
Banking Finance through Self Help Groups (SHGs): A Tool For Socioeconomic Growth of Rural Area.

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Abstract :

Poverty is a term with which many developing countries are suffering. The financial requirement is one of the basic needs of the poorer section of the society for socio-economic development. The present research paper is an attempt to study the role of Banking-Finance and Self-Help-Groups (SHGs) for the socio-economic development of poor people in rural area.

Methodology: A survey on the social, psychological and economic impact of SHGs of the selected respondents was conducted at both the rural district of Pune. For the purpose of the study both the primary and secondary data have been used. For collecting primary data 10 development blocks have been purposively selected. Again from each development block 10 SHGs and from each SHG, 5 members have been randomly selected to make the total respondents as 500 respondents.

Research limitations:

Since respondents have been in a tight work and the majority of the respondents' educational background is low creates some negligence in filling the questionnaire. Therefore, these conditions might affect the quality of the paper to some extents.

Practical limitations:

The result of the present study would help the Governmental, semi-governmental and non-governmental agencies in formulation of policies and strategies aiming at poverty alleviation, income generation and socio-economic up gradation through Banking finance and SHGs for the poor people living in the rural areas. It would also be an added to the existing literature and the researchers can use the results for further works.

Hypothesis:

The results of the study offer a beneficial source of information for the policy makers in formulation of policies and strategies for removal of poverty and development of socio-economic conditions in the rural areas.

Introduction:

The overall development of a nation is closely depends on the development of the rural economy. During the last few decades it has been seen that due to the vicious cycle of poverty these overall development cannot be achieved. Poverty is a term with which many developing countries are suffering. In India, most of the people lives in the rural areas are below the poverty line and finance to these indigenous peoples is considered as important issues for the Government of India.

There are still around 200 million people in rural areas that live below the poverty line and for whom banking access is still not a reality. The financial requirement is one of the basic needs of the poorer section of the society for socioeconomic development. Banking finance to Self Help

Groups (SHGs) may be considered as a vital option for meeting the financial needs of those poorer sections of the society. Banking finance is the form of financial development that has its primary aim to alleviate the poverty. Governments, donors and NGOs around the world responded enthusiastically with plans and promised to work together towards the realization of these goals.

The present research paper is an attempt to study the role of Banking-Finance and Self-Help-Groups (SHGs) for the socio-economic development of poor people living in the rural area.

Concept of Self-Help-Groups (SHGs):

The SHG is an informal organization of persons from the homogeneous poor section of the society and it is controlled and managed by the members itself. It is an association of 10 to 20 local individual members who are financially weak and from the same socio-economic backgrounds. These groups start with saving and not with credit; the group then uses its savings to give loans to members to meet their emergency and other needs. The members decide on savings per members, maximum size of loans with and without guarantee.

The SHG is the platform or forum to the members to come together for emergency, disaster, social reasons, economic support to each other have ease of conversation, social interaction and economic interactions. The Self-Help Group (SHG) is a viable organized setup to disburse Banking credit to rural women for the purpose of making them enterprising for enabling them into various entrepreneurial activities.

Objectives of the study:

The main objective of the present study was to study the role of Banking finance through Self-Help-Groups (SHGs) for socio-economic development of the rural people . In order to achieve the main objective the present study was also carried out with the following specific objectives:

1. To study the socio-economic background of respondents.
2. To examine the Pre-SHG and Post-SHG status of SHG members.
3. To study the impact of SHGs on the respondents.
4. To study the benefits received by the respondents through various income generating activities.
5. To study the various problems faced by the SHG members in the rural area.

Methodology adopted for the study:

The paper was an attempt to make a study on the socio-economic development of the rural people through Banking finance and Self-Help-Groups in Rural area. For the purpose of the present study both the primary and secondary data have been used. The primary data were collected from field survey through filled in questionnaire and direct interview method.

The secondary data were collected from different journals, books, relevant documents, news papers and magazines, records of Non Governmental Organisations (NGOs), Institute of Co-operative Management (ICM) etc.

Ten SHGs were randomly selected from each of the sample development blocks. From each sample SHGs five members were randomly selected. Thus 500 respondents were selected for the purpose of the present study.

For analyzing the data, tools, like percentages, simple average, have been used.

Results from the study:

Findings of the present investigation on the topic entitled ‘Banking finance through Self Help Groups (SHGs): A tool for socio-economic development of Rural Pune were presented under the following heads.

