
MICROFINANCE: AN IMPORTANT TOOL FOR VITALIZING SELF HELP GROUPS

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Abstract: A Self –Help Group is a socially and economically homogenous group of 10 to 15 people who voluntarily come together to achieve common goals. Up to 2006 in India 22 million SHGs were financed by the banks. A total of 165 million poor people have gained access to bank credit. More than 90% of members involved are women. SBI has given credit to 11 lakh SHGs, most of them are women SHGs. Micro finance has emerged as an important tool for improving and vitalizing the economy by reducing the poverty. SHGs help the poor households to realize their dreams by engaging them in some economic activities which can give some return on investments. This paper gives a brief idea of SHGs, their role in empowering women and elimination of poverty, despite the out-dated technology used by the SHGS.

Keywords: SHGs, Microfinance, Women.

Introduction: A Self –Help Group is a socially and economically homogenous group of 10 to 15 people who voluntarily come together to achieve common goals. Up to 2012 in India 22 million SHGs were financed by the banks. A total of 165 million poor people have gained access to bank credit. More than 90% of members involved are women. SBI has given credit to 11 lakh SHGs, most of them are women SHGs. Micro finance has emerged as an important tool for improving and vitalizing the economy by reducing the poverty. SHGs help the poor households to realize their dreams by engaging them in some economic activities which can give some return on investments.

One of the SHGs of women is formed to enable women below poverty line to have an access to micro finance so that they can live with dignity. Bridge Trust an NGO, has started and motivated more than 4000 poor women in Thane district to form 370 SHGs. These SHGs are formed by the women belonging to below poverty line for mobilizing, savings and the habit of thrift is taught to them through educating them. These SHG take up projects such as starting micro enterprises, and income generating activities such as goat rearing, poultry, carpentry, masala and papad, candle making, vermin composting etc. Thus SHGs help the women for economic empowerment

Rural markets in India constitute a wide and untapped market for many products and services which are being marketed for the urban masses. Rural Marketing is the process of developing, pricing, promoting, distributing rural specific goods and services leading to exchanges urban and rural market which satisfies consumer demand and also achieves organizational objectives.

Review Literature: The reviews relating to topic is mentioned below:

One of the study made by Dr. K.C. Sharma highlighted about the challenges and status of micro finance in India. He has specifically explained the

different dimensions of micro finance such as outreach, sustainability, impact and regulations in Indian context. Mr. Aloysius Fernandez the Padmashree awardee who pioneered SHG movement in Bangalore in 1980s is of the opinion that micro finance can play a crucial role in development of rural India. He being the promoter of an SHG called Myrada got about Rupees one million from NABARD to train the members of SHG and match their savings. He says micro finance can play a crucial role only when poor get access to resources, market, political power, confidence, management skills, and social class.

Another study made by Dr. Kishore C. Padhy, Director, Institute of Management studies Bhubaneswar, in Orissa concluded that 96% of members of the SHG are women and they could avoid money lenders very easily.

An article which is published by Ms. Ramalakshmi, in Economic & Political Weekly opined that In Andhra Pradesh above 5.6 million women were covered under micro credit with a saving of a rupee per day and the financial institutions extending loans upto 4 times to the amount of group savings. Recently commercial banks even reduced the interest rates to SHGs and increased the amount of loans offered to an extent of Rs 1000 Cr.

According to Consultative Group to Assist the Poor (CGAP) (2006), Microfinance means the supply of loans, savings, and other basic services to the poor people. It is based on the principle of helping people so that they are able to help themselves. Timewell Sephen (2005) in his book 'Microfinance Gains Momentum' states that "Microfinance is one of the effective techniques for poverty alleviation in developing and underdeveloped countries. It helps to achieve balance growth which is an need for social development and economic prosperity.

According to Microfinance Information Exchange (2009) 'Microfinance with the coordination of Self Help Groups helps to improve the quality of the life

of the women members and increase the productivity to earn a sustainable income. The IUP Journal of Entrepreneurship Development June 2011 vol. viii suggest that Self Help Group and penetration of microfinance varies in the different parts of India. The highest penetration and growth in self help group is seen in the southern states of India.

