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IMPACT OF MICRO FINANCE THROUGH SHG-BANK LINKAGE PROGRAMME IN SALEM DISTRICT, TAMILNADU

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ABSTRACT

In India various programs were conducted by the government to remove poverty. Nowadays the poor people could not achieve productivity because of lack of opportunity. It leads to unemployment. The government implemented various credit schemes to the poor people. But still in some areas it does not reach. Providing financial assistance, bank credit to the rural people creates employment opportunity. With this background the researcher has selected this topic Impact of Micro Finance through Self Help Group Bank Linkage Programme in Salem District. The researcher has selected 230 respondents from various Self Help Groups by Purposive Sampling Method. The researcher has used Percentage Method, t test and z test for analytical part of this study. The study period covers from 2004-05 to 2005-10. Some important findings are the percentage of members' savings in different institutions significantly increased and the increment was high in banks by 61.50 percent after their savings in SHGs, the percentage of the members who were savings between Rs. 1001 and Rs. 1500 before SHG period increased from 14.83 percent and 29.67 percent after joining SHG and it is observed that 41.50 percent of the members had availed internal loan between Rs.20, 001 and Rs. 25,000 and another 25.17 percent had availed loan between 15,001 to 20,000.

Keywords :

WOMEN AND MICRO FINANCE

Women are an integral part of every economy. All round development and harmonious growth of a nation would be possible only when women are considered as equal partners in progress with men. Women's contribution to national development is crucial. Women represent 50 percent of population, make up 30 percent of the official labor force, work 60 percent of all working hours but receive only 10 percent of the world's income and own less than one percent of the world's property. Moreover women's access to credit is an important criterion to assess the performance of rural financial institutions. It is based on the premise that women are less liable to default and that they utilize credit in a more prudent way. Micro finance provided through SHGs enables the members to satisfy their consumption needs as well as other production needs. Together with access to credit for women, SHGs are important for sustainable rural development and food security. They not only mobilize economic and social capital and regulate their use in almost efficient and sustainable manner, but also encourage people to take a long term view by creating common expectations and a basis for co operation that goes beyond individual interest. SHGs play a crucial role in implementing policies aimed at eliminating market failures such as asymmetric information, moral hazard and high transaction cost. Micro finance through SHG Bank Linkage Programme has in recent times come to be recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor with focus on empowering women.

OBJECTIVES OF THE STUDY

1. To know the income and savings of the members of the SHG
2. To analyze the availability and utilization of loans provided by the banks through the bank linkage programme to the members of SHG

ANALYSIS

It is observed that savings from their own income was the major source (73.50 percent) towards the mobilization of savings; followed by minimizing the expenditure by 11 percent, savings from the family income 7 percent. The study indicates that quantum of money saved by members through the SHGs has significantly increased during the study period 2004-05 to 2005-10. It is evident from the study that the savings of the members have increased from a meager amount of Rs. 50 per individual per month to above Rs. 250 per individual per month. The yearly savings increased to Rs. 4.22 lakh in 2005-10. The growth index indicates that the savings had been increased constantly through out the study period. In 2004-05 it was increased by 62.35 percent and in 2009-10 by 199.43 percent.

It is observed that 42.55 percent of the members had availed internal loan between Rs.20, 001 and Rs. 25,000 and another 25.17 percent had availed loan between 15,001 to 20,000. It is a very encouraging trend to note that the members had availed internal loan to the extent of Rs.135.31 lakh during the study period, proving the potentials of the self help and mutual groups for any development agenda. It is inferred that 32.28 of members had invested in trading sectors, 21.16 percent members in manufacturing sector, 14.60 percent invested in service sector and others in Agricultural sector. It is observed that 79.19 percent of internal loan amount was spent by the members for consumption.

The study results concluded that the intervention of micro finance through SHG-Bank Linkage Programme has positive impact on increasing income, savings, employment generation, asset creation of rural women members and their social employment.

SUGGESTIONS

1. The SHG members are running their micro enterprises

with low level of technology and capital. So steps should be taken to enable the SHG members to expand their business by giving them proper technology oriented training and financial support.

2. The main focus of SHGs is to promote group activities but 45 percent of the sample respondents are doing individual business. Hence the micro finance institutions should be very lenient in advancing loans. Priority should be given for group oriented activities to promote cent percent group business among rural women.
3. Bank may sanction additional loans to SHGs if needed, even when the previous loans were not repaid, provided they are satisfied with the SHGs performance and potential to repay.
4. It was found that 36.67 percent of the SHGs do not maintain their accounts properly and get them audited. Books of accounts and records maintained by the SHGs should be audited periodically and the periodical auditing of records should be made mandatory.
5. Every block should concentrate on specialized key activities based on the local resources, occupational skill of the people and the supporting market condition in order to draw suitable livelihood from the investment from the micro entrepreneurs.
6. It was found that in 28.33 percent of the groups, the members were not regular in attending the meetings of the groups. Members should be motivated by giving rewards like interest free loan, reduction in interest, additional loan, compliments and gifts.

For improve the SHGs the Micro Finance Institutions may take following steps:

1. Designing wide range of financial products and services is the need of the hour. SHGs have different kinds of credit needs and thus, the credit needs should be classified into different categories such as livelihood, income generating activities, investment in education, health, consumption, household needs, marriage, death ceremonies and products for social security.
2. There is an urgent need to streamline the procedure for applying, seeking and releasing of credit from the banks. The procedural difficulties are one of the major impediments which have denied women, the financial benefits of the banks. Therefore, the procedure for credit access to women should be made easy and simple.
3. Micro financing intuitions need proper regulation and operation of business transactions. Thus, RBI, SIDBI,

NABARD and other organizations should evolve proper mechanism for monitoring, supervising, directing, appraising and evaluating the micro financial institutions as well as self help promoting institutions.

4. Transformation in the repayment culture is required. Any expansion of micro financing services will need not only appropriate and efficient micro products on a very large scale, but also customers, who care willingly to pay the full cost of those services. Bankers must change their attitude towards small loans to poor people, including women, as a social obligation of treating them as potential business entrepreneurs.
5. Branch managers of financial institutions should in any case be close to the communities they serve and should be aware of distribution channel through which they can profitably reach new customers. They should be ensured of the existing level and types of group activities and informal intermediation and be ready to offer savings and lending products, appropriate for local communities.
6. There should be timely release of funds and its channelization to the concerned departments and agencies. The deals in allotment of funds and their release should be discouraged and taken seriously by the high level authorities when it happens in any state. There is also a need for timely and quick approval of activities proposed.
7. The banks should open their exclusive braches/counters in rural areas to promote micro finance among the SHGs
8. Rigorous and more transparent exercise should be undertaken to select any competent NGOs to lend their supporting hands to SHGs to avoid loopholes in their selection.

CONCLUSION

The study results proved that the intervention of micro finance through SHG-Bank Linkage Programme, has positive impact on the economic and social status of the members, in terms of increase in income, savings, employment generation, asset creation, decrease in the dependency on money lenders, improvement in decision making skills, participation in community affairs and the empowerment of women. The SHGs had contributed in developing the personalities of women, in molding the community in the right perspective and in exploring the initiatives of women in taking entrepreneurial ventures. SHGs had emerged as the providers of social capita; for transforming today's rural India into a powerful society through micro finance.

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