

Self-Help Groups Effecting the Change in Financial Attributes

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ABSTRACT

Keeping in view the impact of SHGs on generating of additional income and employment opportunities, a micro level field study in Mahewa and Chakarnagar blocks of Etawah district was conducted during the year 2005-06 by personal visits to SHGs and the selected members. For assessing the impact of SHGs on saving mobilization, internal loaning, use of loan and rate of interest, 21 linked SHGs and 33 non linked SHGs, thus total 54 SHGs were studied. The savings of linked SHGs and non-linked SHGs per month per member was ₹ 32.00 and ₹ 17.00, respectively. The study showed that per member internal loan was highest in case of linked SHGs as compared to the per member quantum of internal loan in case of non-linked SHGs. Out of the total internal loan i.e. ₹ 811242.00 lent by linked SHGs and non-linked SHGs, highest amount was spent on consumption and lowest on medication. Regarding rate of interest on internal loan charged by linked SHGs, 42.86% SHGs were charging 2 percent interest per month, 38.08% SHGs were charging 1% interest per month and 19.05% SHGs were charging 3% interest per month. In case of 33 non-linked SHGs, 45.46% SHGs were charging 2% rate of interest per month, 27.27% were charging 3% and remaining 27.27 % SHGs were charging 1% percent rate of interest per month from the members.

Keywords: Self Help Groups, Saving mobilization, Internal loaning

One of the striking features of India's rural sector is the uncontrolled population growth, which has been largely responsible for the problems of unemployment and poverty. Most of our population lives in rural areas and its development is slow and inaccurate creating thereby vast gap between basic needs and receipts of the people. The factors like lack of capital, wrong distribution of assets, undeveloped and improper delivery and recipient systems, population pressure, lack of proper utilization of factors of production, ignorance and unawareness of the people, lack of proper guidance towards

welfare activities etc., may be held responsible for this phenomenon. Although economic policy of India is based on the philosophy of economic growth with social justice but in actual practice the growth aspects were kept more in prominence to the negligence of social justice, consequently inhabitants suffered most and worst. The number of rural poor is increasing at an alarming rate. The 'Self-help groups' provide economic benefits in certain areas of production process by undertaking common action programmes, like cost-effective credit delivery system, generating a forum for collective learning

with rural people, promoting democratic culture, fostering an entrepreneurial culture, providing a firm base for dialogue and cooperation in programme with other institutions, possessing credibility and power to ensure participation and helping to assess an individual member's management capacity.

MATERIALS AND METHODS

Keeping in view the Impact of Self Help Groups on saving mobilization, internal loaning and rate of interest, a micro level field study in Mahewa and Chakarnagar blocks of Etawah district was conducted during the year 2005-06 by personal visits to SHGs and the selected members. For assessing the impact of SHGs on the socio-economic status of the members, 95 members were studied. The number of members in the selected SHGs ranged from 10 to 15, with the overall average being 11.74 members. Out of the total 634 members of the 54 studied SHGs, 95 members were selected randomly for in-depth study with a view to assess the impact of SHGs on impact on improvement of livestock resources of farmers.

RESULTS AND DISCUSSION

Categorization of Self Help Groups

The details of members under study are given in Table 1. Out of the total 95 selected members, 37 members (38.95 per cent) and 58 members (61.05 per cent) belong to the linked SHGs and non-linked SHGs, respectively. Out of the 37 members of linked SHGs, 27 member (72.97 per cent) and 10 members (27.03 per cent) were male and female, respectively.

Table 1: Number of members under study in different categories of SHGs

Category of SHGs	No. of members under study		
	Male	Female	Total
SHGs Linked with Bank	27 (72.97)	10 (27.03)	37 (100.00)
SHGs Not linked with bank	41 (70.69)	17 (29.31)	58 (100.00)
Total	68 (71.58)	27 (28.42)	95 (100.00)

Figure in parentheses denotes percentage

In case of 58 members of non-linked SHGs, 41 members (70.69 per cent) and 17 member (29.31 per cent) belong to male and female gender, respectively. The overall number of male and female members is 68 and 27, respectively, which accounts to 71.58 per cent and 28.42 per cent in case of respective categories of members.

