

Micro Finance through Self Help Groups (SHGs): A Tool for Socio- Economic Development of women in Himachal Pradesh (A Case Study of Low Hill Zone)

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The present paper is an attempt to evaluate the structural aspect of self-help groups in Hamirpur and Una district of Himachal Pradesh. The paper examined the role of SHG micro-credit as a tool of capacity development and women's empowerment in rural areas of Hamirpur and Una districts in Himachal Pradesh, India. It is based on primary data collected from a random sample of 518 members. The capacity of women is built up in spheres that were previously not their domain, for example, opening and operating bank accounts, visiting local offices, accessing loans and so on. It is considered as the first step for microenterprises. It is used by a number of Governmental agencies, non-governmental organizations and voluntary organizations to reach the poor people and ameliorate their poverty. These agencies help people organize themselves to improve their capability through training, monitoring and guidance for initiating and operating gainful microenterprises.

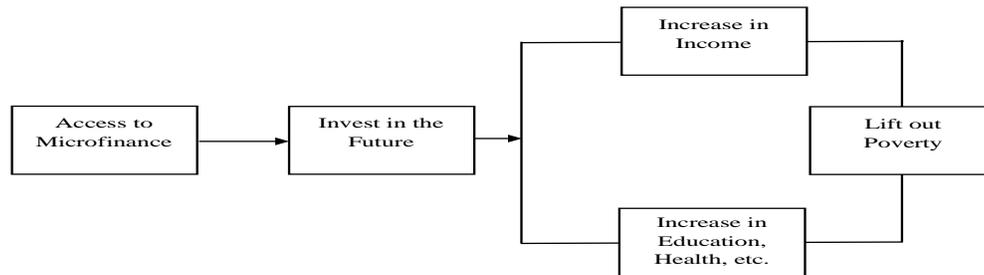
Keyword: Microfinance; Self Help Groups, women empowerment, purpose, functioning.

1. Introduction:

Microfinance as a part of financial sector is expected to be influenced directly or indirectly by the positive or negative changes that take place in the global economy or the regional financial markets. (Puhazhendhi, 2012). Micro-finance has become, in recent years a fulcrum for development initiatives for the poor, particularly in the third world countries. The simple causal chain from microfinance to poverty alleviation has been shown in Figure 1.1

Simple Causal Chain from Microfinance to Poverty Alleviation

Fig 1.1

Simple Causal Chain from Microfinance to Poverty Alleviation

Source: Stewart et al. (2010-11) ed. by authors.

2. Microfinance: The Concept and Theoretical Overview

Microfinance has emerged as one of the most sustainable and effective tools for enabling the poor and disadvantaged sections of the society to access institutional credit (Mishra and Thanvi, 2004). Microfinance generally refers to the entire gamut of financial services, such as micro-credit, micro-insurance, savings and deposits offered in small quantities to those at the bottom of the pyramid (Sarkar, 2001). The terms micro-finance and micro-credit has come to be used in the literature interchangeably. While the term micro-credit appears to suggest small amount lending, micro-finance can be visualized in broader contexts, which have both the elements of micro-credit and micro-savings. According to NABARD, microfinance (MF) is the "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 their living standard (NABARD, 1999). Microfinance refers to an array of financial services, including loans, savings and insurance, available to poor entrepreneurs and small business owners who have no collateral and wouldn't otherwise qualify for a standard bank loan. Most often, microloans are given to those living in still-developing countries who are working in a variety of different trades, including carpentry, fishing and transportation.

Now, the microfinance 'approach' has engendered a new relationship between the banks and the poor. A relationship which is based on sound business principles and which enables the poor to approach banks as 'customers' and not as 'beneficiaries'. It is with this approach that the SHG-Bank Linkage programme was initiated in 1992 by the NABARD (National Bank for Agriculture and Rural

Development), which marks a watershed in the history of rural banking in India. A decade of SHG-Bank linkage has finally set at rest the question about 'bankability' of the poor. The banks have reported 95 per cent on-time repayment by SHGs across the country; and they have reported nil NPAs. Nothing short of a miracle when compared to earlier interventions. What is the "mantra" of this miracle? The mantra is banking through groups. The essential feature of the approach is to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode ((Mishra and Thanvi, 2004).

