard (Karmakar, 2008: 36). The financial service of microfinance also includes investment credit and need for skill up-gradation and entrepreneurial development that would enable the poor people to overcome poverty. It has been accepted as the most effective means to alleviate poverty in many developing countries like India where the central issue of the government is poverty alleviation (Nair, 2001).

Microcredit is now increasingly being recognized as a cost-effective and sustainable way of expanding the outreach of the banking sector to the rural poor. In a holistic perspective, microfinance is a process of social intermediation for the development of both human resources and building social capital to make marginalised groups self-reliant in preparing them to engage in formal financial intermediation. The need for microfinance arises because of lack of access to a formal financial institution for the loan by the poor and

exorbitant interest rate charged by the money lender in the rural areas. The implementation of lending programmes from any formal source towards poor face three major difficulties namely exact targeting, screening problem to distinguish between good or credit worthy and bad borrowers and unable to monitor and ensure the productive usages of the loan (Ramakumar, 2012). According to RBI (Reserve Bank of India) report 2007, Over 40% of Indians do not even have a bank account. The national sample survey 59<sup>th</sup> round (2003) estimates notes fact that of the total cultivator household, only 27% have received credit from formal source and 22% from informal sources. The remaining 51% mostly marginal farmers have virtually no access to credit. According to microfinance report 2013, released by NABARD (National Bank for Agriculture and Rural Development), a total number of 73.18 lakh SHGs with active bank linkages are operating in India which involve 9.7 crore people and more than 80% of SHGs consist exclusively of women. Under microfinance, the quantum of loan is small and used for income generation through market-based self-employment.

Under this backdrop, the present study has been conducted to examine the micro credit in rural India with reference to poverty reduction and women empowerment. The specific objectives of the study are (1) to examine the awareness about the micro credit and its different functions among the SHGs members; (2) to find out whether the members are able to access credit in times of need and the role of the bank; (3) to study the pattern of utilisation of micro credit by the SHG members and (4) to analyse the impact and challenges of SHG in villages.

### Research Methodology

The present study was conducted on the 18 SHGs of two blocks namely Tuljapur and Omerga, at Osmanabad district in Maharashtra. There were 8 SHGs from Tuljapur block and 10 SHGs from Omerga block. Observation including participant and non participant observation were made. Interviews were also conducted with the SHG members with the help of survey schedule which was semi-structured in nature and having both close ended and open ended. Besides all these, Focus

Group Discussion (FGD) was also conducted to get the primary level information. Secondary information was collected from various sources which include register maintained by the SHGs and NGOs which provide them assistance, secondary reports in the forms of text, RBI reports, government report, local bank documents, news papers and articles from different journals.

### Micro Credit Initiatives in India

There has been a huge growth of micro finance institutions in terms of numbers and size of organizations, a number of clients and provision of subsidized donor funding in many developing countries. In 1992, the National Bank for Agriculture and Rural Development (NABARD) initiated the Self Help Group-Bank Linkage (SHGBL) programme in India to include the poorest of the poor inside the formal banking system. NABARD had already initiated certain research projects on self help groups as a channel for delivery of microfinance such as savings and credit management of SHGs which threw encouraging possibilities to initiate the SHGBL programme. Under SHGBL programme, self-help groups are formed and trained for six months which are then linked to the banks to avail loans (IIBF, 2009).

Over the years, a number of measures have been announced which tries to bring in a huge section of the unattended masses under the umbrella of financial inclusion. The major initiatives are being undertaken by the Government of India (GoI) and the Reserve Bank of India, and other important institutions in this regard being NABARD and SIDBI (Small and Industrial Development Bank of India).

Now a day, several NGOs have also come to the forefront, broadly through their micro finance initiatives. In layman terms, it implies access to formal institutions of credit by the populace which has been denied the same due to the circumstances which are sometimes beyond their control. In India, by the term formal sources of credit, it is implied credit from public banks, commercial banks, regional rural banks (RRBs), cooperative credit societies etc. The apex bank of the country, the Reserve Bank of India, defines it as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and

vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated, mainstream institutional players (Chakrabarty, 2013).

The lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bring people in from the margins and give them the tools with which to help themselves. In this context, micro finance and formation of SHGs emerged as the frontrunner to increase the extension of finance services to the poor, some even started regarding it as the panacea for all troubles. The informal sector was now getting the attention which it during all the years was devoid of, as Robinson mentions, "Until the 1980s, the presence of informal micro enterprises- street vendors, home workshops, market stalls, providers of informal transportation services was generally perceived by policy makers and economists to be a result of economic dysfunction. Microenterprises were thought of as little more than an indicator that the structure and growth rate of the formal economy were inadequate to absorb the national labour force, and so were perceived as a disguised form of unemployment" (Robinson, 2001:11).