- A.1 Socio-economic characteristics of the respondents.
- A.2 Pre-SHG and Post-SHG status of the respondents.
- A.3 Social impact of SHG activities on the respondents.
- A.4 Economic impact of SHG activities on the respondents.
- A.5 Problem faced by the respondents in functioning of the SHGs.

A.1 Socio-Economic characteristics of the respondents:

The socio-economic characteristics of the respondents were analysed in Table A.1 as follows:

Sr.no	Categories	No.	Percentage(%)
1	Age		
	18 to 30 years	170	34
	31 to 50 years	320	64
	Above 50 years	10	2
	Total	500	100
2	Education		
	Illiterate	40	8
	Functionally Illiterate	130	26
	Primary	196	19.2
	Middle school	188	17.6
	High school	112	22.4
	Graduate	34	6.8
	Total	500	100
3	Marital status		
	Unmarried	32	6
	Married	378	75.6
	Widow	30	6
	Separated	60	12
	Total	500	100
4	Caste		
	SC	54	10.8
	ST	70	14
	OBC	264	52.8
	OPEN	112	22.4
	Total	500	100

5	Type of family		
	Nuclear	428	85.6
	Joint	72	14.4
	Total	500	100
6	Land holding		
	Land less	278	55.6
	Land owners	222	44.4
	Total	500	100
7	Family size		
	Small family	362	72.4
	Big family	138	27.6
	Total	500	100
8	Family Income		
	Low Income	46	9.2
	Semi medium	150	30
	medium	146	29.2
	High income	158	31.6
	Total	500	100
9	Social participation		
	Low	352	70.4
	Medium	18	3.6
	high	130	26
	Total	500	100
10	Mass media participation		
	Low	226	45.2
	Medium	204	40.8
	high	70	14
	Total	500	100
11	Trainings		
	No training	72	14.4
	One training	140	28
	Two trainings	136	27.2
	Three and above trainings	152	30.4
	Total	500	100

(Ref: Field Survey.)

From the above Table A.1.1 it has been observed that majority of the respondents i.e. 64.0 percent were middle aged, while 34.0 per cent were young and remaining i.e. 2.0 per cent were old aged.

The education level of the respondents showed that 26.0 per cent of them were functionally literate, 22.4 per cent had received high school education, 19.2 per cent of the respondents had education up to primary school, 17.6 per cent received middle school education, and 8.0 per cent were illiterate and only 6.8 per cent of them received college level education.

The marital status of respondents indicated that majority i.e. 75.6 percent of the respondents was married, 12.0 per cent were separated, 6.4 per cent of the respondents were unmarried and 6.0 per cent were reported as widows. On the other hand 85.6 percent of the respondents had nuclear family while 14.4 per cent had belonged to joint family. More than half of the respondent's families were land less (55.6%) and remaining 44.4 per cent were landowners.

Economic position of the family of the respondents indicated 9 that 31.6 per cent of them belonged to high income category, followed by respondents belonging to semi-medium income category (30.0%), medium income category (29.2%) and only 9.2 per cent of them belonged to low income category. It is revealed from the data presented in Table 6.1.(i) that nearly two-thirds (i.e. 74.0%) of the respondents had low and medium social participation while 26.0 per cent of respondents belonged to the high social participation category. Mass media participation of 45.2 per cent of respondents was low, followed by 40.8 per cent of the respondents belonging to medium mass media participation category and only 14.0 per cent had high mass media participation.

It has been also observed from the study that more than one-fourth of the respondents (i.e. 28.0%) had received one training, followed by 27.2 per cent who received two trainings, 30.4 per cent received three and above trainings and remaining 14.4 per cent did not receive any training on income generating activities.

A.2 Income status of the respondents in Pre-SHG and Post-SHG stage:

The SHG members involved in activities which yield income to them. The income of the respondents in pre-SHG and post-SHG stage is analyses in table A.2.1 as follows.

Income status of the respondents

Monthly income	Pre SHG	Post SHG
No income	77 (15.4)	Nil
Nil Up to 1000	145 (29.0)	170 (34.0)
1001-1500	195 (39.0)	187 (37.4)
1501-2000	83 (16.6)	110 (22.0)
Above 2000	Nil	33 (06.6)
total	500 (100)	500 (100)

(Ref: Field survey.)

It is inferred from the above Table A.2.1 that before joining SHG 15.4 percent of the respondents were no income and none of the respondent had income more than 2000/-. But after joining SHG there is no respondent without any income and 6.6 percent 10 of the respondents crossed their income level above 2000/-. 187 of the respondents out of 500 representing 37.4 percent have monthly income of 1001-1500 after joining the group.

