



PERFORMAMANCE OF MICRO FINANCE WITH RESPECT TO SELF HELP GROUPS

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ABSTRACT

In the new economy, microfinance is becoming a potent tool for eradicating poverty. Self-Help Groups (SHGs) - Bank Linkage Programme, which aims to provide a cost-effective framework for providing financial services to the 'unreached poor', dominates the microfinance industry in India. According to research, people who receive microloans gradually raise their income and assets, extend the number of years their children spend in school, and enhance their families' nutrition and health. Private Microfinance Institutions' reach is limited in comparison to the larger SHG bank linkage movement in India because SHGs open bank accounts with either commercial banks, regional rural banks, or cooperative societies. However, it has been observed that many microfinance organizations are now non-bank financial institutions (NBFCs). The way microfinance is evolving in India seems to be a good thing for the sector's capacity to draw in more funding and broaden its reach.

Key words: Self-help groups, micro finance, women empowerment

INTRODUCTION

In India, microfinance has developed over the past 25 years into a variety of operational models with differing degrees of success. The growth of the self-help group is one example of microfinance. Based on the idea of "self-help," small groups of women have come together in groups of ten to twenty and run businesses that make use of members' savings as the primary source of funding for loans. These self-help groups' (SHGs') results are beneficial, and they are the subject of serious study because they are demonstrating that they are a successful strategy for reducing poverty.

SHG Bank Linkage has made this a prominent form of microfinance in addition to microfinance institutions (MFI), thanks to the growth of SHGs and more formal SHG Federations. The development of India's microfinance industry has been greatly aided by the country's political landscape. Important policy declarations from the Reserve Bank of India (RBI) and the Government of India (GoI) led to rapid expansion, especially during the International Year of Microcredit 2005. SHGs have proliferated quickly as a result of their simplicity of replication. SHG Bank Linkage has given SHGs the ability to expand their capital base in order to finance more members and more ambitious initiatives. In India, there are currently thought to be at least 2 million SHGs. SHGs

are connecting themselves into federations in various Indian states in order to establish institutional and financial sustainability.

The majority of SHGs have satisfactory to average performance in areas including financial management, governance, and human resources. Even if the movement has spread impressively, these are important issues that must be resolved if any outside intervention is to be effective.

Their lives have been greatly impacted by the creation of common-interest groups composed mostly of women. SHGs have always improved the situation for women's empowerment and social security, but there are still some areas that require support, some of which are examined in this article. Women's standing has typically improved as a result of their increased self-confidence, which has altered gender dynamics and their position in the home. In south India, there has been a noticeable improvement in female literacy, involvement in development programs, and economic independence. Women have become a force to be reckoned with because they can fight for their rights and privileges. SHGs have also evolved into more of a political and social unit of society than just simple financial intermediaries. More crucially, microfinance still has a limited reach among the poorest of the poor and needs to be improved.

A Brief History of Microfinance in India

In India, the history of microfinance dates back to establishment of Syndicate Bank in 1921 in private sector. During the early years, Syndicate Bank concentrated on raising micro deposits in the form of daily/weekly basis and sanctioned micro loans to its clients for shorter period of time. But microfinance came to limelight only when Dr Yunus gave it a mass movement in Grameen Bank experiment. Microfinance in India originated in 1974 in Gujarat with Shri Mahila Sewa (Self-Employed Women's Association) Sahakari Bank. Microfinance later developed in the starting of 1980s around the concept of Self-Help Groups (SHGs). During 1992, NABARD started linking SHGs to Indian Banks.

Financial services for underprivileged and low-income customers are frequently referred to as microfinance and are provided by several kinds of service providers. The term is frequently used more specifically to describe loans and other products from companies that self-describe as "microfinance institutions" (MFIs). In the years following nationalization in 1969, the banking industry saw significant resources set aside to help those who needed to secure credit. The bank nationalization plan had a number of goals, one of which was to reach more neglected sectors with financial services (Singh, 2005). This technique caused the financial network to go through an expansion phase that was unparalleled in the entire world. Credit eventually gained acceptance as a panacea for many of poverty's ills. Several pro-poor financial services, including credit packages and programs tailored to the perceived needs of the poor, emerged as a result, with support from both the state and central governments.

Even though the goals were admirable and significant progress was made, the amount of credit available to the poor, particularly poor women, remained low. This sparked institution-driven efforts that sought to combine the rural banking infrastructure's current strengths and use them to better serve the poor. The National Bank for Agriculture and Rural Development (NABARD) spearheaded these efforts. It was tasked with developing appropriate policies for rural credit, providing technical assistance-backed liquidity support to banks, supervising rural credit institutions, and undertaking additional projects for development.

