
SHGs and Rural Development (A Study in Udaipur District)

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ABSTRACT:

Self Help Groups (SHG) and SHG-Bank Linkage Programs are emerged as effective tools to achieve uniform socio-economic development. In this research paper an attempt is made to identify performance of SHG in rural development. The survey was conducted on 80 respondents from various SHGs of Udaipur district, Rajasthan. The analysis was done to access the functioning of SHGs and their effectiveness in rural development. Multi stage sampling technique is used for data collection. The results strongly demonstrate that SHG membership increase awareness for savings, government policies and loan facilities. It is evident from this study that the SHG linked microfinance programs have better reach and are effective in poverty reduction, employment generation and over all rural development. The purpose of this paper is to access the functioning of SHGs and to suggest the ways to strengthen the effectiveness and efficiency of SHG.

KEYWORDS: Microfinance, Self Help Groups, Rural Empowerment, Rural masses, Socio economic development.

BACKGROUND AND INTRODUCTION

In the recent years Microfinance has come up as a very effective development tool as it provides small amount and covers a large population. It is a small scale financial service that provides credit for self employment, savings and technical assistance to the poor persons. It includes variety of financial services like micro credit, micro savings and micro insurance. Microfinance provides small amount and covers a large population.

Microfinance is one of the tools provided by the government which can help this segment of society to access the formal credit system to fulfill their financial needs and reach the trajectory of growth highway. Though, there are different models for microfinance, the self-help-group (SHG)-Bank Linkage Programme has emerged as the major microfinance program in the country. It is being implemented by commercial banks, regional rural banks (RRBs) and cooperative banks and NGO's. The SHG's speed up the rural development as funding agencies and rural masses both involve in development process

In this context there are some recent studies focusing on financial flows of the poor.

Jude L. Fernando (Microfinance: Peril and Prospects) demonstrate how microfinance, as a market-friendly approach to development, coincides with the global trend towards diminishing the role of the state in socio-economic development, basic healthcare, education and welfare with help of SHG.

Swarnjayanti Gram Swarozgar Yojana (SGSY) was started on 15th April 1999 by the Govt. of India, in which self help groups were established to participate the development of rural. In these programs, persons of the same thoughts i.e. minimum 10 and maximum 20 come together and form the self help groups, enthusiastically to work for self employment and eradicate their poverty, self help group movement was started in Maharashtra to increase income of families which are below the poverty line, to solve the finance problem of the women in rural area to have develop rural area by taking the functional support of women.

K.P. Bairagi and H.L. Ghorpade (2008) in his paper "Self help group – A Microfinance: Emerging horizon", stated that the microfinance is the important source for poor to their socio-economic development. SHG is one of the important agencies providing microfinance to the poorest in the society. Formation of SHG will encourage the rural and urban poor to uplift their socio-economical development. There should be a positive role of NGO and strict regulation about administration of SHG.

Ranjula Bali Swain in his book 'The Microfinance Impact' says that financial inclusion through microfinance has become a powerful force in improving the living conditions of underdeveloped people. The book reveals that the National Bank of Agriculture and Rural Development (NABARD) has covered up to 97 million poor households by March 2010 under its Self Help Group Bank Linkage Programme. Policy-makers have found that SHGs as 'the most potent initiative for delivering financial services to the poor in a sustainable manner'.

The poor find it difficult to access financial services through the formal sectors because of the cumbersome procedure of a formal institution. They do not have any collateral to secure a loan. Though they have small saving and they resort to the informal sectors which include the money lenders to meet their credit needs.

Microfinance through self help group has become an important instrument to meet the credit needs of the poor especially in the rural areas.

Microfinance helps the poor households meet their basic needs of credit. Moreover, they enjoy high credit ratings compared to the bigger users of loans from financial institutions.

The National sample survey 59 round estimates that nearly 50 per cent of the cultivator households, mostly marginal farmers have virtually no access to credit. The government initiative to help give credit to the poor has made Self Help Group (SHG) Bank linkage program in India as the largest microfinance programs in the World.

The self help group which form the nucleus of the microfinance program is a close-knit group, which ensure high credit ratings, as their repayment of loan is very high. However still there is a systemic in built bias against small borrowers by formal banking system who feel burdened with small and frequent transactions from small time borrowers.

