## Foreword

The emergence of Self-Help Groups (SHGs) has revolutionised the entire thinking about rural banking. The concept has emerged in a big way from Bangladesh (a poor developing nation) and reached almost every corner of South Asia. It represents extension of institutional paradigms in successfully managing the rural finance. SHGs plug the loopholes existing in the present rural banking system and at the same time provide the most required investment in the rural areas. It reaches the unreachable and eliminates the transaction cost. The success of SHGs in Bangladesh and in parts of India has attracted the attention of many academics. There are a number of studies addressed to the elaboration of the concept and its implications through different facets. But a common minimum denominator of these analyses aims at highlighting the benefits and flexibility of the SHG-based programmes for the poor and how these help them to tide over the shortage of funds at critical times. The empirical investigation into this phenomenon of course shows differential experiences across regions, largely influenced by the socio-economic parameters and prevailing production relations.

This study was undertaken by Dr Veerashekharappa, Dr H S Shylendra and Dr Samapti Guha to understand the comparative performance of SHGs in Karnataka and Gujarat. Such comparison in itself poses a challenge to the analysts as the two regions have totally different cultural approaches and investment behaviour: while Gujarat is largely market-friendly state, Karnataka is struggling with emerging interface with the market. Besides the cultural, the agro-economic situations are quite different across the two states. There are fine differences in the approach towards investment. Therefore, a study of the socio-economic development of the two states seems to be challenging. The authors have made best use of the secondary and primary data collected from the two states to arrive at the intricate results. The study attempts to analyse the differences through different models. The authors attribute the evaluation across the states to institutional interface with the SHGs as well as other institutional determinants. In addition to the intricate analysis of the determinants of successes and the bottlenecks, they also provide a shelf of policy implications based on their study. In an overall perspective, this Monograph provides all those basic ingredients to analyse the role and implications of SHGs wherein the market and institutions have differential roles to play.

I am sure the study will be quite useful to bankers as well as academics working in the area of research.

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