

Self Help Groups and Micro-Finance through bank linkage a study of coastal women community in Dakshina Kannada district

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After the pioneering efforts of last many years the micro finance seen in India has reached a take off point. With some more efforts with the collaborative support of SHGs, substantial progress can be made in taking microfinance movement to the next orbit of sustainability. This needs innovative and forward looking policies, based on the ground realities. This will make this sector vibrant and help to achieve its single-minded mission of providing services to the poor and fridge the increasing gap between the demand and supply. Women, through SHGs are very important segment in development at local to global level. Economic independence and education of women will go a long way in attaining self reliance for women. Real change will come when women are treated on par with men and given equal opportunities. The SHGs and microfinance in the study area are taking the lead and playing an important and pivotal role in social transformation, welfare activities and infrastructure building and also they have served the cause of women empowerment, social solidarity and socio-economic betterment of the poor.

Introduction

Without personal assets, paid or self employed, the world's poor has found it exceptionally grueling to generate sustainable income opportunities. Where commercial financial lending demands collaterals to acquire credit, their unenviable and impoverished circumstances render the impoverished so incompetent to access external financial support mechanisms.

Micro finance has increasingly begun to be seen as a contributor to the reduction of poverty in developing countries, by creating opportunities for the poor to engage in economic and productive activities [UNESCO 1997]. The concept of micro-finance involves the accessibility to collateral-free loans from financial institutions by small groups or associations of poor individuals. The membership fee collected by the group is deposited in banks as savings, which in turn imparts eligibility to these groups to access institutional financial assistance.

Micro finance schemes are particularly targeted towards poor and rural women, who are often faced with discrimination not only by financial institutions, but also within their own households. The provision of micro financial assistance to women, on one hand can increase their household wealth through income generating activities initiated through such assistance, and on the other, can empower women. Empowerment of rural women through micro finance does not limit itself to financial empowerment through improvements in income, savings and living conditions and improvement in financial management capability and financial security. This is where the mechanism through which these rural women graduate themselves for accessing micro finance comes into the foray. One form of such micro finance mechanism, is Self-Help Group [SHG].

Self Help Groups were organized under the initiatives of the National Bank for Agriculture and Rural Development [NABARD] under directions of the Reserve Bank of India. Promoted by the governments as well as non-governmental organizations, it is group of rural poor, particularly women, who have volunteered to organize themselves into a group for eradication of poverty of the members through collective internal savings and access to external credit. Access to external credit is achieved through SHG-bank linkage, based on group solidarity instead of formal collateral.

Under the SHG-bank linkage programme, each self-help group is linked with a bank – a rural, co-operative or commercial bank – where the group account is maintained. Over time the bank begins to lend to the group as a unit, without collateral, relying on self-monitoring and peer-pressure within the group for repayment of these loans.

These linkages were designed not just as a strategy for poverty alleviation through financial empowerment. It was designed to be a vehicle by which rural women could achieve social, personal and political empowerment as well. Improvements in confidence levels, independence, mobility, decision-making capability and increased acceptance within the family were considered to be pointers towards personal empowerment. It was also anticipated that the rural women could accomplish social empowerment through micro finance, epitomized by improvements in organizational, interactive and public speaking skills, group cohesiveness, increased awareness on rights, social problems, increased acceptance in the society and participation in social activities. Rural women can successfully empower themselves against social evils like alcoholism, domestic violence, abuse and exploitation, gender bias and social exclusion.

The SHG model of micro finance has been accepted as being popular among the bankers who have seen its potential. The SHG-bank linkage programme in micro finance is identified to work better where the credit culture is not severely damaged, particularly in Southern parts of India [Srinivasan and Sriram 2003]. Hashemi, Schuler, and Riley (1996) found that membership in Rural Banks has a significant positive effect on empowerment by contrasting program villages with non-program villages. Studies have also shown that the presence of micro finance programmes for women can increase the empowerment of landless women, whereas such programmes for men can have a negative effect [Pitt, Khandker and Cartwright, 2006].