According to T.P.Gopalaswamy rural trade is a two way process which encompasses inflow of products into rural areas for production and consumption purposes and also outflow of product to urban areas. Narayana Reddy V., Vijaya Kumar, Nalini B. in their book 'Women in Development: Challenges and Achievement(2005) states that Self Help Groups enhance the quality of status of women's participants decisions makers and beneficiaries to take active part in the socio-economic progress of the nation with the help of microfinance rendered to them. Neeta Tapan in her book 'Micro Credit, Self Help Group and Women Empowerment' (2010) suggest that Microfinance provide a practical and workable solution to the deep rooted problem of poverty by delivering financial services to the needy women's of India.

Objectives Of The Study: The main objectives of the study are:

1. To study the functions of SHGs in Rural trade.
2. To find out the outreach of micro finance in India and study the changes that took place in the economic status of the SHG members after credit linkage with the bank
3. Also to find out the limitations of SHGs in financing.

Research Methodology: Methodology used
Collection of data through various methods

1. Primary Data: It is collected from 05 SHGs in Thane District
2. Secondary Data: RBI Bulletins, IBA publication, magazines, books, RBI publication, Internet.
3. Period of study: 5 years data will be collected from 2012-16.
4. Statistical techniques such as Percentage, Correlation, Regression averages, ratio analysis, level of significance etc. shall be used.

Limitations: This study suffers from the following limitations:

1. Survey is limited to a period of 5 years only.
2. The respondents include only employees of bank, working women of the SHGs.

Features of SHGs:

- ❖ Small savings will be collected which ensures the habit of thrift among the customers. This is true especially in the case of women customers.
- ❖ 98% of the members make savings regularly as per the norms given by SHGs.
- ❖ Majority of consumers in India about 90% of members of SHG are women and they are very

prompt in repayment compared to their other counter part.

- ❖ It is formed with simple rules.
- ❖ The end use is not so rigid which makes the facility quite interesting.
- ❖ Micro financing is a most effective strategy to neutralize poverty and SHGs are the medium through which savings can be mobilized.
- ❖ SHGs improve the self confidence and self esteem of members.

Structure of Micro financing in India:

Some Statistics: In the year 1990 the micro financing has started with few million dollars which risen to Rs. 20 billion dollars by the year 2007. The data available from NABARD web site, the Microfinance Information Exchange report and the reports of Sa-Dhan shows that about a thousand micro finance institutions (MFIs) have reached 14.1 million people, with an outstanding loan portfolio of Rs.59.5 billion. Where as 3.48 million self help groups (SHGs) with a membership of 58 million, have been linked to banks with an estimated loan portfolio of Rs. 80 billion. These groups have also accumulated a savings of Rs 35.1 billion with the banks.

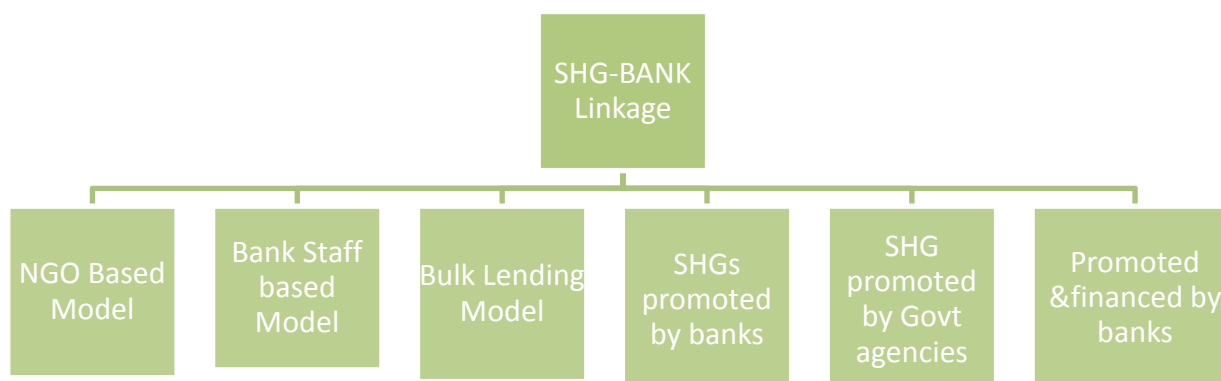
In India the SHG -Bank linkage is the largest single micro finance program which has got an outreach of 59.5% in the year 2013. These SHGs are essentially informal associations of 10-20 people formed with a common objective, raising and managing their collective savings for the benefit of all members. According to NABARD, the number of participating banks in the SHG linkage was 585 that included 44362 branches of commercial banks, 158 RRBs and 340 co-operative banks. The banks will monitor the functioning of SHGs and evaluate them. On this basis banks give credit about four times of the savings of SHGs. The savings bank account as well as the loan account will be maintained by the bank in the name of the group.