Women constitute nearly half of India's population and play an important role in social and economic development of the nation. But their role is marginalized in the context of national development. For, no country can sustain its development if it does not utilize properly its women as a productive resource. Women empowerment is regarded as a necessary condition to stabilize and in turn to have a sustainability of the development process. Empowerment of women is an active multi-dimensional process which enables women to realize their full identity and powers in all sphere of life. In other words, empowerment of women represents ability of women to handle responsibility to envision a better future and also to overcome the obstacles that confront them. Empowerment of women includes higher literacy level and education for women, better health care, equal ownership of productive resources and more participation in economic and Commercial sectors, improved standard of living and acquiring self-reliance, self-esteem and self-confidence. (Kittur and Shidaganal, 2010). Ensuring sustainable development requires women's empowerment and their equal involvement in the decision-making process. Their participation as planners, managers, scientists and technical advisors is also required in all fields. When women are empowered, they empower society. With having concerns for their families and for the entire community they play a very important role in the development of the whole country. If women are given access to resources, they will spend it on the well-being of large numbers, be it their family, neighbourhood or the country. An empowered woman is one who has freedom to make choices and take decisions in matters relating to her life as well as society at large.

3. Microfinance and Self Help Groups:

The origin of the Self-Help Groups is the brain child of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus during seventies. He won the Noble peace prize in 2006 for his efforts in combating poverty and providing resources to poor via Grameen Bank and the Micro Finance model. A Self-Help Groups are usually informal groups whose members have a common perception of need and importance towards collective action. These groups are voluntarily associations of people with the member size of 10 to 20. The group is basically homogeneous in terms of education,

occupation, income distribution and sex composition. Self-Help Groups are necessary to overcome exploitation, create confidence for the economic self-reliance of rural poor, particularly among women who are mostly invisible in the social structure. These groups enable them to come together for a common objective and gain strength from each other to deal with exploitation which they are facing in several forms. A group becomes the basis for action and, change. It also helps building of relationship for mutual trust between the promoting organization and the rural poor to constant contact and genuine efforts (Singh, 2003).

Self-Help Groups are formed with the following objectives:

- (a) Improve discipline among the members in developing saving habits;
- (b) Saving enhance self-confidence of the individual as it is a sign of group encouragement;
- (c) Income generation and gradually become self-reliant;
- (d) Development of leadership quality to realize their potentiality and self -belief;
- (e) Training of members in the use of extension services and government support;
- (f) Building common infrastructure for the benefit of the members (Das, 2003)

Though most of the self-help groups formation and nurturing process have initially been controlled by NGOs but gradually Governments participation has gone on to increase. RashtriyaMahilaKosh, Indira MahilaYojana and in 1999, Swaranjayanti Gram Swarozgaryojana (SGSY) were launched using SHG approach. (NGOs) Non-Governmental Organizations are playing the role of an intermediary between the banks and SHGs for group formation and nurturing, prior to establishing linkages with bank (Majumdar, 2009).

4. Need of the study:

The government sponsored poverty alleviation programmes are involved centrally and planned without participation of the local people, and therefore fail to address the needs and requirement of the poor. Lacks of participatory approach in planning and execution of these programmes result in complete failure to improve social and economic conditions of the poor masses for which they were evolved. At this point, micro financing is looked upon as an instrument that can be considered as the golden stick to generate income and employment and an important approach to poverty alleviation and enhancement of living standards, particularly of women (Verma, 2009).

5. Objective of the Study

- I. To assess the contribution of micro-finance to the well-being of poor women in terms of mobilization of micro-savings and utilization of micro-credit.
- II. To suggest appropriate policy measures to enhance rural women's' participation and growth of the SHGs.