The rural poor are efficient managers of credit and finance. The founder of the Grameen Bank in Bangladesh, Prof. Muhammad Yunus has said, "IF we can come up with a system which allows everybody access to credit while ensuring excellent repayment I can give you guarantee that poverty will not last long."

FUNCTIONING OF SHG

1. Each SHG has their own rules and regulations, rate of interest, repayment schedule and savings.
2. Each SHG maintain the record of accounts comprises of savings of each member, loan amount, repayments by the members, passbooks, and minutes register etc.
3. Each SHG has its leader which may or may not change periodically.
4. Each SHG has to identify a social issue and communicate it to the Panchyat Samiti and work upon it.
5. When the SHG performs well in the terms of repayment and funding it links with the schedule or rural bank in that area.
6. It provides funds for various needs like consumption, health, social needs, purchasing of farming equipments, toolkits for artisans etc.

OBJECTIVE OF STUDY:

The study has been undertaken with the following objectives:

1. To access the functioning of SHGs.
2. To find out effectiveness and efficiency of SHGs for rural development.
3. To suggest the ways for improvement in the working of SHG's.

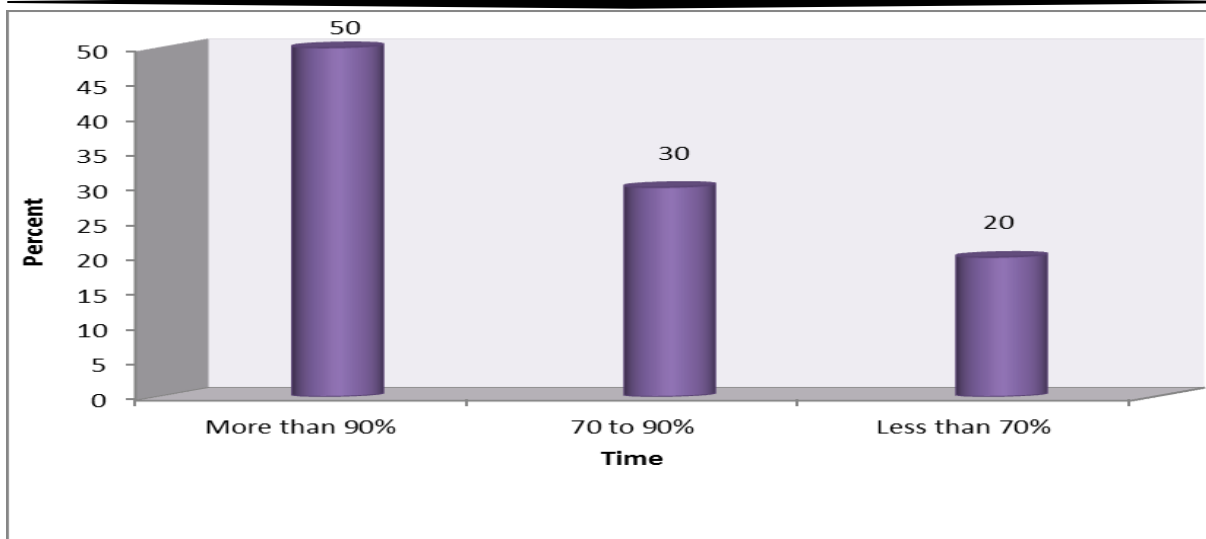
RESEARCH METHODOLOGY:

The area of study is Udaipur District. Primary data is collected by interview and questionnaire filled by the respondents. Secondary data was collected from journals, newspapers, annual reports of the NGO's. To conduct systematic study multi-stage technique is used according to this technique four out of seven subdivision of Udaipur District were considered. From these four subdivisions, four tehsils were chosen on random basis, from these four tehsils two villages were taken into consideration, so total eight villages were chosen to study. From each village two SHG and from each SHG five members were selected deliberately.

TABULATION FOR SHG ASSESSMENT:

Table 1. Break up of SHG members on the basis of attendance.