A.3 Social impact of SHG activities on the respondents:

Efforts were made to assess the social impact of the respondents during the Pre-SHG and Post-SHG stage and the data relating in this regard is presented in Table A.3.1 as under:

Social impact of the respondents

Social impact of the respondents	Pre-SHG stage	Post-SHG stage
Well Socially recognition	126 (25.2)	328 (65.6)
Equally participated with husband in family decisions	146 (29.2)	268 (53.6)
Active participation in social services	50 (10.0)	168 (33.6)
Better contact (network) with outsiders	25 (05.0)	270 (54.0)
Immense in Literacy (e.g. able to read, sign etc.)	77 (15.4)	450 (90.0)
Active participation in organized actions/activities	26 (05.2)	314 (62.8)
Gained Self dependence	158 (31.6)	334 (66.8)
Better schooling of the children	138 (27.6)	356 (71.2)
Improved inter-personal relationships	186 (37.2)	386 (77.2)
Active Institutional participation	84 (16.8)	266 (53.2)
Awareness regarding new Govt. schemes	100 (20.0)	466 (93.2)
Better standard of living	82 (16.4)	212 (42.4)

(Ref: Field Survey)

On the issue of recognition respondents stated that after joining the group many people have come to know about them and their activity and show more interest in interacting with them. More than fifty percent i.e. 53.6 percent of the women respondents felt that they were equally take important decisions and issues connecting with their family with their husbands.

After joining the group 90 percent of the respondents have immense their literacy and with this literacy the respondents were able to provide better schooling and better health to their children. The study disclosed that the participation of the women respondents in social services like raising funds for girl’s marriage, settling family disputes, encouraging people to 11 send their children to schools etc. have increased. After joining the groups, 66.8 percent and 77.2 percent of the respondents were felt self dependent and improved their inter-personal relationship.

The respondents were more aware of the new developmental schemes introduced by the government. A huge number respondent i.e. 93.2 percent had opined that they were aware about the various developmental programmes such as the LIC scheme for the poor, NREGA etc. Their standard of living had also increased from 16.4 percent to 42.4 percent after joining the group. They were now improved their houses, sanitation conditions etc. and better access to medical facilities after joining the group.

A.4 Economic impact of SHG activities on the respondents:

An effort were also made to access the economic impact of the respondents through Banking finance and the data relating in this regard is presented and analysed in Table A.4.1 as under:

Economic impact of the respondents

Economic impact of the respondents	Economic impact Pre-SHG stage	Economic impact Post-SHG
Better access to the credit facility	62 (12.4)	418 (83.6)
Minimized family dependence to money lenders	466 (93.2)	148 (29.6)
Economically independent	64 (12.8)	216 (43.2)
Better access/control of financial resources & households	88 (17.6)	333 (66.6)
Improved the food consumption pattern	122 (24.4)	376 (75.2)
Increased savings	94 (18.8)	338 (67.6)
Minimized family indebtedness	354 (70.8)	168 (33.6)
Asset creation	72 (14.4)	262 (52.4)

(Ref: Field Survey)

It has been observed from the above Table 6.4.(i) that 83.6 per cent of the respondents were better access to the credit facilities after joining the group which was only 12.4 per cent before joining the group. Family dependence on moneylenders was also reduced from 93.2 percent to 29.6 percent after joining the group. After joining the group the number of respondents had also increased their savings from 18.8 percent to 67.6 percent. Economic independence from the family members, relatives etc. was also found to be encouraging as 43.2 percent of the respondents were feeling economically independent. The results of the study indicate that 66.6 percent of the respondents were better control of their financial resources and households and with this financial control they were improved their food consumption pattern also. 52.4 percent of the respondents felt that they were able to create assets under various schemes of banking finance.

A.5 Problem faced by the respondents in functioning of the SHGs:

An effort was also made to identify the types of problems that were faced by the respondents in the study area. The data relating to this regard is presented and analysed in Table A.5.1 as follows:

Type of problems faced by the respondents

Problem	Frequency	Percentage
Lack of training programmes	178	35.6
Improper utilization of funds	356	71.2
Improper accounts keeping	342	68.4
Formulation of group	206	41.2
Inequality in issuing loans	184	36.8
Repayment of loan	126	25.2
Establishing the activity	206	41.2
Running the groups	144	28.8
Excessive stress and tension in women	402	80.4
Lack of guidance and support from supporting agency	134	26.8
Misunderstanding among group members	286	57.2
Pressure from the family to go for loan	192	38.4
Poor output from the group activity	102	20.4
Marketing problem	96	19.2
High rate of interest	84	16.8
Non-cooperation of banks	92	18.4
Too many formalities	222	44.4
Lack of support from family members	128	25.6