6. Methodology:

Collection of Primary Data

With a view to achieving the objectives, the present study was based on the primary as well as secondary data. The methodology of data collection has been discussed as under:

For the collection of first hand, data interview schedule have been prepared with the purpose to get the viewpoints of respondents on the problem in hand. For the authentication of schedules, a pilot study was also conducted in Hamirpur block

Collection of secondary Data

The secondary data have also been collected from books, journals and reports. For this purpose, various libraries such as Himachal Pradesh University Library, Punjab University Library, Secretariat Library, Indian Institute of Advance Study, HIPA & state library, was consulted.

Sampling Procedure

For the collection of first hand data and information, multistage purposive-cum-random sampling was adopted. Himachal Pradesh is divided into three major agro-climatic zone, namely, low hill zone, mid-hill zone and high-hill zone.

From these three zones, low hill zone was selected purposively. This includes Hamirpur, Una and parts of Kangra, Bilaspur, Mandi, Shimla, Solan, Kullu and Sirmaur districts. Therefore, at the first stage two districts were selected. Out of 9 low-hill zone's districts, the selection of two districts, namely, Hamirpur and Una district, was made after ranking all the 9 districts on the basis of four indicators, namely, literacy rate, per-capita income, employment and life expectancy This zone was selected for the reason that geographically, the areas of this zone are easily accessible for the purpose of implementation of development programmes and policies. Also, almost every nook and corner of

this zone is connected with the roads and transportation. Hence, this zone was selected to see the position of microfinance and its socio-economic impact on the members of self-help groups.

7. Analysis and interpretation:

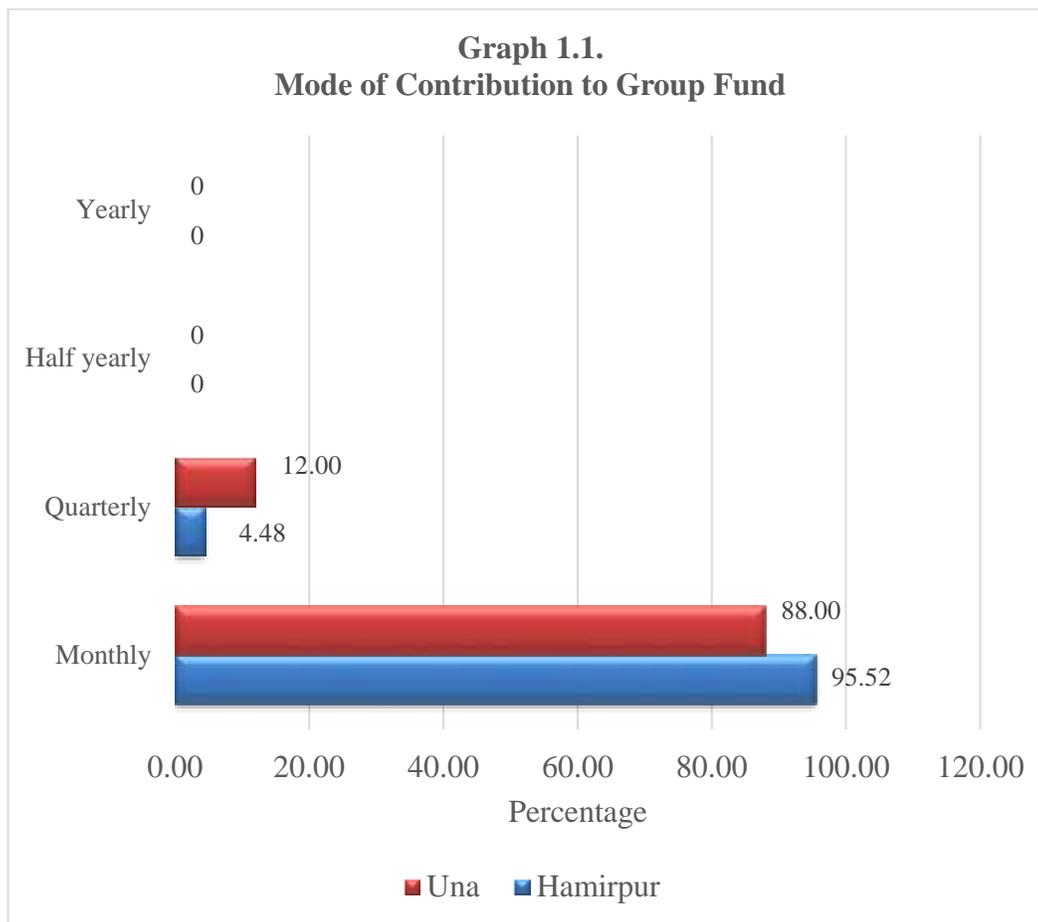
Finance is the process of creating, moving and using money. The strategic use of finance, such as loans and investments, is key to the success of every association. In relation to self-help group, finance plays an important role in meeting the daily as well as long run needs of their members. After the creation of self-help groups, the members start creating its financial corpus through depositing money.