Social status of the members

The distribution of members, based on social categorization is presented in Table 2. All the 95 members under study belong to poor families. In case of linked SHGs, out of the total 27 male members, 70.37 per cent, 25.93 per cent and 3.70 per cent belong to SC, OBCs and general category, respectively. In case of 10 female members, 60.00 per cent belong to SC, 20.00 per cent to OBCs and 10.00 per cent to general category. Out of the 41 male members of non-linked SHGs, 65.85 per cent belong to SC, 31.71 per cent to OBCs and 2.44 per cent to general category. Of the 17 female members, 58.82 per cent, 23.53 per cent and 17.65 per cent of the female members come from SC, OBCs and general category, respectively. Out of overall 95 members, 66.32 belong to SC category, 27.37 to OBCs and 6.31 belong to general category. It shows that the number of SC members dominates in SHGs.

Savings mobilized by Self-Help Groups

The creation of a common fund through small contributions by the members on a regular basis is one of the main features of self-help group. The Internal loans are given out of the common fund to meet the emergent, consumption and production credit requirements of the members. Quantum of savings contributed by the members of Self-Help Groups under study has been given in Table 3. The total savings of SHGs that have been cumulated from the month of their inception to the month of March 2006 were ₹ 1288295 and ₹ 1685202 in case of linked and non-linked SHGs respectively. The savings per month per member is ₹ 32.00 and ₹ 17.00 in case of respective categories of SHGs. The saving per member per group accounts to ₹ 246.37 in category of linked SHGs and ₹ 132.64 in case of non-linked SHGs. In fact the variation in the saving per member per group is due to the irregular collection of savings. The date is fixed for the payment of saving by the

Table 2: Social categorization of SHGs

Social-categories	No. of members				Total
	Linked SHGs		Non-linked SHGs		
	Male	Female	Male	Female	
SC	19 (70.37)	6 (60.00)	27 (65.85)	10 (58.82)	63 (66.32)
OBCs	7 (25.93)	2 (20.00)	13 (31.71)	4 (23.53)	26 (27.37)
General	1 (3.70)	2 (20.00)	1 (2.44)	3 (17.65)	6 (6.31)
Total	27 (100.00)	10 (100.00)	41 (100.00)	17 (100.00)	95 (100.00)

Figure in parentheses denotes percentage

Table 3: Quantum of savings by SHGs

Category of SHGs	Number of SHGs	Total number of members	Total saving (₹)	Savings per member per group (₹)	Average savings per member per month (₹)
SHGs linked with bank	21	249	1288295	246.37	32.00
SHGs not linked with bank	33	385	1685202	132.64	17.00
Total	54	634	2973497	86.85	11.13

members. In case of delayed payment of group savings, penalty is being levied. The rate of penalty varies from group to group as pre-decided by group members. In some SHGs it is charged at the rate of Re. 1.00 per day per person while in other cases the defaulters were being charged at the rate of ₹ 10.00 per person in total.

The Table 3 also indicates that from the very inception of SHGs, members have started savings in case of linked SHGs, as is evident from the quantum of cumulated savings. The members of non-linked SHGs were found irregular and lethargic with regards to savings and others groups activities.

Linkage of SHGs with banks

Regular and timely deposit of savings in bank account of SHG is one of the indicators to evaluate the performance of SHG for its linkage with bank in terms of sanction of Cash Credit Limit (CCL). The bank provides micro-finance to the SHG on the basis of savings deposit in bank and inter-loaning made by SHG to its members. Micro-finance provides credit to poor with no collateral obligations. Therefore, opening of a bank account to each SHG seems prime function. The bank branch opens a saving bank

account in the name of SHG for which the Reserve Bank of India has issued necessary direction to the banks.

A survey, which has been conducted in the area under study, reveals that during the stage of group formation, the SHGs come into contact with the local banks. This activity starts in the 2nd or the 3rd week from formation of SHG. The SHG begins to realize the opportunities and also the benefit and way of dealing with the banks. In the process, the bankers get to familiarize themselves with the SHGs and open the saving bank account of SHG in their branches. The study also shows that all the 536 SHGs selected in the area for study have their saving bank accounts in different bank branches. Out of these SHGs, only 207 SHGs i.e., about 39 per cent have been linked with banks till March 31, 2006 for providing micro finance to SHGs.

Internal loaning by SHGs

The SHGs under study have generally been found to start internal lending out of their own thrift capital generated by collection of savings from members. Majority of the groups has started inter loaning on the fourth month after inception and charged, on an

average about 3 per cent interest per month on such loans. Quantum of internal loan lent by SHGs to their members is given in Table 4. Although all the SHGs in both categories lent internal loan to their members but in case of linked SHGs, the quantum of internal loan per member is 1.69 times more than that of non-linked SHGs.

