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IMPACT OF MICROFINANCE AND SHG – AN OVERVIEW

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ABSTRACT

Empowerment through Self-help groups (SHGs) is an instrument to change the conditions of women socially and economically. Once socio-economic experiment is achieved it would have implication on the overall development of women. SHGs enable economic, social, political and psychological empowerment of women. The economic contribution of women has been found to be related to her role and status in the society. The Self-help groups provide economic benefits to the women by providing income generating activities. Economic independence facilitates in bringing about sexual equality and increase in women's income translates more directly into family wellbeing. Self-help Groups improve the quality of status of women as participants, decision-makers and beneficiaries in the social, democratic, economic and cultural spheres of life. SHGs ensure the quality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life.

There are few ways to eradicate rural poverty in India. Mainly providing economic support to the rural people, particularly to the rural women, has been proved very fruitful to reduce the poverty in rural India. Providing economic support or loans to the rural women helps them to empower, not only economically but also socially, further this strengthens the whole society in general. The discrimination of women of gender basis is evidently found almost everywhere in every stream. Particularly in rural India not only ordinary men but also governmental policies (such as credit schemes) had neglected the capacity of holding money by women.

KEYWORDS: Poverty, Empowerment, Women, Livelihood, Refinance, Families.

INTRODUCTION

Today, in India, Self Help Groups represent a unique approach to financial intermediation. This combines access to low-cost financial services with a process of self-management and development for the women who are SHG members. SHGs are formed and supported usually by NGOs or (increasingly) by Government agencies. Linked not only to banks but also to wider development programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election of take action to address to social. In India before 1990s credit schemes for rural women were largely negligible. But in recent years the most significantly emerging system called Self Help Groups (SHGs) is a major breakthrough in improving lives of womenfolk and alleviating rural poverty. The concept of women's credit was born on the insistence by women oriented studies which highlighted the discrimination and struggle the women had in accessing credit.

Earlier there were certain misconceptions about the rural poor people that they need loan at subsidized rates of interest on soft terms, and they neither have and therefore they are not bankable. However, the significant success of several SHGs show that the rural poor indeed or efficient to manage credit and finance. The present study is placed in this context to examine the relationship between SHGs and socio-economic in general and particular of Karnataka State and also to suggest suitable measures for the effective improvement of functioning of SHGs in improving the socio economic conditions of the rural peoples.

The impact of Micro finance on changes in socio-economic status is more intense on factors like access to credit sources, health

services, immunization and sanitation facility, whereas the impact is not intense but somewhat change observed with respect to asset building, decision making related to children and monetary issues, family planning and girl child development awareness. Active intervention by district administration, professional bodies and voluntary organizations is precondition for the successful conception of empowerment through the micro finance in terms of skill training, asset building, enhancing decision making skills related to children, monetary issues, family planning awareness and girl child awareness can be created.

SHG_s AND MICRO-FINANCE IN INDIA

First official interest in informal group lending in India took shape during 1986-87 on the initiative of the National Bank of Agriculture and Rural Development (NABARD). As a part of this broad mandate, NABARD initiated certain research projects on Self-Help Groups (SHGs) as a channel for delivery of micro-finance in the late 1980s. In 1988-89, in collaboration with some of the member institutions of the Asia-Pacific Rural and Agricultural Credit Association (APRACA), NABARD undertook a survey of 43NGOs in 11 states in India, to study the functioning of Micro-finance SHGs and their collaboration possibilities with the formal banking system. But by then micro-finance by "non-formal" financial organization had already started. Self-Employed Women's Association (SEWA) owned by women of petty trade groups was established on cooperative principle in 1974 in Gujarat.

