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SELF-HELP GROUPS A TOOL OF FINANCIAL INCLUSION

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ABSTRACT:

Self-help Groups caters to the credit needs of poor people through easy and timely access of banking services. Through SHG financial activities, women tried to improve their social and economic status. They are better customers and repairs of loans. The urge to save is natural to women who take long term view of what is required to protect their families from risks. In this research paper, an effort is made to assess the role of women in SGHs as one of the grass root level MFIs. Paper suggests that there is a need to revisit the mission of the microfinance movement. The original mission has not been in the reckoning in recent practice. The drift that is setting in has a clear direction. The direction is towards commercialization, profit and choosing customers who would help them realize the same.

Key Words: *Self-Help Group, Micro Finance, Inclusion.*

INTRODUCTION

Self-help Groups (mainly consisted of women members) is one of the Micro-finance Institutes (MEI). It caters to the credit needs of poor people through easy and timely access of banking services. It is expected generally small amount of loans for fulfilling working capital needs of small petty trader's women. Such loans are collateral free but are linked to savings of the borrowers. Such loans also involve minimal appraisal of the potential borrower.

Introduction of SHGs to the banking system across the country has been proved as the milestone of "Financial inclusion as a part of inclusive growth strategy of 11th and 12th FYPs."

The Micro-finance sector of Indian banking industry is the combination of all types' financial institutions (i.e. public, private, cooperative banks) to provide access able credit needs of the poor and vulnerable sections of

the population. It is well recognized by the international organizations such as World Bank, IMF that micro-finance in India is better organized than elsewhere in the world. The Global Survey done by Economic Intelligence Unit (EIU) placed Indian at the fourth position among 54 countries of the world.¹ Amongst micro-finance institutions, (MEI) Self Help Groups (SHGs) of women play dominant and even critical role for achieving RBI's mission of financial inclusion. This is also one of the major objectives of inclusive growth strategy of India across the country; more than four million SHGs (2010) are run exclusively by women. Now it is generally agreed that, through SHG financial activities, women tried to improve their social and economic status. They are better customers and repairs of loans. The urge to save is natural to women who take long term view of what is required to protect their families from risks.

OUTREACH OF SHGS, IN INDIA:

By 2012 nearly 8 million SHGs are connected to private, co-operative, commercial and nationalized banks. The total amounts of Rs.36340 crores of loans are disbursed. Moreover these SHG have maintained savings of nearly 6550 crores in their bank accounts. The following table No.1 explains the outreach of SHGs in India.

Table No.1: Coverage and Growth of SHGs (March 2010)

Sr.No.	Indicators	Performance
1.	Total No. of MEI Borrowers	26.7 million
2.	Total No. of SHG members currently lent	59.6 million
3.	Growth rate of SHG programme	8.5%
4.	Growth of outreach of MFI	18%
5.	Loans outstanding under SHG programme	Rs.273 Billion
6.	Average loans outstanding under SHG programme	Rs.45% per member

Source: Sage Impact Report 2010

OBJECTIVES:

In this research paper, an effort is made to assess the role of women in SGHs as one of the grass root level MFIs which provides for easy and accessible credit needs of the poor with double edged mechanizing (as micro savers and mini-entrepreneurs). The orientation of SHGs has complimentary social, managerial, thrift and pro-profit objectives. In view of the huge and geographically vast and rapidly growing market, there is a big push of all state holders of financial markets (i.e. private, public, non-banking capital groups, and even common pledged

savkars) under the supervisory control of RBI/NABARD. Today, MFI sector has become the favorite destination of 'equity'. The question is to see whether the emergence of new institutions and mechanisms in diverse respects of micro-finance is helpful, useful or even detrimental for progress of SHG movement to achieve the real objective of financial inclusion of providing easy and accessible credit at the door steps of the poor and vulnerable population.

THE FINANCIAL INCLUSIVENESS OF SHGS:

Women leaders of SHGs are in the fore front. The large numbers of SHGs have been prioritized by RBI and NABARD. Women SHGs are mere units of revenue in the hands of other MFS.

