

A Study of Micro financing and its beneficiaries in Jalgaon District

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ABSTRACT

The development of the country is possible only if women folk are also developed. It has been observed that the social, economic and political status of women in rural areas remains very low. Recently, microfinance programme has been introduced for poor of the society targeting especially the women. Women must be empowered by enhancing their awareness, knowledge; skills and technology use efficiency, thereby, facilitating overall development of the society. The concept of Self Help Groups (SHGs) is proving to be a helpful instrument for the women empowerment. SHG is an organization of rural poor, particularly of women that deliver micro credit to undertake the entrepreneurial activity.

This paper assesses micro financing & its beneficiaries in Jalgaon District.

Keywords: Micro finance, SHG

1.0 INTRODUCTION

In India, usually self-help groups are women-oriented and most of their activities are concentrated towards savings and credit activities i.e. financial resource management. Apart from other activities focusing on women's empowerment, health and educational attainment etc. There is a common perception in development literature that increased participation of women in savings and credit activities or economic attainment will empower women. Thus, Self Help Groups are seen as an important tool for empowering women. There is also the perception that economic attainment will empower women's status in family and in the community, giving them more power to participate in decision making process. The structure of the SHG is meant to provide mutual support to the participants by assisting one another in saving money, opening up co-operative banking accounts that help women and other people to build credit with a lending institution. The SHG also functions to support members through maintaining consistent contact among group members to aid the individuals, savings goals to help support the creation of these micro-enterprises. Often the SHG helps in the conception of these businesses and even the implementation of these enterprises upon receipt of micro-loan. The movement of Self-help Group (SHG) as the most effective tool for financial inclusion, was started by NABARD in 1984 initially with 500 groups. This has evolved into a national movement with the proactive role of the state governments gaining recognition from all the major stakeholders.

2.0 What is microfinance?

Microfinance, also known as microcredit, is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who don't have access to traditional sources of capital, like banks or investors. The goal of micro financing is to provide individuals with money to invest in themselves or their business. Micro loans are typically lower than average business loan, the average microloan is about \$ 13000 but some reach up to \$ 50,000. National Rural Livelihood Mission (NRLM) is a poverty alleviation project implemented by Ministry of Rural Development, Government of India. This scheme is focused on promoting self-employment and organization of rural poor. The active collaboration of NGOs, banks and the Governments and of late the NRLM, the programme now covers 10 crore families through 85 lakh SHGs with savings deposits of Rs.16,114 crore and 48.4 lakh groups with collateral-free loan outstanding of over Rs.61,500 crore, of which, 88% for rural women.

Meaning of Self-Help Group (SHG):

SHG is a holistic programme of micro-enterprises covering all aspects of self-employment, organization of the rural poor into self Help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.

It lays emphasis on activity clusters based on the resources and the occupational skills of the people and availability of markets.

Historical and current climate of microfinance in India

In the developing world, India presents a unique opportunity and need for poverty alleviation. India's stable political environment and strong economic growth over the last 10 years have put the country in a position to become the third-largest economy in the world by 2050.

At the same time, India accounts for the largest share of the world's poor with over 860million people in 2006 living on less thanUS\$2 a day and economic development characterized by a widening income gap between the rich and poor parts of the country.

The vast numbers of poor people, combined with an increasingly favorable economic climate in India, presents a great opportunity to expand microfinance and alleviate poverty on a large scale.

Since Indian independence in 1947, successive governments have emphasized the link between improving access to finance and reducing poverty. The creation of a nationwide network of rural cooperative banks in the 1950s was an attempt to improve financial access for India's poor, 75% of whom are concentrated in rural areas.

This was followed by further measures aimed at increasing financial access- the nationalization of commercial banks in the late 1960s, and an aggressive drive through the 1970s and 1980s to expand rural banking. In 1991, government reforms allowed for an increase in commercial banking in India. The country now has a wide-spread and efficient banking set-up with around 100,000 bank branches nationwide.

The expansion of commercial banking has also led to a more favorable financial environment for the poor in India. It was following these reforms that the "Self-Help Groups (SHGs)-Bank Linkage" model grew to become a key part of finance for India's poor. Self Help Groups (SHGs) are informal associations of up to 20 women. The groups provide an opportunity for individuals to pool money, and then use these funds to lend small amounts to each other with interest. Through the SHG Bank Linkage Program, established groups can apply for loans through their local bank branch, limited in size to a ratio of the group's own funds. This limit may be increased over time as previous loans are successfully repaid. This model of finance – an Indian innovation – has been very successful, increasing from just 500SHGs linked to banks in the early 1990s, to over one million at present.

However, outreach of the SHG Bank Linkage Program remains limited. The program has provided savings account facilities to about 12 million women, and credit accounts to an estimated two to four million women.

The program remains concentrated in south India, with nearly 75% of funds flowing to SHGs in the four southern states.

The SHG-Bank model has also had mixed success in targeting the poorest. For example, in Andhra Pradesh – one of India's poorest states – less than half of SHG members are from the poorest groups (as defined by size of land-holding).

