



## Impacts of Micro-finance Activities on SHGs: Some Survey Evidence

\* Dr. Vijay K. Patel

\* Principal, Smt. M. T. Dhamsania College of Commerce and B. B. A., Saurashtra University, Rajkot (Gujarat)

### ABSTRACT

*It is widely believed that microfinance activity is potent tool for poverty alleviation and socio-economic empowerment of the women. It is also believed that there is positive relationship between access to microfinance facility and increase in the status of women within their households and communities. Self-Help Bank Linkage Programme (SHG) in India has been increasingly hailed for their positive economic impact and the empowerment of women. This paper reflects on findings from interviews with women members of bank linkage self help groups. The paper examines the impact of microfinance activities on poverty alleviation and socio-economic indicators of selected women self help group members of Mehsana District in North Gujarat, India. The study shows that there is positive impact of microfinance activity on women through bank linkage self help groups.*

**Keywords : Poverty alleviation, socio-economic empowerment, Self Help Groups, Micro finance**

### Introduction

It is widely believed that micro finance is a powerful tool to alleviate poverty and empowerment of rural women and it is effective in bringing social and economic changes in the rural areas with improved managerial abilities of women. Self Help Groups (SHG) and micro finance are found to be successful in promoting empowerment of women leading to development. It has been accepted that micro finance plays a vital role in reducing poverty since it paves way for employment and empowerment which leads to economic development. Poverty can be eradicated only by employment opportunities and the employment seeker and worker should become a job provider and it is possible through micro finance coupled with micro enterprises. Empowerment of women through micro finance benefits individual woman, her family and the community as a whole through collective action for development. Group formation, provision of collateral free credit, participatory efforts for income generating self employment, knowledge and awareness, skill development have improved the socio economic conditions of rural poor

Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost effective mechanism for providing financial services to the "Unreached Poor" which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country.

Economic empowerment results in women's ability to influence or make decision, increased self confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure

Since women's empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of the government. The ministry of rural development has special components for women in its programmes. Funds are earmarked as "Women's component" to ensure flow of adequate resources for the same

### Review of Literature

Schuler, Hashemi and Pandit (1995) for India and Mayoux

(2001) for Cameron and Schuler, Jenkins and Townsend (1995) for Bolivia indicated that there is no positive effect of micro finance on poverty alleviation. Hashemi, Schuler and Riley (1996) investigate the change in women empowerment with the help of an ethnographic study and quantitative survey. The analysis studies 1,300 women to measure the effects of Grameen Bank and Bangladesh Rural Advancement Committee and suggests that the focusing on repayment rates puts further pressures on the groups to exclude those who are most in need of microfinance.

### Significance of the study

In India, the organization of self-help groups, especially for microfinance and microenterprise development programmes constitute a widely accepted development strategy for poverty reduction and empowerment of women. SHGs are playing important role in micro finance. Women managed self-help groups have shown remarkable growth during the last decade in India. SHGs have proved to be very versatile and their members have successfully taken up both economic and community related interventions. SHGs provide poor women an opportunity to take decisions involving themselves, their groups and their lives. Saving and credit is normally used as an entry point for formation of SHGs since it gives the members a chance to participate in decision-making and satisfies their short-term credit needs. So it is necessary to study micro finance activity through women SHGs and its effect on socio-economic empowerment of women. The study reveals the questions like, Does micro finance increase ability to save? Does it increase economic activity? Does it increase income of women? Does it increase decision power within the household? Does it increase the social status of women? Etc.

### Objectives of the study

1. To study, how does micro finance contribute in empowerment, poverty alleviation, and socioeconomic development of women?
2. Comparative analysis of socio-economic conditions of women before and after their linkage with SHGs
3. To analyze the impact of micro-finance activities on women

### Research Methodology

The research design used in this study is descriptive. The study is confined to the bank linkage women self help groups. The study use both primary and secondary data. Total 384

samples were selected from Mehsana district using simple random sampling method. Primary data on different socio-economic aspects of the women members and details of micro-financial services availed by the SHGs were collected directly from the respondents through the structured questionnaire and personal interview. In this study, simple percentage analysis, Chi-square test and K-S test has been employed to interpret. The following hypotheses were formulated for the study.