Laxmi Kumar has made several important observations about the role of women in micro-finance. "Women with the small loans found small business activities as a means to hold petty cash to tide over small daily needs without depending on their spouses. In that they found a new economic freedom due to micro-finance. About 29% of the women increase their assets both in terms of jewellery or land. Most others felt there was no increase in assets as the increase in income led to higher consumption and hardly any saving. Many women however save small amount in chit funds to buy saris, jewels, etc. Access to resources in terms of land holding in joint name was very low insite of awareness amongst them about their rights. Their income is however meager, has given them confidence and make them feel worthwhile. To these women micro-finance seems a transformation to economic independence.²"

The role of SHGs as a catalyst for empowerment of women is still to come because 'economic independence' is different from empowerment – which is multi-disciplinary and multipronged and multidimensional subject. These might be further agenda of research.

LINKAGE OF SHGS WITH PRIVATE BANK (HDFC):

The rural branches of HDFC Bank (33%) have established direct links to SHGs in order to cover a wider consumer base through its own branch network³. HDFC bank provides training, occasional guidance, marketing support to the members of SHGs, so that SHGs will get credit for the income generating activities. The HDFC has opened 27 branches catering exclusively to SHGs which has lent over 4500 SHGs covering 7 lakhs households. As on March 2010 over Rs.1400 crores of loans from the bank have reached approximately 2 million households.

a) Example of State Bank of India (SBI) (Public Sector Bank):

SBI has taken great initiatives to IT tools and technology for financial inclusion of SHGs. e.g. approximately 24000 SHG groups and 155000 SHG members are covered in SBI tiny card schemes which support saving banks, recurring deposits and other money transactions. They rolled out several unit product SHG credit cards, SHG Sahayog Niwas and SHG Gold Card.

THE SAVING PERFORMANCE OF SHG:

Micro-finance India Report 2010 records that at the end of March 2010, 6.81 million groups had managed to save Rs.635.80 million with banks⁴. Table No.2 provides data on saving performance of SHGs in India.

Table No.2
Saving Performance of SHGs, March 2010

State	Savings No. of SHGs	Savings No. of Members	Saving Amount (Rs. Lakh)
Andaman & Nicobar Islands	3763	44849	93
Andhra Pradesh	1447560	17125013	125402
Arunachal Pradesh	6418	68329	165
Assam	85912	794231	4051
Bihar	114954	1201513	14794
Chhattisgarh	113982	1242063	7578
Goa	6652	93201	25742
Gujarat	168180	817247	32190
Haryana	30190	258851	2392
Himachal Pradesh	48349	266227	3248
Jammu and Kashmir	6177	48336	2107
Jharkhand	79424	937142	7422
Karnataka	534997	6092653	62715
Kerala	394265	378023	37558
Madhya Pradesh	178226	1988404	10151
Maharashtra	753930	6461389	53862
Manipur	9696	125645	198
Meghalaya	11787	134352	360
Mizoram	5080	53179	251
Nagaland	5927	54347	334

New Delhi	2191	26182	235
Orissa	499347	3018596	33858
Pondicherry	16618	229882	3667
State	Savings No. of SHGs	Savings No. of Members	Saving Amount (Rs. Lakh)
Punjab	45005	503179	3652
Rajasthan	269396	2434586	17414
Sikkim	2428	26514	378
Tamilnadu	824965	9461886	89742
Tripura	31349	283214	3336
Utter Pradesh	429775	2060765	26455
Uttarakhand	44792	279477	7231
West Bengal	646416	4320400	59220
Total	6817751	64231887	655802

Source: Micro-finance India Report: 2010, Sage Publication

It is clear from above table No. 2 that savings performance through SHG mechanisms is mixed. Andhra Pradesh, Tamil Nadu and Karnataka reported the highest saving. More than 88 million SHG members have been enabled to save on regular basis. In some states/ banks SHGs are asked to place funds in Fixed Deposits. The amount of such deposit is high in the state of Andhra Pradesh. The features offered by most of the SHGs were flexible and regimented. All savings of SHGs are pooled and formed part of the corpus of the group from which individual members could not withdraw. A member could get the money back when she retired from the groups.