Early in the 1980s, the Indian government introduced the Integrated Rural Development Scheme (IRDP), a sizable credit scheme for reducing poverty that gave the underprivileged access to government-subsidized credit through banks. The intention was for the underprivileged to be able to use the cheap credit to finance themselves above the poverty level.

In addition, at this time, NABARD conducted a number of studies on its own and in collaboration with MYRADA, a renowned NGO from Southern India, which revealed that despite having a vast network of rural bank branches serving the rural poor, a significant portion of the poorest of the poor continued to remain outside the formal banking system. These studies also suggested that the current banking regulations, institutions, and

practices, as well as deposit and loan products, might not be the best choices for addressing the poor's most pressing requirements. Further, it seemed that increased access to these services and goods—rather than inexpensive, subsidized credit—was what the poor really needed. In light of this, it was considered that different policies, processes, and procedures, savings and loan products, additional services, and new delivery mechanisms were necessary to meet the needs of the poorest, particularly the women who made up these households. Therefore, rather than merely focusing on microcredit, efforts were made to increase the poor's access to microfinance.

Self-help groups (SHGs) are an idea that is relatively recent. They not only play a significant part in reducing poverty in rural India but also in raising awareness among a group of people who would otherwise be forgotten and neglected. Members of SHGs, who are primarily women, join voluntarily. Both the number of members and their membership have recently been steadily rising throughout India. They take part in a variety of more socially and economically beneficial activities, such as income generation, environmental protection, literacy, child care, and nutrition, in addition to the problem-solving and investment activities that are typically associated with SHGs. The SHG system is designed to be effective in empowering rural women below the poverty line. Economic and social empowerment is one of the basic components of SHG development.

Concept of SHG

Self-help groups typically include 10 to 20 participants. The participant saves a sum they can afford. The monthly payment is minimal, ranging from Rs. 10 to Rs. 200. A monthly meeting is set up when official and informal conversations are made on a variety of social topics in addition to loan disbursement and repayment. In these groups, members converse about their experiences. These meetings' minutes and financial statements are both written down. In any SHG, there are three official positions: president, secretary, and treasurer. If the SHGs are affiliated with any NGOs, they participate in their other charitable endeavors. Self-help groups' main goals are to exchange information and offer emotional and practical support. These organizations facilitate opportunities for people to exchange knowledge, experiences, and issues by using participatory approaches. Members benefit from their engagement by gaining knowledge and information, as well as by receiving and giving out emotional and practical support. People with physical and mental disabilities, as well as chronic health concerns, have found these organizations to be especially helpful. The origin of groups can also be found in traumatic life situations like divorce and death.

Self-help groups are voluntary, and their members usually serve as their representatives. In general, organizations welcome new members and hold frequent meetings. A self-help group is a non-profit organization started by individuals who share a problem or circumstance with the aim of pooling resources, learning from one another, and providing one another with support, services, or care. Simple basic records such as a minute's book, attendance register, loan ledger, general ledger, cash book, bank passbook, and individual passbooks should be kept by the group.

REVIEW OF LITERATURE

Hulme and Mosley (1996): While acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that “most contemporary schemes are less effective than they might be” (1996, p.134). They state that microfinance is not a panacea for poverty alleviation and that in some cases the poorest people have been made worse-off by microfinance.

Johnson and Rogaly (1997): They argue (1997) that in addressing the question of the impact of microfinance, NGOs must go beyond analyzing quantitative data detailing the numbers of users, and volumes and size of loans disbursed, to understanding how their projects are impacting on clients' livelihoods.

Littlefield, Murdoch and Hashemi (2003) state “microfinance is a critical contextual factor with strong impact on the achievements of the MDGs...microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale”. Referring to various case studies, they show

how microfinance has played a role in eradicating poverty, promoting education, improving health, and empowering women (2003).

K. Manoharan Nair and Girija (2005) in their article, “Microfinance - The New Development paradigm for poverty eradication and women empowerment”, state that experience has shown that many of poverty alleviation programmes through organized credit channels have not achieved the required success. Hence to bridge the gap between the demand & supply of funds in the lower rungs of rural economy, the microfinance schemes of NABARD have made a smooth foray into the role played by microfinance in eradicating poverty and empowering women to manage the enterprises.

Chintamani Prasad Patnaik (March 2012): Has examined that microfinance seems to have generated a view that microfinance development could provide an answer to the problems of rural financial market development. While the development of microfinance is undoubtedly critical in improving access to finance for the unserved and underserved poor and low-income households and their enterprises, it is inadequate to address issues of rural financial market development. It is envisaged that self-help groups will play a vital role in such strategy.