NABARD started a pilot project of SHG-bank linkage in 1992. The project objective was to facilitate access of the poor to formal credit institutions. The pilot project envisaged banks to lend to the SHGs without collateral on the principle of trust-banking. The Reserve Bank of India (RBI) issued policy guideline in the year 1996, treating SHG finance as a priority

sector advance. Government of India also introduced the SGSY scheme in 1999. This program aiming at self-employment and poverty alleviation replaced the Integrated Rural Development Program and other allied programs targeting the rural poor. The rationale behind the introduction of the SGSY scheme was to increase the percentage of people living above poverty line by providing assistance to poor families, promoting micro-level enterprises, inter-alia organizing the poor into SHGs. NABARD also launched "The Micro Enterprise Development Programme (MEDP) in March 2006 with the basic objective to enhance the capacities of the members of matured SHGs to take up micro enterprises through appropriate skill up gradation / development in the existing or new livelihood activities both in farm and non-farm sectors by way of enriching knowledge of participants on enterprise management, business dynamics and rural markets. In 2009-10, a total of 1530 MEDPs, both under Farm and Non-farm activities, were conducted across the country covering 38313 members of the matured SHGs.

Cumulatively, total 2837 MEDPs have been conducted so far covering 93777 participants. In order to give new approach to rural finance NABARD has launched The pilot project in 1992 that aimed at promoting and financing SHGs by linking 255 SHGs with banks in 1992, the program has reached to linking of 69.5 lakh saving-linked SHGs and 48.5 lakh credits linked SHGs and thus about 97 million families are covered under the program in 2010. The SHG-Bank linkage project is expected to be advantageous to the banking sector from both the angles of fulfillment of social goals (like reaching out the poor) and achieving operational efficiency (by externalizing part of their transaction cost). In the initial period i.e., in 1992-93 just 255 SHG were linked to banks with Rs. 2.89 million as refinance from NABARD. In 2009-10, about 6,953,250 SHGs have been linked to banks with 12861.65 crore cumulative refinance.

NABARD provides refinance support to banks to the extent of 100 per cent of the bank loans disbursed to SHGs. The total refinance disbursed to banks against banks loans to SHGs during 2009-10 was 3173.56 crore, registered a growth of 21.1 percent from 2008-09. Further, the cumulative refinance disbursed under SHG bank linkage program by NABARD to banks up to 31 March 2010 stood at 12861.65 crore. NABARD also continued to organize/sponsor training programs and exposure visits for the benefit of officials of banks, NGOs, SHGs and Government agencies to enhance their effectiveness. The cumulative fund support for the purpose as on 31 March 2010 stood at 45.02 crore. During the 2009-10, fund support of 9.93 crore was provided for capacity building, exposure visits and awareness-building as against 6.10 crore during 2008-09. It may be seen, in table 3, that of the total number of saving linked and credit linked SHGs, exclusive women SHGs with banks were 76.4 per cent and 81.6 per cent, respectively. Further, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 81.9 per cent as on 31 March 2009 has increased to 82.1 per cent as on 31 March 2010.

MICRO-FINANCE AND ITS OBJECTIVES

The concept of microfinance is not new. Savings and credits groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world. One of the earlier and longer lived microcredit organizations was the Irish loan fund system, initiated in the early 1700s. The term micro-finance is commonly used in addressing issues related to poverty alleviation, financial support to micro-entrepreneurs and gender development etc. Micro-finance can be defined as "provision of thrift, credit and other financial services and products of very small amounts to

the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards “. The term micro-finance sometimes is used interchangeably with the term micro-credit. However, while micro-credit refers to purveyance of loans in small quantities, the term micro finance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well. The main benefits of micro-finance appear to be reduced vulnerability of the poor to adverse circumstances, increased consumption in the same group and empowerment of women. Fortunately, micro-finance practice in India like some other countries has much to offer to the rural population. These include poverty alleviation, livelihood promotion, developing the local economy, gender empowerment, building organizations and changing wider systems and institutions within society.

Advantages of financing through SHGs:-

- ⇒ An economically poor individual gains strength as part of a group.
- ⇒ Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.
- ⇒ While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel (to & from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.

