



Research Article

THE ECONOMIC AND SOCIAL IMPACTS OF MICROFINANCING THROUGH SHG

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ABSTRACT

Micro finance has become one of the most effective interventions for economic empowerment of poor. In India there is a tremendous increase in the number of micro financial institutions. Micro finance activities mainly done through self help group and through these loans are provided to the needy people. Nowadays microfinance has become an important tool for women empowerment, rural development and poverty alleviation. In India Self help groups represent unique approach to financial intermediation. SHG are mainly village based financial intermediary committee usually composed of 10-20 members of local women or men and mixed group not preferred. According to RBI self help groups may be of registered or unregistered group of micro entrepreneurs.

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INTRODUCTION

In India many SHG are linked to banks for the purpose providing micro credit. The members are micro entrepreneurs; they save small sums of money, mutually agreeing to contribute a common fund and to meet their emergency needs on the basis of mutual help. Their activities are for becoming financially stable by taking loan for making them employed. SHGs include SHGs of NGOs, SHGs by government, and SHGs by banks. In Kerala there to be have so many SHGs. Kudumbashree a female oriented community based poverty reduction project of Government of Kerala aims at the empowerment of women through forming self help groups by encouraging entrepreneurial activities. Self help groups (SHGs) have emerged as popular method of working with people in recent years. Since SHG based micro finance programmes cover a large number of women, it is expected that such programmes will have an important bearing on women's empowerment. Self-Help Groups (SHGs) have emerged in order to help poor women to secure inputs like credit and other services. Micro finance and SHGs are effective in reducing poverty, empowering women, creating awareness and ensure sustainability of environment which finally results in sustainable development of the nation. To avert such a situation, growth with quality has become the paramount agenda of today among different stakeholders, as there is an over reaching concern about sustainability of the SHG movement in India. Self-help groups have been instrumental in empowerment by enabling women to work together in collective agency.

The present study is an attempt to look micro finance through self help groups. Since independence, successive governments in India have emphasized the link between improving access of poor people to finance and reducing poverty. The need to improve financial access for India's poor, the over whelming majority of whom are concentrated in rural areas, motivated the establishment of a vast network of rural cooperative credit banks in the 1950s followed by a drive to nationalise commercial banks, launched in 1969. Between 1973 and 1985, bank branches in rural areas grew at an average of 15.2 percent each year, about double the growth rate of branches in semi-urban (6.4 percent), urban (7.8 percent) and metropolitan (7.5 percent) areas. As in 2005, India has over 32000 rural branches of commercial banks and regional rural banks (RRBs), some 14,000 cooperative banks branches, 98000 primary agricultural credit societies, not to speak of the thousands of mutual fund sellers, several non-bank finance companies (NBFCs) and a large post office network with 1,54,000 outlets that are required to focus on deposit mobilisation and money transfers.

One such innovative approach to serve the financial needs of India's rural poor is the concept of the formation of Self Help Groups (SHGs). It is a small, economically homogeneous and affinity groups of rural/urban poor, voluntarily formed to save and contribute to a common fund to be lent to the members as per group decision and for working together for social and economic uplift of their families and community. . Now all over the country most of the SHGs are linked to commercial and regional rural banks for their 'pay- ins' and 'takeouts'. This linkage has been of great benefits to the banks as well as to the SHG members.

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Objectives of the Study

1. To study the role of self help group in micro finance.
2. To analyse the socio economic growth attained through SHGs
3. To study the problems faced by micro entrepreneurs in rural areas.

METHODOLOGY

The present study is descriptive in nature. This study contains both primary and secondary data. Secondary data were collected from books, journals, magazines, newspapers, internet etc. Primary data were collected from 50 customers. Judgment sampling is used to select customers from the area. For analysis, and interpretation of data, simple mathematical tools like percentages, weighted score. etc was used.

Analysis and Interpretation of Data

The present study is aimed to study the role of self help group in micro and analyse problems faced by micro entrepreneurs in rural areas.