Self-help groups create its own fund through the contribution of members. The members of group mutually agree to contribute to a common fund and lend to the members for meeting their productive and emergent needs. During the study, it was inquired from the respondents regarding the mode of saving. The collected data have been analyzed in Table 1.1 and graphically shown in Graph 1.1.

Table 1.1
Mode of Contribution (Saving) to Group Fund

Responses	District				Total	
	Hamirpur		Una			
	Frequency	%age	Frequency	%age	Frequency	%age
Monthly	256	95.52	220	88.00	476	91.89
Quarterly	12	4.48	30	12.00	42	8.11
Half yearly	0	0.00	0	0.00	0	0.00
Yearly	0	0.00	0	0.00	0	0.00
Total	268	100.0	250	100.0	518	100

Source: Primary probe.



Mode of contribution reveals that in majority of cases monthly contribution was fixed by the SHGs in the study area. Out of total respondents 95.52 per cent of respondents in Hamirpur district, 88.00 per cent of respondents in Una district and 91.89 per cent of respondents in overall supported this fact. While 4.48 per cent of respondents in Hamirpur district, 12.00 per cent of respondents in Una district and 8.11 per cent of respondents in overall reported that the mode of contribution was quarterly, that is they made quarterly contribution to the group financial corpus. Hence, it can be concluded that in majority of cases monthly contribution system was followed by the self-help group to meet their emergency needs.

Amount of Contribution or Saving

Savings from the asset of the SHGs. The amount of savings helps them to recycle the amount and offer it as security for availing loans from the banks to which they are linked. It helps to increase the economic capability of the members. It also plays an important role in internal lending to group