(Ref: Field survey)

From the above Table A.5.1 it has been found that the majority of the respondents i.e. 80.4 percent had stress and tension because of the dual responsibility of the group as well as of home. By playing the dual role, one as a homemaker and the other in the group, they were facing problems in maintaining a balance between these two roles. Improper utilization of funds was also another problem faced by the respondents as 71.2 percent of the respondents had complained about that. Another problem faced by the SHG members (68.4 percent) was the improper recording of accounts. That was because of lack of training 14 programmes organized for the groups at regular intervals as there were 35.6 percent of the respondents had complained about that. 38.5 percent of the respondents said that their families pressurized them into taking loans for family needs and when the members were taking loans for consumption purposes rather than starting an economic activity, it affects the repayment of the loan. 26.8 percent of the respondents had problems with the promoting agencies, as they did not guide them properly. 36.8 percent of the respondents felt that there was an inequality in issuing the loans. The result also revealed that 20.4 percent of the respondents had a problem of poor output from the selected economic activity due to lack of raw materials, lack of required skill in the particular activity and problems relating to marketing of the output produced. They had good produce but did not have a proper market to sell it so that they can earn enough money. 18.4 percent of the respondents said that bank employees were not always cooperating; they were rude to the members. 16.8 percent of the respondents felt that some banks were charging higher interest rate than the usual rate for the SHG members. To many formalities were the main reasons for difficulties faced by the respondents in operation with the banks as 44.4 percent of the respondents were reported in this regards.

Interpretation:

The major interpretations from the study were reported as under:

1. Nearly two-third (64.0%) of respondents belonged to middle age group where three-fourth of the respondents (i.e. 75.6%) were married.
2. More than one-third (40.0%) of respondents were middle and high school passed.
3. More than half of the respondents (52.8%) belonged to backward caste.
4. Majority (85.6%) of respondents belonged to nuclear family.
5. More than half (55.6%) of respondents were landless.
6. 15 Nearly one-third (31.6%) of the respondents belonged to the high income category followed by semi-medium income category (30.0%).
7. Nearly three-fourth (70.4%) of the respondents belonged to low social participation category.
8. Regarding mass media participation, 45.2 per cent of the respondents belonged to low level of mass media participation.
9. After joining SHG there is no respondent without any income and 6.6 percent of the respondents crossed their income level above 2000/-.
10. 93.2 percent of the respondents were aware about the new govt. schemes
11. Around 90 percent were capable of being read, sign. etc after joining the group.
12. Majority of the respondents (83.6%) had economically benefited and better access to the credit facilities, followed by their better saving habits
13. (67.6%). Nearly three-fourth of the respondents (72.4%) were getting monetary benefits up to 1500 from income generating activity followed by medium monetary benefit which ranged between 1501 to 3000 (22.8%).
14. Majority of the respondents (95.6%) felt Improvement in their communication ability followed by increased confidence level
15. (83.6%), respect from the society (76.4%) and respect from the family member (67.2%) by taking up of income generating activity.
16. The major problem faced by the respondents was excessive stress and tension in women (80.4%) followed by improper utilization of fund (71.2%), improper accounts keeping (68.4%) etc.

Suggestions:

Based on the present study the following suggestions have been made for future line of work.

- i) Special training programmes should be provided regarding the proper accounts keeping and accounting experts should be invited as a resource person so that the beneficiaries can enhance their accounting knowledge and maintain their cash book and other necessary books of accounts accurately.
- ii) For better functioning of the groups women should be properly educated and periodical training at regular intervals may be made and also a study on the respective field may be conducted to outcome the findings.
- iii) The study was conducted in only two rural district of Pune with reference to socioeconomic development through Banking finance, it is necessary to have studies in other areas also in order to generalize the findings.

Conclusions:

1. Finance is an element which everyone needs. Regular and immediate finance can play an important role for development of socio-economic conditions of the people particularly the rural poor.
2. Banking finance is expected to play a significant role in poverty alleviation and rural development particularly the rural women.
3. The potential for growing Banking finance institutions in India is very high. Major cross-section can have been benefited if this sector will grow in its fastest pace.
4. From the analysis of data it can be concluded that numbers of members have started savings only after joining the groups while majority of the members have no savings in the pre-SHG era. After joining the groups most of the members solved their problems alone.

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