The Table 4 also reveals that out of the total SHGs under study, 21 linked SHGs have given internal loan to their member in the ratio of 1:0.63 to their savings, while 33 non-linked SHGs had lent in the ratio of 1:0.44. It indicates the quantum of internal loan is less than the quantum of total savings in both categories of SHGs. Per member internal loan in case of linked and non-linked SHGs accounts to ₹ 3258.00 and ₹ 1923, respectively, while on overall basis per member internal loan is ₹ 2447.31. It shows that per member internal loan is highest in case of linked SHGs as compared to the per member quantum of internal loan in case of non-linked SHGs. It was observed that generally the members have taken internal loans to meet their emergent needs such as medical expenditure, children education, festive expenses, guest entertainment etc. The interest rate per month charged by SHGs on internal loan varies from SHG to SHG. About 70 per cent of SHGs provide internal loan to the members at the rate of 2 per cent per month and 30 per cent SHGs charge at the rate of 3 per cent interest per month on internal loans from members in order to develop core fund for SHGs.

Purpose of internal loan

The purpose of internal loan was shown in the Table 5. Out of the total internal loan i.e. ₹ 811242.00 lent by SHGs to their members, ₹ 195310 (24.08 per cent), ₹ 210150 (25.90 per cent), ₹ 184372 (22.73 per cent) and ₹ 221410 (27.29 per cent) lent for the purpose of agriculture (crop production)

children education, medicine and doctor fees and consumption respectively in case of linked SHGs.

In case of non-linked SHGs it comes to ₹ 182540 (24.65 per cent), ₹ 176800 (23.88 per cent), ₹ 165365 (22.34 per cent) and ₹ 215650 (29.13 per cent) for respective purposes. It indicates that quantum of internal loans given to members in both linked SHG and non-linked SHG categories was highest for the purpose of consumption and it was lowest for the purpose of medicine/doctor fees. The Table 5 also reveals that internal loan taken by male members for consumption accounted highest percentage i.e., 31.58 per cent followed by agriculture i.e., 30.98 per cent while in case of female member the percentage of internal loan for the purpose of children education accounted highest i.e., 46.97 per cent, followed by loan taken for the purpose of medicine and doctor fees i.e., 28.79 per cent in case of linked SHG category.

The male members of non-linked category have obtained internal loan for the purpose of medicine, which is highest accounting to 30.01 per cent, followed by agriculture. In case of female member, the internal loan taken by them was highest i.e., 42.86 per cent for the purpose of consumption, followed by children education, agriculture and medicine. Out of the total 183 male members of linked SHGs, about 34 per cent members took loan for agriculture, about 21 per cent for children education, about 20 per cent for medicine and about 24 per cent of male members for consumption purpose. Out of the total 66 female members, about 9 per cent have taken for agriculture, about 47 per cent for children education, about 29 per cent medicine and about 15 per cent for consumption purpose. In case of non-linked SHG, out of the total 275 male members, about 21 per cent have taken loan for agriculture, about 26 per cent for children education, 32 per cent for medicine and about 21 per

Table 4: Quantum of internal loan lent by SHGs

Category of SHGs	Number of SHGs	Total number of members	Total saving (₹)	Total internal loan (₹)	Average internal loan per member (₹)
Linked SHGs	21 (38.89)	249 (39.27)	1288295 (43.33)	811242 (1:0.63)	3258.00
Non-linked SHGs	33 (61.11)	385 (60.73)	1685202 (56.67)	740355 (1:0.44)	1923.00
Total	54 (100.00)	634 (100.00)	2973497 (100.00)	1551597 (1:0.52)	2447.31

Figures in small parentheses indicate percentage to total and figures in large parentheses denote ratio of internal loan to total saving amount