It is against this backdrop that the present study was undertaken to identify the perception of the SHG members regarding the extent of empowerment they have achieved through access to micro finance enabled by the SHG-bank linkage.

Findings of the Study

The following form the major findings of the study:

1. Social and Economic Profile of the Respondents:

Out of the total, 76.0 per cent of the respondents were married, while 10 per cent were single and 6 per cent were widowed. As regards the education of the respondents, 26 per cent had education up to +2, while 22 per cent were graduates. The rest included 15.3 per cent who had studied till the fifth standard. Occupational status of the respondents revealed that 30 per cent were self-employed, 22.7 per cent were housewives, 16 per cent werelariers and 12.7 per cent were daily labourers. As regards the monthly income, 36 per cent of the respondents belonged to the income category of Rs. 2,000 - Rs. 3,000, while 30 per cent belonged to below Rs. 1,000 and 21.3 per cent to Rs. 1,000 - Rs. 2,000 category.

The economic status of the respondents revealed that only 4.7 per cent and 4 per cent each did not own any landed property and house, respectively. In case of financial savings and deposits, 59.3 per cent of the respondents did not have it, while 60.7 per cent of them owned no valuables or ornaments.

2. Motivations for joining SHG

The study identified that the major motivators for the respondents in joining SHGs were their friends [26.7 per cent], neighbours [24.0 per cent], personal interest [20.0 per cent], NGO officials [15.3 per cent], and other SHG members [14.0 per cent]. Refer to Table 1.

It was revealed that easy access to loans [58.3 per cent], development of skill sets [52.7], participation in economic activity [52.7 per cent], inculcation of savings habit [50.0 per cent], opportunity of social interaction [47.3 per cent] and participation in social activity [25.3 per cent] were among the major motivational factors behind the joining of the SHGs. Details are given in Table 2.

3. Nature of Operations and Group Characteristics of SHGs

Regarding the nature of operations of their SHGs, the respondents reported existence of bank linkage [85.3 per cent], denial of access to books of accounts [80.7 per cent], conduct of regular meetings [78.7 per cent], improper maintenance of attendance register [56.7 per cent], occurrence of member drop-outs [55.3 per cent], improper maintenance of books of accounts [49.3 per cent], and occurrence of conflicts [48.7 per cent]. See Table 3 for details.

The opinion of the respondent SHG members regarding the nature of operations of their group revealed that feelings of trust among the group members [66.0 per cent] and group interaction between members [52.0 per cent] existed at high levels. Nearly 62.7 per cent of respondents were highly satisfied about the operations of SHGs. Leadership qualities and accountability existed at medium levels for 67.3 per cent and 46.7 per cent respectively. As regards transparency of operations, nearly 71.3 per cent agreed with medium to low levels of existence of transparency. Group cohesion was medium according to 62.7 per cent. Refer Table 4 for results.

4. Personal Empowerment after joining SHG

Personal empowerment achieved by the respondents after joining the SHGs was identified as being composed of improvements in confidence [62.0 per cent], decision-making capability [68.0 per cent], and mutual respect [47.3 per cent] at high levels, and independence [60.0 per cent], mobility [38.0 per cent], self-respect [56.0 per cent], and family acceptance [37.3 per cent] at medium levels. For 31.3 per cent, family acceptance, for 28.0 per cent, mobility and for 18.0 per cent, self-respect improved only by low levels. See Table 5[i].

The Factor Analysis performed indicated that decision making capability, confidence and mutual respect were the factors, which best explains the level of personal empowerment achieved. Results are provided in Table 5[ii].