OBJECTIVES OF THE STUDY

1. To understand the concept of micro finance and its importance.
2. To study the Progress of SHGs formation.
3. To study the number of Women SHGs.

RESEARCH METHODOLOGY

It is descriptive research in nature. Data collected through secondary sources mainly through some journals and articles and also through research papers. The data is collected from microfinance related and content related articles and websites. Secondary data is also collected from various published reports of Apex Bank Ltd. NABARD and from official circulars.

SHG Bank Linkage

When NABARD began the SHG Bank Linkage program's pilot phase in February 1992, it marked a significant turning point for the SHG movement. This was the first time a commercial bank had directly financed an established SHG. Poor people's informal groupings for saving and borrowing were acknowledged as bankable customers. Soon after, the RBI gave commercial banks advice on how to include financing for SHGs in its rural credit operations, establishing SHG Bank Linkage. Both parties benefited from the SHGs' integration with the financial industry. The low-income households represented a sizable market that the banks were able to access thanks to low transaction costs and high payback rates. The SHGs were able to scale up their operations with more financing, and they had access to more credit products.

Through the SHG-Bank linkage, members were taught to save money and augment it with loans to cover their necessities. For the purpose of boosting the socioeconomic advancement of women, SHGs are transformed into microcredit networks. The viability of SHGs and the community-based participatory approach led to the use of SHGs as financial intermediaries for the underprivileged. For SHG to qualify under the bank linkage program, it should satisfy certain characteristics, such as:

1. The group should have been in active existence for a minimum of six months.
2. The group should have successfully undertaken savings and credit operations from its own resources.
3. Evidence of a democratic setup in the group where members have a say in all self-help groups and microfinance matters
4. The group should be maintaining proper accounts and records.

5. The banker should be convinced that the group has not come into existence only for the sake of participation in the project and availing of benefits.
6. There should be a genuine need to help each other and work together among the members.

Positive impacts of microfinance programs on women's empowerment include

- Women's ability to influence or make decisions
- improved Increased self-confidence
- Improved family relations
- Improved status in the community
- Economic empowerment
- Political empowerment

Table 1: Source - NABARD Website

Financial Year	Number of SHGs with Bank A/Cs (in Thousands)	Total Savings of SHGs (in Crores)	No. of SHGs (in Thousands)	Loan Amt. Disbursed (in crores)	No. of SHGs (in Thousands)	Loan O/S amt. (in Crores)
2010	213.3	142.55	26.67	191.72	96.21	463.29
2011	233.79	140.32	27.72	198.15	30.39	445.4
2012	251.5	127.87	18.86	182.73	134.96	714.9
2013	231.76	157.61	20.16	210.88	129.57	632.94
2014	257.26	179.1	17.41	194.6	129.83	642.94
2015	245.9	143.79	32.59	289.21	119.61	1080.19
2016	264.12	186.59	25.25	321.77	98.11	651.83