While all the above-mentioned changes were taking place around the world, the initiatives began as early as independence in India. The state took decisive measures in analysing cooperative structures as in reviewing the partnership of state in cooperatives in the mid- 1950s. The creation of the State Bank of India in 1950, the nationalisation of banks in 1969 and 1980, touted as the deciding event in the history of financial architecture in India, and the formation of Regional Rural Banks (RRBs) was also a step towards this direction, as it was done to promote direct lending facilities to the rural areas. The Lead Bank Scheme of 1970, priority sector lending criterion, easy branch licensing norms, setting up of NABARD in 1982, and all these measures led to a rapid increase in the spread of banking infrastructure to the unbanked areas of the country.

However, the issue of dependence on informal sources of credit still remained and, in fact, accentuated owing the divergence of banks to setting up their offices in urban areas. The Integrated Rural Development

Programme (IRDP) was also launched in the year 1978-79 in order to deal with the rampant poverty across the country. The main objective of IRDP was to boost the strata of BPL families in the rural areas above the poverty line on a long term basis by creating for them income generating assets and access to credit and other features. The early-1990s saw the launching of SHG Bank Linkage Programme by NABARD. In India, there are basically three mediums which are popular through which microcredit is provided to the needy groups namely SHG-Bank Linkage programme, Bank-NGO (Facilitator)-SHG, and Bank-NGO (Proper intermediary)-SHG. The third model is the most followed approach in India. IRDP was restructured in the year 1999 to form Swarnajayanti Gram Swarojgar Yojana (SGSY) in order to encourage rural poor towards self-employment (Asalatha and Vijayamohanan, 2010). This was further restructured to form National Rural Livelihood Mission (NRLM) in the year 2011. SGSY aimed to alleviate poverty by promoting the formation of SHGs. But this idea didn't work out well as the section of people on which this programme targeted lacked the basic skills and capabilities to convert the benefits from SHGs into fruitful ventures. Thus, this way NRLM took birth and it directly aimed at capacity-building exercises.

### **Government Initiatives: National Rural Livelihoods Mission (NRLM)**

NRLM launched as a flagship program to reach poor families, nurture and linking them to livelihoods until they come out of poverty and enjoy a decent quality of life. Another objective is to fight poverty by building strong institutions of the poor, especially women, promote and, therefore, these institutions to reach a range of financial services and livelihood. NRLM was designed to be a very intense program and focuses on the intensive use of human and material resources to mobilize the poor in the community, promote financial inclusion and improve their livelihoods. The community institutions offer a platform for convergence and partnerships with various stakeholders by building environment for the poor to access their rights and entitlements and public service (Jeur, 2014). The support from NRLM will include all round capacity building of the SHGs ensuring that the group functions effectively on all issues concerning their

members, financial management, providing them with initial fund support to address vulnerabilities and high cost indebtedness, formation and nurturing of SHG federations, making the federations as strong support organizations, making the livelihoods of the poor sustainable, formation and nurturing of livelihoods organizations, skill development of the rural youth to take up self enterprises or jobs in organized sector and enabling these institutions to access their entitlements from the key line departments etc. The strength of this program lies in the principles of the program are in the forms of access for the poor, social mobilization, dissemination of knowledge, capacity building, access to credit, access to marketing, and access to other building facilities livelihood and empowerment process. Values such as the inclusion of the poorest, transparency and accountability, community self-reliance and self-confidence are the backbone of the success of the program. The *pancha sutra* under this program is of crucial importance for the success which include regular savings, regular meetings, regular statements – bookkeeping and accounting, regular repayments and compliance with the terms and conditions (RBI, 2013).

### **Impact of Microcredit on Poverty Alleviation and Women Empowerment**

Micro credit under NRLM has many roles to play, which has multidimensional effects. Many developing countries have accepted that micro credit is an effective tool for poverty reduction and has made a positive impact on the lives of poor people. Hulme (2007) tried to find out if the impact of micro credit on poor people's lives allows them to or aggravated their problems. Micro credit creates opportunities for the poor to increase their income and vulnerability. The results of the study say that micro credit support poorer and the poorest of the poor. Microfinance institutions provide financial services and to give skills training to improve production and the empowerment of the poor, especially women. The article provides strong evidence of microfinance program's increased access to the poor through self-help groups and microfinance institutions. The program has helped people to increase their savings and borrowing capacity, ownership of assets. However, there is lack of training and publicity