Time	N	%
More than 90%	40	50
70 to 90%	24	30
Less than 70%	16	20
Total	80	100

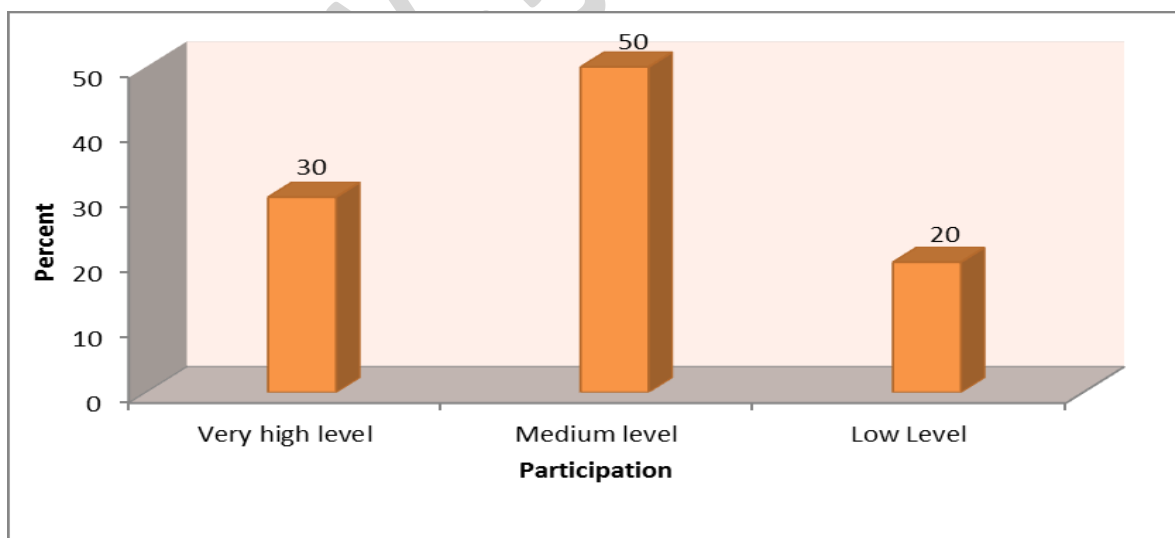


Graph 1. Break up of SHG members on the basis of attendance.

The table 1 brings out that 50 percent SHG respondents reported more than 90% attendance, 30 percent SHG respondents reported 70 to 90 percent and 20 percent respondents reported less than 70 percent attendance. Thus 80 percent respondents reported above 70 percent attendance.

Table 2. Breakup of SHG members on the basis of their participation in meetings and other activities.

Participation	N	%
Very active	24	30
Active	40	50
Less active	16	20
Total	80	100

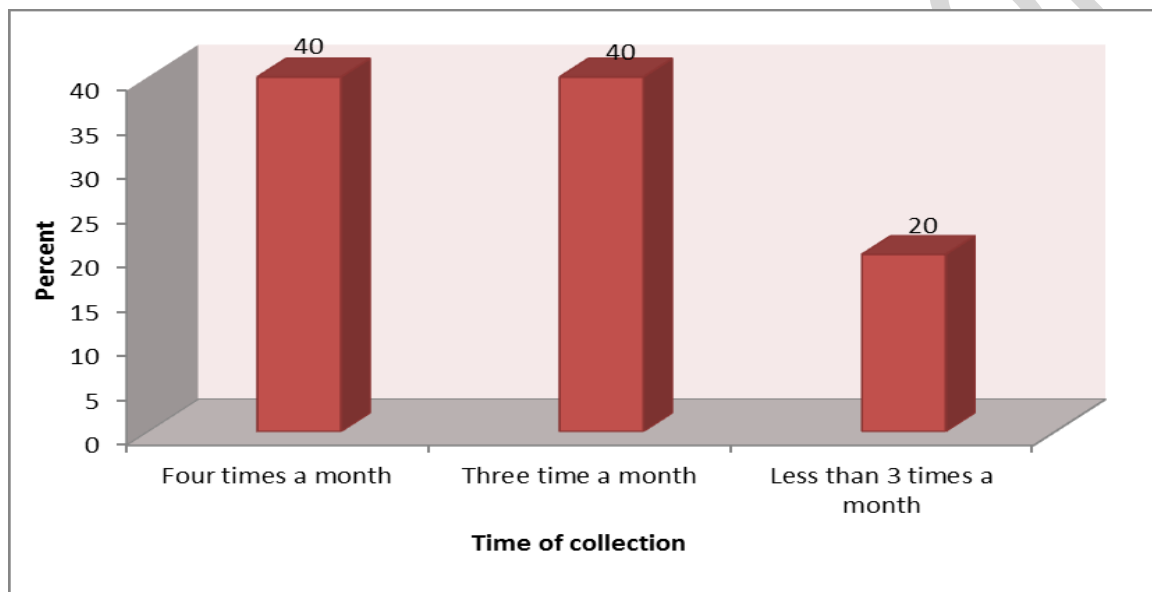


Graph 2. Breakup of SHG members on the basis of their participation in meetings and other activities.