5. Social Empowerment after joining SHG

Social empowerment as achieved by the respondents after joining the SHGs were identified to be composed of improvements in participation in social programmes [61.3 per cent high improvement level and 38.7 per cent medium improvement level], organisational skill [66.0 per cent high and 28.0 per cent medium], interactive skills [48.0 per cent high and 52.0 per cent medium],

group cohesiveness [42.7 per cent high and 57.3 per cent medium], awareness on social problems [47.3 per cent high and 43.3 per cent medium], membership in other organizations [47.3 per cent high and 29.3 per cent medium], acceptance by society [36.7 per cent high and 42.7 per cent medium], public speaking skills [28.7 per cent high and 48.0 per cent medium] and awareness on rights [42.7 per cent low and 37.3 per cent medium]. See Table 6[i].

The Factor Analysis extracted organizational skills, participation in social programmes, interactive skills, and group cohesion as the factors most explaining the variations in social empowerment of the respondents. Details are provided in Table 6 [ii].

6. Financial Empowerment after joining SHG

Financial empowerment achieved by the respondents after joining the SHGs were identified to be composed of improvements in income [85.3 per cent high improvement and 10.7 per cent medium improvement], financial security [56.0 per cent high and 23.3 per cent medium], financial management capability [48.7 per cent high and 33.3 per cent medium], living conditions [46.0 per cent medium and 39.3 per cent high], savings [76.0 per cent medium and 24.0 per cent high], and expenditure [61.3 per cent medium and 23.3 per cent high]. Table 7 gives details.

7. Micro-Finance through SHGs

The study also identified that nearly 58.7 per cent of the respondents depended on their income for sources of finance, while 52.7 per cent depended on moneylenders for external financing sources. It was also found out that 74.7 per cent of the respondents depended on SHG loans provided through the bank linkage programme as a source of finance. Among the 74.7 per cent of the total respondents who had availed of the loan facility of the SHG-bank linkage programme, 82.14 per cent utilized a part of the loan amount for their children's education, while 56.25 per cent utilized it for agricultural purposes and 43.75 per cent utilized it for marriage purposes of family members. Use of the micro finance for income generating purposes such as animal husbandry or poultry and small business ventures were limited to 11.61 per cent and 45.54 per cent, respectively. Another 34.82 per cent of the respondents employed a part of the money for repayment of other existing loans.

Conclusion

Self Help Groups of rural women can form the heart of community development activities. The pooling of minuscule and individual financial savings of the members through group activities can act as a strong back-bone for women empowerment. Supplemented by the linkages of the self help groups

with banks, thereby enabling micro-credit facilities, the financial power of these rural women gets substantially increased.

The present study evidences the existence of strong linkages of the SHGs with banks. The very reason of members, as opined by them, in joining the group is the improved chances of accessibility to loans. Also the opportunity to undertake economic activities through group efforts, and the concomitant learning of entrepreneurial and technical skill sets act as motivators for group membership. Thus, there exists strong positive relation between the reasons for joining the group, and the existence of bank linkages. The strong bank linkage that exists, can visibly enhance the opportunity of members to access loans, undertake economic activities, and develop skills.

On the realistic aspect, it is also found that the members still depend enormously on indigenous money lenders, forcing high interest payments. The high incidence of bank linkage and accessibility to finance through SHGs is still not relieving the rural population from the clutches of money lenders and exorbitant interest rates. It points to the important fact of insufficiency of funding through the bank linkage programme. Thus, the SHG-driven micro-finance may suffer from serious limitations, reducing its positive impact on empowerment. The lack of transparency in the SHG activities, and inaccessibility to official records may further hinder the effectiveness of the movement.

Probably, the most disappointing fact relating to financial access is the limited employment of SHG credit facilities for economic and other income generating activities. Use of finance for entrepreneurial activities is deplorably low. The vagaries of indebtedness can only increase by using SHG credit facilities for refinancing pre-existing loans or for financing marriages.

Thus, what emerges from the present study is a gloomy state of SHGs and its access to micro-finance. Insufficiency of finance, lack of transparency in activities, and poor use of finance for productive, income-generating activities act as a limiting factor in achieving the intended empowerment.

