

Analyzing the Relationship Between SHG and Micro Finance

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ABSTRACT

Micro-finance has developed as a need-based program for empowering women and reducing poverty as part of the development paradigm. One of the most successful strategies for improving the lives of the underprivileged via increased economic opportunity is microfinance. To reduce unemployment and end poverty, microfinance programs like the one discussed in this article attempt to help people start small businesses and start earning an income right away. To help small and medium-sized enterprises (SHGs), NABARD funds several MFIs. In order to help the world's poorest people and give them a better chance to survive in today's uncertain economy, India recognized the need of a poverty reduction program that used microfinance. Over 26 percent of India's population lives in rural poverty, according to the country's economic data, making it a top priority for the government and society at large to find solutions.

KEYWORDS SHG, Microfinance, Relationship, Development

Introduction

A self-help group (SHG) is a committee of 10-20 local women and men that acts as a financial intermediary in a community. While SHGs are most common in India, you may also find them throughout South Asia and Southeast Asia. Over the course of a few months, members make consistent, tiny savings contributions in order to amass enough money for the organization to begin lending. After that, anybody in the community, whether a member or not, may borrow the money and use it for anything they choose. For the purpose of providing micro-credit, several SHGs in India are "connected" to financial institutions. Microfinance is a technique for economic development that aims to help the underprivileged improve their economic standing and lift themselves out of poverty. Direct financing to SHGs has been made possible via banks through the Self-Help Groups (SHGs) route. Microfinance is a kind of alternative financing that helps small firms and entrepreneurs that don't have access to traditional financial institutions. There are two primary channels for the transfer of money. There are two main types of services that cater to these customers: (1) relationship-based banking for sole proprietors and small enterprises, and (2) group-based models, in which a number of company owners band together to apply for loans and other services together. Microfinance, as it is used to define the provision of financial services to low-income workers, is more akin to the retail financing model utilized by most conventional banks in places like Southern Africa.

The absence of a reliable source of income is the primary cause of economic marginalization. One of the primary reasons many individuals in emerging countries stay poor is a lack of access to finance. When people are financially included, they have better resources to combat social exclusion and improve their quality of life in other ways. The cost of capital may be lowered and productive resources more efficiently allocated with an all-encompassing financial system.

Another aspect is the accessibility of financial institutions; those in need not only lose their daily salary but also the money they would have spent on transportation (income).

Literature Review

Prof. Chandrakala M et.al (2020) When it comes to India's development efforts, The evolution of microfinancing as a need-based programme for the empowerment of self-help organizations is a key factor in the study area's success in reducing poverty. Microfinancing has emerged as a powerful tool in the arsenal of anti-poverty initiatives. The fact that this phenomenon has been seen in India and elsewhere is indicative of the region's poverty. Researchers in the fields of self-help groups and microfinance would benefit from this paper's comprehensive analysis of the many empirical investigations carried out in India. Despite the vast amount of information out there. Ten large-scale studies conducted in India are all that are being looked at in order to spot broad patterns. According to the research, self-help organizations may flourish when provided with access to microfinancing. Will lead to progress in poverty reduction, creation of new chances for work, and expansion of social and economic life.

Gaurav Joshi (2019) The goal here is to categorize the many societal and economic elements that influence women's decision to join SHGs in order to increase their economic and social independence. Research was carried out in the Nainital district of Uttarakhand (India) in 2018. Only female respondents were surveyed directly to collect primary data on asset ownership, living conditions, and other demographics. Women from both SHGs and non-SHGs have been selected as key informants. Both respondents and SHGs were selected via a multi-staged purposive and stratified random sampling process. To characterize the factors that affect women's involvement in SHGs, a logit regression model has been developed. To further quantify the impact of SHGs on women's empowerment, an empowerment index was developed. Women's involvement in SHGs is significantly influenced by demographic characteristics such as age, education level, family composition, and geographical location relative to major markets. There is also a large disparity between the two values, which shows that participation in SHGs greatly raises one's empowerment index score. The analytically calculated components were utilized to create an empowerment index, which has practical ramifications. Hence, the current study benefits those in the fields of marketing, business, and development who want to cooperate with SHGs, especially those led by women. In order to expand the current body of information on the empowerment index, this work is helpful for academic scholars in the field. The authors of the current study were unable to get employment in the relevant field, making their findings unique and valuable. Using a logit regression model, researchers have investigated what influences women to join SHGs and how that involvement affects their level of empowerment. This has led to the creation of an empowerment index.

