Research Paper

Volume : 3 | Issue : 6 | June 2014 • ISSN No 2277 - 8179

# Performance of Self Help Groups in Ludhiana District of Punjab

Commerce

**KEYWORDS :** Self help Group, Performance, Indicators, Kruskal-Wallis

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## ABSTRACT

*The existing studies on self-help group (SHG) bank linkage programs portray them as an effective tool being used for solving a range of socio-economic issues. This paper tries to explore the performance of SHGs in Punjab at the group level. The analysis in this study is based on data collected from 44 SHGs in Ludhiana district of Punjab. The performance of the sample SHGs has been analyzed with the help of 15 indicators. The responses of the group leader of the sample SHGs for every indicator have been quantified by computing mean and standard deviation and assign the rank. In order to test the significant difference in the performance scores of different groups, based on tenure of existence the Kruskal-Wallis Test has been used. The results have shown that indicators such as time taken for loan disbursement, regularity in attendance during meetings, group homogeneity, and utilization of common fund, procedure of decision making and performance of repayment of loan were major contributors to the performance of SHGs and attention is needed for some other important indicators such adequacy of training to members, self-employment generation through SHGs, frequency of meetings, awareness of rules and regulations, share of productive loan to total loan and increased rate of savings. The study further indicates that there is a significant impact of tenure of SHGs on performance of SHGs. The study suggests the need of more training, increasing frequency of meetings and more use of loan for productive purpose for improving performance of SHGs in Ludhiana district.*

### Introduction

Poor people especially in rural areas find themselves in cycle of exclusion, where lack of proper access to financial services cuts off their way to sail out of poverty. Among the main challenges experienced by poor's, inadequate access to formal credit stands out as a key impediment to their survival and growth. In most countries, commercial banks have not effectively addressed the financial needs of low income earners, due to stringent baseline requirements. In addition, commercial banks perceive low income earners as not being credit-worthy due to lack of assets, which they may use as collateral against credit facilities.

In above context microfinance has emerged as a major intervention aiming at poverty reduction through an innovative scheme of lending to the poor people, especially women. In India, microfinance is usually offered to women through formation of group referred as Self Help Group (SHG). A typical SHG in India is formed by a group of 10 to 20 people, usually women and mainly in rural areas with the objective of development of this dis-advantaged section of society. These members meet at regular interval usually after week/fortnight/month. Meeting regularly makes member familiar and inspire them to render help to other members in time of difficulty. SHGs usually works on some informal rules, then open a bank account in the group's name, select a couple of representatives and conduct saving and credit activities. Under this programme collateral free small loans were given to a group of poor people who make savings regularly. The whole group remains responsible for the repayment of the loan and the peer pressure within the group helps the successful and timely repayment of the loans. Self-Help Groups (SHG) in India have endowed thousands of rural poor, especially women, not only with platforms to work together to solve common problems but also financial accessibility (Keshava, Mehta, & Gill, 2010). The number of saving linked SHGs as on 31st mar ch,2012 stands at 7.96 million with a membership of over 103 million poor households (NABARD, 2012).The present study focus on performance of SHGs in Ludhiana district of Punjab.

### Need for Study

Many researchers were very positive about impact of microfinance and were of the opinion that SHG model of microfinance has resulted in increase in income, assets, savings, and level of employment and empowerment of rural women, However, NABARD report shows that in Punjab the actual number of SHGs have declined from 45,005 in 2009-10 to 37,343 in 2011-12. Here a moot question arises about the performance of SHGs in Punjab. Thus this paper attempts to explore the performance of SHGs in Punjab at the group level.

### Objectives for the Study

The study is conducted with the following specific objectives:

1. To study the profile of the sample SHGs in Ludhiana district.
2. To study the level of performance of SHGs using 15 indicators.
3. To study the impact Tenure on level of performance of SHGs.

In the light of the above objectives following hypothesis were framed:

$H_o$ = "There is no significant difference in performance among different SHGs and the tenure of existence of groups".

$H_1$ = "There is no significant difference in performance among different SHGs and the tenure of existence of groups".