of the program, making it difficult for poor people to get benefit from the program and improve their standard of living. In these studies, Reddy and Manak (2005), Bernasek (2003) and Islam (2008) attempted to review microfinance as a way to fight against poverty. Some authors have their opinion on the basis of empirical studies; a group says microfinance can reduce poverty, on the other; some disagree by emphasising the limits of microfinance to help. Authors such as Burra (2005), Choudhary (2006), Singh (2008) and Tikendrajit (2008) believe that microfinance reduces poverty not only by increasing the income and living standards, but it also helps poor people to strengthen. However, authors such as Hulme (2007) and Shah (2008) show the limits and shortcomings of microfinance (Singh, 2013).

Microcredit initiatives by the government and NGOs in India have had a significant impact on the poor. It helps poor people to increase incomes and build assets through various microfinance activities as savings, income generating activities and other productive activities. It adopted to alleviate the most effective means of poverty in many developing countries like India, where the central theme of the government is poverty reduction (Nair, 2001). Poverty alleviation through microcredit may be the only effective way to solve poverty. Mohanan (1998) considers self-help plan the most cost-effective measure to extend the reach of financial services to the poorest segments of society. Manimekali and Rajeshwari (2000) emphasize the idea of empowering women through group training system. They also suggest providing training for women in this regard would be helpful. Soundari and Sudhir, on the basis of a study of rural Dalit women, conclude that, apart from the registration of women in productive and useful activities, SHG also cause social emancipation. Self-help groups in Karnataka helped rural women and urged them to actively participate in the CDP (Community Development Programme) and local politics (Soundari and Sudhir, 2001).

Working in a group is essential and beneficial for these vulnerable target groups. So, SHG involves a voluntary group of people with an almost similar socio-economic background who gathered to record on the basis of mutual trust and faith. A working SHG on the principle

of solidarity helps poor people to come together to pool their savings and credit access in the process (Singh, 2013: 10).

Microfinance programs with a variety of positive effects in ways credited to improve their lives through their own work. Ela Bhatt in his autobiography, "We are poor, but many" calls a double situational disadvantaged, poor and a woman (Bhatt, 2005). These loan funds as microfinance, a savings group for women has become a popular poverty reduction strategy and an effective tool for the empowerment of women since the mid-1980s these mechanisms are now being running on a concept of "doing well by doing good" because they not only offered to reduce poverty but also paid for yourself, while earning profits.

Among the poorest, women are not proportionally represented and, therefore, need more help and support in relation to men in the acquisition of sustainable livelihoods. The women are separated in relation to organized labour market and thus forced to seek employment opportunities in the informal sector. Women from the lower strata of society pushed for several grounds- financial, social, etc. limiting their ability to board and means of survival. The empowerment of women essentially comprises three aspects: economic strengthening, social and capacity. Here the economic empowerment implies better access to financial services and more say in financial matters to their homes or communities. Social empowerment means an equal voice in households and community, equality, participation in the decision making process of democratic institutions (Rahman and Thakur, 2009).

Financing of them is proved to be a game changer in their lives. There are reports that show that when a woman has assisted financially, it helps not only to their empowerment but also empowering their families as a whole. The impact of this program may be both in the social and economic aspect. Social assessments help to identify and understand, to identify important social issues and risks and the possible social impacts of the project on stakeholder activities. Under this program, the most socially excluded groups and their support groups received benefits and have started their advantageous enterprises. This brings addressing the social divisions of caste, gender, religion, etc., which seriously affect the

poor, creating obstacles that may significantly affect their ability to escape poverty. An important contribution of microfinance to empower women in both social and economic areas, such as women receives the attention it deserves its rightful place in the family and family income increased significantly (Karmakar, 1999). The inclusion in microfinance activities through self-help groups has increased its economic and political status in society. Singh (2013) argues that microfinance keeps as a panacea for poverty reduction beyond the current discussions of microfinance by many practitioners of the given microfinance. Singh tried the effects of micro credit and micro-enterprise to show the lives of poor people. The success of micro credit helps break the cycle of extreme poverty and slowly build wealth through the commitment of self-employment projects has been phenomenal.

**Table 1:** Total number of Self-Help Groups women (SHGs) (social group wise)

Social groups	In number	In per cent
Forward	82	34.6
OBC	101	42.6
SC	54	22.8
<b>Total</b>	<b>237</b>	<b>100</b>

Source: Field work.

Table 1 shows the total number of women from various social groups. About 42% of the total women are constituted from the backward caste followed by forward caste and Schedule caste. There are total 237 members from the 18 interviewed SHGs.