3.0 MICROFINANCEING & ITS BENEFIECIERIES

Micro financing produces many benefits for poverty stricken and low-income households. One of the benefits is that it is very accessible. Banks today simply won't extend loans to those with little to no assets, and generally don't engage in small size loans typically associated with micro financing. Through micro financing small loans are produced and accessible. Micro financing is based on the philosophy that even small amounts of credit can help end the cycle of poverty. Another benefit produced from the micro financing initiative is that it presents opportunities, such as extending education and jobs. Families receiving micro financing are less likely to pull their children out of school for economic reasons. As well, in relation to employment, people are more likely to open small businesses that will aid the creation of new jobs. Overall, the benefits outline that the micro financing initiative is set out to improve the standard of living amongst impoverished communities (Rutherford, 2009).

There are also many social and financial challenges for microfinance initiatives. For example, more articulate and better-off community members may cheat poorer or less-educated neighbors. This may occur intentionally or inadvertently through loosely run organizations. As a result, many microfinance initiatives require a large amount of social capital or trust in order to work effectively. The ability of poorer people to save may also fluctuate over time as unexpected costs may take priority which could result in them being able to save little or nothing some weeks. Rates of inflation may cause funds to lose their value, thus financially harming the saver and not benefiting the collector (Rutherford, 2009).

4.0 PROFILE OF STUDY AREA

Jalgaon is well known for its advances in agriculture as well as agricultural processing. The pipes, mats pulses of Jalgaon are famous throughout the nation. The cotton and banana producing district is another identity of identity of Jalgaon district. However in spite of that there is one more identity of Jalgaon have been shortly introduced that is in the virtue of percolation of Microfinance in Jalgaon district. There are number of micro financing institutions operates in Jalgaon city and its periphery. There are approximate 14000 to 15000 SHG's in Jalgaon district and 2300 plus are even in Jalgaon city itself. So this itself one of the most significant statistical quantitative volume in which has to be assessed in order to know the practical acceptability and percolation of micro financing in Jalgaon district. Jalgaon district is one of the most stagnant in Maharashtra which also recognized for sincerity and hardworkingness of the peoples. Considering all these above factors and parameters. Researcher has intended to undertaken the present research work for Jalgaon district.

4.1 OBJECTIVES OF THE STUDY

4.1 Objectives.

1. To understand the socio-economic development of Self Help Group.
2. To evaluate the problems faced by self-help group members.
3. To analyze the challenges faced by the self-help group members with regard to savings, credit and marketing.

4. To offer suggestions for better working of the self-help groups.

4.2 Sample Size & Sampling

Today there are more than **2300 Self Help Groups** impacting **40,000 women** and their families in Jalgaon city & about 14000 to 15000 Self Help Group across **1500 villages** in Jalgaon District working through various Yojna. For this study researcher had decided to take 50 respondents as a sample size, but taken 60 questionnaires to be filled up by respondents of Self Help group. Out of which 52 questionnaires are considered as a final sample size for further research and 8 are eliminated.

Women in the villages work mostly along with their husbands on the fields, but sadly have no access or control over the income made by their household. Through various Yojna women through short trainings began to mobilize groups in 2006. Nearly 100 Self Help Groups were formed that primarily saved money every month in a government bank savings account and availed small loans. Women have begun to take a stronger role in community now with their access to money. They have also experienced a change in lifestyle where their place is no more confined within the four walls of their homes and actively participate in the village activities and development. The activities include providing microfinance and logistical support to farmers and village entrepreneurs at reasonable terms of repayment, organizing women into Self Help Groups to encourage savings and impart skills for alternate livelihoods, creating a village fund to drive community activities and allow villagers to borrow from and building sanitation systems.

4.3 Sampling method: - A simple random sampling technique have been used for study. 52 sample size is taken for this study.

5.0 ANALYSIS AND INTERPRETATION

SHG formed only for the sake of savings and credit activities are less sustainable than those engaged in a range of activities that include production and action on social issues apart from savings and credit. In the present research an attempt is made to perceive the

The analysis of responses given by respondents are as analyzed below.

Table 01: Micro Finance Increases Income (Q1)

Factor	Response	Frequency	Percent
Increases Income	Yes	48	92%
	No	00	0
	Can't Say	04	08%
	Total	52	100%

Above table depicts that 92% respondents said micro financing increases their income, 8% respondents can't say about it.

02 Table: (Q2)

Factor	Response	Frequency	Percent
Increases Saving	Yes	39	75%
	No	03	5%
	Can't Say	10	20%
	Total	52	100%

There are 75% of respondents who said savings are increased, 5% said not increased, 20% can't say about it.

Table 03: (Q3)

Factor	Response	Frequency	Percent
Provides Employment Opportunities	Yes	19	36%
	No	04	7%
	Can't Say	29	55%
	Total	52	100%

36% respondents said that participation in Self Help Group had provided them Employment Opportunities, 7% said no, 55% can't say about it.

Table 04: (Q4)

Factor	Response	Frequency	Percent
Increases Power of Decision Making	Yes	47	90%
	No	01	2%
	Can't Say	04	7%
	Total	52	100%

Above table shows 90% respondents said that micro financing through SHG increases power of decision making, 2% refused for it, 7% can't say about it.