Poverty and Micro-finance:-

One of the main assumptions is that many poor people can absorb, use and actively want productive credit. It is also being found that in many situations poor people want secure savings facilities and consumption loans just as much as productive credit. The poor face barriers in gaining access to formal mainstream financial

service institutions. Micro-finance institutions (MFIs) provide this opportunity for poor people in rural area to have access to Micro-credit mainly through SHGs. SHGs are now being viewed as trustworthy vehicles for rural credit delivery and Poverty is multi-dimensional. By providing access to financial services, micro-finance plays an important role in the fight against the many aspects of poverty. For instance, income generation from a business helps not only the business activity expand but also contributes to household income and its attendant benefits on food security, children’s education, etc. India, a country inundated with a population of about 1.18 billion has got the 2th position in terms of population size in the world. 72.2% populations are still living in rural areas infested with very poor infrastructural facility resulting about 350 million are still under the poverty line. Microcredit is a widely discussed concept and practice throughout the world to combat against poverty. People borrow from MFIs and then utilize that money for different income generation activities. If the borrowers really utilize.

Conference on Inclusive Growth and Microfinance Access, Banaras Hindu University, January 2011. This microcredit to various income generation activities, then they will be able to overcome poverty.

Empowerment:-

Empowerment is a multi-dimensional process, which should enable an individual or a group of individuals to realize their full identity and powers in all spheres of life. It consists of greater access to knowledge and resources, greater autonomy in decision making to enable them to have greater ability to plan their live sand free them from shackles imposed on them by custom, belief and practice. Empowerment is not about power over others, but power to achieve goals and aims. In brief, empowerment is a process of awareness and capacity building

leading to greater participation to greater decision-making, power and control and to transformative action. Empowerments of women are ineffective strategy to cope with gender biased discrimination and attain gender equality. A majority of microfinance program target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Whereas, other believe their investing in women's capabilities empowers them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development. Micro-finance programs are currently being promoted as a key strategy simultaneously addressing both poverty alleviation and women's empowerment. For women to become a successful entrepreneur, she needs access to capital, technical and managerial know-how and market. The essence to empower rural women lies in catalyzing appropriate economic activities at the grass root level and creating new opportunities for them to earn higher income in order to improve their standard of living. Although the process of empowerment varies from culture to cultures, several types of changes are considered to be relevant in a wide range of cultures. Some of these changes include:

- ✳ To enhance self-esteem and self-confidence in women
- ✳ Enabling women to gain equal access to control and over resources
- ✳ To faster decision-making and action through collective process
- ✳ To provide information, knowledge and skill for economic independence
- ✳ Transforming the institutions such as family education, religion, media etc. and structure such as legal, political, economic and social etc.
- ✳ To develop in them an ability to think critically.

NABARD's 'SHG Bank Linkage' program:-

Many self-help groups, especially in India, under NABARD's *SHG Bank Linkage* program, borrow from banks once they have accumulated a base of their own capital and have established a track record of regular repayments. This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. "By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups the bank can serve small rural depositors while paying them a market rate of interest."

NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed.^[4] "The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region - Andhra-Pradesh, Tamil Nadu, Kerala and Karnataka. These states accounted for 57 % of the SHG credits linked during the financial year 2005-2006."

CONCLUSION

India still is the home to the largest population of the poor in the world and about 37% of population is below poverty line. The levels of poverty are high and because of this problem Self Help Groups movement occupies a significant agenda in the poverty reduction and empowerment of women for poor people. Micro-finance program are important institutional devices for providing small credit to the rural people in order to alleviate poverty and SHG bank linkage, have the potential to minimize the problems of inadequate access of banking services to the poor. Many studies highlighted

that SHGs have inculcated saving habits in poor. Many studies reveal that increased availability of micro-credit to the poor through SHG bank linkage program will help rural people to take up larger productive activities, empower the poor women, and decrease the dependence on money lenders. But, In spite of the impressive figures of micro-finance in India as have exposed in tables. It is still too small to create a massive impact in poverty alleviation. However; Indian experience in the case of Micro-finance and SHG is shown that this strategy is suitable strategy for developing and underdeveloped countries against poverty.

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