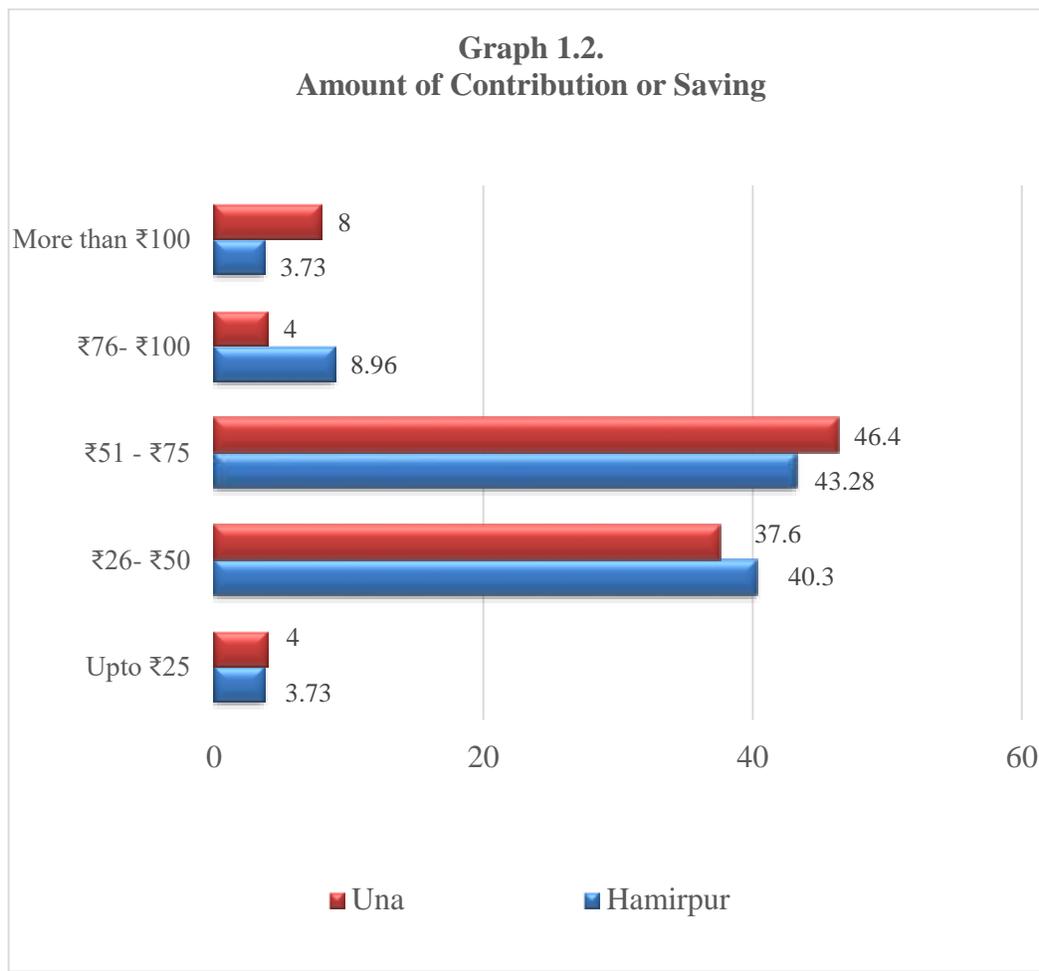
members during emergencies and dire need. The data related to amount of contribution has been presented in Table 1.2 and shown in Graph 1.2.

Table 1.2
Amount of Contribution or Saving

Responses	District				Total	
	Hamirpur		Una			
	Frequency	%age	Frequency	%age	Frequency	%age
Up to Rs 25	10	3.73	10	4.00	20	3.86
Rs 26- Rs 50	108	40.30	94	37.60	202	39.00
Rs 51 - Rs 75	116	43.28	116	46.40	232	44.79
Rs 76- Rs100	24	8.96	10	4.00	34	6.56
More than Rs 100	10	3.73	20	8.00	30	5.79
Total	268	100.0	250	100.0	518	100.0

Source: Primary probe.

Table 1.2. shows that in majority of cases the contribution fixed by the group of saving fall in the group of 'Rs 51 - Rs 75', as 43.28 per cent of respondents in Hamirpur district and 46.40 per cent of respondents in Una district reported this. 40.30 per cent of respondents in Hamirpur district, 37.60 per cent of respondents in Una district and 39.00 per cent of respondents in overall have fixed their amount of contribution in 'Rs 26 - Rs 50'.



Out of total respondents, 8.96 per cent in Hamirpur district and 4.00 per cent of respondents in Una district reported that they save money in the group corpus between Rs 76- Rs 100, while 3.73 per cent of respondents in Hamirpur district and 8.00 per cent of respondents in Una district save more than Rs 100. It was observed that in both the district the amount of contribution was not very high, which can be equated as judicious one.

