

A Study of Impact of Microfinance in Economic Development of Self-Help Groups (SHG) in Pune

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Abstract:

The present study is to know the impact of microfinance in economic development of Self-help groups (SHG) in Pune. Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro-insurance. If these SHG members utilizing these services properly then their family income is increased and ultimately their financial status is increased. It will help the SHG development in faster way, which will reduce the poverty and of course which will also effect for the economic growth of Nation.

Key words: Self-help group (SHG), microfinance, economic development.

Introduction:

As Mahatma Gandhi said; "India lives in their villages" The development of villages and slum area in city is a precondition for balanced economic development. The basic requirement of economic growth are saving, investment and expanding market for industrial products ultimately depending upon rural and slum area of city development. Microfinance is a tool for reducing poverty depending on local circumstances. Poverty is often the result of low economic growth, high population growth.

Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro-insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks.

Poor people usually address their need for financial services through a variety of financial relationships, mostly informal. Credit is available from informal moneylenders, but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and other mutual savings societies. But these tend to be erratic and somewhat insecure. Traditionally, banks have not considered poor people to be a viable market.

Objectives:

The main objective of the present study is to find out the impact of microfinance in economic development of Self Help Groups, Keeping this basic approach in mind, the following objectives are identified for the present study.

- 1) To study the utilization of microfinance by SHG and its relationship with living standard of SHG.
- 2) To study the reasons of taking loan by SHG
- 3) To study the economic development of SHG

Literature review:

This study endeavours to review briefly the related literature only to represent the say about impact of microfinance in economic development of self-help groups in other areas than Pune area. It has reviewed all the related literature in the context of the present topic selected for the study. It is just an attempt to take a glance at some important works done in the context of "Microfinance schemes in economic development of self Help Groups".

An article, titled, "Impact of Self Help Groups on empowerment of women: A study of Dharmapuri district, Tamil Nadu by Lakshmi R and Vadivalagam G³ published in the Journal of Management Science (ISSN 2250-1819), Vol.1. Issue 2, page-43-54, 2011. In this article author has stated that the main reason for

joining the SHG is not be merely to get credit .It is an empowerment process, after joining the SHG the women are economically and socially empowered. This empowerment cannot be transformed or delivered .It must be self-generated such that it enables those who are empowered to take control over their lives. As cited by Karl Empowerment is a process of awareness and capacity building leading to greater participation, to greater discussion making power and control, and to transformative action. In Researcher opinion it's talked about after join the Self Help Group, empowerment of rural women have been increased.

K. Ritu, R.K. Kushwaha and A.K. Srivastava (2003), in the study "Social-Economic Impact through self-help group.s", examined the functioning of self-help groups in Kanpur Dehat District, Twenty five women from self-help Groups were selected as sample for the study. Ten women members from each self-help groups and ten non-members from the same village were selected as respondents, to study the impact of the self-help groups on their socio-economic status. The results show that there is relationship between the self-help groups and the socio-economic status of women.

A.P. Sebastian Titus¹⁰ (2000) in his study, "Promotion of women empowerment through self-help groups", examines the promotion of women entrepreneurs through self-help groups. According to him, the women entrepreneurs who have started small enterprises expand them into large scale units. Self-help groups have made readymade garments and exported them. A women self-help group in Dindigul district run a unit providing agro services with a total turnover of Rs. 12 lakhs or more per annum. But most of the other self-help groups are not able to reach up to the expectations. Some of the reasons cited were (i) non availability of funds for investment,(ii) dearth of technical and managerial skills, (iii) inability to manage the labour force, (iv) dual role burden, lack of professionalism, (v) gender bias

and the like. In Researcher's opinion about Promotion of women empowerment through self-help groups.