### Literature Review

**(Roy,2007)** studied the quality of SHGs in West Bengal by using 20 indicators revealed that factors like cohesion in the group, initiative of the NGO, facilitation by PRI institutions, support of the bank, assistance of the line department, own initiative, livelihood opportunity, skill, infrastructure and market were main indicators of Performance.

**(Randhawa & Mann, 2007)** studied about structure and evaluation of the functional aspects of SHGs.They found that majority of the SHGs were performing badly in terms of capacity building of members. Therefore, future focus of SHG must be on capacity building and skill up gradation of rural women.

**(Joy, Prema, & Krishnan, 2008)** in their study on factors determining the group performance of women-led self-help groups (SHGs) in Thrissur district of Kerala observed that socio-economic variables like age, education, market perception, and economic motivation, attitude towards self-employment, management-orientation, risk-orientation, innovativeness and information-seeking behavior influence the group performance of SHGs. The parameters like age of respondent, education of spouse, attitude towards self-employment and innovativeness were found least influential on group performance. The study indicated the need of providing training on management and technical aspects as well as provision of market infrastructure to the SHGs so that they could become competitive in the market.

**(Subramanian, 2010)** found that the attendance of members, adequate training, regularity in meeting, decision on financial transactions were the major contributing indicators to the good quality performance of the groups. The study also concluded

that that there was no influence of the tenure of the existence of the SHGs on performance. But the literacy level of the leaders and the size of membership of the SHGs influence the performance of the SHGs.

**(DAS, 2012)** conducted a study on quality assessment of SHGs in covering twenty nine parameters of quality assessment of Self Help Groups Nagaon Districts of Assam during 2010-11suggested that quality of SHGs should not be compromised with quantity.

**(Veenapani, 2012)** revealed that there was no significant difference in the mean score on group governance parameter across good and poor performers. Further, there was a significant difference in the mean score across the other four parameters for good and poor group performers. The study suggested close monitoring of groups, intense capacity development training programmes coupled with use of Information technology by banks will strengthen these groups and sustain them.

**Materials and Methods**

The present study is empirical in character based on the survey method carried during 20012-13 in Ludhiana district of Punjab. Data were collected from total 44 SHGs taken from three blocks of Ludhiana namely; dehlon, khanna and Ludhiana-2.The data were collected with the help of pre-tested schedule for group leaders which was drafted after referring Indicators of performance given by Sa-dhan (Sa-Dhan).These indicators were further modified after discussion with officials of NABARD and conducting a preliminary interview with some selected Self-Help Groups. The performance of the sample SHGs has been analyzed with the help of 15 indicators. The analysis has been based on the scoring technique. The responses of the group leader of the sample SHGs for every indicator were quantified by computing mean and standard deviation and then assigning the rank. In order to test the significant difference in the performance scores of different groups, based on tenure of existence the Kruskal-Wallis Test was used.

**Results and discussions**

**Profile of SHGs**

Table: 1 shows the profile of sample SHGs. In terms of tenure of existence 17 SHGs were formed before 2005-06 another 23 SHGs were formed during 2006 to 2009 and 4 SHGs were formed after 2009. Further, the number of group members in each group was between 12 and 20. In terms of age of the group leader, 24 group leaders were in older age group with age more than 45 years another 11 were in middle age group with age between 35 to 45 years and 9 leaders were in young age group of age less than 35 years.

**Table:1 Profile of SHGs**

| S. No | Basis | Number | Percentage |
|---|---|---|---|
| 1 | Tenure of Existence | | |
| | Below 3 Years | 4 | 9.09 |
| | 3 Years to 6 Years | 23 | 52.27 |
| | Above 6 Years | 17 | 38.64 |
| | Total | 44 | 100 |
| 2 | Size of Group | | |
| | Below 15 | 22 | 50 |
| | 15 to 18 | 17 | 38.64 |
| | Above 18 | 5 | 11.36 |
| | Total | 44 | 100 |
| 3 | Age of the Group leader | | |
| | ≤ 35 | 9 | 20.45 |
| | 36 - 40 | 11 | 25 |
| | > 40 | 24 | 54.55 |
| | Total | 44 | 100 |
| 4 | Education level of the leader | | |
| | Illiterate | 0 | 0 |
| | Primary/Middle | 14 | 31.82 |
| | Matric | 13 | 29.55 |
| | 10+2 | 8 | 18.18 |
| | Graduate | 9 | 20.45 |
| | Total | 44 | 100 |
| 5 | Literacy Level of the Group | | |
| | Less than 20% | 5 | 11.36 |
| | 21% - 40% | 10 | 22.73 |
| | 41% - 60% | 19 | 43.18 |
| | 61% - 80% | 10 | 22.73 |
| | Above 80% | 0 | 0 |
| | Total | 44 | 100 |

