

**GROUP FORMATION, SUSTAINABILITY AND EMPLOYMENT  
GENERATION UNDER DIFFERENT MODELS OF  
MICROFINANCE: A STUDY OF DELHI (INDIA)**

by

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Submitted

In fulfillment of the requirement of the degree of

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to the

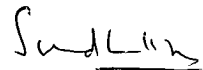


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# CERTIFICATE

The thesis entitled “**Group Formation, Sustainability and Employment Generation under Different Models of Microfinance: A Study of Delhi (India)**” being submitted by Mr. Satish Chandra to Indian Institute of Technology Delhi for the award of the degree of DOCTOR OF PHILOSOPHY is a record of bona fide research work carried out by him. He has worked under my guidance and supervision and has fulfilled the requirements for submission of this thesis which attained the standards<sup>o</sup> required for a Ph.D. degree of the Institute. The results presented in this thesis have not been published anywhere else for the award of any other degree or diploma.



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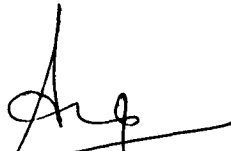
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(Satish Chandra)

## ABSTRACT

Microfinance is the provision of broad range of financial services such as deposits ,loans, payment services, money transfers and insurance to poor and low income households as well as microenterprises .India has recently experienced huge rural to urban migration.

The social empowerment, self realization and self initiative are the basic tenet for the formation of SHG (Self Help Groups) or other similar groups like JLG (Joint Liability Group) and MACS (Mutually aided Cooperative Society) groups- motivated and promoted by Non Governmental Organisation (NGOs)/Microfinance Institutions (MFIs) Cooperative Societies/Banks/Government Agencies. Such initiative leads to the formation of microfinance groups in rural and urban areas primarily to empower the poor people through financial inclusion. The group formation approach has been found in all the three models under the study SHG-NGO-Bank Linkage (SNBL) Model, Joint Liability Group-Microfinance Institution (JLG-MFI) Model and Cooperative-Microfinance Institution (COOP-MFI) Model. The objectives of the study is to explore the formation process practices, reasons leading to the success and sustainability of such microfinance groups in generating employment under these three models.

The present study has been made to assess the impact of microfinance on employment generation on such issues under three models as explained above in the context of Delhi. The field data have been collected from different slum and ill resourced areas of Delhi. Data for the study have been collected from the urban poor population of Delhi, who are mostly living in the slum areas. The study is based on a cross-sectional collection of data from 1599 purposively selected urban microfinance members, utilizing the services under one of the models operational in Delhi. Structured questionnaires were administered with the help of NGOs and MFIs. The sample contains a total of 1158 observations collected from the SNBL Model 186 respondents from the JLG-MFI Model and 286 observations from the (COOP-MFI) Model of Microfinance. The economic dynamism within these three models of microfinance has been assessed based on the available response of individuals on

different variables that have been included in the questionnaire, in the light of above stated objectives. Participatory and semi structured interviews were conducted with the sample of microfinance members under these three microfinance models. The survey included the microfinance members and the facilitators from numerous big and small nongovernmental organizations, microfinance institutions, and cooperative society .

The paired t-test, Mean, Standard Deviation, ANOVA, Chi Square Test, Factor Analysis , Correlation and Regression Analyses have been undertaken to explore and examine the findings. The data have been analyzed to see the statistical significance of the findings, differentiating between the three models of microfinance. The study examines in depth the impact of group based MF models on financial inclusion in appreciation of the systematic approach of organizing the community for employment and income generation through microfinance intervention for the poor people of Delhi.

The analysis revealed many interesting findings including the improvement in the working hours once the members under different microfinance models joined a particular group under one of the operational microfinance models under the study.. This has been also found that there is rise in the employment of family members on full time as well as on part time basis. The correlation between time spent and improvements in income have also been corroborated in this study. The sustainability and formation attributes of the microfinance groups have been further examined in detail.

The study concludes with the observations that the important features of the three microfinance models help in expediting the financial inclusion for the sustainable self employment generation amongst the poor population of Delhi. One important finding of this study is that there is expressed need for capacity development interventions under all the three studied models of microfinance. The strength and weaknesses of different models have also been interpreted based on the outcome of different statistical analyses.

# CONTENT

	<b>Page No.</b>
Certificate	i
Acknowledgements	ii-iii
Abstract	iv-v
List of Exhibits	viii-ix
List of Tables	x-xvii
List of Abbreviations	xviii-xxiii
List of Annexures	xxiv
<b>1 Introduction</b>	<b>1-45</b>
1.1 Background of the Study	3-23
1.2 Microfinance Scenario in India	23-30
1.3 Different Microfinance Models: A Comparison	30-38
1.4 Purpose of Study	38-40
1.5 Scope of Study	40-43
1.6 Chapterisation Plan	44-45
<b>2 Literature Review, Objectives and Hypotheses</b>	<b>46-90</b>
2.1 Studies on Microfinance	50-83
2.2 Gaps in the Literature	83-87
2.3 Research Issues	87-88
2.4 Research Objectives	88-89
2.5 Hypotheses	89
2.6 Concluding Remarks	90
<b>3 Research Methodology and Sample Profile</b>	<b>91-120</b>
3.1 Research Methodology	91-103
3.2 Methodological Limitations	103-104
3.3 Sample Profile	104-119
3.4 Concluding Remarks	119-120
<b>4 Analysis of Group Formation Process Under Different Microfinance Models</b>	<b>121-160</b>
4.1 Group Formation Process within Different Microfinance Models	122-123
4.2 Group Formation under Different Models: Findings & Analysis	123-148
4.3 Comparison of Group Formation: SNBL/JLG-MFI/COOP-MFI Models	148-159
4.4 Hypotheses Testing	159
4.5 Concluding Remarks	159-160

<b>5</b>	<b>Assessment of Success and Sustainability Factors in Different MF Models</b>	<b>161-234</b>
5.1	Contribution to and Borrowing from MF Models	163-182
5.2	Utilization and Repayment of Loans Under Different MF Models	182-184
5.3	Training and Capacity Building Under MF Models	184-194
5.4	Status of Membership within Group	194-195
5.5	Impact of SHG Membership on Occupation	195-196
5.6	Improvement in Life and Livelihood	197-205
5.7	Factors Affecting Sustainability of Groups Under Different MF Models	205-209
5.8	Factors Affecting Sustainability of Groups Under Different MF Models	209-219
5.9	Impact of Management Practices on Sustainability of SHGs	219-232
5.10	Hypotheses Testing	232
5.11	Concluding Remarks	232-234
<b>6</b>	<b>Impact of Microfinance on Employment Generation under Different MF Models</b>	<b>235-259</b>
6.1	Occupation Choices in Urban Setting	235-236
6.2	Employment Impact Analysis	237-257
6.3	Hypotheses Testing	257
6.4	Concluding Remarks	258-259
<b>7</b>	<b>Conclusion</b>	<b>260-285</b>
7.1	Recommendations	263-270
7.2	Significance of Research Contributions of Study	270-272
7.3	Limitations of Study	272-273
7.4	Conclusions and Implications of Study	273-280
7.5	Summary of Research Findings	280-283
7.6	Scope for Further Research	283-285
	References	286-310
	Annexures	311-329
	Curriculum Vitae	331