



## The Role of Self Help Groups in Micro Credit: A Study in Warangal District

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### ABSTRACT

*For economic development of poor the programmes of income and employment generation have to be directly aimed at individuals and groups of poor people. Access to the credit by poor is very less and difficult because of their special socioeconomic conditions. The micro credit assumes key place in achieving the objective of financial inclusion. The Self*

*Help Groups have achieved considerable success in providing micro credit facilities to their members through bank linkage. The role of SHGs in expansion of Financial Services among poor in rural areas and the problems that the poor encounter with regard to Micro Credit in Warangal District of Telangana is intended to study. The exclusive women SHGs performance is better than other. The meetings of SHGs discussing any kind of issues are enabling the social as well as financial women empowerment in India. The SHGs are good credit source than any other. The SHG-BLP method is effectively extending the credit and it became 'Kamadhenu' for poor.*

**KEYWORDS : Self Help Groups, Micro Credit, Empowerment, Income Generating Activities**

### INTRODUCTION

For economic development of poor the programmes of income and employment generation have to be directly aimed at individuals and groups of poor people. Economic development of poor is most difficult task for they have certain unique deficiencies like lack of access to credit and modern inputs. For economic development of the poor, the most crucial input is credit. Many studies have pointed out that for all kinds of income generating activities based on land, water, skill, industry, trade services etc. credit is one of the basic input.

Access to the credit by poor is very less and difficult because of special socioeconomic conditions of poor with regard to credit facilities. Due to low credit worthiness, the institutional credit is denied to them. Poor need credit for various other purposes than productive activities such as consumption, social, customary ceremonies etc. because of these the credit obtained for productive purposes is diverted resulting into inability to pay back the debt. The size of the credit is also too small that it is difficult to be obtained from the banking system. High frequency and short term credit needs also making the poor inaccessible to existing formal financial system. Because of these reasons of inaccessibility to institutional credit, the poor are forced to depend on private lenders and easily get into debt trap. In view of this, alternative innovative methods of finance were worked out to meet special credit needs of poor and save them from debt trap. Micro credit, one among them, is deemed as the successful and sustainable method in the interests of the poor and as an effective tool for achieving the objectives of finance inclusion.

The micro credit assumes key place in achieving the objective of financial inclusion. Micro credit generally means availability of credit facility for a smaller amount for shorter period, very frequently at an affordable rate of interest. Thus the term itself indicates credit needs of poor smaller amount, smaller duration, for a low rate of interest repeatedly. Micro-finance also refers to small savings, credit and insurance services extended to socially and economically disadvantaged segments of society. Micro-finance activities usually involve small loans for working capital and other petty trading purposes.

In large part of the country micro finance services are being provided through group based system. This group based system has advantage of using peer pressure and collective responsibility that can be used as social collateral for availing financial services from organized/ formal financial institutions. Generally poor individuals who possess no physical assets to offer as collateral for availing credit facilities are out of the orbit of institutional financial services. The emergence of group based systems helped poor make their way to institutional credit service system for credit needs.

The SHGs formed by the persons who have some common characteristics. The members of the SHG have the same socioeconomic and ethnic background, common interests, support from NGOs and have

environment for development in terms of infrastructure and linkages. These common features made the SHGs successful in their activities.

In India in spite of persistent efforts, a large section of poor population still could not get access to the credit from the formal banking system and depends mainly upon private/unorganized sources which use exploitative methods and fall finally in to debt trap. In this juncture the role of SHGs has been recognized in inclusion of poor, small, marginal farmers, artisans, retailers, labours etc in institutional financial services for the micro credit needs. In the recent past there have been a rapid emergence of Self Help Groups and most of them have achieved considerable success in providing micro credit facilities to their members through bank linkage.

In view of the importance of financial services, particularly micro credit and the role played by Self Help Groups (SHGs) in extending Micro Credit facilities is intended to study the accessibility of poor to financial services and the role of SHGs in expansion of Financial Services among poor in rural areas and the problems that the poor encounter with regard to Micro Credit in Warangal District of Telangana.

### METHODOLOGY

The study is based on the following methodology.

#### Objectives of the research

The main objectives of the study are:

To study the credit needs of the poor people.

To focus on the access to credit facilities by the poor.

To assess the role of SHGs in extension of Micro Credit.