**Source: Field survey**

The summary of educational profile of group leader has shows that 9 leaders were graduate, 8 were having secondary education, 13 with 10th level education and 14 with basic primary education. Percentage of members in the group who can read and write and perform basic calculations were also recorded and termed as literates. The table reveals that 10 SHGs were having literate members between 61 to 80 percent another 19 were having literates between 41 to 60 percent while 10 SHGs were having literates between 21 to 40 percent and 5 SHGs were having literates less than 20 percent.

**Ranking Of Indicators of Performance Of The SHGs**

The various indicators identified for measuring the performance of SHGs were ranked on the basis of their mean value and standard deviation. In Ludhiana, the higher mean value indicators such as time taken for loan disbursement, regularity in attendance during meetings, group homogeneity, and utilization of common fund, procedure of decision making and performance of repayment of loan were major contributors to the performance of SHGs. It could also be observed that few other important indicators such training to members, self-employment through SHGs, frequency of meetings, awareness of rules and regulations, share of productive loan to total loan and increased rate of savings obtained lower ranks compared to other indicators

**Table 2: Ranking of Indicators of Performance of SHGs**

| S. No | Indicators of Performance | Ludhiana | | | | |
|---|---|---|---|---|---|---|
| | | N | Sum | Mean | Std. Deviation | Rank |
| 1 | Frequency of Meetings | 44 | 132 | 3 | 0 | 13 |
| 2 | Regularity in Attendance during Meetings | 44 | 199 | 4.52 | 0.628 | 1 |
| 3 | Procedure of Decision Making | 44 | 183 | 4.16 | 0.776 | 5 |
| 4 | Awwereness of Rules and Regulation | 44 | 140 | 3.18 | 1.225 | 12 |
| 5 | Maintenance of Books | 44 | 155 | 3.52 | 1.131 | 9 |
| 6 | Training to Members | 44 | 115 | 2.61 | 1.104 | 15 |
| 7 | Group Stability | 44 | 169 | 3.84 | 0.861 | 7 |
| 8 | Group Conflicts | 44 | 169 | 3.84 | 0.428 | 8 |
| 9 | Homogeneity within the Group | 44 | 195 | 4.43 | 0.501 | 3 |
| 10 | Increase in Savings | 44 | 149 | 3.39 | 0.895 | 10 |
| 11 | Utilization of Common Fund | 44 | 193 | 4.39 | 0.689 | 4 |
| 12 | Time taken for Loan Disbursement | 44 | 198 | 4.5 | 0.506 | 2 |
| 13 | Performance of Repayment of Loan | 44 | 181 | 4.11 | 0.813 | 6 |
| 14 | Shwere of Productive Loan to Total Loan | 44 | 149 | 3.39 | 0.92 | 11 |
| 15 | Employment Generation Through SHGs | 44 | 122 | 2.77 | 1.179 | 14 |