The table 2. depicts the distribution of respondents on the basis of their participation in SHG meetings and other activities. The 30 percent selected SHG respondents said that they very actively participate in the SHG meetings and activities, 50 percent SHG respondents reported medium level participation and 20 percent SHG respondents reported less active participation .

Table 3. Break up of SHG Members on the basis of saving collected within the group.

Time of collection	N	%
Four times a month	32	40
Three time a month	32	40
Less than 3 times a month	16	20
Total	80	100

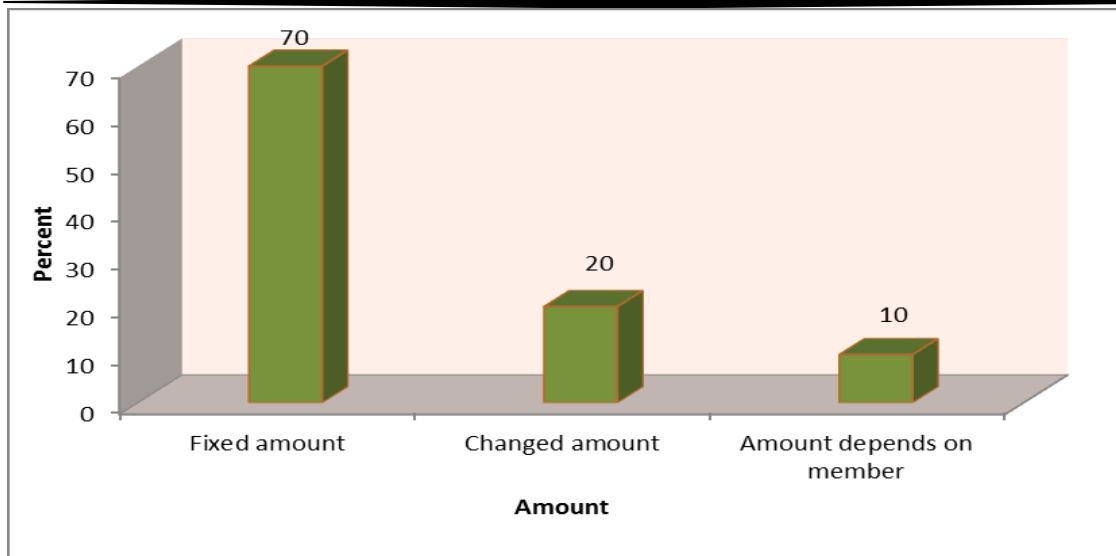


Graph 3. Break up of SHG Members on the basis of saving collected within the group.

The above table show that 40 percent selected SHG respondents reported that members saving collected within the group four times a month, 40 percent SHG respondents reported three time a month and 20 percent respondents reported less than 3 times a month members saving collected within the group.

Table 4. Break up of SHG members on the basis of amount collected

Amount	N	%
Fixed amount	56	70
Amount varies	16	20
Amount collected according to the member's capacity	8	10
Total	80	100

