

Impact of Self Help Group in Benefiting the Low Income Segment

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Abstract

The role of SHG in providing financial assistance is evaluated. This study is to analysis whether the lower segment group is enjoying the benefits of SHG. The data used for analysis purpose is primary in nature. Tool used for testing the hypothesis is Spearman's correlation coefficients. It is concluded that the low income segment are enjoying the benefit of SHG.

Keywords:

Self-help group, Poverty, Financing, Financial exclusion

Introduction

Alleviation of poverty, for a long time, has remained a very complex and critical concern among the third world countries. It has been at the top of agenda of policy planners and development specialists and a lot have been written on the subject right from the days of Adam Smith's "Wealth of Nations" (1776) to Prof. Amartya Sen's "Public Action to Remedy Hunger". Today, it virtually demotes the core of all development effort. Though conventionally identified with subsistence level of living-linked to lack of adequate food- it is now widely accepted that the problem of poverty is more deep rooted covering several interlocked aspects such as asset less, underemployment, uncertain and relatively unproductive employment, remuneration, lack of bargaining power, economic vulnerability, illiteracy, proneness to disease, social disadvantage and political powerlessness.

The most commonly used approaches for combating poverty are: canalization of foreign aid and donations through Government agencies and Non-governmental organizations; formulation and implementation of poverty alleviation programmes and schemes by Central and State Government. These approaches have utterly failed in poverty alleviation due to limited funding support, on time support, inefficiencies, leakages and insincerity in the execution process, target orientation, inflexibility, lack of understanding of conditions and needs of poor households and non-promotion of self development through the involvement of community based associations, among others. So, these approaches lacked sustainability.

Financial Exclusion

Apart from the rigid rules and conditions of bank credit system, which cannot be satisfied by the poor owing to their asset less and variable and uncertain income conditions, the wrong perceptions of bankers are also reasons that the poor are not bankable and small loans are not viable. All these contributed to the exclusion of the poor from the financial system.

Poverty in India

As a result, NSS data shows that there was no decline in the absolute number of poor in India between 1983-84 and 1993-94. It was 324.24%. In this context 11 years up to 2004-05, the last five years of this period than the earlier period may be attributed to better economic growth and micro-finance having picked up momentum. However, the sheer size of population in the country could indicate that about 260 million people still subsist below poverty line, even if one were to go by the official estimates.

Micro Finance – Concept

Typical microfinance clients are poor-low income people who do not have access to other formal financial institutions. Microfinance clients are usually self-employed, household-based entrepreneurs. Their diverse “micro enterprises” include small retail shops, street vending, artisan manufacture, and service provision. In rural areas, micro entrepreneurs often have small income-generating activities such as food processing and trade, and farmers.

Hard data on the poverty status of clients is limited, but tends

to suggest that most micro-finance clients fall near the poverty line, both above and below. Households in the poorest 10% of the population, including the destitute are not traditional micro-credit clients because they lack stable cash flows to repay loans. Most clients below the poverty line are in the upper half of the poor. It is clear, however, that some MFIs can serve clients at the higher end of the both half. Women often comprise the majority of clients.

Objectives of the study

The primary objective of the study is to analyze the impact of self help group as an empowering tool in benefiting the low-income segments.

The secondary objectives are;

- ❖ To study the purpose of getting loan
- ❖ To analyze the transparency in the operations of SHGs
- ❖ To test the availability of loan
- ❖ To know in what way the loan to SHG through microfinance is better than that of the other sources.

Methodology of the study

The population of the study consists of 100 members of Self Help Groups operating in Puducherry, Union Territory. The data has been collected from primary as well as secondary sources. The primary data has been obtained from respondents through designed Interview schedule. The secondary data has been collected from Internet, e-journals and published periodicals.

Table 1
Sample Population for the Study

Category	Name of SHG	No. of Respondents
Group I	Vasantham sri mohanalakshmi	20
Group II	Sri rubalakshmi	20
Group III	Sri Balakumaran	20
Group IV	Sri Kanniya lakshmi	20
Group V	Sri Tamilazhagu	20
Total		100

Hypothesis

H₀: “There is no significant relation between joining self help group schemes and enjoying benefits for low income group.”

H₁: “There is significant relation between joining self help group schemes and enjoying benefits for low income group.”

Demographic characteristics

Demographic characteristics include gender, age, education, occupation, monthly family income, and family size. In this study gender, age and education hence been considered. Table 2 states the demographic characteristics of respondents.

Table 2
Demographic Characteristics of Respondents

Characteristics	No. of Respondents	Percentage
Gender		
Female	100	100
Age		
<16-25	8	8
26-35	34	34
36-45	23	23
46-55	27	27
>56	8	8
Education		
<SSLC	51	51
SSLC	33	33
HSC	3	3
>=Degree	13	13

Gender

Table 2 clearly indicates that cent per cent of the respondents are females. It indicates that micro finance is extensively concentrating on household women who have leisure time to do something worthwhile, but do not have the financial assistance and belong to poor weaker section of the society.

Age

Table 2 indicates that 57 per cent of the respondents fall in

the age group of 26-45. It clearly indicates that age is not the basis for SHG membership, any person who is unemployed can join in the SHG.