H<sub>01</sub>: There is no relationship between nature of employment and education of the respondents

H<sub>02</sub>: There is no relationship between ranks given by the members to the purpose of saving

H<sub>03</sub>: There is no association between education and frequency of involvement in decision

#### Data Analysis

**Table I: Socio-Economic profile of the respondents**

	Respondent	Percentage		Respondent	Percentage
<b>(i) Nature of Employment</b>			<b>(ii) Age of the Respondent</b>		
Self-employed	153	40%	Below 20	64	16.67%
Labour	70	18%	20-35	208	54.17%
Employed	87	23%	36-50	81	21.09%
House-wife	74	19%	51 and above	31	8.07%
<b>Total</b>	<b>384</b>	<b>100%</b>	<b>Total</b>	<b>384</b>	<b>100%</b>
<b>(iii) Education of the Respondent</b>			<b>(iv) Family Income of the Respondent</b>		
Illiterate	82	21.35%	<1000	28	7.29%
Primary School	213	55.47%	1000-5000	235	61.20%
High school	67	17.45%	5000-10,000	35	9.11%
Graduate	14	3.65%	10,000-20000	49	12.76%
Post Graduate	8	2.08%	20,000 and above	37	9.64%
<b>Total</b>	<b>384</b>	<b>100%</b>	<b>Total</b>	<b>384</b>	<b>100%</b>
<b>(v) Marital Status of the respondent</b>			<b>(vi) Religion of the respondent</b>		
Married	268	69.79%	Hindu	352	91.67%
Unmarried	38	9.90%	Muslim	32	8.33%
Widow	51	13.28%	Christian	0	0%
Divorcee	27	7.03%	Sikh	0	0%
<b>Total</b>	<b>384</b>	<b>100%</b>	Others	0	0%

Source: Field Survey

#### Inference

The above data analysis shows that majority respondents 40% and 23% are self employed and employed respectively. After joining SHG, the perception of women have been changed towards the work and they leave labor work and start their own business like garment sales Shop, tea Shop, village grocery Shop, rearing goats, purchasing milking buffalo and milking cow etc. 19% and 18% respondents were house wife and associated with labour work respectively.

Out of 384 respondents, 54.17% respondents were in the age group of 20-35 years followed by 21.09% in the age group of 36-50. It reveals that majority of the respondents say, 75.26% age is between 20 to 50 years. Age group of 51 and above constituted 8.07% of the respondents.

With regards to education of the women members, more than 50% having primary school level literacy and 21.35% were illiterate. This indicates that higher education of girls is still not given priority in rural areas. Majority of the rural parents permit girls education up to primary school because School is in their village. While only 17.45% were up to high school and only 5.73% have taken higher education.

The responses regarding monthly family income indicated that majority of the respondents (61.20%) had monthly family income is in between Rs 1000 to 5000. The 7.29% respondents had monthly family income up to Rs 1000 only while 12.76% had income in between Rs 10000-20000. Considering ever increasing price level of necessities, the real income of the respondents is too low.

Out of 384 women, more than 65% were married while 9.90% were unmarried. The Widow and Divorcee accounted for 13.28% and 7.03% respectively.

The majority of the respondents belonged to Hindu (i.e 91.67%) followed by Muslim (i.e 8.33%) There were no community of Christian and Sikh in the area of the study.

**Table II: Time duration of association with the SHG by the members**

Time Duration	Respondent	Percentage
0-6 month	58	15.10%
6-12 month	97	25.26%
> 1 year	229	59.64%
<b>Total</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

Most of the respondents association with SHGs is for more than 1 year and they are the members or leaders of the SHG for a long time. So they know much about the SHGs group process activities and benefits of it.

**Table III: Frequency of SHG Meeting**

Frequency of meeting	Respondent	Percentage
Weekly	30	8%
Fortnightly	43	11%
Monthly	311	81%
<b>Total</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

From the above table, it is inferred that majority of the SHGs (i.e 81%) arrange the meeting on monthly basis in North Gujarat region. Some self help groups also meet weekly and fortnightly which are associated with different activities and productive work. The frequency of SHG meeting is depends up on the group members activities.

**Table IV: Method used by members to take decision for the group**

Decision taken	Respondent	Percentage
By consensus	62	16.15%
By voting	251	65.36%
By leader	71	18.49%
<b>Total</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

As far as decision for the group activities are concerned, all members and leader discuss about related topics and activities in meeting and majority of the decisions are taken by voting of the members. In some of the SHGs, the decision is taken by leaders for group process and activities. The members analyze the benefits and importance of particular activity before taking decision.