Purpose of saving

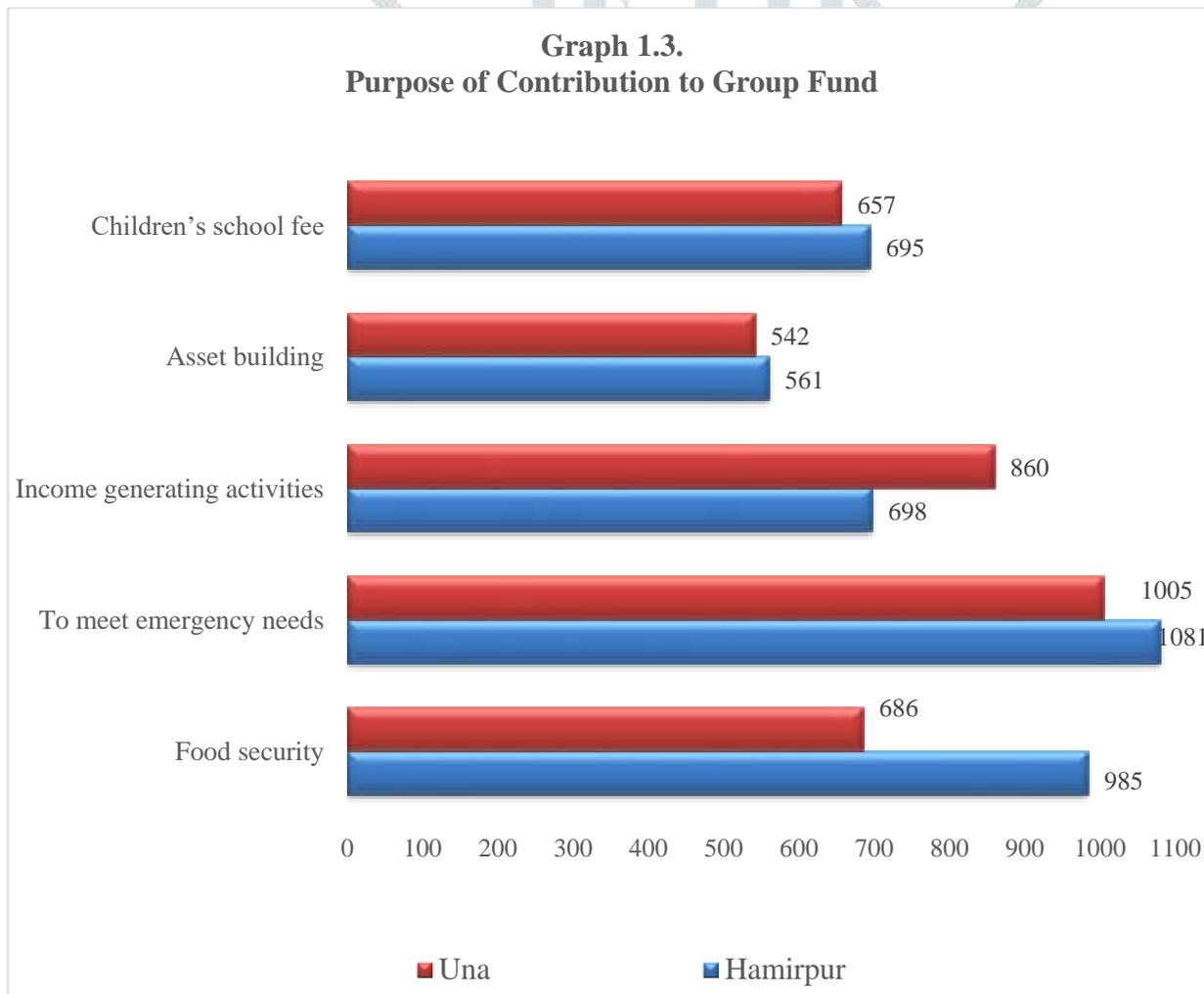
As per the information furnished by the respondents, it was observed that ‘to meet the emergency needs’ was at the top most priority which motivate people to contribute to the group fund, it is followed by ‘food security and income generation activities. With some fluctuation, the priority level was more or less same in both the district.