The SHG- Bank linkage can function in three different models which can be represented diagrammatically as follows :-

NGO based Model: In this model the NGO will be taking initiative in forming the group and connecting them with the banks. Banks will be giving loans and advances to the members of the group through NGO.

Bank staff Based Model: Under this model the bank staff themselves promotes the group and do the needful for the members. The RRBs have done commendable achievement in micro financing through this method.

Bulk Lending Model: According to this model groups are promoted by NGO and Micro finance Institutions (MFI). The NGO- MFI group will raise bulk amount of loan from the bank and banks charge some fee from the group while disbursing loans.



(Source: Researcher's own Contribution)

All these methods are working very well. But NGO based system is working with great success if the NGO is strong. How far micro finance will be suitable in the long run depends on quality of SHGs, rate of interest charged, and the subsidy offered by the Government. As per Bharat Microfinance Report of Sa-Dhan in March 2008, the 223 member MFIs of Sa-Dhan had an outreach of 14.1 million Clients with an outstanding micro finance portfolio of Rs.5954 Cr.

NABARD launched the Micro Enterprise Development Programme (MEDP) for skill development in March 2006. The basic objective was to enhance the capacities of matured SHGs to take up micro enterprise through skill up gradation. During 2007-08 394 MEDPs were conducted covering 9182 SHG members on activities like bee-keeping, mushroom cultivation, horticulture, floriculture, vermi-compost etc.

Suggestions & Recommendations:

- The interest rate charged by SHG is quite high when it is compared with the income level of the poor. This should be reduced to less than 10% so that it can become an incentive.
- A proper legal and regulatory environment is urgently needed in order to control the SHGs.
- Suitable products with proper staffing pattern for the SHGs should be provided.
- Concentration of SHGs at one particular place or state should be avoided. It should be wide spread all over India.
- There is a long gap between the demand for finance and its supply. The rural banks and co-

operative banks can help in this endeavour by encouraging SHGs towards this end.

- Capacity building training is organized by NABARD as well as SBI, which do not have good frequency. Training can be done by the banks or NABARD continuously with the help of sponsorship from the help of Central Government.
- Economic empowerment of SHGs can be made by educating them, creating awareness about the social evils, public private partnership, development programmes utilizing IT.
- SHGs are to be encouraged to get PCs, which can be used to display their products either as pop ups or as advertisements or in the portals of e-commerce companies.

Conclusion: SHG is a holistic programme of micro-enterprises covering all aspects of self-employment, organization of the rural poor into self help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing. Most of the women belonging to the SHG take up economic activities related to agriculture and allied activities. The main activities are vegetable and flower cultivation, milk and milk products, handicraft and handloom production. Public private partnership is adopted in promoting opportunities for SHG members by accepting them as dealers for the sale of products manufactured by MNCs. The companies in return help the SHGs in giving training in finance management, packaging and pricing of the products. These methods can be adopted by all SHGs which can empower them economically which in turn can empower their members.

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