**Table V: Main reasons to join SHG**

Reasons	Respondent	Percentage
Financial Constraints	91	23.70%
Savings	143	37.24%
Loans	112	29.17%
Others	38	9.90%
<b>Total</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

From the above table, it is inferred that majority of the members have joined SHGs for saving (i.e 37.24%) and financial constraints. Every month around Rs 50-100 is saved in bank by the group members and this amount is used in future as a loan when need arise.

**Ranking various purposes of saving by the members**

During, the study, it was found that the respondents generally preferred saving for various options like food security, agriculture, social occasion etc..

During the survey, the respondents were asked to rank these options and the data obtained is presented in table VI

**Table VI: Options preferred by respondents to save their money**

Rank options	No. of Respondents						Total
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	
Social occasion	89	82	84	63	26	40	384
Food security	112	101	71	33	37	30	384

Children's education	51	55	68	109	51	50	384
Health care	38	35	39	60	118	94	384
Agriculture	67	72	92	71	51	31	384
Asset building	27	39	30	48	101	139	384
<b>Total</b>	<b>384</b>	<b>384</b>	<b>384</b>	<b>384</b>	<b>384</b>	<b>384</b>	<b>----</b>

Source: Field Survey

Now, for analyzing the various options responsible for saving, ranking is done on the basis of weighted scores (Table VII). Scoring is done as per the following scale:

Rank 1 – 6 weights, Rank 2 – 5 weights, Rank 3 – 4 weights, Rank 4 – 3 weights, Rank 5 – 2 weights, Rank 6 – 1 weight.

**Table VII: Ranking of various Options**

Options	Weighted Score	Proportion (%)	Rank
Social occasion	1561	19.58	1
Food security	1664	19.07	2
Children's education	1332	17.99	4
Health care	1069	13.27	5
Agriculture	1476	18.17	3
Asset building	962	11.92	6
<b>Total</b>	<b>8064</b>	<b>100</b>	

Source: Field Survey

**Inference**

It is inferred that respondents give first rank to the social occasion followed by food security. They give third rank to agriculture, Fourth to Children education, fifth to health care and sixth to asset building. It reveals that respondents save their money for social occasion and food security. Generally poor women save their money for food first because their income is depend on daily wages of around Rs 50-100 which is depend on agriculture. Secondly, the members generally perceived saving for the social occasions like marriage of children, funeral ceremony and others. They also save their money for children education and agriculture.

**Table VIII: Loan obtained by the member**

Response	Respondents	Percentage
Yes	313	81.51%
No	71	18.49%
<b>Total</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

Microfinance provides loan to the members as and when it is required. Most of the members (i.e 81.51%) have taken loan from their SHGs. They have taken loan for different purposes like animal husbandry, agriculture, children education and Social occasions etc.

**Table IX: Purpose of loan taken by the members**

Purpose	Respondents	Percentage
Medical treatment	21	6.71%
Social occasions	76	24.28%
Children education	39	12.46%
Agriculture	57	18.21%
Animal husbandry	37	11.82%
Asset Building	21	6.71%
Income generation activities	51	16.29%
Others	11	3.51%
<b>Total</b>	<b>313</b>	<b>100%</b>

Source: Field Survey

**Inference**

From the above table, it is inferred that women have taken loan for different purposes like medical treatment, social occasions, children education, agriculture, animal husbandry, income generation activities and asset building. 24% of women have taken loan for social occasions like marriage of children, funeral ceremony or other occasions. 18% women have taken loan for purchasing seeds, fertilizers or other instruments which is useful in agriculture.

Table X: Level of understanding of members about group process and activities

		Thorough Understanding	Somewhat Understanding	No Understanding
1	Meeting calendar	41.93%	25.52%	32.55%
2	Rules & Regulations	40.89%	17.45%	41.67%
3	Information in group records	51.56%	26.30%	22.14%
4	Total capital of the group	47.14%	23.18%	29.69%
5	Total loaning of the group	48.70%	24.48%	26.82%
6	No. of members who have taken loan	56.51%	19.53%	23.96%
7	No. of members who have repaid loan	53.65%	18.49%	27.86%
8	Name of the bank	79.17%	14.32%	6.51%
9	Objectives of the group	52.34%	19.27%	28.39%
10	Achievements of the group	51.30%	16.15%	32.55%

Source: Field Survey

**Inference**

From above table, it is found that on an average 70% respondents have fully or somewhat understood about the group process and activities. All the members of the group know their bank name except some respondents. On an average 30% of respondents do not understand group process and activities because they do not attend meeting regularly.