Education

Table 2, also indicates that 84 per cent of the respondents fall in the low education level, which is SSLC and the less than SSLC. It shows that the members do not have jobs due to low educational qualification. It states that SHG is not based on the educational qualification.

Table 3
Availability of Loan Facility and Loan Taken at SHGs

Loan Percentage	Opinion	No. of Respondents	
Availability	Yes	100	100
	No	00	00
Taken	Yes	100	100
	No	00	00

The main idea of forming SHGs is to mobilize small savings from members and grant it as loan for members who are in need. Table 3 shows that the loan facility is available for all members and there are no restrictions on taking loan.

Table 4
Purpose of loan

Purpose	No. of Respondents	Percentage
Education	15	15
Self-Employment	58	58
Family Expenses	27	27

Most of the SHG members are in low income segment. Table 4 states that 27 per cent of the members utilize the loan amount for running their family and 58 per cent of the members have taken loan for productive purpose.

Table 5
SHGs Members taken Bank Loans

Loan Taken	No. of Respondents	Percentage
Yes	03	3
No	97	97

97 per cent of the SHG members have not taken loan from commercial banks. In other words, banks would grant loan for the applicants who can give security. Members of SHGs are poor who cannot afford to give security and not be able to access the bank loans.

Table 6
Procedures for Granting Loan under SHG and Bank

	Opinion	No. of Respondents	Percentage
Bank	Easy	1	33
	Difficult	2	67
SHG	Easy	100	100
	Difficult	00	00

Out of 100 SHG members only 3 members have taken loan from banks also, of which 67 per cent of them opined that the procedures adopted by the banks for granting loans is

difficult when compared to SHG. In other works, SHG process of loan sanction is easy. That is 100 per cent of them opined that the procedures of SHG's loan sanction is easy.

Table 7
Interest Rate on Loan Sanction by SHGs when Compared to Band Interest Rate

Opinion	No. of Respondents	Percentage
Low	100	100
High	0	0
Same	0	0

It is clear that the interest rate charged by SHGs is less than that of the Bank loan interest.

Table 8
Repayment of Loan Amount before the Due Date

Opinion	No. of Respondents	Percentage
Yes	100	100
No	0	0

It is good to see that cent per cent of the respondents have repaid the loans before the due date.

Table 9
Transparency in the operations of SHGs

Opinion	No. of Respondents	Percentage
Yes	100	100
No	0	0

Table 9 shows that there is cent per cent transparency in the operations of SHGs and it has brought confidence and interest among the members.

Table 10
Members Benefited through SHGs

	Sample Size	Opinion		Percentage	
		Yes	No	Yes	No
Group I	20	20	0	100	00
Group II	20	19	1	95	05
Group III	20	20	0	100	00
Group IV	20	18	2	90	10
Group V	20	15	5	75	25
Total	100	92	8	92	8

Table 11

			ration card	Are you benefited in joining the SHG scheme
Spearman's rho	ration card	Correlation Coefficient	1.000	-.272**
		Sig. (2-tailed)	.	.006
		N	100	100
Benefiting through SHG		Correlation Coefficient	-.272**	1.000
		Sig. (2-tailed)	.006	.
		N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Table 11 shows the correlation between low income segment and SHG. It exhibits that SHG is negatively significant with ration card (-.272) at 1% level. The result indicates that the low income segment is benefited through SHG.

Testing of hypothesis

“There is no significant relations between joining self help group schemes and enjoying benefits for low income group” – Rejected.

Therefore the alternative hypothesis is accepted that “there is significant relation between joining self help group schemes and enjoying benefits for low income group”.

Findings

From the above analysis and interpretation, the following findings have been extracted.

- ❖ Micro financing is extensively concentrating on household women who have leisure time and wants to utilize it in proper way.
- ❖ Age and education are not the basis for joining in SHG.
- ❖ Most of the members of the SHG are with low qualification such as <SSLC and SSLC. Since they don't have job, they are joining SHG and do some productive thing.
- ❖ It is easy to get loan in SHG when compared to bank loan.
- ❖ Most of the members don't worry about the interest rate; the only thing is the procedure in bank loan is very huge process.
- ❖ There is no discrimination among the members in SHG. Everyone gets equal chance in getting loan.

- ❖ From the loan amount 56% of members utilize for self-employment and 27% of members used it for repaying their outside debt.

Suggestions

Suggestions is based on the primary data and the discussion with the members of the self help groups, are listed herein-

- ❖ There should be a proper training to the SHG members in utilizing their loan.
- ❖ Some of the SHG dissolves their group within 5 years due to improper guidelines. Necessary measures should be taken to overcome it.
- ❖ The head of the SHG opinion that when they are going for loan to bank, they are not treated well. The officers are treating them partially. This behavior should be corrected by the respective authority.

Conclusion

The SHG is operating in a successful manner. It is helpful to the poor segment. The upper class people are not much interested in joining the SHG, only the lower class and the lower middle class people are interested in joining the SHG. Their main purpose for joining the SHG is to obtain the financial facilities provided and their purpose of joining the SHG is very much fulfilled. Hence, the lower segment is benefited through the SHG.

References

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