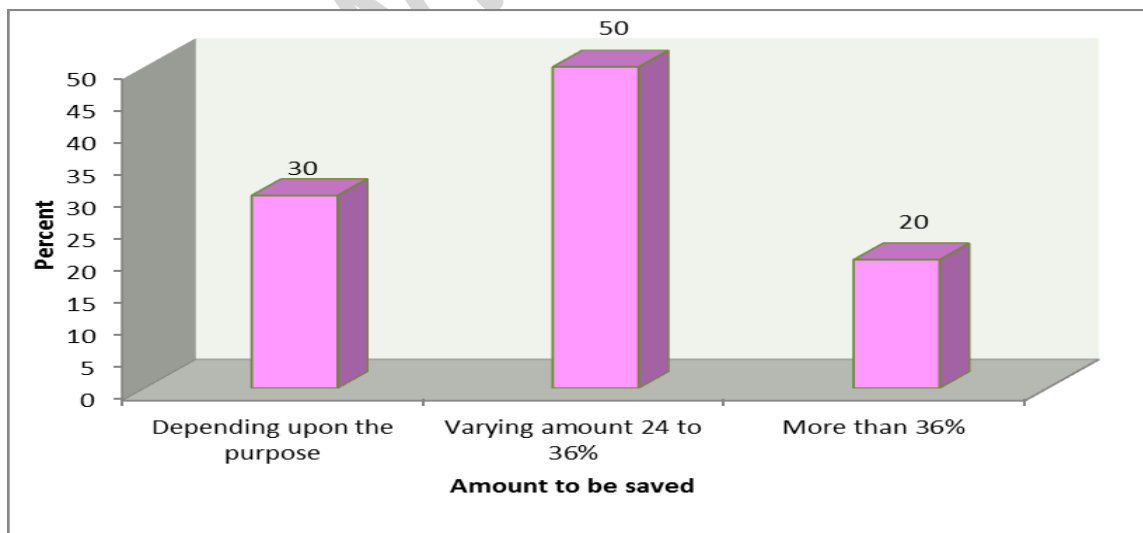


Graph 4. Break up of SHG members on the basis of amount collected

The table 3. reveals that 70 percent selected SHG respondents reported that fixed amount was collected, 20 percent respondents said that amount varies according to the decision of group members and 10 percent SHG respondents reported that amount collected according to the member's depositing capacity. Thus, mostly SHG respondents collect fixed amount.

Table 5. Break up of SHG members on the basis of amount saved

Amount to be saved	N	%
Less than 24%	24	30
Varying amount 24 to 36%	40	50
More than 36%	16	20
Total	80	100

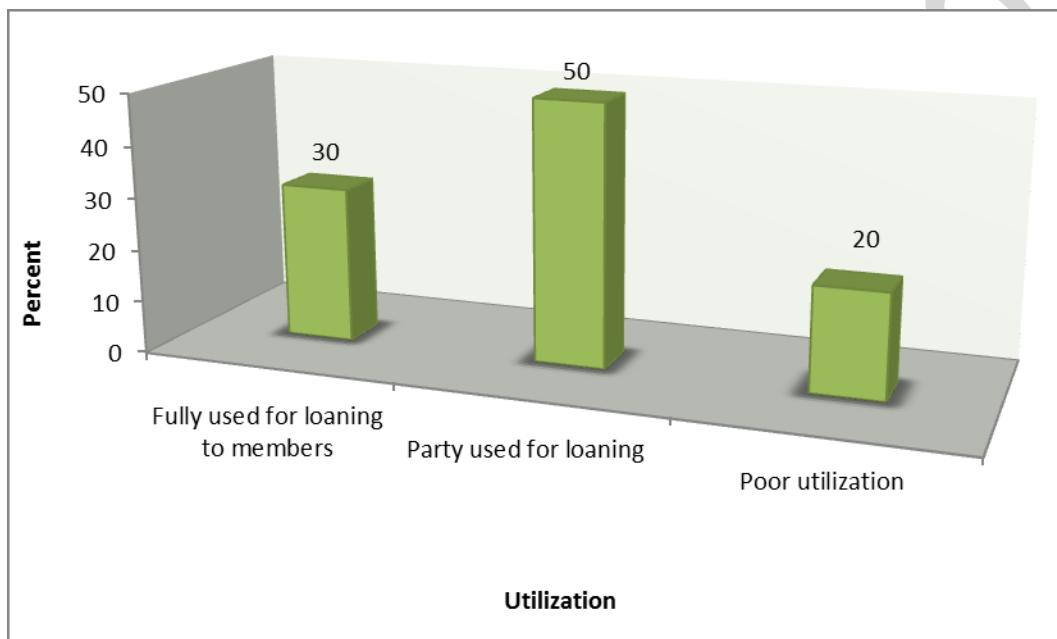


Graph 5. Break up of SHG members on the basis of amount saved.

The above table reveals that 30 percent selected SHG respondents reported that amount to be saved is less than 24% of their income, 50 percent respondents reported that varying amount 24 to 36% of their income and 20 percent respondents reported that more than 36% amount to be saved.