J. Venkatesh and K. Kala¹¹ (2000) in their work "Self-help groups: A Tool to boost up women Empowerment " Identify SHG as a potential pathway to alleviating poverty. The number of poor women and men who are enrolling in SHGs all over rural India has been increasing remarkably. They are not only active in thrift and credit management but are also taking up their activities, such as natural resource management and development, literacy, knowledge management, nutritional security etc. SHGs lay the foundation for self-reliance through building even of institutions, which have the capacity to generate employment opportunities for the rural poorest and lead to job led economic growth. In Researcher's opinion it talks about the self-help group model that has been identified as a potential pathway to alleviating poverty

M. Sheik Mohamed²⁰ (2004) in his article – "Self Help group for the success of woman entrepreneurs" stated that, as UNO Secretary General, Kofi Annan, has stated " Gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance." This recognition is currently missing in India. Transforming the prevailing social discrimination against women must become the top priority and must happen concurrently with increased direct action to rapidly improve the social and economic status of women. In Researcher's opinion it talks about Self Help Group for the success of woman entrepreneurs.

Rao, Jitendra^{Ahir} (2009) in his article - "Rural women empowerment through microfinance", concluded that small loans can make good business sense among the women. It has been noticed that women in particular stand to gain a lot from microfinance because it gives them an independent means of generating wealth and becoming self-reliant in a society

that does not offer them much scope for entrepreneurship.

Research Methodology:

An exhaustive questioner was structured to gather as much primary information as possible and hence, the most common form of research, descriptive research was used. The primary data and secondary data are collected. Primary data was collected from the customers with reference to the Pune city. The secondary data are collected from the articles, newspapers and books.

The study includes a sample of 100 SHGs spread over of the Pune city. By using the cluster sampling method it has divided it in four clusters. 25 SHGs are selected from each cluster by using the simple random method.

Scope and limitations of the study

The geographical scope of the study is limited to the Pune metropolitan area. All the SHGs in the present study survey are from this area.

Data Analysis & interpretation:

Reasons for taking loans

Respondents in SHG's take loan for the various reasons. The question was asked with a view to get information on reasons for taking loans by the members of SHG. The researcher has analysed the information in table 1.1 below-

Table- 1.1 Reasons for taking loans

Reason	Frequency	Percentage	Cumulative Percentage
Illness in Family	23	5.00	5.00
House building	94	20.43	25.43
For Business	289	62.83	88.26
Marriage of daughter or son	43	9.35	97.61
Repayment of old debts	11	2.39	100.00
Total	460	100	

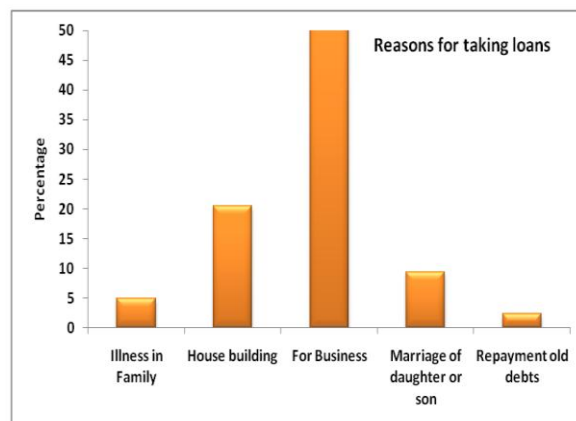


Figure -1.1 Reasons for taking loans

Interpretation

From the above table, it is observed that 05.00% (23) respondents have taken loan for illness in family, 20.43 % (94) respondents have taken loan for house building, 62.83% (289) respondents have taken loan for business, 9.35% (43) respondents have taken loan for marriage of son or daughter and 2.39 % (11) respondents have taken loan for repaying the old debts.