**Table 2:** Caste wise SHG groups

SHGs group wise	In Number	In Percent
Only forward caste	3	16.7
Only OBCs	2	11
Only SCs	3	16.7
Mix of forward and OBC both	2	11
Mix of OBC and SC both	2	11
Mix of Open, OBC and SC	6	33.3
<b>Total</b>	<b>18</b>	<b>100</b>

Source: field work.

Table 2 shows the composition of SHGs in the villages. Some of the SHGs are exclusively constituted by one social group. Some are constituted by two and others by all the present social groups in the village. There are six SHGs which are represented by women from all the social groups. Some of SHGs do not allow women from SC groups to become a member of their group, represented by forward caste. Some time women from forward caste do not want to become a part of that SHG which is led by the women from SC group. It clearly reflects the picture of caste discrimination.

**Table 3:** Access to credit in time and awareness among SHG members

Social groups	Total number	Access to credit in time	Awareness of functioning SHG
Forward caste	82	61	71
OBC	101	63	79
SC	54	31	33
<b>Total</b>	<b>237</b>	<b>155</b>	<b>183</b>

Source: Field Work

Table 3 shows that women from upper or forward caste have high incidence to access to credit in time from banks while it is the lowest among the SC. It is mainly because the banks provide credit to those who have capacity to repay on time and these groups have economic capacity to repay the loans. On the other hand, microenterprises or any livelihood activities of the women particularly from SC group are not frequently profitable which make them unable to repay the previous loans on time. So, the banks also do not take interest to provide them loans. Some of the SHGs exclusively form by forward and OBC groups get credit in time therefore their members also get to access it. There is only one SHG exclusively formed by SC group get access to credit in time, otherwise rest of the SHGs do not get in time regularly. Some of the SHGs, formed by mix groups get credit in time but sometime there is intra group problem too. Sometime, women in a particular group do not get access to credit even though those SHGs have access to credit. Some of the members unequally access this credit for their own use. Awareness level among women from different social groups also varies. There is also some lack of awareness about the functioning of the SHGs

formed by the SC group. The lack of proper training and awareness to them make them unknown from the functioning of the SHGs. There is a high proportion of awareness among the upper caste and OBC but still about one third of the women are not aware about the functioning of the SHGs.

**Table 4:** Impact of micro credit on SHG members (In percent)

Social groups	Open (in percent)	OBC (in percent)	SC (in percent)	Total (in percent)
No improvement	4	12	8	24
Only Self development improvement (1)	—	1	1	2
Only Family level improvement (2)	2	3	1	5
Only Social and political improvement (3)	2	1	1	4
Only Economic improvement (4)	3	8	8	20
1+2+4	06	13	17	36
1+2+3+4	51	41	11	103
1+3+4	11	17	4	32
1+4	3	5	3	11
<b>Total</b>	<b>82</b>	<b>101</b>	<b>54</b>	<b>237</b>

Source: Field work

Table 4, clearly shows that the socio-economic and political improvement have taken place from the micro credit facility provided to SHG but at highly unequal level. There is a variation among the different social groups on various indicators. About two third (51 women) of the respondents from the upper caste agree that their self, socio-political, family and economic condition have improved after joining SHG. Among the SC, it stands merely 20% (11 women). The improvement in all indicators except social and political is the highest among the SC (31%). It also implies that in spite of economic improvement, they are not being recognised as socially and politically independent which resulted into their lack of participation in the decision making process in local governing bodies. Women empowerment in the context of social and political aspects do improve but of a particular group or women from upper caste. Such social and political recognitions of the women

from OBC is low and the lowest among SC. Intra family improvement can also be observed particularly among SC members while there is very less improvement among the upper and OBC which also reflect the notion of patriarchy among these communities. In spite of having economic, political and social improvement, they are not being treated equally within family. There is of course an improvement in economic aspect but it is not that much capable to alleviate poverty among all the social groups equally. Most of the cases of poverty reduction through economic improvement come from the upper caste and OBC. This can be observed from the fact that these groups are relatively high in economic status and any further improvement brings them out of poverty. Such incidences are very less among the SC. They are economically deprive and very few SHGs get regular credit from the banks and able to maintain their entrepreneurship in profit. There are only four and twelve members from forward and OBC respectively who have not realise any improvement after joining to SHGs. Such level is high among SC women which stand near to 15%.