Anitha P et.al (2019) The Self-Help Groups Bank Linkage (SHGBLP) program is the primary microfinance initiative in India, and it has rapidly grown to become the biggest microfinance initiative worldwide. Researchers in Kerala set out to analyze SHGs to learn more about their organizational make-up and the ways they contribute financially to the state's economy. The research set out to get a better understanding of the characteristics shared by Self Help

Organizations, the dynamics of their leadership, and the economic and promotional endeavors of its members. The majority of Self-Help Group participants are low-income women, and the primary motivation for joining a group is to instill a savings culture among its members, followed by a focus on economic empowerment. They hold regular meetings, elect leaders, operate openly and transparently, have written rules and regulations, have a book of accounts, and don't have any serious problems among members. Although most SHGs did attend government- or NGO-sponsored trade shows, they otherwise do not engage in any economically productive activities. Finding training agencies and bettering training facilities is important so that SHGs may engage in economic activities that are both productive and profitable. In terms of marketing, they run into issues due to a combination of inexperience and high prices. The research shows that assistance from governments, NGOs, and banks may help SHG members increase their marketing expertise.

Neeta Majumder et.al (2018) In order to further the Government's strategy of financially including underserved women in rural regions, the Self-Help Group Bank Linkage Programme (SBLP) was created. It's very important in raising rural families' quality of life and economic stability. Poor individuals formerly had to borrow money from local moneylenders at a higher interest rate since they had no access to lending facilities from official institutions. This resulted in the birth of microfinance, often hailed as the means by which women might finally gain economic, political, cultural, and social independence. This research aims to analyze how access to microfinance through the Self-Help Group Bank Linkage Programme (SBLP) has helped to decrease rural poverty by providing women with better job prospects. Mathurapur village, Block 1, South 24 Parganas, West Bengal, India was the site of a research. The members' loan-use patterns and the savings made possible by the loans' productive use were also studied for this project. It follows that when women utilize credit for productive purposes, the economy benefits via the multiplier effect of increased consumption and investment.

Rakesh Kumar Panigrahi et.al (2017) The bulk of microfinance initiatives aim to strengthen the economic independence of women. The reasons for working for gender equality are complex. The primary goal of this research was to examine the impact of microfinance delivered through SHGs in the Boudh district of Odisha on the economic and social well-being of the region's rural residents. In addition to its overarching goal of understanding the effects of SHGs on its members, this research aimed to learn more about respondents' socioeconomic backgrounds and how they've changed after joining a SHG. Non-parametric tests (such as the Chi-square and analysis of variance) were used to analyze and report the survey results. The results of this research show that impoverished individuals in rural areas benefit economically by engaging with microfinance institutions. It's a major factor in rural residents' ability to save money and earn an income.

Research Methodology

The methodological approach used in this work is an analytical one. Secondary sources provided the bulk of the information used in this article. Information has been compiled from a wide range of print and online sources, including books, journals, and newspapers.

Each of the zones in the Chennai Corporation was employed as a stratum, and samples were drawn from each stratum using a random table approach for the research study's sample of registered self-help groups. In addition, participants were chosen at random during the self-help groups' regular sessions. If a respondent was unwilling to participate, a substitute strategy was used so that researchers could gather completed surveys. There were 1126 participants in the research. The highlighted factors are as follows: providing credit to the needy; reducing poverty; empowering women; increasing economic growth; mobilizing savings; enhancing skill; fostering mutual aid and collaboration; and improving social welfare.