Table 6. Break up of SHG members on the basis of loan utilized

Utilization of	N	%
Consumption need of members	24	30
Production need of the members	40	50
Both	16	20
Total	80	100

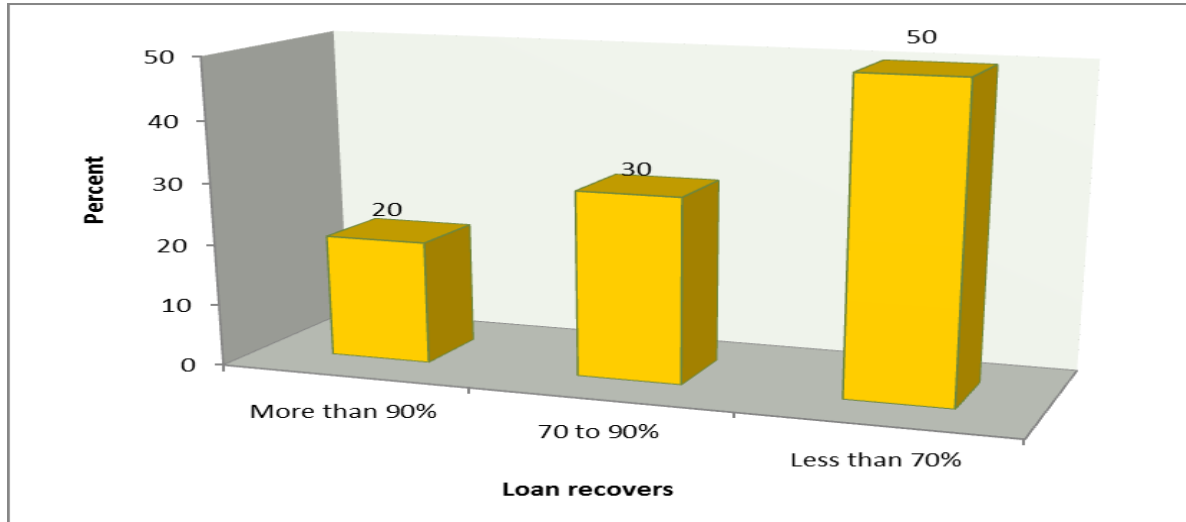


Graph 6. Break up of SHG members on the basis of loan utilized

The above table reveals that 30 percent selected SHG respondents reported that loan amount is used for consumption need of the members, 50 percent SHG respondents reported that loan amount is used for production need of the members, while 20 percent SHG respondents said that the loan amount is used for production as well as consumption needs.

Table 7. Break up on the basis of loan recovery from SHG members

Loan recovers	N	%
More than 90%	24	30
50 to 90%	32	40
Less than 50%	24	30
Total	80	100

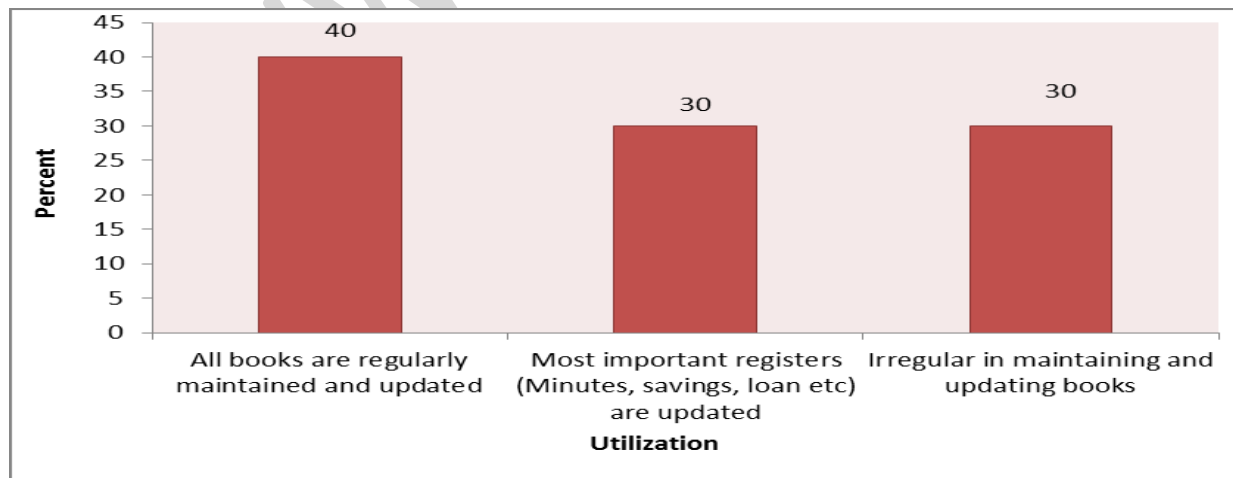


Graph 7. Break up on the basis of loan recovery from SHG members

The above table reveals that 30 percent selected respondents reported 90% loan recovers, 40 percent selected respondents reported 50 to 90 percent loan recovers where as 30 percent respondents less than 50 percent loan recovers.