Table 1.3.
Purpose of Contribution to Group Fund

Purpose	Hamirpur		Una		Total	
	Points	Rank	Points	Rank	Points	Rank
Food security	985	2	686	3	1671	2
To meet emergency needs	1081	1	1005	1	2086	1
Income generating activities	698	3	860	2	1558	3
Asset building	561	5	542	5	1103	5
Children's school fee	695	4	657	4	1352	4

Source: Primary probe.

Note: The points are given to 5 to 1st rank, 4 to 2nd rank and so on.



Hence, it can be concluded that the members of the group contribute or save money to meet emergency needs or food security.

Amount of bank loan

Amount of bank loan for starting economic activity or creating income generating assets has been analyzed in Table 1.4. and presented in Graph 1.4.

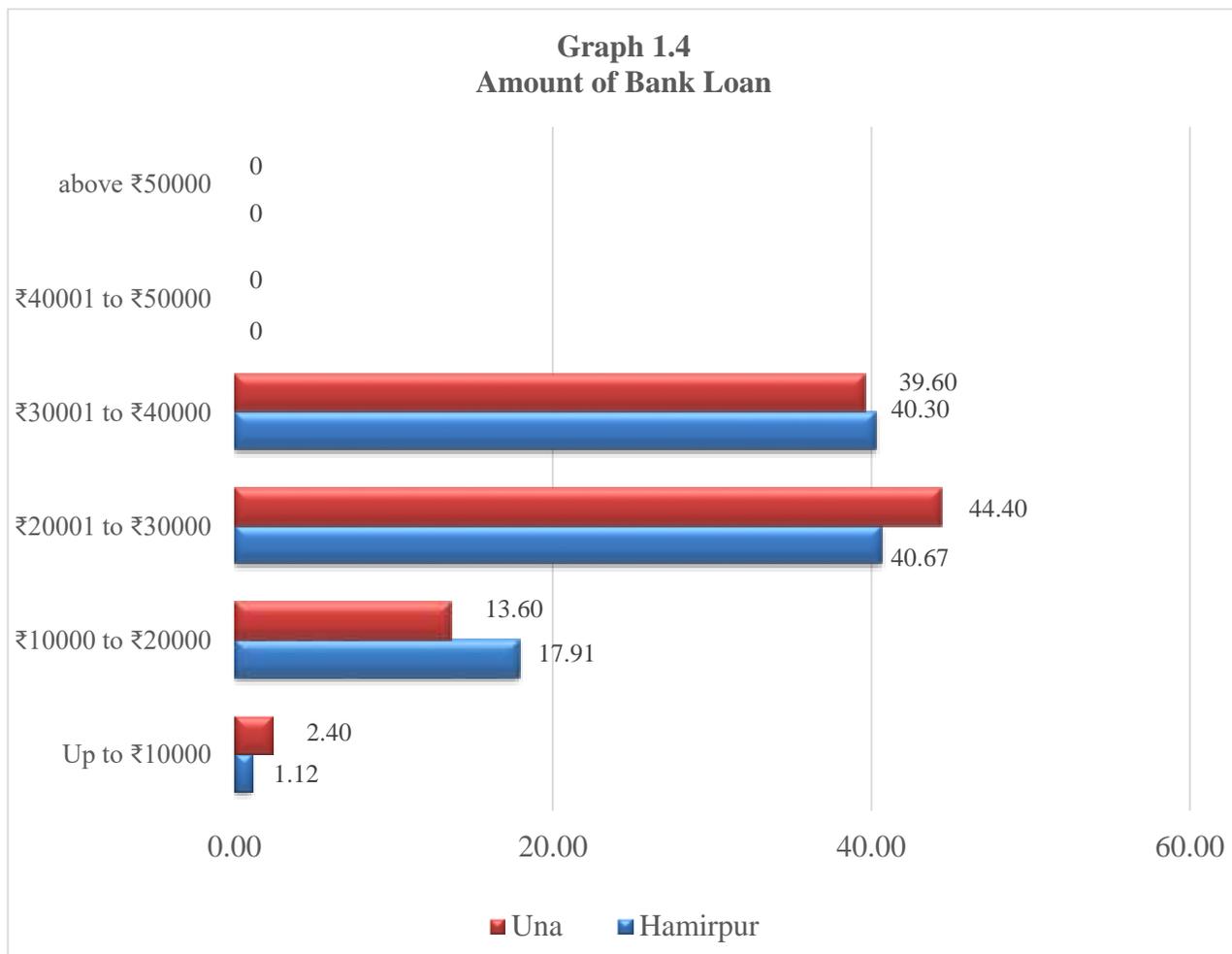
Table 1.4
Amount of Bank Loan

Amount	Hamirpur	Una	Total
	Frequency (%age)	Frequency (%age)	Frequency (%age)
Upto Rs 10000	3 (1.12)	6 (2.40)	9 (1.74)
Rs 10000 to Rs 20000	48 (17.91)	34 (13.60)	82 (15.83)
Rs 20001 to Rs 30000	109 (40.67)	111 (44.40)	220 (42.47)
Rs 30001 to Rs 40000	108 (40.30)	99 (39.60)	207 (39.96)
Rs 40001 to Rs 50000	0 (0.00)	0 (0.00)	0 (0.00)
above Rs 50000	0 (0.00)	0 (0.00)	0 (0.00)
Total	268 (100.0)	250 (100.0)	518 (100.0)

Source: Primary probe.

Note: Figures in parentheses represents percentage.

Data in Table 1.4 depict that 40.67 per cent of respondents in Hamirpur district and 44.40 per cent of respondents in Una district reported that the amount of their bank loan fall in the range of 'Rs 20001 to Rs 30000', while the amount of 40.30 per cent of respondents in Hamirpur district and 39.60 per cent of respondents in Una district fall in the range group of 'Rs 30001 to Rs 40000'. Table also indicates that the amount of some of the members, that is, 17.91 per cent in Hamirpur district and 13.60 per cent of respondents in Una district was fall between 'Rs 10000 to Rs 20000'.