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Table 1
Motivators for joining SHG

| Motivators | No. | Per Cent |
|----------------------|------------|-----------------|
| Friends | 40 | 26.7 |
| Neighbours | 36 | 24.0 |
| Personal Interest | 30 | 20.0 |
| NGO Officials | 23 | 15.3 |
| Other SHG Members | 21 | 14.0 |
| TOTAL | 150 | 100.0 |
| Source: Primary Data | | |

Table 2
Reasons for joining SHG

| Reason | No | Percent |
|------------------------------------|-----------|----------------|
| Easy Access to Loans | 87 | 58.0 |
| Development of Skill Sets | 79 | 52.7 |
| Participation in Economic Activity | 79 | 52.7 |
| Inculcation of Savings Habit | 75 | 50 |
| Opportunity of Social Interaction | 71 | 47.3 |
| Participation in Social Activity | 38 | 25.3 |
| Source: Primary Data | | |

Table 3
Nature of Operations of SHGs

| Operations | Yes | | No | |
|----------------------|------------|-----------------|------------|-----------------|
| | No. | Per Cent | No. | Per Cent |
| Bank Linkage | 128 | 85.33 | 22 | 14.67 |
| Regular Meetings | 118 | 78.67 | 32 | 21.33 |
| Dropouts from SHG | 83 | 55.33 | 67 | 44.67 |
| Accounts Books | 76 | 50.67 | 74 | 49.33 |
| Conflicts | 73 | 48.67 | 77 | 51.33 |
| Attendance Register | 65 | 43.33 | 85 | 56.67 |
| Access to Books | 29 | 19.33 | 121 | 80.67 |
| Source: Primary Data | | | | |

Table 4
Opinion on Group Characteristics of SHG

| Group Characteristics | Level of Characteristics | | | | | |
|------------------------------|---------------------------------|-----------------|------------|-----------------|------------|-----------------|
| | No. | Per Cent | No. | Per Cent | No. | Per Cent |
| Trust between Members | 99 | 66.00 | 28 | 18.67 | 23 | 15.33 |
| Interaction | 78 | 52.00 | 66 | 44.00 | 6 | 4.00 |
| Satisfaction | 94 | 62.67 | 20 | 13.33 | 36 | 24.00 |
| Leadership | 43 | 28.67 | 101 | 67.33 | 6 | 4.00 |
| Cohesion | 43 | 28.67 | 94 | 62.67 | 13 | 8.67 |
| Accountability | 52 | 34.67 | 70 | 46.67 | 28 | 18.67 |
| Transparency | 28 | 18.67 | 79 | 52.67 | 43 | 28.67 |
| Source: Primary Data | | | | | | |

**Table 5 [i]
Personal Empowerment of SHG Members**

| Personal Empowerment | Extent of Empowerment | | | | | |
|----------------------|-----------------------|----------|--------|----------|-----|----------|
| | HIGH | | MEDIUM | | LOW | |
| | No. | Per Cent | No. | Per Cent | No. | Per Cent |
| Confidence | 93 | 62.00 | 57 | 38.00 | 0 | 0.00 |
| Independence | 33 | 22.00 | 90 | 60.00 | 27 | 18.00 |
| Decision-making | 102 | 68.00 | 48 | 32.00 | 0 | 0.00 |
| Mobility | 51 | 34.00 | 57 | 38.00 | 42 | 28.00 |
| Self respect | 39 | 26.00 | 84 | 56.00 | 27 | 18.00 |
| Mutual respect | 71 | 47.33 | 52 | 34.67 | 27 | 18.00 |
| Family Acceptance | 47 | 31.33 | 56 | 37.33 | 47 | 31.33 |
| Source: Primary Data | | | | | | |

