



Topic : Self Help Group: An Emerging Model Of Micro Finance

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SECTION I

MICROFINANCE-an introduction

The post-nationalization period in the banking sector, circa 1969, witnessed a substantial amount of resources being earmarked towards meeting the credit needs of the poor. There were several objectives for the bank nationalization strategy including expanding the outreach of financial services to neglected sectors (Singh, 2005). As a result of this strategy, the banking network underwent an expansion phase without comparables in the world. Credit came to be recognized as a remedy for many of the ills of the poverty. There spawned several pro-poor financial services, support by both the State and Central governments, which included credit packages and programs customized to the perceived needs of the poor.

While the objectives were laudable and substantial progress was achieved, credit flow to the poor, and especially to poor women, remained low. This led to initiatives that were institution driven that attempted to converge the existing strengths of rural banking infrastructure and leverage this to better serve the poor. The pioneering efforts at this were made by National Bank for Agriculture and Rural Development (NABARD), which was given the tasks of framing appropriate policy for rural credit, provision of technical assistance backed liquidity support to banks, supervision of rural credit institutions and other development initiatives.

SELF HELP GROUP: AN EMERGING MODEL OF MICRO FINANCE

An SHG is a channel through which micro finance is routed to the poor in the belief that it will prove catalytic in helping them to pull out of poverty. There is a huge unmet demand for micro-finance in India. Bridging the demand supply gap requires an environment that attracts large numbers of micro finance providers. These are small groups of 10-20 persons, who come together with the intention of saving and rotating loans amongst the members. Once these groups stabilize, they are accorded formal support from the banking system so as to widen their lending capacities. Micro finance supposedly circumvents the drawbacks of both the formal and informal systems of credit delivery and also fits within the larger principles of market liberalization since credit-to-the-poor and profits are not antithetical to each other. It is pertinent to note that the year 2005 was

declared by the United Nation as the International Year of Micro Credit.

Organizations form federations to realize economies of scale and gain strength as an interest group while retaining the advantages of remaining autonomous. SHG federations were promoted primarily as an exit strategy, i.e. to allow organizations that had promoted SHGs to withdraw their support to SHGs while also ensuring their sustainability. The primary purpose of federating SHGs is to ensure the sustainability of SHGs. SHG federations help SHGs internalize all operational costs and reduce the cost of promoting new SHGs.

Indian banking system over the year has gone through various phases after establishment of Reserve bank of India in 1935 during the British rule, to function as central bank of the country. Indian banking system has divided into two parts: organized sector and unorganized sector and co-operative Bank is an important segment of the organized sector of Indian banking system.

Self help groups is an organization of such poor people whose social and economical conditions are almost same. They cultivate the habit of saving and helping group members. As such group can be known as Micro bank of poor also. A Self help groups have group, consisting of both males and females having same economic conditions. These members have volunteered to build a common fund through regular , weekly, fortnightly and monthly. Self help groups inculcate and encourage the savings and link the poor people with banks and ensure participation of poor people in their development area.

SECTION II-

REVIEW OF LITERATURE

Analysis of various previous studies provides a base for carrying out research. It provides a link to future studies. In this context, a detailed view of some precious studies in field of self help group financing was taken.

- **Barik and Vannan (2001)** In their work "Promoting self help group as sub- system of credit co-operatives" have stated that self help group can be developed as a sub system to primary agriculture co-operative societies at village level . They have also discussed that by and large self help groups have been linked with commercial banks in the rural areas. However the linkage with the co-operative credit system is

proverbially poor. As such need of the hour is to make an earnest effort to bring about effective linkage with the co-operatives.

- **Prem Singh Dahiya, Pandey, N.K and Anshuman Karol, (2002)** In their article "Socioeconomic upliftment through self help groups in Solan district of Himachal Pradesh" described that the success or efficiency of micro finance interventions can be understood at three levels mainly (1) out reach the financial sustainability of the programme (2) income or poverty impact on the users (3) development of financial market at the local level. The economic impact is measured in terms of increase in annual incremental income. All self help groups recorded increase in income, overall is 94.3%. They have also pointed that various parameters are used to measure the maturity of the households. These are (1) Homogeneity (2) Feeling of clearance of group formation (3) Awareness about objectives of groups (4) Participation and frequency of meeting (5) Regularity of saving (6) Repayment of loan (7) Group participation in financial transactions.
- **G.S Kala (2004)** has mentioned in her article "Economic Empowerment of Women through Self Help Groups" that amongst all the states, Tamil Nadu has the fourth highest percentage of female headed households in country. The Tamil Nadu women Development project (TNWDP) taken up for implementation under the name of Mahalir. Thittam covered about 10 lac poor women of the state in the year 1997-1998. Women self help share was 78% in March 1998. She also stated that men self help groups accounted for 40% or more in only six states viz Karnataka, Gujarat, Rajasthan, Haryana, Madhya Pradesh, and Meghalaya,.
- **Anita Pandey (2004)** has explained in her article "Self Help Group - A boon for Money" that initially the women were assisting the males in the business, but subsequently, the women also came forward to start business independently. She has also revealed that the members utilized the loan in their family business and repaid the due amount in proper time
- **G. Ganesan (2005)** has focussed in his article, "Rural Transformation Through Self Help Groups" that self help groups have limited capital, consist of self employed individuals lack of advanced skills of technology and poor ability to cover the market and most often operate outside the limits of regulations and the formal market condition. He has also indicated that all the work that they have started is eco- friendly and would not affect the soil, water and air.
- **Velu Suresh Kumar (2005)** has mentioned in his