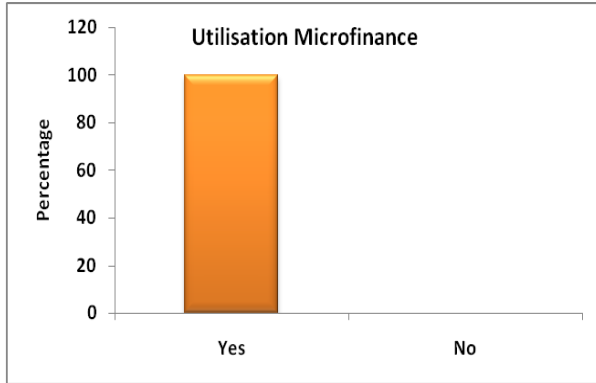
1.2 Utilisation of microfinance by respondents

Utilisation of microfinance by respondents in SHG shows the respondents utilize microfinance or not. The question was asked with a view to get information on utilization of microfinance by respondents in SHG. The researcher has analysed these data in table 1.2 below-

Table- 1.2 Utilisation microfinance by respondents

	Frequency	Percentage	Cumulative Percentage
Yes	460	100.00	100.00
No	0	0.00	100.00
Total	460	100	

Figure- 1.2 Utilisation microfinance by respondents



Interpretation

From the above table it is seen that 100.00 % (460) respondents stated that they utilise the microfinance. It indicates that every member of SHG utilizes the microfinance.

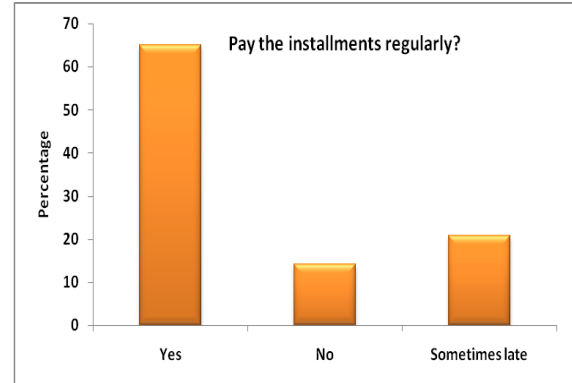
1.3 To know whether the members pay the installment of loan regularly

Payment of the installment of loan regularly by the respondents shows how many members pay the installment of loan regularly to microfinance organisation. The question was asked with a view to get information whether the pay the installment of loan regularly by member of SHG. The researcher has analysed these information in table 1.3 below-

Figure- 1.3 Pay the installment of loan regularly

	Frequency	Percentage	Cumulative Percentage
Yes	299	65.00	65.00
No	65	14.13	79.13
Sometimes late	96	20.87	100.00
Total	460	100	

Figure -1.3 Pay the installment of loan regularly



Interpretation

From the above table it seen that 65.00% (299) respondents pay the installment of loan regularly, 14.13 % (65) respondents do not pay the installment of loan regularly and 20.87% (96) respondents pay the installment of loan sometimes late.

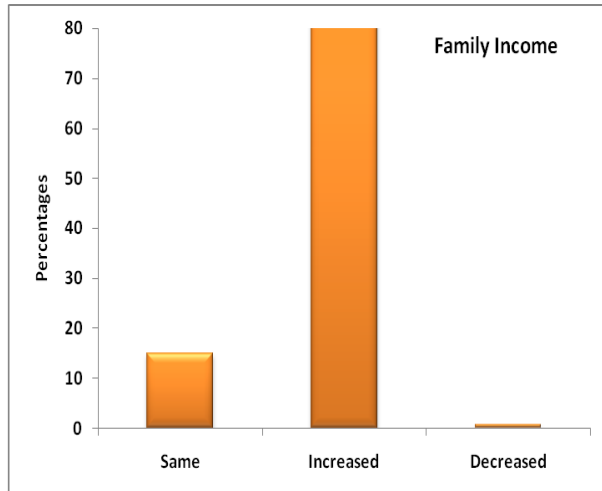
1.4 Family Income of respondents after joining the SHG

Family Income of respondents after joining the SHG shows the improvement in social and economic status of SHG members. The question was asked with a view to get information about family income of member of SHG after joining the SHG. The researcher analysed this data in table 1.4 below.

Table- 1.4 Family Income of respondents after joining the SHG

Family Income	Frequency	Percentage	Cumulative Percentage
Same	69	15.00	15.00
Increased	388	84.35	99.35
Decreased	3	0.65	100.00
Total	460	100	

Figure – 1.4 Family Income of respondents after joining the SHG



Interpretation

From the above table it is seen that 15.00 % (69) respondents stated that socio-economic status remained same related to family income after joining SHG through Microfinance, 84.35% (388) respondents stated that socio-economic status are improved related to family income after joining SHG through microfinance and 0.65% (03) respondents stated that changes on socio-economic status decreased related to family income after joining SHG through microfinance.