**Table 5 [ii]
Total Variance Explained: Factor Analysis
Personal Empowerment of SHG Members**

| Component | Initial Eigenvalues | | | Extraction of Sums of Squared Loadings | | |
|---|---------------------|---------------|--------------|--|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 2.049 | 29.267 | 29.267 | 2.049 | 29.267 | 29.267 |
| 2 | 1.917 | 27.384 | 56.651 | 1.917 | 27.384 | 56.651 |
| 3 | 1.045 | 14.924 | 71.574 | 1.045 | 14.924 | 71.574 |
| 4 | 0.783 | 11.190 | 82.764 | | | |
| 5 | 0.514 | 7.340 | 90.105 | | | |
| 6 | 0.428 | 6.114 | 96.219 | | | |
| 7 | 0.265 | 3.781 | 100.00 | | | |
| Extraction Method: Principal Component Analysis | | | | | | |

**Table 6 [i]
Social Empowerment of SHG Members**

| Social Empowerment | Extent of Empowerment | | | | | |
|------------------------------------|-----------------------|----------|--------|----------|-----|----------|
| | HIGH | | MEDIUM | | LOW | |
| | No. | Per Cent | No. | Per Cent | No. | Per Cent |
| Organizational Skill | 99 | 66.00 | 42 | 28.00 | 9 | 6.00 |
| Group Cohesiveness | 64 | 42.67 | 86 | 57.33 | 0 | 0.00 |
| Interactive Skill | 72 | 48.00 | 48 | 32.00 | 0 | 0.00 |
| Public Speaking | 43 | 28.67 | 72 | 48.00 | 35 | 23.33 |
| Awareness on Rights | 30 | 20.00 | 56 | 37.33 | 64 | 42.67 |
| Awareness on Social Problems | 71 | 47.33 | 65 | 43.33 | 14 | 9.33 |
| Acceptance in Society | 55 | 36.67 | 64 | 42.67 | 31 | 20.67 |
| Participation in Social Programmes | 92 | 61.33 | 58 | 38.67 | 0 | 0.00 |
| Membership in Other Organizations | 71 | 47.33 | 44 | 29.33 | 35 | 23.33 |
| Source: Primary Data | | | | | | |

**Table 6 [ii]
Total Variance Explained: Factor Analysis
Social Empowerment of SHG Members**

| Component | Initial Eigenvalues | | | Extraction of Sums of Squared Loadings | | |
|----------------------|---------------------|---------------|--------------|--|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| | 1 | 2.376 | 26.4 | 26.4 | 2.376 | 26.4 |
| 2 | 1.645 | 18.27 | 44.67 | 1.645 | 18.27 | 44.67 |
| 3 | 1.597 | 17.74 | 62.42 | 1.597 | 17.74 | 62.42 |
| 4 | 1.138 | 12.64 | 75.06 | 1.138 | 12.64 | 75.06 |
| 5 | 0.914 | 10.15 | 85.21 | | | |
| 6 | 0.535 | 5.99 | 91.20 | | | |
| 7 | 0.360 | 4.00 | 95.16 | | | |
| 8 | .0253 | 2.82 | 97.98 | | | |
| 9 | 0.182 | 2.02 | 100.00 | | | |
| Source: Primary Data | | | | | | |

Table 7
Financial Empowerment of SHG Members

| Financial Empowerment | Extent of Empowerment | | | | | |
|----------------------------------|------------------------------|-----------------|---------------|-----------------|------------|-----------------|
| | HIGH | | MEDIUM | | LOW | |
| | No. | Per Cent | No. | Per Cent | No. | Per Cent |
| Income | 128 | 85.33 | 16 | 10.67 | 6 | 4.00 |
| Savings | 36 | 24.00 | 114 | 76.00 | 0 | 0.00 |
| Financial Management | 73 | 48.67 | 503 | 3.33 | 27 | 18.00 |
| Living Conditions | 59 | 39.33 | 69 | 46.00 | 22 | 14.67 |
| Expenditure | 35 | 23.33 | 92 | 61.33 | 23 | 15.33 |
| Financial Security | 84 | 56.00 | 35 | 23.33 | 31 | 20.67 |
| Source: Primary Data | | | | | | |