article, "Women empowerment success through self help groups" that apart from financial aspects, it also becomes platform for exchanging ideas regarding prevention of AIDS, dowry, nutrition, marital, laws, literacy, children rearing etc. He has also pointed that leadership qualities developed through self help groups meeting have seen 2500 women becoming president (or) members of panchayats and local bodies in the state.

- **S. Banumathy (2005)** explains in her article, "Self help groups and bank linkage" that the initial role played by self help groups promoted NABARD to venture linkage of self help groups with banks in February 1992. She has also stated that RBI has advised banks to initiate action for adopting self help group village programmers as a part of their corporate strategy.

SECTION III - OBJECTIVE OF THE STUDY

Even today about 1/3rd of rural populating are not covered by banks and rural development is not possible without mainstreaming the disadvantageous category of population. Further rural development is not just possible by dispensing credit by banks to rural poor people but also to promote various livelihood activities through various self-help groups. The objectives of the study are :

- To study the formation of self- group.
- To study the procedure of bank financing to self help groups of co- operating banks in Punjab.
- To analyse the advancement of self help groups by cooperative bank from year 2005 to year 2009.
- To know the popularity of self health groups and awareness regarding the savings.
- To know about the success of purpose of SHG's.

RESEARCH METHODOLOGY

The study is based upon both on primary as well as secondary data

The convenience sampling method has been used. A list of villages was taken from office Agriculture Staff Training Institution. The Punjab State Co-Operative Bank, Jalandhar. A questionnaire was mailed to 60 people (including 40 women and 20 men). First, there were problem of non response. Then respondents were visited personally & 50 people were finally considered for the study.

The research report is based on information collected from the secondary sources as well.

These sources consist of written material which is available from office Agriculture Staff Training Institution, The Punjab State Co-operative Bank Ltd, Jalandhar. It basically consists of-

- The annual general reports of the bank that is leading

document which is statutory for them to prepare and present it annually and submit it as legal binding.

- The journals of bank which are prepared by bank and issued annually. Further information is collected from financial records, other related books, data and reports prepared on regular basis and other printed material available with them.


LIMITATIONS OF STUDY


Every research report has some limitation. Efforts are however be made to minimize them to make study more effective.

- Many respondents were not sure about what they are responding to question.
- Since this is convenience sampling, personal bias may have also crept in.
- The secrecy and confidential factor was a limiting factor in collection of data.
- Because of limitation of time, the study is limited.
- Resource constraints is also limitation for the study.


FINDINGS


It includes advancement of self help groups from year 2005 to year 2009. The article covers number of self help group formed in Punjab by Co-operative Bank, the whole area is divided into three divisions **Division Amritsar** which includes Amritsar, Gurdaspur, Moga, Ferozepur and Tarn Taran. **Division Jalandhar** which includes Jalandhar, Hoshiarpur, Nawanshehr, Kapurthala, Ludhiana, Patiala, Ropar and F.G. Sahib. **Division Bathinda** which includes Bhatinda, Sangrur, Faridkot, Fazilka, Mansa, Muktsar.


 **The number of self help group formed in various divisions of Punjab:** In year 2005, number of self help group in Division Amritsar is 471, which has increased to 3267 in year 2009, similarly in division Jalandhar, the number of self help group are 1468 which has increased to 8738 in year 2009. In Bathinda Division, the number of self help groups in year 2005 is 393 which is 2623 in year 2009. Overall in whole Punjab, the number of self help groups in 2005 is 2332 which has increased to 14628 in 2009. The above table shows advancement of self help groups from year 2005 to year 2009. As clear from the table, all the three divisions i.e. Division Amritsar, Division Jalandhar and Division Bathinda shows great advancement. Jalandhar has a lead in such advancement (Table 1).


 **The number of self help groups linked to Co-Operative Banks in various divisions of Punjab:** In Division Amritsar number of help group linked to Co-operative banks are 418 in year 2005 which has increased to 1236 in year 2009. There is huge increase in number of self help group linked to Co-operative


Bank in Jalandhar Division. It is 852 in year 2005 which has increased to 2183 in year 2009. Similarly in Bathinda Division, the number of self help groups in year 2005 is 333 which has increased to 642 in year 2009. Overall in Punjab, there is increase in self help groups linked to cooperative banks. In year 2005, number of such self help group linked are 1603 which has increased to 4061 in year 2009. It shows that the respective area is gaining importance and becoming popular (Table 2).