Table 8. Break up on the basis of maintenance of books of SHG members

Maintenance of books	N	%
All books are regularly maintained and updated	32	40
Most important registers (Minutes, savings, loan etc) are updated	24	30
Books are not regularly maintained and updated	24	30
Total	80	100

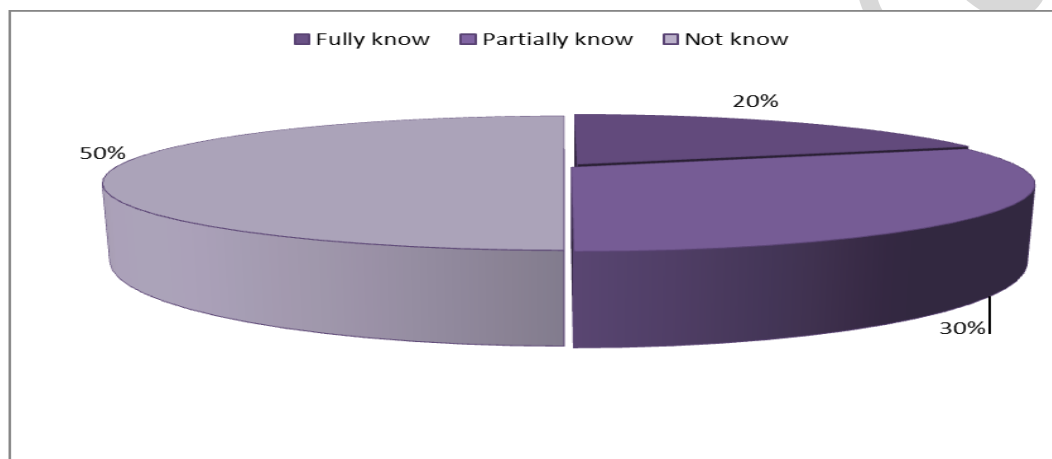


Graph 8. Break up on the basis of maintenance of books of SHG members

The above table illustrates that 40 percent selected SHG respondents reported that all books were regularly maintained and updated, 30 percent respondents reported that most important registers (Minutes, Savings, Loan etc.) were updated where as 30 percent selected SHG respondents confess that the books are not regularly maintained and updated.

Table 9. Break up of members on the basis of Awareness about Government Programs for socio economic development

Awareness about Government Programs	N	%
Fully know	16	20
Partially know	24	30
Not know	40	50
Total	80	100



Graph 9. Programs for socio economic development

The above table throws light on the awareness about the government programs that 20 percent selected SHG respondents fully know about Government programs , 30 percent selected SHG respondents partially know about the Government programs where as 50 percent selected SHG respondents reported that they not aware about Government programs. The awareness is created by the NGO's about the Government Programs for socio economic development.

SUGGESTIONS:

- A. On the basis of this research study a need for the following was observed to further strengthen SHGs.**
1. Those members who are irregular in SHG activities and panelized those who are regular should be rewarded.
 2. Members should encourage saving some amount from their income and should encourage saving more money.

3. Members should encourage utilizing the loans and savings for production purpose.
4. The books of accounts of SHG members should regularly maintain and updated so that the members should know their financial position in reality.
5. There should be proper awareness create by the NGO's banks, MFI's etc. about government programs related to socio economic development, as the benefit of those programs reach to the poorest of the poor only when people aware about those programs and they are influenced properly.
6. More focus on loan recovery is required.
7. A system should be developed to ensure regularity in meeting, attendance, penalty to latecomers or absentees, or rewards to the punctual and regular member to encourage the members maintain discipline in the SHG to increase the effectiveness and discipline in SHG members.

CONCLUSION:

The SHG plays a significant role in socio-economic development of the untouched masses. It has been observed that performance of SHGs have direct effect on rural development. So efficiency of SHGs should be increased to help poor rural masses which comprising of woman, artisan, peasants, marginal labors, unemployed rural youth etc.

As uniform development is a key for the welfare of the society and SHGs is an important means for uniform over all development as it constructed to serve the needs of unattended marginalised masses.

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