Table 05: (Q5)

Factor	Response	Frequency	Percent
Increases confidence to Face problems	Strongly agreed	03	5%
	Agreed	27	51%
	Neutral	10	19%
	Disagreed	07	13%
	Strongly Disagreed	05	9%
	Total	52	100%

Above table shows 5% respondents strongly agreed on that participation in SHG increases their confidence to face problems, 51% agreed for it, 19% are neutral, 13% are disagreed, 9% strongly disagreed about it.

Table 06: (Q6)

Factor	Response	Frequency	Percent
Improved Social Status	Strongly agreed	04	7%
	Agreed	29	55%
	Neutral	08	15%
	Disagreed	08	15%
	Strongly Disagreed	03	5%
	Total	52	100%

Above table shows 7% respondents strongly agreed on that participation in SHG increases their Improved Social Status, 55% agreed for it, 15% are neutral, 15% are disagreed, and 5% strongly disagreed about it.

Table 07: (Q7)

Factor	Response	Frequency	Percent
Improved Economical and Physical Health	Yes	39	75%
	No	04	7%
	Can't Say	09	17%
	Total	52	100%

About 39 means 75% respondents said that participation in SHG had Improved Economical and Physical Health 7% said no and 17% can't say about it.

Table 08: (Q8)

Factor	Response	Frequency	Percent
Improved reading bank	Yes	47	90%

documents	No	00	00%
	Can't Say	05	9%
	Total	52	100%

About 47 means 90% respondents said that Micro financing & participation in SHG had Improved reading bank documents and 9% can't say about it.

Table 09 (Q9)

Factor	Response	Frequency	Percent
Keeping Maintenance of Records	Yes	33	63%
	No	09	17%
	Can't Say	10	19%
	Total	52	100%

About 33 means 63% respondents said that participation in SHG had improved Keeping Maintenance of Records 17% said no and 19% can't say about it.

Problems Faced by Beneficiaries (Self Help Group):

Adequate amount of bank loans is utmost essential for executing any economic activity effectively. But in the most cases, it has been found that loans extended by the bank to the beneficiaries (SHG) were very small. Various beneficiaries said that the loans are inadequate. Involvement in group activities had created extra burden on them and also increased their anxiety. Death of livestock, meager income, extravagant family expenditure etc. had adversely affected on the repayment of loans on time.

Due to lack of insurance service & its information, some members had suffered losses for the death of livestock, which was not covered under insurance facility. The women of SHG have to face many problems being beneficiaries of SHG. They had lack of family support, gender inequality, and marketing of their products like no advertisement, fails to realize branding & packaging, conflict among the group members, lack of training facilities, lack of motivation etc. It has been found in the study that most of the women members selected various types of Papad making & Chapati for Marriages & other programmes as the main activity for income generation, which had created stiff competition among them.

Findings

Micro financing through SHGs have potentiality to tackle the poverty and they can be an important weapon for poverty alleviation

1. There are 92% respondents who said that due to participation in Self Help Group there is increase in their income.
2. There are 75% respondents who said that due to participation in Self Help Group there is increase in savings .
3. It has found that only 36% of respondents said that participation in Self Help Group had provided them Employment Opportunities, 7% said no, 55% can't say about it.
4. More than 90% respondents said that SHG increases power of decision making, 2% refused for it, 7% can't say about it.
5. It has been also found that 5% respondents strongly agreed on that SHG increases their confidence to face problems, 51% agreed for it, 19% are neutral, 13% are disagreed and 9% strongly disagreed about it.
6. The study reveals that about 7% respondents strongly agreed on that SHG increases their Improved Social Status, 55% agreed for it, 15% are neutral, 15% are disagreed, and 5% strongly disagreed about it.
7. There are about 39 means 75% respondents said that SHG had Improved Economical and Physical Health 7% said no and 17% can't say about it.
8. About 47 means 90% respondents said that SHG had improved their reading of bank documents and 9% can't say about it.
9. About 33 means 63% respondents said that SHG had Improved reading bank documents 17% said no and 19% can't say about it.
10. The study shows that there is an increase in the level of income and assets of the beneficiaries of SHGs and reduction in the level of poverty as a result of intervention of micro finance by SHGs.
11. The study indicates that the women who are involving themselves in economic activities and are able to earn independently are taking independent decisions.
12. It is very interesting to note that majority of the beneficiaries (women of SHGs) know about the importance of saving & opening up of savings bank account.

7.0 Conclusion

Microfinance covers a broad range of financial services including loans, deposits and payment services and insurance to the poor and low - income households and their micro enterprises. Microfinance institutions have shown a significant contribution towards the poor in rural, semi urban or urban areas for enabling them to raise their income level and living standards in various countries.

The SHGs have a major impact on improving the standard of living of millions of poor people as well as on promoting economic development. Thus SHG has become one of the most effective interventions for economic empowerment of the women. The role of women in the development of nation is very important now-a-days. SHG helps the women in uplifting their living conditions and also encompass the social, economic, educational level to improve their empowerment level.

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