

## Chapter-VII

### Conclusion and Recommendations

1. It is often claimed that the greatest discovery of the Grameen Bank-led microfinance movement has been the credit worthiness of the poor. Related to this has been the discovery of the dynamism of micro-enterprises. In reality, however, neither is new. The poor have been borrowing from money lenders (landlords) from time immemorial. Micro-enterprises have been operating for a long time in many poor societies, and form the vast informal sector associated with developing countries.

2. However, the real discovery is the concept of "group lending" which effectively overcomes the problems of collateral and adverse selection due to information asymmetry through peer monitoring. Impact analysis of microfinance suggests that the majority of borrowers who already have some assets (or business skills and education) are more likely to succeed. Therefore, when William Easterly (2006) refers to MFIs as "searchers", the search should instead be for existing small enterprises in the informal sector, not the very poor without any assets or entrepreneurial skills. The danger of the hype over microfinance is that the needs of micro-enterprises in the informal sector may not get due attention. The owner operators of these micro-enterprises have already proven their entrepreneurial acumen, but they face numerous constraints ranging from inability to access the formal credit market to marketing their products. These enterprises should be supported with easy access to credit and other financial services (e.g., insurance).

3. All the past attempts to provide the poor with easy access to formal savings and credit have had limited success. Going by the experience so far, the prospect for the poor to obtain their due share in the formal finance appears relatively better under the linkage programme. But the programme still has a very long way to go if it has to become the core strategy of the banking sector. The response of financial institution to the programme in general has been very tardy. All the key stakeholders need to take stock of their experiences and make a concerted effort to take the programme forward. The key to success lies in retaining the basic character and strength of SHG along with integrating them appropriately with outside system to meet the need of members in an endearing way. What is needed for its future success is a highly co-ordinated effort among all the stakeholders at different levels

4. As women comprise 90 percent of the SHGs, to make the WSHGs movement more fruitful and sustainable, it is suggested that as most of groups are in the initial two stages of NABARD grouping, viz., Micro thrift and Micro credit stage, attempt should be made to push them forward to the next stages of Micro Enterprise and Micro Market. Hence, there is a need to develop long term business action like Food Processing, Micro Industrial activities like toy making, handicrafts etc. These activities need to be encouraged through appropriate outside agencies in the form of imparting proper training to both the functionaries and the members of WSHGs. The recent announcement of skilled development and focus on its implementation by the government is a step in the right direction.

5. Also, the role of state government is very crucial in the given special shape and structure to the micro credit scheme. Recognizing the potential of the scheme, the government can try to divert a part of its spending in programmes like NRLM to promote through WSHGs by giving the groups below poverty line some subsidies etc. But there is a

word of caution in this respect; as has been observed in other programmes that the concept of subsidies tends to mar the concept of "Self help" and thereby affecting the sustainability of the groups. Hence, each group's credit worthiness should be properly examined by the extension/ field officials/NGOs as well as the financing banks before recommending of any subsidy.

6. Upto March 2014, about 7,04,840 SHG groups deposited their savings with different banking agencies, an amount of Rs 6473.5 lakhs (NABARD 2014), through the linkage of banks was about 4.25 lakhs upto the end of 2013 in Odisha. Clearly the progress of the growth of in the number of SHGs and their linkage with the bank is satisfactory as per the NABARD report 2014. However it does not provide any details on the development progress and internal health of SHGs on Odisha. Moreover there are no figures available to determine the % of below poverty line families that has come out of poverty in KBK region. The 1992 to 1997 figures as available from economic survey of Odisha 2014-15 show a reduction of 10% wrt the poverty alleviation. But subsequent analysis of data was not available for subsequent years. It can be summarized that the total money that has been pumped in this region through various schemes, the accountability and monitoring has been poor.

7. It has been established that WSHGs in the KBK region have a good potential to improve the socio-economic conditions of the women folk and to empower them to meet the challenges in future years in and to fulfill our planned goals of gender based group as well as regional income distribution. The WSHGs have, no doubt, augmented the income of the participating households, helped to reduce stress migration that has helped in accelerating the rate of growth of income, output and employment in this backward region. In view of this high potential, *It is suggested that this programme should not only be continuing with*

*central assistance but also be strengthened in future years to come.* However, we have foreseen that the likelihood of its success is dependent not only on financial resource allocations as well as flow of funds from the Central Government, and Government of Orissa, for which there should be total commitment on a missionary zeal framework.