Figure 1: Progress Under Microfinance - Savings of SHGs with Banks

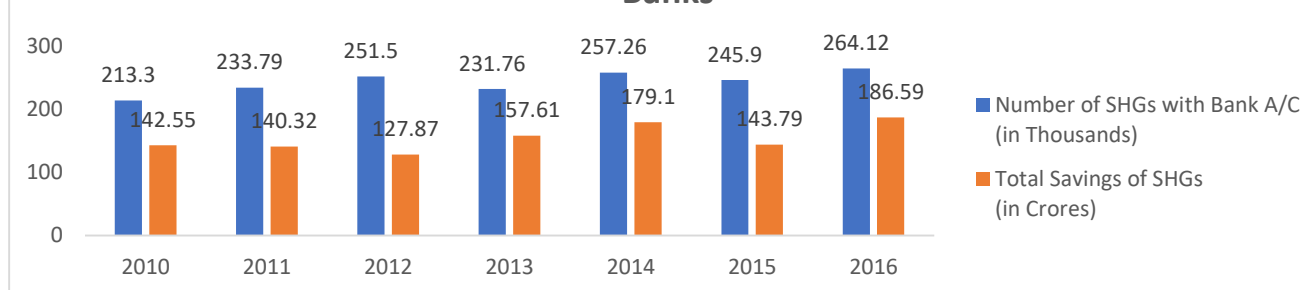
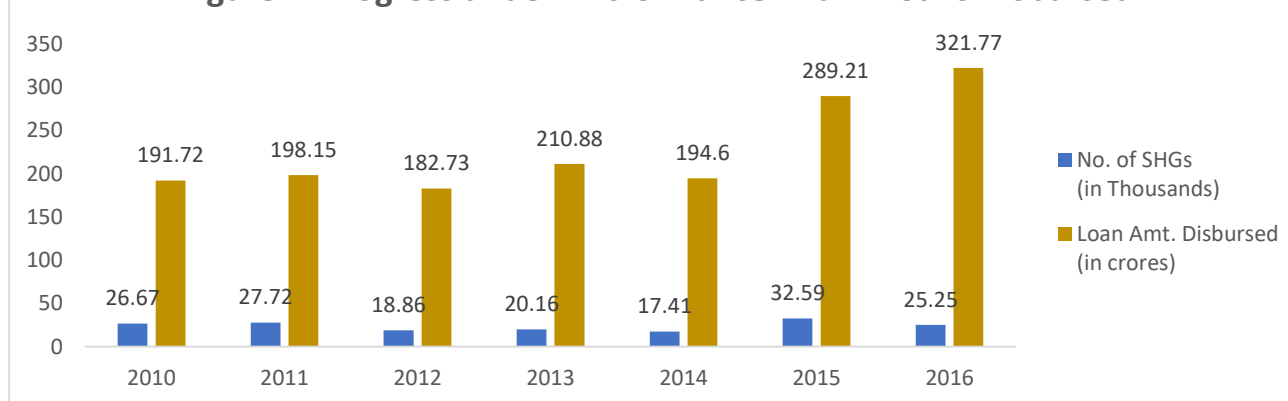
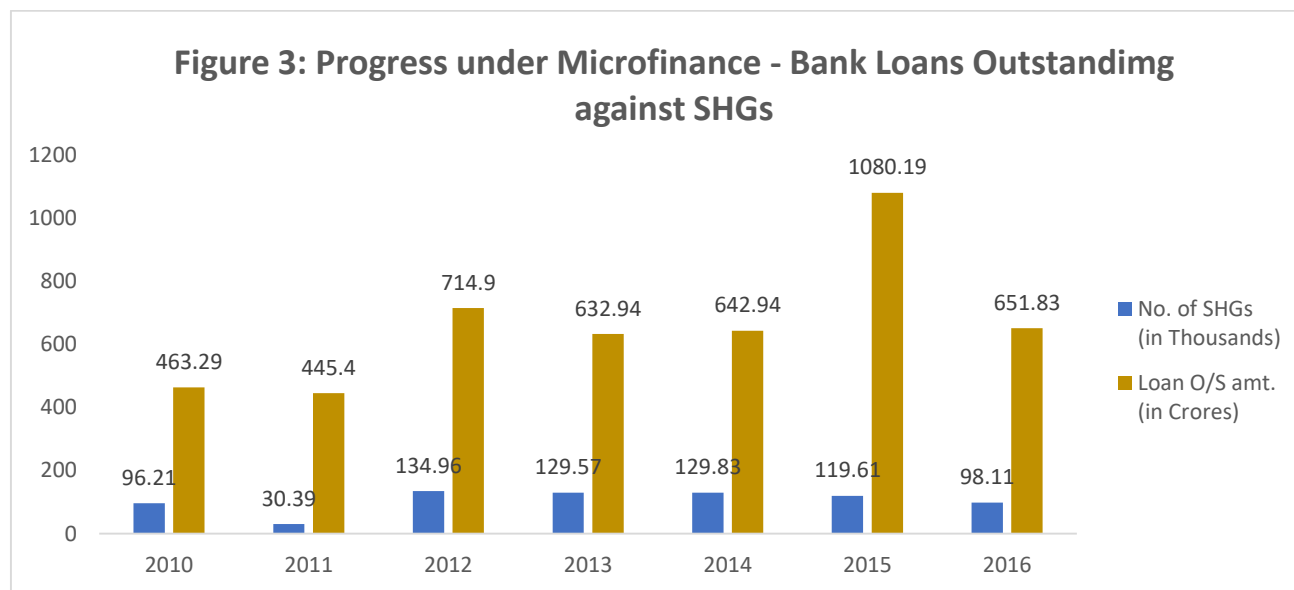


