

Growth of Self Help Groups in Andhra Pradesh



Management

KEYWORDS: SHG, Microfinance, Refinance, NABARD, Empowerment

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ABSTRACT

Micro finance has assumed significant importance in many countries of the world particularly in developing countries. So is the case with our country. The need and importance of micro, small and tiny loans was strongly felt by the Andhra Pradesh state government, which has taken many initiatives to promote the Self Help Group (SHG) movement.. This has become a potent instrument for the government to promote a habit of savings among the poor and downtrodden sections of the society. It supports women empowerment by providing a facility of obtaining comfortable loans with easy payments of monthly installments. With a very high growth rate of SHGs, the Andhra Pradesh state is the forerunner in the movement.

INTRODUCTION

Access to social security is a fundamental right. While the country is experiencing faster growth in its GDP, a major concern is the balanced growth to bridge the gap between the rich and the poor. According to Reserve Bank of India, over 40% of Indians do not even have a bank account. The National Sample Survey Organization (NSSO) estimates reveal that of the total cultivating households, only 27% have received credit from formal sources, 22% have received credit from informal sources and the remaining 51% mostly marginal farmers have virtually no access to credit.

It is in this context that one needs to appreciate the role played by micro finance institutions in collaboration with the governments, non-governmental organizations (NGOs), social organizations, etc., in alleviation of poverty, employment generation, improvement of health and national status, women empowerment and human development.

Micro credit is a tool for a socio economic development. Professor Mohammad Yunus explains the role of micro credit in facilitating women potential as 'women have plans for themselves, for their children, for their home, for their meal'. Due to the success of micro credit many traditional banking industries have begun to realize that these micro credit borrowers should more correctly be characterized as pre-bankable. Thus, micro credit is increasingly getting credibility in the main stream. Finance industry and many traditional large finance organizations are contemplating micro credit projects as a source of future growth.

Micro credits are enough for innovative and hard working micro entrepreneurs to start small business such as making handicraft items. From the income of these small businesses the borrowers of micro credit can enjoy better life, food, shelter, health care and education for their families and above all these small earnings will provide a hope for better future. There are certain misconceptions about the poor rural women that they need loan at subsidized rates of interest on soft terms, they lack education, skills, capacity to save, credit worthiness and therefore, are not bankable. The experiences of several Self Help Groups reveal that rural women are actually efficient. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy. Over the past decade, NABARD's "SHG-Bank Linkage Programme" aimed at connecting self-help groups of poor people with banks, has, in fact, created the largest microfinance network in the world. The self-help group approach has won enthusiastic supporters among influential policymakers. Even the central government has recognized the advantages of group lending and has adopted the approach in its battle against poverty.

The Self Help Group (SHG)-Bank Linkage Programme, in the past eighteen years, has become a well known tool for bankers, developmental agencies and even for corporate houses. SHGs, in many ways, have gone beyond the means of delivering the financial

services as a channel and turned out to be focal point for purveying various services to the poor. The programme, over a period, has become a common vehicle in the development process, converging important development programmes. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 69.5 lakh saving-linked SHGs and 48.5 lakh credit-linked SHGs and thus about 9.7 crore households are covered under the programme, envisaging synthesis of formal financial system and informal sector. The total number of SHGs savings linked with banks: 69.53 lakh and the total number of SHGs having loans outstanding as on 31 March 2010: 48.51 lakh with an estimated number of families covered at 97 million. The total savings amount of SHGs with banks as on 31 March 2010 are estimated at 6198.71 crore with the amount of loan outstanding was estimated at Rs.28038.28 crore. The average loan amount outstanding per member as on 31 March 2010: Rs. 4128.

The major support provided by NABARD under Micro Finance development and Equity Fund relates to promotion and nurturing of SHGs by Self Help Promoting Institutions and training and capacity building of the stakeholders in the Sector. NABARD is also experimenting innovative projects for further developing the microfinance through Joint Liability Groups.

NABARD has been instrumental in facilitating various activities under microfinance sector, involving all possible partners at the ground level in the field. NABARD has been encouraging voluntary agencies, bankers, socially spirited individuals, other formal and informal entities and also government functionaries to promote and nurture SHGs. The focus in this direction has been on training and capacity building of partners, promotional grant assistance to Self Help Promoting Institutions (SHPIs), Revolving Fund Assistance (RFA) to MFIs, equity/ capital support to MFIs to supplement their financial resources and provision of 100 per cent refinance against bank loans provided by various banks for microfinance activities. Financial support and promotional efforts of NABARD towards development of the microfinance sector

LITERATURE REVIEW

Harper's study revealed that the banks render a great service to the poor through loans. The recovery rate is more than 95 percent.

Das et al in their study in Sonitpur district of Assam found that more grants are required by the ShGs to ensure economic stability among masses..

Deb Narayan Sarkar, observed that microfinancing of shg-NGO model is highly useful in the promotion of saving habits in the members of the groups.

Gupta and Shrivastava suggested that the pooled savins of the members create funds which will be useful for the members themselves and there should not be any unnecessary outside

disturbance in the functioning of the groups.

Ramijaim Mousumi Das in his study expressed the opinion that the micro credit will help the poor as a potent instrument to fight the attack of poverty.

“Lijjat papad” is the brain child of seven women who organized themselves as a group and earned great name, fame and income.

OBJECTIVES

The main objective of this paper is to study the growth of self help groups (SHGs) in the undivided state of Andhra Pradesh.

LIMITATIONS

The period of study is limited upto 2012-13.

HYPOTHESES

Ho The growth of SHGs in undivided Andhra Pradesh is not significant

METHODOLOGY

The study is based on the secondary data collected from different annual publications of NABARD. The data will be analysed with the help of statistical tools viz., average, standard deviations, regression analysis etc.,

ANALYSIS

Table 1 Progress of SHG-Bank Linkage Programme in Andhra Pradesh: 1992-93 to 2012-13

particulars	Mean	S.D.	GR	t-value
SHGs (Number)	209020.095	208681.6269	50.73	6.483
Bank Loan (amount)	2320.1550	3312.5970	62.77	3.692
NABARD's Refinance	433.3465	633.3879	65.97	3.916

The estimates from Table – 2 give us the values for analyzing the performance. The SHGs have shown a growth rate of 50.73 per cent per annum and bank loans rates at 62.77 per cent, refinance grew at the rate of 65.97 per cent. The results are found to be significant at 1 per cent and 5 per cent levels. Therefore the null hypothesis is rejected. (Ho: The growth of Self help groups in undivided Andhra Pradesh is not statistically significant - is rejected.)

Table – 2 Trends in SHG-Bank Linkage Indicators during 1992-93 – 2012-13

$$\text{Ln (Bank Loan)} = 4.77 + 0.6277t; \\ R^2 = 0.4761$$

$$\text{Ln (Refinance)} = 3.47 + 0.6597t; \\ R^2 = 0.5055$$

$$\text{Ln (Number of SHGs)} = 10.18 + 0.5073t; \\ R^2 = 0.6889$$

CONCLUSION

From the above analysis it can be concluded that the growth of SHGs is highly significant in the undivided state of Andhra Pradesh. Keeping in view the importance of the programme of SHGs in eradicating poverty and ensuring women empowerment, both the governments (Andhra Pradesh and Telangana) should make all possible efforts to sustain this movement. The role of banks in providing loans and the role of NABARD as a refinancing agency needs to be appreciated.

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