

MICRO CREDIT PROGRAM RUN BY SELF HELP GROUPS – A STUDY IN MYSORE DISTRICT

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ABSTRACT

Micro credit as an alternative source of credit for the poor has received a great deal of attention in recent years. It is the program that provides credit for the self employment and other financial and business services (including savings & technical assistance) to very poor person. Self Help Groups (SHGs) are formed on voluntary basis and perceived appropriately as people's institution, providing the poor with the space and support necessary to take effective steps towards standard of living in private and in society

The micro credit can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change. Recent research has revealed the extent to which individuals living around the poverty line are vulnerable to shocks such as the illness of a wage earner, weather, theft, or other such events. During the last decade India has been experiencing an emergence of an increasing number of Self-Help Groups (SHGs) as an alternative to institutional credit for the poor.

This paper attempts to examine whether the Self-Help Groups (SHGs) as an alternative to institutional credit for the poor will succeed in giving much-needed access to credit to the poor. It also attempts to study the role of Micro credit in Self-Help Groups (SHGs) in Mysore District, Karnataka and discuss the utility of the loans taken by the SHGs; and identify the problems faced by the SHGs.

KEYWORDS: Micro Credit, Self Help Groups, Self Empowerment, Institutional Credit

INTRODUCTION

Worldwide economic analysts identified that the policy adopted during the period 1961-1970 did not achieve the goal of the first United Nations decade of the development of poorer nations. During the period of this policy it was not successful in yielding benefits from the reformulation of development goals, which seemingly aimed to take greater account of poverty and establish strategies to meet humanity's basic needs. In the 1980s, there were abundant studies on the adverse effects of structural adjustment policies on the poorest of the population.

The experiences of the three decades to 1990 led to a dominant argument that the development investments had not achieved the goal of transforming the poverty situation in poorer countries, and in many cases, the investments made had actually exacerbated the conditions in these countries. Following this, there were moves to develop a system based on micro credit facilities. As a result, during the 1990s, micro credit program emerged as one of the mainstream development interventions to address poverty alleviation and to help women's empowerment particularly in developing countries

(Hashemiet al., 1996; Johnson and Roglay, 1997; Mayoux, 1998; Amin et al., 1998; Kabeer, 1998; Ditcher, 1999; Wright, 1999; Rahman, 1999).

REVIEW OF LITERATURE

Among different sources of data on the informal financial sector, the data from the All-India Debt and Investment Survey (AIDIS) is available at decennial intervals and provide information on the composition of assets, capital formation, and indebtedness of rural and urban households. A distinguishing feature of the AIDIS is the collection of loan related details such as credit agency (institutional and non-institutional), rates of interest, duration of loan, purpose, etc. According to the AIDIS of 1992, only 64 percent of the borrower's accounts were serviced by the formal sector.

While there may be some debate over the accuracy of this figure the point is that, only a part of the rural populace is actually getting covered by formal institutional sources. According to official estimates, 36 per cent of the rural population still depends on non-formal sources.

While the achievements of microfinance programme in the country have been impressive, it is necessary to discuss some downsides. Some findings of a study by NABARD are worth a mention. Some major findings of the study were that the average value of assets per household increased from Rs.63,000 in pre-SHG period to Rs.71,000 in the post-SHG period. About 62 percent of households reported an increase in assets by 24.5 per cent from pre-to post-SHG situation as against only 23 per cent of savers in the pre-SHG situation

The average borrowings per household per year increased from Rs.4,282 to Rs.8,434.1. The average net income per household increased by 33 per cent from Rs.20, 177 to Rs.26,889. These figures indicate that in terms of the increase in assets or income, the impact of the program has not been significant and it raises questions about its efficacy in its present form as an instrument of poverty alleviation.

Rutherford (2000) suggested that poorer people use financial services to turn small, frequent cash inflows like daily milk sales into usefully larger sums for buying a cow or land and they may also use financial services to turn large inflows proceeds from the sale of a cow into small investments. Nagayya (2000) affirmed that there has been a huge expansion in the formal credit delivery network in the last few decades and especially in remote rural areas there is an acceptable gap in financing the genuine poor. Jayaraman (2000 and 2002) mentioned in his paper about the role and performance of fisherwomen SHGs in India

He found that the fisherwomen SHGs performing well in availing themselves of micro credit, utilizing it and repaying it in time and he concluded that the micro credit programme run by this SHG contributed to the socio-economic welfare and empowerment of the fisherwomen. Zaman (2001) reported that SHGs have been shown to have positive effects on women, with some of these impacts being ripple effects. Effectively SHGs have played a valuable role in reducing poverty alleviation, through asset creation, the provision of emergency assistance, and empowering women by giving them control over assets and increased self esteem and knowledge.