Table XI: Availability of basic services to group members by SHG

Availability of Services	No. of Respondents	Percentage (%)
Maternity services	43	11.20%
Immunation of child	34	8.85%
Family planning	28	7.29%
AIDS awareness	32	8.33%
Pension scheme	0	0.00%
Sanitation scheme	18	4.69%
None of these	178	46.35%
Other	51	13.28%
<b>Total</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

Around 46% of the respondents replied that there are no any basic services provided except loan and saving by the self help groups. Approximately 10% of self help groups provide maternity and immunation of child services. AIDS awareness and family planning information is also provided by the group. Other services include knowledge about how to reduce alcohol drinking and smoking etc.

Table XIII: Response of the members with respect to socio-economic factors after joining SHG

Statements	Strongly Agree	Agree	Indifferent	disagree	Strongly Disagree	Expected Mean	Calculated Mean
Sending children to school regularly	189	115	44	21	15	<b>3.00</b>	<b>4.15</b>
Improved nutrition in the household	171	91	57	40	25	<b>3.00</b>	<b>3.89</b>
Taking better care of health and hygiene of their children	212	80	37	34	21	<b>3.00</b>	<b>4.11</b>

**Socio- Economic impact on Women**

Table XII: Socio-Economic effect of Micro finance on women members

Nature of Employment	Before Joining SHG		After Joining SHG	
	Respondents	Percentage	Respondents	Percentage
Self-employed	68	18%	153	40%
Labour	172	45%	70	18%
Employed	54	14%	87	23%
House-wife	90	23%	74	19%
<b>Total</b>	<b>384</b>	<b>100%</b>	<b>384</b>	<b>100%</b>
<b>Monthly Saving (In Rs)</b>				
0-50	258	67.19%	103	26.82%
50-100	72	18.75%	201	52.34%
100-200	39	10.16%	59	15.36%
>200	15	3.91%	21	5.47%
<b>Total</b>	<b>384</b>	<b>100%</b>	<b>384</b>	<b>100%</b>
<b>Involvement in Decision making</b>				
Very often	61	15.89%	202	52.60%
Sometimes	125	32.55%	153	39.84%
Never	198	51.56%	29	7.55%
<b>Total</b>	<b>384</b>	<b>100%</b>	<b>384</b>	<b>100%</b>

Source: Field Survey

**Inference**

It was observed that after joining SHGs, the women members had become habitual of saving and depositing a certain amount regularly with their respective group. Before joining SHG, majority of the women members (67.19%) had monthly saving ranged between Rs 0-50. After joining SHGs, More than 65% respondents had savings in the range of Rs 50-200. Only 5.47% of the respondents had monthly saving more than Rs 200.

45% of women were doing labor work followed by 23% house-wife before joining SHG. They feel fear for doing work outside of the village or home. Also they have not enough money or saving to start their own business. 18% of women were self employed and 14% were employed. After joining SHG, 40% of women are self-employed followed by 23% employed. Perception of women has changed towards the work and they left labor work and started their own business like garment sales Shop, tea Shop, village grocery Shop, rearing goats, purchasing milking buffalo and milking cow etc. Data analysis indicated that after joining SHGs, women nature of employment had changed and improved compared to previous nature of work.

Before joining SHGs, majority of the respondents (51.56%) were never involved in decision making in household. Only 15.89% were involved very often in decision making. But after joining SHGs, majority of the respondents (52.60%) had involved in decision making in household very often followed by 39.84% sometimes. The data analysis indicated that women involvement in decision making had improved after joining SHGs.

Improved status and increase respect within households	228	67	35	31	23	<b>3.00</b>	<b>4.16</b>
Feeling fearless, open and self-confident	237	72	30	26	19	<b>3.00</b>	<b>4.26</b>
Adopting family planning measures	120	101	67	56	40	<b>3.00</b>	<b>3.53</b>
More mobile, can move out of the house	127	112	62	54	29	<b>3.00</b>	<b>3.83</b>

Source: Field Survey

#### Inference

Here the actual mean is higher than the expected mean in all statements. This signifies that women socio-economic status has increased after joining SHG. Women feel fearless, open and self confident after joining self help groups. They can move out from houses and developing themselves.