Data Analysis

Table 1 Demographic of Respondent

Demographic measure	Details	Frequency	Percentage
Age group	18-26	235	21
	27-36	484	43
	37-46	305	27
	Above 46	102	9
	Total	1126	100
Education	Schooling/Diploma	648	58
	Under Graduation	403	36
	Post Graduation	56	5
	Professional Degree	19	1
	Total	1126	100
Community	FC	57	5
	BC	381	34
	MBC	247	22
	SC	329	29
	ST	112	10
	Total	1126	100
Family type	Nuclear	747	66
	Joint	379	34
	Total	1126	100

According to the data presented in Table 1, roughly 484 (43%) of the sampled SHG respondents fall within the age range of 27–36 years old, while another 305 (27%) are between the ages of 37 and 46. Comparatively, only about 235 (21%) are the young SHG respondents in the age range of 18–26, and another 102 (9%) are older than 46. According to the age distribution of the Chennai SHG respondents we surveyed, the vast majority of the city's SHG members are between the ages of 18 and 26 and 37 and 46.

Based on the data shown in the table above, we can infer that around 403 (36%) of the chosen SHG respondents do not have a bachelor's degree or above. Just around 56% of SHF respondents in Chennai are postgraduates, while only about 19% of SHG respondents are college graduates with professional degrees. More than 90% of responders are either college graduates or have at least a high school education.

According to the data in the table above, 381 (or 34%) of the randomly chosen members of SHG come from a socially and economically disadvantaged background, whereas 329 (or 29%) come from a privileged one. In addition, over 247 (22%) of the SHG respondents in Chennai city are from the most backward group, approximately 112 (10%) are from the schedule tribe, and approximately 57 (5%) are from the forward community.

Table- 2: Progress under SHG - Bank linkage programme

Particulars	2016-17		2017-18		2018-19		2019-20	
	No. of SHG's (in lakh)	Amount (in crore)	No. of SHG's (in lakh)	Amount (in crore)	No. of SHG's (in lakh)	Amount (in crore)	No. of SHG's (in lakh)	Amount (in crore)
Saving of SHG's with Banks	74.62 (7.3%)	7016.3 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)	73.18 (-8.15%)	6551.41 (-6.7%)	74.30 (1.53%)	9897.42 (20.45%)
Loan disbursed to SHG's by banks	11.96 (-24.6%)	14547.7 (0.01%)	11.48 (-4%)	16534.77 (13.7%)	12.20 (6.3%)	20585.36 (24.5%)	13.66 (12.02%)	24017.36 (16.67%)

Loans	47.87	31221.17	43.54	36340.00	44.51	39375.30	41.97	42927.52
outstanding	(-1.3%)	(11.4%)	(-9.0%)	(16.4%)	(2.2%)	(8.4%)	(-5.71%)	(9.02%)
against SHG's								

(Figures in the parenthesis indicates growth/decline over the previous year)

Inference: The above table shows that SHG savings have been fluctuating and are expected to rise slightly in 2019–20, that banks have been increasingly generous to SHGs over the years, which is encouraging, but that loan outstanding against SHGs appears to be high, creating a challenge for banks when it comes time to approve new loans for SHGs.