Laxmi and Gupta (2002) reported on the role of Non-Government Organizations (NGOs) and voluntary action in the field of education and health and Shetty (2002) reported the impact of Rural Self Help groups and discussed the various micro-financing forms used. Lalitha and Nagarajan (2002) found that in India, micro credit studies done on SHGs dealing with dairy farming have noted positive profit levels and short payback periods for loans. Sabyasachi Das (2003) reported

the functions of SHGs and micro credit as including the social, economic, political and spiritual development of poorer section of society. In addition to this NGOs gave training to the SHGs in some fields such as building awareness of entrepreneurship and business skills training. Manimekalai (2004) in his article commented that to run income generating activities successfully the SHGs needed to get the help of NGOs.

The bank officials could counsel and guide women in selecting and implementing profitable income generating activities. He remarked that the formation of SHGs have boosted the self-image and confidence of rural women. Sahu and Tripathy (2005) in their edited book expressed the view that 70 per cent of world's poor are women. Access for the poor to banking services is important not only for poverty alleviation but also for optimising their contribution to the growth of regional as well as the national economy. SHGs have emerged as the most vital instrument in the process of participatory development and women's empowerment. Das Gupta (2005) in his article ecommented that a paradigm shift is required from "financial sector reform" to "micro-finance reform".

While as the priority sector micro credit needs to be made lean, mandatory and be monitored rigorously. Simultaneously space and scope have to be properly designed to provide a competitive environment for micro-finance services. In this context an extensive database needs to be created by the RBI for understanding micro-finance. In essence micro credit has been found to be an effective tool for women empowerment and rural development for the SHGs (Desai, 2000).

OBJECTIVES OF THE STUDY

- To identify the role of micro credit in Self-Help Groups (SHGs)
- To find the level of satisfaction towards the usage of Micro credit by rural and urban SHGs.
- To know the utility of the loans taken by the SHGs;
- To identify the problems faced by the SHGs.

RESEARCH METHODOLOGY

The authors undertook exploratory research since very few studies might have been conducted in the area. The target population for the study is SHGs in the districts of Erode, Namakkal, Tirupur and Karur. To measure the role of micro credit, Quota Sampling was used for this study.

The sample size of the study is 400 SHGs with 200 SHGs collected from the rural area and another 200 included from urban area SHGs. The primary data collection was done with the help of a structured interview schedule. The researchers collected the secondary data related to the study from sources such as various magazines, books and websites.

Statistical Tools for the Study

- Percentage analysis
- Chi-square test
- One way ANNOVA analysis

Analysis and Interpretation

The data collected through the schedule were tabulated in a master chart, incorporating all the details of the schedule and the statistical tools mentioned above were used to analyze the data in order to give a deep understanding about the relationship between variables, for deriving meaningful inferences.

The following is the analysis and interpretation of the data. The important details of the percentage analysis are given and the first part of this topic gives details about the chi square analysis, which is followed by one way ANOVA.

Chi Square Test on District and Utilization of Micro Credit

AIM: To find the significant relationship between District and Utilization of Micro credit

H0: There is no significant relationship between District and Utilization of Micro credit.

H1: There is a significant relationship between District and Utilization of Micro credit.

Table 1

District	Utilization of Micro Credit			Total
	Fully Utilized	Partly Utilized	Not Utilized	
Rural	17	69	14	100
Urban	9	78	13	100
Total	26	147	27	200

Significant relationship between District and Utilization of Micro credit Where Degrees of freedom: 2; Calculated value (Chi-Square): 34.6; Table Value @ 5% level of significance: 5.991

Inference

From the above table 3, it could be inferred that the calculated value is higher than the table value. Hence the alternative hypothesis stands. Hence, there is a significant relationship between District and Utilization of Micro credit. The District is defined as the place of living at present (e.g. rural or urban).

Chi Square Test on District and Level of Satisfaction towards the Utilization of Micro Credit

AIM: To find the significant relationship between District and level of satisfaction towards the utilization of Micro credit.

H0: There is no significant relationship between District and level of satisfaction towards the utilization of Micro credit.

H1: There is a significant relationship between District and level of satisfaction towards the utilization of Micro credit.

Table 2

District	Level of Satisfaction Towards Utilization of Micro Credit			Total
	Satisfies	Neutral	Dissatisfied	
Rural	37	43	20	100
Urban	46	41	13	100
Total	83	84	33	200

Significant relationship between District and level of satisfaction towards the utilization of Micro credit Degrees of freedom: 2; Calculated value (Chi-Square): 8.6; Table Value @ 5% level of significance: 5.991

Inference

From the above table 4, it could be inferred that the calculated value is higher than the table value. Hence the alternative hypothesis stands. Hence, there is a significant relationship between District and Level of Satisfaction towards the utilization of Micro credit.