Table 5: Purpose of internal loan

Purpose	Male		Female		Total	
	No.	Amount	No.	Amount	No.	Amount
Linked SHGs						
Agriculture (Crop Prod.)	63 (34.43)	177275 (30.98)	06 (9.09)	18035 (7.55)	69 (27.72)	195310 (24.08)
Children education	39 (21.31)	100584 (17.58)	31 (46.97)	109566 (45.84)	70 (28.11)	210150 (25.90)
Medicine and doctor fees	37 (20.22)	113645 (19.86)	19 (28.79)	70727 (29.59)	56 (22.49)	184372 (22.73)
Consumption	44 (24.04)	180735 (31.58)	10 (15.15)	40675 (17.02)	54 (21.68)	221410 (27.29)
Total	183 (100.00)	572239 (100.00)	66 (100.00)	239003 (100.00)	249 (100.00)	811242 (100.00)
Non-linked SHGs						
Agriculture (Crop Prod.)	59 (21.45)	128261 (25.43)	11 (10.00)	54279 (23.00)	70 (18.18)	182540 (24.65)
Children education	71 (25.82)	110214 (21.85)	39 (35.45)	66586 (28.22)	110 (28.57)	176800 (23.88)
Medicine and doctor fees	88 (32.00)	151392 (30.01)	32 (29.09)	13973 (05.92)	120 (31.17)	165365 (22.34)
Consumption	57 (20.73)	114538 (22.71)	28 (25.46)	101112 (42.86)	85 (22.08)	215650 (29.13)
Total	275 (100.00)	504405 (100.00)	110 (100.00)	235950 (100.00)	385 (100.00)	740355 (100.00)
Sum up of linked and non-linked SHGs						
Agriculture (Crop Prod.)	122 (26.64)	305536 (28.38)	17 (9.66)	72314 (15.23)	139 (21.92)	377850 (24.35)
Children education	110 (24.02)	210798 (19.58)	70 (39.77)	176152 (37.09)	180 (28.39)	386950 (24.93)
Medicine and doctor fees	125 (27.29)	265037 (24.62)	51 (28.98)	84700 (17.83)	176 (27.76)	349737 (22.54)
Consumption	101 (22.05)	295273 (27.42)	38 (21.59)	141787 (29.85)	139 (21.93)	437060 (28.18)
Total	458 (100.00)	1076644 (100.00)	176 (100.00)	474953 (100.00)	634 (100.00)	1551597 (100.00)

cent for consumption purpose. Out of the total 110 female members, 10 per cent women taken loan for agriculture, about 35 per cent for children education, about 29 per cent for medicine and about 25 per cent for consumption purpose. On an aggregate basis, out of the total internal loan, 24.35 per cent was taken for the purpose of agriculture. 24.93 per cent for children education, 22.54 per cent for medicine and 28.18 per cent for consumption purpose. The maximum number i.e., 70 women have taken loan for children education, while maximum number of male members i.e., 125 have obtained internal loan for the purpose of medicines.

Rate of interest on internal loaning

The rate of interest on internal loan charged by studied SHGs under different categories is presented in Table 6. Out of the 21 linked SHGs, 8 SHGs (38.09 per cent) have been charging 1.0 per cent interest per month on internal loan, 9 SHGs (42.86 per cent) 2.0 per cent and remaining 4 SHGs (19.05 per cent) are charging 3.00 per cent interest per month.

In case of 33 non-linked SHGs, 9 SHGs (27.27 per cent) have been charging 1.00 per cent interest per month on internal loan, 45 SHGs (45.46 per cent) 2.00 per cent interest and remaining 9 SHGs (27.27

Table 6: Rate of interest on internal loaning

Rate of interest in percent per month (per cent)	No. of Self-help groups		Total SHGs
	Linked SHGs	Non-linked SHGs	
1.0	8 (38.09)	9 (27.27)	17 (31.49)
2.0	9 (42.86)	15 (45.46)	24 (44.44)
3.0	4 (19.05)	9 (27.27)	13 (24.07)
Total	21 (100.00)	33 (100.00)	54 (100.00)

Figures in parentheses indicate percentage.

per cent) charging 3.00 per cent interest per month on internal loans. Out of the total 54 studied SHGs, highest number of SHGs i.e., 24 (44.44 per cent) are charging 2.00 per cent interest per month.

CONCLUSION

There was a variation in the saving per member per group due to the irregular collection of savings. All the SHGs in both categories lent internal loan to their members but in case of linked SHGs, the quantum of internal loan per member is 1.69 times more than that of non-linked SHGs. Out of the total internal loan lent by linked SHGs, highest amount was spent on consumption followed by children education and agriculture. While in case of non-linked SHGs, highest loan amount was spent on consumption followed by agriculture, children education and medication. The rate of interests on internal loaning by SHGs varies from 1 to 3 percent.

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