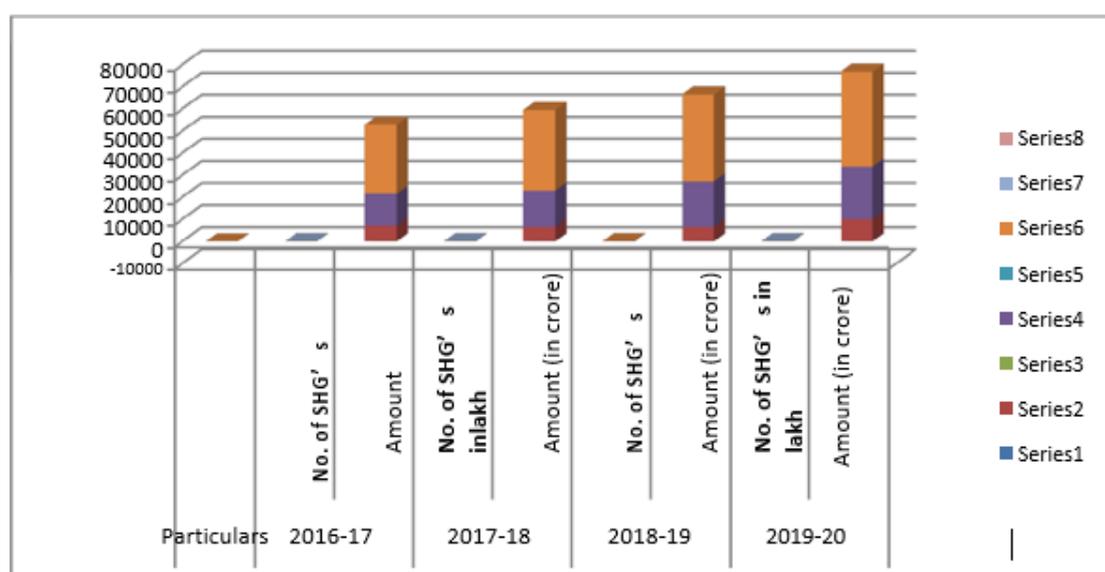


Table-3: Progress under Microfinance - Savings of SHGs with Banks Agency-wise position for the past 3 years

Name of agency	2017-18		2018-19		2019-20	
	No of SHG	Saving Amount	No of SHG	Saving Amount	No of SHG	Saving Amount
Commercial banks	4618086	415298.04	4076986	553257.05	4022810	663145.63

Regional rural banks	2127368	130013.93	2038008	152710.20	2111760	195985.73
Co-operative banks	1214895	109829.49	1202557	115758.22	1294930	130610.18

The number of SHGs and SHG savings are both higher in commercial banks than in RRBs and co-operative banks, according to the research. The data from commercial banks indicates a rising pattern of saving over the last three years; this suggests that CBs play a significant role in the growth of SHGs; nevertheless, the actual number of SHGs varies from year to year. The savings of SHGs and the number of SHGs in RRBs and co-operative banks both seem to be rising steadily, suggesting that it succeeds in instilling a savings habit among its members.

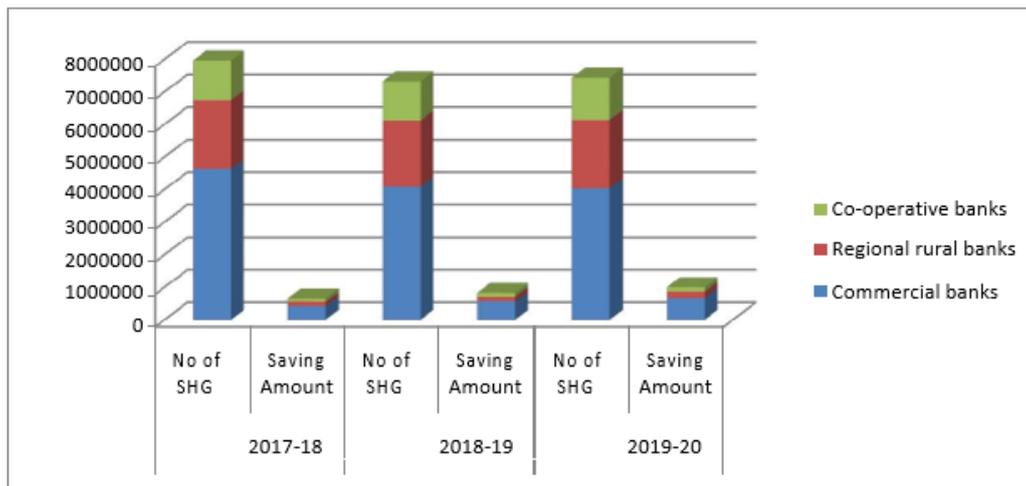


Table.4 shows that the vast majority (747, or 66%) of the SHG respondents live in a nuclear family type, or as a single family, while about a third (379, or 34%) of the respondents live in a joint family type, or as part of a larger family unit that includes extended relatives such as grandparents, aunts, uncles, cousins, and so on.

Null Hypothesis H0: The chosen SHG respondents' family types did not correlate with any of the characteristics of microfinance's effect on the SHGs.