To examine the problems involved in extension of Micro Credit.

#### Design of the Study

For the present study Warangal District in Telangana State has been chosen. Ten villages have randomly been selected from Fifty One Mandals in the Five Revenue divisions in the Warangal District of Telangana State for collection of data.

The data were collected by administering a structured schedule exclusively prepared by keeping in view the objectives and the hypotheses of the study. The primary data were collected by using two schedules. One schedule is for collection of data at Self Help Group level and the other for collection of data at individual/member of Self Help Group. The Self Help Group schedule was administered to the Leader of the Self Help Group. The individual schedule was intended to gather information of member's socio-economic characteristics, their credit needs, credit extension by SHGs, repayment of credit, participation in SHG activities etc.

For collection of primary data, surveys were conducted at two levels – Self Help Group and individual/member of Self Help Group. A number of Ten villages were selected randomly -Two villages from each administrative divisions in the district. Five Self Help Groups and Twenty respondents each from two selected villages from a revenue division were chosen. In total 50 Self Help Groups and 200 individual members of SHGs were randomly selected from these 10 Villages.

In addition to the schedules, observation points, opinions of Community Activists, Chair Persons of Village Organizations, Bank Managers and officials connected with the SHGs also formed part of the primary data. Secondary data collected from libraries, journals, magazines, books and other official documents and studied thoroughly and reviewed literature and found gaps for study purpose. The data collected are analyzed using various statistical tools.

It is found that the Self Help Groups are existed in all the fifty one Mandals of Warangal District. The SHGs are organized into Village Samakhya (Village Organisations), Mandal Samakhya (Mandal Organisation) and District Samakhya (District Organisations) to improve group's activities and for government support. The Self Help Groups in Warangal District are thrift groups and bank linked. And, these groups are extending their credit to their members unbiased with regular meetings.

## FINDINGS OF THE STUDY

Findings on the basis of base line data are as follow

All the SHGs in the study area are bank linked groups.

Average age of the SHGs is 11 years.

Ninety Five percent of the SHGs had average 10 members.

Ninety Two percent of the SHGs are collecting Rs.100/- from members as monthly savings.

All the members of the SHGs are utilizing the credit for individual Income Generating Activities but no Group Activities are taken place.

Peer persuasion and denying further loan are major techniques being used by the SHGs to recover loans from defaulters.

All the individual respondents of the SHGs are female only.

Sixty two percent of the members of SHGs fall under the age group of 30-40 years.

All the members of SHGs belong to nuclear families.

Educational status of the members of SHGs indicates that sixty five percent are Non-matriculatas.

Only twenty percent of respondents have agricultural land.

All the members of the SHGs took loan from Group and expressed their satisfaction about rate of interest and accessibility of credit.

Only Fifty percent of the members of SHGs used their loan for income generating activities like tailoring, kirana shop, cloth store, vegetable shop, purchasing of cattle/sheep, crop investment etc.

Ninety five percent members regularly attend group meetings and discuss various issues.

All the members of the SHGs opined that SHGs are good credit source than any other.

## SUGGESTIONS AND CONCLUSION

The SHGs are playing key role in extension of Micro credit to needy poor at affordable interest and quick accessibility. Some measurements are needed to strengthen the SHGs sphere. The Bank linkage should be extended to private banks also so that more credit facilities would be available. The training programmes have to be conducted to SHG members to enable them for financial inclusion and entrepreneurship. The Group Income generating programmes have to be

encouraged. As India having more than 50 percent of youth population, more youth especially educated have to be assisted to make new groups for their mutual help. The frequency of credit availability is also to be enhanced according to the need of the poor. SHGs enhanced the creditworthiness of the poor and they are able to get credit at reasonable interest rates through SHGs. The exclusive women SHGs performance is better than other. The meetings of SHGs discussing any kind of issues are enabling the social as well as financial women empowerment in India. The SHGs are good credit source than any other. The SHG-BLP method is effectively extending the credit and it became 'Kamadhenu' for poor.

## Acknowledgements

I am very much thankful to UGC-SERO, Hyderabad for financial support to take up this study vide F. No. 4-4/2014-15 (MRP-SEM/UGC-SERO), November, 2014, Proposal No.103 & F.MRP- 5549/15 (SERO/UGC), January 2015.

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