 **The amount of loan distributed in various divisions of Punjab:** In Division Amritsar, amount of loan distributed in year 2005 is Rs. 36,15,000 which has increased to Rs. 57,53,000 in year 2006. There is slight decrease in year 2007 and amount is Rs. 46,85,000 which is again increased to Rs. 58,91,000 in year 2008 and Rs. 6,41,800 in year 2009. Similarly in Jalandhar division amount of loan distributed is Rs. 1,26,87,000 in year 2005, which has increased to Rs. 1,63,07,000 in year 2006, again increased to Rs. 1,69,11,000 in year 2007. But there is slight decrease in year 2008 when amount of loan distributed is Rs. 1,26,65,000 which has again increased to Rs. 1,43,83,000 in year 2009. In Bathinda division amount of loan distributed in year 2005 is Rs. 78,31,000 which has decreased to Rs. 51,69,000 in 2006, but in year 2007, it has again increased to Rs. 1,00,59,000 which has again decreased to Rs. 85,18,000 in year 2008. In year 2009 it has increased to Rs. 1,14,11,000. In whole area of Punjab amount of loan distributed is Rs. 2,41,33,000 which has increased to Rs. 3,22,12,000 in year 2009. So the purpose is being solved and poor people are making use of it (Table 3).

 As far as occupation factor is concerned 76% of sample size are self employed i.e. they are employed in business set up with the help of these self help groups while 24% of sample size are in other work. Self help groups have enabled to achieve its objectives of self employment.

 About 80% of sample size i.e. majority of the people are under income level of Rs. 1500-2000. Just 8% of sample size has Rs. 1000 income level.

 With regard to saving habits, 84% of sample size has saving habits. 10% of sample size has not any saving habits. The population of sample area are aware about saving and its importance.

 The rate of saving is quite appropriate. About 76% of sample size i.e. 38 respondents out of 50 have saved up to 20% of their monthly income. 16% of sample size i.e. 8 respondents who have saved up to 30% of their monthly income and only 8% has income level less than 10%.

- ✎ The respondents of sample area has not appropriate depositing habits. About 64% of sample size i.e. 32 respondents out of 50 have deposited their saving into the banks. 20% of sample size i.e. 10% have not deposited their money into banks. It shows that people are conscious, still more awareness is required.
- ✎ As far as lending of money is concerned, 62% of sample size have lend money. But they do not lend money for fulfilling their basic needs rather they invest in self employed business. About 22% of sample size have not lend money and might have some other source other than bank.
- ✎ The analysis also concluded that about 82% of sample size 41 respondents out of 50, have admitted that role of group in fulfilling needs of society. About 12% of sample size i.e. 6% do not admitted the role of group in fulfilling needs of society.
- ✎ It is also clear from the analysis that 92% of sample size i.e. 40 respondents are aware about self help groups. They have proper information and knowledge about their working. Just 8% of sample size do not have knowledge about these groups.
- ✎ As far as joining of self help groups are concerned, 92% of sample size i.e. 42 respondents have already, joined self help groups financed by co-operative banks. Just 8% of sample size i.e. 4% has not joined it.
- ✎ It is concluded from analysis that 92% of sample size i.e. 46 respondents out of 50 have admitted that these self help groups are helpful in development of their area. The contribution of self help group financed by cooperative banks in development of their area is great. About 8% of sample size does not agree to their statement. The reason was probably their non awareness about SHG.

SUGGESTIONS & CONCLUSION

- ✎ As far as number of self helps groups formed in Punjab, it has increased considerably but major development is seen in year 2008 when total number of self help groups in Punjab has reached up to 14087 from 3579 in year 2007. But in year 2009, their number increased to 14628. It shows less development in year 2009 which needs improvement.
- ✎ Although the number of self help groups linked to cooperative is increased from 1603 in year 2005 to 4061 in year 2009. But their number is far less then number of self help groups formed. In year 2008, number of self help groups formed is 14087 but linkages to cooperative bank are just 3904. Similarly in year 2009, number of self help group formed in 14628 but their linkage is limited to 4061. It needs

improvement i.e. cooperative banks have to strengthen their linkage.

- ✎ As far as amount of loan distributed is concerned in Punjab it showed improvement i.e. in year 2005 amount is Rs.2,41,33,000 which has increased to Rs. 3,22,12,000 in year 2009. But it declines in year 2008, it is about Rs.2,70,74,000 from 3,16,55,000 in year 2007. It shows that cooperative banks have to take certain steps towards this.
- ✎ Need is there to create more awareness about SHG's amongst people so that 100% population can take benefit.
- ✎ SHG's should be promoted more and its role purpose and scope should be widened.

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