Table 4 Table showing T Test for Family Type and Dimensions of Micro Finance Impact on SHGs

Dimensions	Family type	N	Mean	T Test	
				t value	Sig.
Credit to Poor	Nuclear	747	2.64	3.337	0.001**
	Joint	379	2.10		
Poverty Alleviation	Nuclear	747	2.61	2.427	0.016*
	Joint	379	2.41		
Women Empowerment	Nuclear	747	2.91	2.143	0.032*
	Joint	379	2.06		
Economic Growth	Nuclear	747	2.46	1.277	0.002**
	Joint	379	2.55		
Mobilisation of Savings	Nuclear	747	2.36	2.648	0.008**
	Joint	379	2.46		
Development of Skills	Nuclear	747	2.83	4.12	0.000**
	Joint	379	2.09		
Mutual Help and Co-operation	Nuclear	747	2.43	1.67	0.000**
	Joint	379	2.59		
Social Welfare	Nuclear	747	2.57	3.27	0.000**
	Joint	379	2.67		

Testing for changes in means among family types among sampled SHG respondents and the characteristics of microfinance's effect on SHGs is summarized in the following table. The Null

hypothesis (H₀) is rejected because the p values for Credit to Rural Poor, Economic Growth, Mobilization of Savings, Development of Skills, Mutual Help and Co-operation, and Social Welfare are all significant at the 0.01 level, while the p values for Poverty Alleviation and Women Empowerment are both significant at the 0.05 level. So, it is generally agreed that in Chennai city, nuclear families and joint families experience the effects of microfinance on SHGs differently on average.

Table 5 showing ANOVA between for community of the Respondent and impact of micro finance to SHG

Dimensions	Community of the Respondents					ANOVA (F Value)	Sig (Degrees of Freedom)
	FC	BC	MBC	SC	ST		
Credit to Poor	2.56	2.16	2.33	2.46	2.88	2.112	.000*
Poverty Alleviation	2.67	2.45	2.49	2.56	2.39	2.247	.000*
Women Empowerment	2.56	2.16	2.82	2.32	2.49	2.951	.000*
Economic Growth	2.55	2.35	2.69	2.39	2.19	3.512	.000* (2,1126)
Mobilisation of Savings	2.45	2.71	2.49	2.37	2.56	2.465	.020*
Development of Skills	2.73	2.56	2.19	2.49	2.55	3.208	.000*
Mutual Help and Co-operation	2.88	2.75	2.55	2.08	2.45	3.394	.000*
Social Welfare	2.91	2.17	2.67	2.69	2.79	2.247	.000*

Impact of micro finance	2.42	2.72	2.55	2.31	2.13	3.125	.000*

One-way analysis of variance (ANOVA) results are shown in the table above for the Chennai SHG respondent community and the microfinance to SHGs dimensions. The alternative hypothesis is significant at the 1% level, since the p values for microfinance's effects on poverty reduction, women's empowerment, economic growth, skill development, mutual aid and collaboration, and social welfare are all less than 0.01. It thus demonstrates that, with respect to microfinance to SHGs, there is a considerable mean difference occurring among the chosen SHG respondents in Chennai city depending on the community to which they belong. The alternative hypothesis, however, is significant at the 5% level since the p value of savings mobilization is less than 0.05 and higher than 0.01. As a result, the effect of microfinance on SHGs varies significantly depending on the respondents' community in Chennai.

Conclusion

The SHG-BANK Linkage Programme, a kind of microfinance, has gained widespread recognition as a powerful method for reducing poverty and elevating the living standards of the rural poor across the globe. In addition, the data shows that while commercial banks, RRBs, and cooperative banks have all increased the amount of loans they have made to SHGs and MFIs, these institutions continue to encounter significant challenges in collecting on loans made to SHGs. The research is useful for gauging the future of microfinance, with the SHG-Bank coupling emerging as a promising trend. A vital component of society, Self Help Groups provide women in both rural and urban areas the tools they need to become financially independent. The importance of the SHG Programme to the lives of the underprivileged is undeniable. Women's economic independence contributes to a more well-rounded society. There is data that support an uptick in family income. Clients of the program now have more access to nutritious food, and program members enjoy a higher standard of life. The significance of microfinance in reducing poverty and fostering growth in rural areas is growing in importance.

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