### Challenges under Micro Credit

Despite positive possibilities, poverty and empowering women to relieve, there are some gaps in micro credit. The Reluctance of SHG members to return the loans to banks is one of the most important factors that can occur due to lack of microenterprises income or debts. The sustainability of the collapse of micro credit system in rural areas also occurs because of the apathy of the rural banks to support groups. There are many training programs launched by the funding agency and non-governmental organizations, but they are not enough and there is a lack of knowledge and proper guidance among SHG members. The lack of regular monitoring and controls in the activities of SHGs is also one of the disadvantages in the successful path of micro credit. Inability to reach the poorest of the poor is a major disadvantage of microcredit programs. The poorest have a number of limitations, such as less revenue sources, poor health, and education, which prevent them from investing the loan in high-yield business. It was also found that the poorest received small loans which are unprofitable. This section also provides the

highest requirements on microcredit training programs, making the cost of paying even higher. There is also discrimination on the basis of caste in training. Most of the time SHGs of the upper caste get the loan easily and they make profits while very few supports are provided to groups formed from the lower caste, little chance to get some decent profits and to make changes in their livelihoods. There is an uneven distribution of SHGs as well in the villages. Some of the poorest villages have two to three SHGs, running inconsistently while some villages have more than six SHGs. There is general awareness about the program among SHG women, but most of the specific provisions, operation and clarity of the program are missing among them.

**Table 5:** Utilisation of Micro credit by SHGs members

Reason behind taking loans	Women from open category (In %)	Women from OBC and SC category (In %)
Entrepreneurial/ livelihood purpose	25	51
Paying off loans	05	16
Expenditure on health	08	08
Expenditure on education	13	04
Marriages	07	14
Expenditure on households related	41	07
Others	01	00

Source: Field work

There is also clear inequality between groups. Some groups have excellent implementation while some lack of consistency. It was also found that most of the time, self-help groups are formed by homogeneous groups in terms of caste; consist only of the upper castes or mixture of upper castes and OBCs. It was also found that self-help groups run by upper caste women have no problem in repaying their loans while many lower caste groups face problems and they also have lack coordination with the banks. Regarding the use of funds, the SHG women from higher castes, most of them use it in luxuries or decorating their homes unlike groups of poor and low-caste who use these funds for their sustainable livelihoods and basic needs (Table 5). This

table clearly shows that those who are economically well off, get loans easily but do not spend on the priority or livelihood activities. On the other hand, women from the poor or less economically well off class primarily spend their loan on the livelihood activities to sustain their family income. They are mainly involved in the manufacturing of *agarbathi*/candle, weaving, bag or basket making while in the business activities, they sales egg, running a grocery shop and vegetable vendors.

### Prospects to Strengthen Micro Credit

It is necessary to ensure the strength of this program, including resource mobilization, capacity building, advocacy, community organizing and research. The need for civil society and NGOs is essential to provide assistance to involve training and the provision of spreading information to entire communities and vulnerable groups including women SHGs. NGOs should be involved in the formation of self-help groups in the initial phase by the community process, consultation, and mobilization to sensitize women. It should also facilitate in conjunction of SHG-Bank for microcredit. The role of NGOs and civil society must not be ignored, as they play a crucial role in the development of the community, requires skills in community analysis, social planning, community development and social action. There is a need to focus on the identification and targeting groups. The poorest and women from deprive communities should be targeted first and to provide them proper training. Proper regulation and regular field supervision can prove to be an effective way to channelize SHGs.

### Conclusion

NRLM as a part of the flagship programme is essential for the poverty reduction and women empowerment. The provision of financial inclusion or linking SHGs with banks has proved the easy access to credit by the SHGs for their livelihoods opportunities. This programme has really proved to be a livelihood oriented self employment programme with the support providing for capacity building and skill enhancement training to women groups. Some of the SHGs have not been working properly mainly due to the apathy of

banks, inactive members and lack of capacity building among them. The consistent following of *pancha sutras* under NRLM are the hallmark of the excellence. So, it is essential to look into the challenges of this programme and to implement the provisions under the programme in de facto then only the aim and objectives of this programme to reduce poverty by creating livelihoods opportunity and women empowerment or in broader sense sustainable rural development can be possible. As more and more emphasises on the idea of inclusive development in present time taking place, banks and other formal organisations of credit will have a bigger role to play in the development of the country. The financial inclusion would remain the buzzword and aligning global policies with the needs of these marginalized sections, especially women, would be the prime objective. The unequal treatment of the SHGs of poor and lower caste, which should be taken care on the priority basis, undermines the objectives of the micro credit. Poverty and women empowerments are taking place from the micro credit but unable to concentrate on the most needed and poorest groups. Such negligence proves micro credit as an ineffective tool for poverty reduction among the poorest section of the society.

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