**Table XIII: Beneficiaries of BPL and improvement in economic condition of the respondents**

	Beneficiaries of BPL Before Joining SHG		Improvement in economic condition of BPL beneficiaries after Joining SHG	
	Respondents	Percentage	Respondents	Percentage
Yes	204	53.13%	188	92.16%
No	180	46.88%	16	7.84%
<b>Total</b>	<b>384</b>	<b>100%</b>	<b>204</b>	<b>100%</b>

Source: Field Survey

#### Inference

From the above table, it is inferred that 53.13% respondents were beneficiary of BPL before joining SHG. Out of BPL beneficiaries, majority of the respondents believe that their economic condition have been increased after joining SHGs. The respondents get loan from the bank and they start income generating activities like animal husbandry and guruh udhyog etc..

#### Test of hypothesis

##### 1. Relationship between nature of employment and education

$H_0$ : There is no relationship between nature of employment and education

$H_1$ : There is relationship between nature of employment and education

	Illiterate	Primary	High school	Graduate	Post graduate	Total
<b>Self-employed</b>	19	93	32	6	3	<b>153</b>
<b>Employed</b>	7	32	24	4	3	70
<b>Labour</b>	26	55	6	0	0	87
<b>Housewife</b>	30	33	5	4	2	74
	<b>82</b>	<b>213</b>	<b>67</b>	<b>14</b>	<b>8</b>	<b>384</b>

**Table XV: relationship between nature of employment and education**

Total i.e =  $\sum (O_i - E_i)^2 / E_i$

Calculated value = 61.24, Degree of Freedom =  $(r-1)(c-1) = (4-1)(5-1) = 12$ , then the Table value for 5% level of significance is 21.026. As the calculated value (61.24) is more than the table value (21.026). So Null hypothesis can be rejected and conclude that there is relationship between nature of employment and education

##### 2. Relationship between ranks given by the members to the purpose of saving

$H_0$ : There is no relationship between ranks given by the members to the purpose of saving

$H_1$ : There is relationship between ranks given by the members to the purpose of saving

**Table XVI: relationship between ranks given by the members to the purpose of saving**

Rank / Purpose of saving	Total weighted Score	Weighted Average (O)	E = 1/6	O-E
Social Occasion	1579	4.11	0.17	3.94
Food security	1538	4.01	0.17	3.84
Children's education	1451	3.78	0.17	3.61
Health care	1070	2.79	0.17	2.62
Agriculture	1465	3.82	0.17	3.65
Asset building	961	2.50	0.17	2.33
Total Score	8064		K- S calculated value	19.99

Source: Calculated data

K-S calculated value = 19.99. The Table value for 5% level of significance is 0.0694 (Table value formula:  $-1.36 / \sqrt{n}$ ). As the calculated value (19.99) is more than the table value (0.0694). So Null hypothesis can be rejected and conclude that there is relationship between ranks given by the members to the purpose of saving

##### 3. Relationship between nature of employment and education

$H_0$ : There is no association between education and frequency of involvement in decision

$H_1$ : There is association between education and frequency of involvement in decision

Table XVII: Association between education and frequency of involvement in decision

Involvement in Decision/ Education	Illiterate	Primary	High school	Graduate	Post graduate	Total
Very often	24	89	44	12	7	176
Sometimes	19	46	16	1	1	83
Never	39	78	7	1	0	125
Total	82	213	67	14	8	384

$$\text{Total i.e} = \sum (O_i - E_i)^2 / E_i$$

Calculated value = 43.42, Degree of Freedom = (r-1)(c-1) = (3-1)(5-1) = 8, then the table value for 5% level of significance is 15.51. As the calculated value (43.42) is more than the table value (15.51). So Null hypothesis can be rejected and conclude that there is association between education and frequency of involvement in decision

### Conclusion

The overall conclusion that emerges from this study is that the most of the women members have joined SHGs for saving and financial constraints. The respondents save their money for mainly social occasions, food security and agriculture purpose. Majority of the respondents have taken loan from the bank and main purpose of this loan is social occasion and agriculture. Data analysis indicated that after joining SHGs, women nature of employment had changed and improved compared to previous nature of work. Perception of women has changed towards the work and they started their own business like garment sales Shop, tea Shop, Village grocery Shop, rearing goats, purchasing milking buffalo and milking cow etc. The study reveals that most of the respondents involved in decision making in household after joining SHG. The women socio-economic status has increased after joining SHG. Women feel fearless, open and self confident after joining self help group. From the study, it is reveals that the majority of the respondent's economic condition has also been increased after joining SHG. It can be concluded that there is positive impact of micro finance activity on socio-economic indicators of women members.

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