Chi Square Test on District and Obtaining a Loan

AIM: To find the significant relationship between District and getting g loan from the group.

H0: There is no significant relationship between District and getting loan from the group.

H1: There is a significant relationship between District and getting loan from the group.

Table 3

District	Getting Loan From the Group		Total
	Yes	No	
Rural	73	27	100
Urban	83	17	100
Total	156	44	200

Significant relationship between District and getting loan from the group

Degrees of freedom 1; Calculated value(Chi-Square): 12.17; Table Value @ 5% level of significance (Chi-Square): 3.841

Inference

From the above table 3, it could be inferred that the calculated value is higher than the table value. Hence the alternative hypothesis stands. Hence, there is a significant relationship between District and getting loan from the group.

Chi Square Test on District and Regularity in the Repayment of Internal Loans

AIM: To find the significant relationship between District and Regularity in the repayment of internal loans.

H0: There is no significant relationship between District and regularity in the repayment of internal loans.

H1: There is a significant relationship between District and Regularity in the repayment of internal loans.

Table 4

District	Regularity in Repayment of Internal Loans		Total
	Yes	No	
Rural	71	29	100
Urban	35	65	100
Total	106	94	200

Significant relationship between District and Regularity in the repayment of internal loans

Where Degrees of freedom: 1; Calculated value (Chi-Square): 12.85; Table Value @ 5% level of significance (Chi-Square): 3.841

Inference

From the above table 4, it could be inferred that the calculated value is higher than the table value. Hence the alternative hypothesis stands. It can be concluded that there is a significant relationship between District and Regularity in the repayment of internal loans.

Findings

- 25 % of the rural SHGs motivated by the advice from other SHGs. 34 % of the urban SHGs motivated by their family circumstances.
- 33 % of the rural SHGs pointed that the availability of resources as a facilitating factor to run their SHGs was important. 39 % of the urban SHGs pointed that their previous experience was a facilitative factor in running their SHGs.
- SHGs from both the urban and rural areas displayed regularity of saving.
- Most of the rural SHGs (58 %) paid their savings amount in a monthly manner as did urban SHGs (59 %).
- All the SHGs borrowed money from the group.
- 47 % of rural SHGs said that the priority in granting of the loan was given on the basis of regularity in savings. 46 % of urban SHGs said that an important priority in granting the loan was the judged capacity to repay it.
- Most of the rural SHGs (65%) said that their members were regular in making repayments of their loan. Against this with urban SHGs (66 %) said that their members were not regular in repayment of loan.
- 52 % of the rural SHGs gave unexpected contingencies as reason for improper repayment. Again 50% of urban SHGs stated unexpected contingencies as reason for improper repayment.
- Both rural and urban areas had been given training by NGO representatives, government organizations and others.
- 25 % of the rural SHGs faced problems in their lack of market awareness. 32 % of the urban SHGs faced problems caused by their lack of education.
- All the SHGs from both the rural and urban areas had availed themselves of the micro credit facility provided by the bank.
- 59 % of the rural SHGs partly utilized their micro credit. 90% of urban SHGs partly utilized their microcredit.
- 92 % of the rural SHGs agreed that micro credit played an important role in their SHG operations. 98 % of the urban SHGs agreed that micro credit played an important role in their SHG operations.
- 40 % of the rural SHGs were neutral towards the overall importance of micro credit in their SHGs. 48 % of the urban SHGs was neutral towards the importance of micro credit in their SHG operations. 50 % of the rural SHGs were neutral in the improvement in the empowerment of women. 42% of the urban SHGs stated that women's empowerment gained by the utilization of Micro credit.

- 46 % of the rural SHGs opined that the employment generated by the utilization of Micro credit was neutral. In terms of urban SHGs 49 % stated that the effect on employment was neutral.

Limitations

- The SHGs were hesitant to give all the required data. Thus the study was based on available data collected from respondents.
- Economic considerations meant the sample size was confined to 400.
- As an exploratory study any findings are only appropriate to the districts studied.

CONCLUSIONS

The micro credit program plays an important role in the potential for the alleviation of poverty and the empowerment of women in particular. This study was carried with the help of the structured interview schedule and limited to a sample size of 400. The sampling design used for this study is quota sampling. The collected data has been analyzed through Percentage analysis, Chi-Square test, and One-way ANOVA. Based on the analysis, the study concluded that the SHGs (both from rural and urban) were satisfied with the micro credit facility but suggested improvements. Micro credit played an important role for their SHG operations in both rural and urban SHGs. The government could take some actions like improving the general education level, initiating marketing awareness programs to increase the effective utilization of micro credit, and providing more financial education. Although this is an exploratory study, if these suggestions are implemented it will ensure a better performance for SHGs and could pave a way for the betterment of the society as a whole.

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