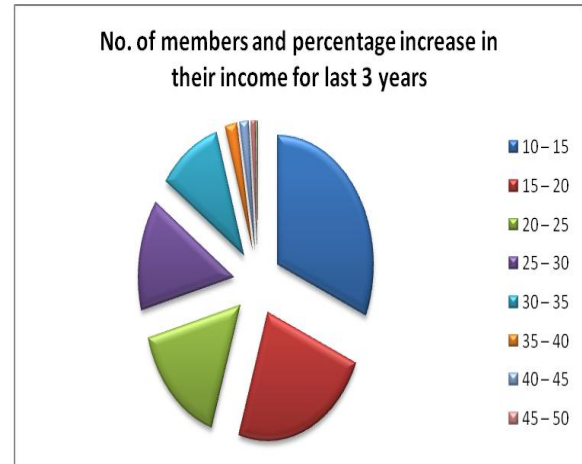
1.5 Percentage of increased in family income

Number of members and percentage of increase in their family income after joining the SHGs has been shown in following table.

Table- 1.5 Percentage of increased in family income

Percentage wise increase in their income	No. of members
10 – 15	122
15 – 20	91
20 – 25	62
25 – 30	54
30 – 35	41
35 – 40	8
40 – 45	6
45 – 50	3
50 – 55	1
Total	388

Figure- 1.5 Percentage of increased in family income



Interpretation:

From the above table it is observed that

- 1.122 respondents stated that their family income increased by 10-15 %.
- 2.91 respondents stated that their family income increased by 15-20 %.
- 3.62 respondents stated that their family income increased by 20-25 %.
- 4.54 respondents stated that their family income increased by 25-30 %.
- 5.41 respondents state that their family income increased by 30-35 %.
- 6.8 respondents stated that their family income increased by 35-40 %.
- 7.6 respondents stated that their family income increased by 40-45 %.
- 8.3 respondents stated that their family income increased by 45-50 %.
- 9.1 respondents stated that their family income increased by 50-55 %.

Hypothesis

- 1) It was proved statistically by using the Chi-Square Test that Utilization of microfinance leads to improve economic development of SHG members.

To test the hypothesis the researcher recorded the utilization of microfinance leads to improve economic development of SHG members.

In test, the computed p-value is lower than the significance level alpha=0.05, hence there is a

strong evidence to reject the null hypothesis, and accept the alternative hypothesis.

2) It was proved statistically by using the Chi-Square Test that Microfinance, if not utilized properly, can affect the individuals and SHG adversely.

To test the second hypothesis, researcher also used two stages. In stage one and two researcher proved statistically that there is a significant association between Utilization of microfinance and the economic status increase of individual by utilization of microfinance and significant association between Utilization of microfinance and economic status increase of SHG by utilization of microfinance there. Hence, Microfinance if not utilized properly, can affect the individuals and SHG adversely.

In both the stages, the computed p-value is lower than the significance level $\alpha=0.05$, there is a strong evidence to reject the null hypothesis, and accept the alternative hypothesis.

Findings

It is found that family income of SHGs members are increased after joining SHG through

References:

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It is found that living standard increase after taking loans from microfinance. If SHG members utilizing loan properly then their economic status is increased and if not utilizing that loan properly then it will affect adversely.

Suggestions

Development of economic status of member of SHG after utilizing the microfinance scheme, so there should be more awareness and help given by the government to organize of SHG and encouraged for utilizing the microfinance for growth of SHG. Living standard increase after taking loan from microfinance by SHG members. Therefore, encouragement to the members of SHG to take loan from microfinance schemes.

Conclusions:

It is concluded that maximum respondents stated that living standard increase after taking loans from microfinance. It is concluded that maximum respondents stated that economic status increase after utilizing loan properly.