In overall data, it was found that in 42.47 per cent of cases the amount was between ‘Rs 20001 to Rs 30000’, in 39.96 per cent of cases the amount was between ‘Rs 30001 to Rs 40000’ and in 15.83 per cent of cases the amount of bank loan was between ‘Rs 10000 to Rs 20000’. Hence, it can be concluded that in majority of cases in both the districts the amount of bank loan was found either between ‘Rs 20001 to Rs 30000’ or between ‘Rs 30001 to Rs 40000’.

8. Policy Implications & Suggestions

- ❖ First of all, awareness on the part of rural people is imperative. Government as well as financial institutions must impart education to the rural people, particularly, women and poor, about the benefits of microfinance through self-help groups. For this awareness camps should be organized for spreading education and awareness among the people in the community.

- ❖ As majority of rural people at the grass-root level do not know the procedure of organizing into self-help group. In this connection, the role of government and non-government organizations become crucial. They should help organize the groups, frame rules and regulations required to managing bank accounts for SHGs.
- ❖ Government officials, Bank officials and NGOs must educate SHG members about various aspects pertaining to the regular functioning of the self-help group. They can help in conducting meeting, book-keeping, managing savings, internal lending of loans.
- ❖ Emphasis must be given to SHG's linkage with banks, development skills among the groups for effective use of loans and other resources, which the group acquires in due course.
- ❖ Orientation and training to members should be given as per the demand and requirement to build capacity. Furthermore, training, if possible, should be given according to the economic activity started by the self-help groups.

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