INVESTMENT BEHAVIOR OF SHGS:

Investment in suitable aspects can gain in value overtime and thus become the base for building a better livelihood and also the mean so of absorbing any external shocks that might arrive. A study was carried out in Tamil Nadu⁵. Four hundred households in SHGs were surveyed from 2004 to 2009 in three phases. Monetary value of investment in gold in 2004 was of order of 51% of total assets of these households. In 2006 these went up to 56% and 2009 it reached 70%. The stated preference for gold has born dividends for the poor people. Of course converting savings into investment needs to be done with great care.

CHALLENGES AHEAD: HOPE FOR FUTURE:

The rise of SHGs in Micro-finance sector is due to the pioneering efforts by dynamic women leaders who played predominant role of savers and professional social-stake holders for enhancing the economic status of the

poor and deprived sections of the society. The entry of equity market put 'women sector' in the back seat. Failure to maintain records, delay in book records, failure to get audits done, levis of different types of SHGs are some of the impediments in working of SHGs.

As for deposit protection the SHGs do not get any protection for their saving. While majority of members have outstanding credit balancing, some are just savers.

In the past, in SHG movement women leaders were in the forefront in the initial stages. With advent of large numbers, inflow of equity and adaptation of high technology in microfinance, women have been completed to take a back seat. This off course does not reduce the strategic importance of women. So we still have future prospects of professional growth of SHGs. We must change our mind set against 'womanhood character of society.'

RECOMMENDATIONS AND POLICY IMPLICATE:

The National Bank for Agricultural and Rural Development (NABARD) should resume its leadership of the SHG bank linkage programme (SBLP) movement and become a champion of socially mobilized financial international processes. Greater attention is necessary to improve quality of groups that have already been linked and the new groups coming up in other states. There is a need to stop further formation and linkage of groups in the southern states, so that multiple groups membership do not become epidemic. Apex institutions in the financial sector have a role in determining the utility of financial federations of self-help groups (SHGs) and find ways and means of their formation, stabilization and financing. Without an enabling policy relating to SHG federations, the momentum built in the SHG movement cannot be sustained. The use of different funding mechanisms could see considerable improvement and benefit the sector positively in creating the desired impact on inclusion, outreach and depending of services.

There seem to be considerable problems with the direction of the sector, both the commercial and non-commercial parts. SHGs and MFIs seem to focus on the better-off clients. The poor do not seem to figure highly in their scheme of business. If the poor are to be left out of the financial systems that have been designed specifically with them as the original clients, then with what would they be served? The premise of setting up of the SHG movement and MFIs was that of creating an affordable alternative to provide these people services at

their doorstep. If that expectation is belied, there is no reason why these new institutional frameworks deserve policy support, soft regulation or public approbation.

There is a need to revisit the mission of the microfinance movement. The original mission has not been in the reckoning in recent practice. The drift that is setting in has a clear direction. The direction is towards commercialization, profit and choosing customers who would help them realize the same. Unless the vision is reset and the mission reaffirmed within a reasonable period of time, microfinance movement runs the risk of becoming another mindless mainstream movement sans social relevance.

But the picture is not all that dark. There are already indications that many right thinking institutions and leaders are taking a close look at their social performance practices and indicators. Some MFIs are examining their interest rates. Market discipline is sought to be enforced through peer pressure. Grievance handling mechanisms and independent arbiters have been brought into being. Funders are discussing ways of acting in concert against deviant behavior. The last frontier in this series of coping measures is that of making equity investments more responsible. The sector has the leadership and the maturity to find solutions to this as well. Even when all this is done, there is a need to be vigilant about the direction of the sector. Large businesses have the resources to stray into misadventures. How to rein in such instincts and focus on the original mission over the long term is the challenge. Establishing and sustaining the microfinance sector's relevance to customer's lives and livelihoods is the best mitigation against political risk and unfavorable attention from policy. The sector has to work that much harder in promoting its status among customers from being 'useful' to 'indispensable.' That comes not from shallow services, but from deeper engagement with customers' livelihoods.

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