Figure 2: Progress under Microfinance - Bank Loans Disbursed

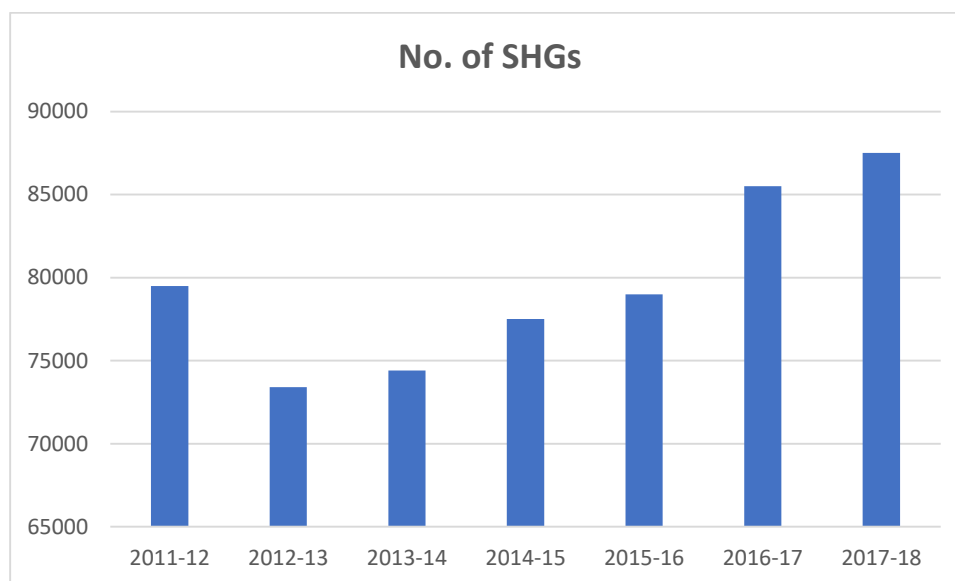




1. It is clearly seen that the number of SHGs with bank accounts has not been increasing constantly. We can see ups and downs in the last seven years, as in 2013 and 2015, there has been a fall in the numbers.
2. The trend in savings of SHGs also saw a mix of ups and downs, where from the year 2010 to 2012 it kept on falling from Rs. 142.55 crore to Rs. 127.87 crore, then we saw a rise in the following two years, 2013 and 2014, to become Rs. 157.61 crore and Rs. 179.10 crore, respectively, to see a fall again in 2015 and finally rise in 2016 to be at Rs. 186.59 crore.
3. The progress seen in the disbursement of loans shown on a yearly basis show that till 2015, both the number of SHGs getting loans and the amount of loans moved in the same direction, though the proportion has not been the same. The direction of movement is the same, but in 2016, though there was a fall in the number of SHGs getting loans, the amount had risen sharply. Similar to the trend seen in savings, the distribution of loans has also not been constant, as 2012 and 2104 have seen a fall in both the number of SHGs and the amount of loans distributed.
4. At last, the last relation is between the number of SHGs with outstanding loans in accumulation and total loan outstanding. In this also, we see the same trend, but what pops out is the year 2015, where there was a fall in the number of SHGs but a sharp rise in the amount of outstanding loans. In 2016, it was again on a normal trend, but there was a situation of worry.

PROGRESS OF SHGS

The concept behind the SHG project is that the poor can move up the socioeconomic ladder through self-help, mutual aid, and other forms of support. Even the poor can save and obtain loans. Peer pressure and the collective wisdom of the impoverished are useful collateral replacements. NABARD has been instrumental in supporting the SHG-Bank Linkage Program as well as promoting SHGs in general. NABARD has so far released 31.3 billion rupees worth of refinancing. The SHGs' performance has been incredibly encouraging. Members' repayments to SHGs have been extraordinarily high, and timely payments have averaged 98%. The fundamental principle that guided the creation of SHGs appears to have met many of those expectations.



Source – NABARD Website

FINDINGS AND DISCUSSION

The SHG-bank linkage program is the largest microfinance initiative for women's and the poor's empowerment worldwide, according to the NABARD Report (2017–18). According to the current study, there have been more SHGs in India over the past seven years, as have their savings amount, bank loans given to them, and bank loans owed against them. SHG numbers have increased over the past seven years, with the exception of 2012–2013. However, during the past seven years, bank savings, bank loans given to SHGs, and bank loan outstanding have all continued to rise. It demonstrates that the SHG-BLP's progress metrics are expanding and that people are aware of these microfinance programs. By integrating unbanked women into SHG-BLP, microfinance took the lead in bringing them into the mainstream. 84.5% of the SHG-Bank linkage program's member groups are female, representing the nation's underprivileged rural women.

CONCLUSION

Microfinance is an essential element in improving the welfare of the underprivileged. Additionally, some impoverished people use borrowing to launch their own businesses and break out of poverty. SHGs have proven to be useful institutions for bridging the gap between the formal financial sector's service providers and the underprivileged people in rural and urban areas who were previously disqualified from receiving bank loans. A significant milestone is the SHG-Bank connectivity model. Since the past two decades, microfinance has played a key role in India's economy. The development of the microfinance industry is seen as one of the key instruments for achieving financial inclusion, which is currently the main goal of the Indian government.

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