**Source: Field survey**

Volume : 3 | Issue : 6 | June 2014 • ISSN No 2277 - 8179

**Impact of Tenure of Existence on Level of Performance of the SHGs**

The values of H in respect of the tenure of the SHGs and the scores secured by the various indicators and their mean ranks were presented in Table 3. It shows that the mean ranks of procedure of decision on financial transactions, awareness of rules and regulation, adequacy of training to members, group conflicts, increase in savings, share of productive loan to the total loan, and self-employment through SHGs has increased with the increase in tenure of existence which depicts an improvement in performance for these indicators when tenure of existence increases. Further, indicators such as procedure of decision on financial transactions awareness of rules and regulation, adequacy of training to members, group conflicts, increase in savings, share of productive loan to the total loan, and self-employment through SHGs were significant at 5 percent level and indicator of group stability is significant at 10 percent level which means that there is a significant impact on tenure on these indicators. The indicators such as frequency of meetings, regularity in attendance, maintenance of books, homogeneity, utilization of common fund, time taken for loan disbursement, performance of repayment does not show significant difference. Similarly, the mean rank of overall score of all the indicators has also improved with the increase in tenure of existence and is significant at 5 percent level which indicates that our null hypothesis is rejected, thus there is a significant improvement in overall performance of SHGs with the increase in tenure of existence.

**Table :3 The Mean Ranks in Respect of Tenure of Existence of SHGs and Performance Scores Obtained by the Various Indicators**

| S. No | Indicators | Ludhiana (N=44) | | | | |
|---|---|---|---|---|---|---|
| | | Mean Ranks | | | H Value | Level of Significance |
| | | Below 3 Years | 3 Years to 6 Years | Above 6 Years | | |
| 1 | Frequency of Meetings | 22.50 | 22.50 | 22.50 | 0 | 1.00 |
| 2 | Regularity in Attendance during Meetings | 31.50 | 19.63 | 24.26 | 4.551 | 0.10 |
| 3 | Procedure of Decision Making | 5.50 | 21.24 | 28.21 | 12.116 | 0.00* |
| 4 | Awwereness of Rules and Regulation | 3.00 | 17.76 | 33.50 | 26.312 | 0.00* |
| 5 | Maintenance of Books | 27.88 | 19.15 | 25.76 | 3.598 | 0.17 |
| 6 | Training to Members | 10.50 | 20.30 | 28.29 | 8.382 | 0.02* |
| 7 | Group Stability | 35.75 | 22.46 | 19.44 | 5.94 | 0.05** |
| 8 | Group Conflicts | 4.50 | 23.20 | 25.79 | 18.415 | 0.00* |
| 9 | Homogeneity within the Group | 29.50 | 20.65 | 23.35 | 2.361 | 0.31 |
| 10 | Increase in Savings | 13.13 | 19.07 | 29.35 | 9.609 | 0.01* |
| 11 | Utilization of Common Fund | 18.88 | 20.57 | 25.97 | 2.55 | 0.28 |
| 12 | Time taken for Loan Disbursement | 22.50 | 24.89 | 19.26 | 2.499 | 0.29 |
| 13 | Performance of Repayment of Loan | 16.13 | 22.41 | 24.12 | 1.435 | 0.49 |
| 14 | Shwere of Productive Loan to Total Loan | 6.25 | 19.89 | 29.85 | 20.234 | 0.00* |
| 15 | Employment Generation Through SHGs | 3.50 | 17.15 | 34.21 | 28.61 | 0.00* |
| Overall | | 5.50 | 15.91 | 35.41 | 30.504 | 0.00 |

*** Significant at 5 percent level ** significant at 10 percent level**

**Summary and Conclusions:**

The study reveals that in Ludhiana the number of members in each SHG varied from 12 to 20 and education-wise none of the group leader is illiterate. None of the sample SHG in Ludhiana district has more than 80 percent members who can read, write and perform basic calculations. Performance analysis of SHGs reveals that indicators such as time taken for loan disbursement, regularity in attendance during meetings, group homogeneity, and utilization of common fund, procedure of decision making and performance of repayment of loan were major contributors to the performance of SHGs and attention is required for few other important indicators such training to members, self-employment through SHGs, frequency of meetings, awareness of rules and regulations, share of productive loan to total loan and increased rate of savings. The study further shows that tenure of existence has a positive impact on the performance of SHGs. The results in this study indicates that initially the members uses loan for consumption purpose but with the passage of time when their basic consumption needs were fulfilled they use loan for starting some income generating activities which further improves the level of employment of the group. The study suggests conducting more training programmes and inclusions of modules of reading, writing and performing some basic calculations which will improve the performance of SHGs.

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