New skill

New skills are provided by the SHGs for its group members. This make the group members self reliant and they can earn income from learning new skill and its application. New skill

Skill	Numbers	%
Candle making	6	12
Soap making	5	10
Match production	5	10
Pickle making	2	4
Others	32	64
Total	50	100

The table shows 64% are obtaining the new skill from SHGs skill. 12% learned the skill of candle making after joining the SHG.

Average Monthly Savings

Average monthly savings is an essential in the living periods of people. The average monthly savings of member in SHGs are different.

Average Monthly Savings

Savings	Numbers	%
Below 1000	2	4
1000-2000	15	30
2000-3000	13	26
Above 3000	20	40
Total	50	100

40% members have the average monthly saving above Rs 3000. 30 % are included in between Rs 1000- 2000. 26% have saving in between Rs 2000-3000 and only 4% have in below Rs 1000.

Financial Assistance from Government

Government promotes the working of SHGs through providing various financial assistance. The assistance is classified into loans, incentives, and grants and other

Financial Assistance from Government

Types of assistance	Numbers	%
Loans	11	22
Incentives	8	16
Grants	10	20
Others	21	42
Total	50	100

The table shows that 42% get assistance from the forms of loans, incentives, and grants. Only 16% get assistance like incentives.

Problem faced in Availability of Finance

SHGs are facing so many problems in acquiring finance to their activities.

Problems	Weighted score	Rank
High rate of interest	194	1
Availability of finance	185	2
Attitude of bank staff	142	3
Lack of awareness	122	4
Delay in processing	101	5

The problems of high rate of interest have come in the first position and delay in processing in last phase.

Major Findings of the Study

- ✓ It is found that majority of the respondents are in the age group of above 50 i.e. 34 percent
- ✓ Education wise classification shows that most of respondents have educational qualification of SSLC.
- ✓ Majority i.e.; 32 percent of the people are working in the agricultural sector.
- ✓ It is found that a good no of respondents (38 percent) are from the income group of Rs. 5000-7000.
- ✓ 32 percent of respondents are members in the group for a period of above 7 years.
- ✓ 54 percent of respondents agreed that reasons for joining the groups are because of initiating group activities.
- ✓ 64 percent of respondents are learned other skills such as setting the electronics catering services etc.
- ✓ After joining in the group the average monthly saving of the members are above Rs.3000.
- ✓ 58 percent of the respondents have engaged in entrepreneurial activities such as food processing, textiles etc.
- ✓ 68 percent of respondents acquired finance from other source such as members and non members.
- ✓ Major portion of availing loan used for making investment (44 percent)

Suggestions

1. High rate of bank loan interest can be overcome by subsidies and other incentives given by the Govt.
2. The government and other agencies should make available more amount of finance for the development of SHGs.
3. Better training facilities and seminars should be conducted to the SHGs members for their efficient working.
4. The delay processing. It can be overcome by team work and promotion of team spirit among the members, should also improve the working of SHGs.

CONCLUSION

This project study attempts to study the role of SHG in Micro finance. It is concluded that SHG are mainly village based financial intermediary committee usually composed of 10-20 of local women or men, and mixed group not preferred. Micro finance has become an important tool for poverty alleviation and empowerment of women in Kerala. Rural area most of the SHG are engaged in production activity. SHG helps in improving the living standard of the members, and also increase savings, learning new skills and group activities. The main reason for taking membership by members in SHG is to initiate group activities. It is clear from this project that the main problem faced by SHG is high rate of interest on Bank loans. Most of the SHGs are taking loans for the purpose of their expansion activities. SHGs play an important role in formation of micro finance.

Micro financing through SHGs has come a long way to make a visible impact in the life of the impoverished sections of the society. At present it has been considered as one of the most effective tools of socio-economic development of poor households and women empowerment in almost all parts of the globe. In India also the programme has become very popular and successful in meeting the various needs of the poor. Although the growth of SHGs and loan received by them in Assam in general and in the district of Barak valley in particular are more or less satisfactory, the impact assessment studies conducted in these areas to evaluate the progress made in the direction of eradication of poverty are either nil or very few in number. So, this is an important study that exercised with earnest zeal to find out how the loan amount is being utilized by SHG members and how the access of rural poor to formal finance has changed their socio- economic profile.

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