

SHIV SHAKTI

International Journal in Multidisciplinary and Academic Research (SSIJMAR)

Vol. 1, No. 3, September-October (ISSN 2278 - 5973)

SELF HELP GROUPS AND MICRO-FINANCE THROUGH BANK LINKAGE

A STUDY OF COASTAL WOMEN COMMUNITY IN KERALA

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Abstract

The poor, especially the rural community, has found it extremely difficult to locate alternate sources of income and employment opportunities, in the wake of their inadequate financial credibility. But the recent economic perspectives on development have pointed towards the importance of micro finance in the empowerment of the rural community. One method of access to micro finance by the rural community, rural women in particular, is the Self Help Group-Bank linkage programme, where banks provide finance to the groups for undertaking economic activities. Thus the programme provides access to associations of rural women, who, otherwise un-united, would have found themselves not eligible for bank finance. It is expected that the access of such institutional credit would bring in social, personal and financial empowerment of rural women. The present paper is an evaluation of the findings of the study undertaken to reveal the efficacy of SHG-bank linkage programme in rural women empowerment.

Key Words: Self Help Group, Micro-finance, Bank-linkage

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SELF HELP GROUPS AND MICRO-FINANCE THROUGH BANK LINKAGE

A STUDY OF COASTAL WOMEN COMMUNITY IN KERALA

Introduction

Without personal assets, paid or self employment, the world's poor has found it exceptionally grueling to generate sustainable income opportunities. Where commercial financial lending demands collaterals to acquire credit, their unenviable and impoverished circumstances render the impoverished so incompetent to access external financial support mechanisms.

Micro finance has increasingly begun to be seen as a contributor to the reduction of poverty in developing countries, by creating opportunities for the poor to engage in economic and productive activities [UNESCO 1997]. The concept of micro-finance involves the accessibility to collateral-free loans from financial institutions by small groups or associations of poor individuals. The membership fee collected by the group is deposited in banks as savings, which in turn imparts eligibility to these groups to access institutional financial assistance.

Micro finance schemes are particularly targeted towards poor and rural women, who are often faced with discrimination not only by financial institutions, but also within their own households. The provision of micro financial assistance to women, on one hand can increase their household wealth through income generating activities initiated through such assistance, and on the other, can empower women. Empowerment of rural women through micro finance does not limit itself to financial empowerment through improvements in income, savings and living conditions and improvement in financial management capability and financial security. This is where the mechanism through which these rural women graduate themselves for accessing micro finance comes into the foray. One form of such micro finance mechanism, particularly popular in Kerala, is the Self-Help Group [SHG].

Self Help Groups were organized under the initiatives of the National Bank for Agriculture and Rural Development [NABARD] and the directions of the Reserve Bank of India. Promoted by the governments as well as non-governmental organizations, it is group of rural poor, particularly women, who have volunteered to organize themselves into a group for eradication of poverty of the members through collective internal savings and access to external credit. Access to external credit is achieved through SHG-bank linkage, based on group solidarity instead of formal collateral.

Under the SHG-bank linkage programme, each self-help group is linked with a bank – a rural, co-operative or commercial bank – where the group account is maintained. Over time the bank begins to lend to the group as a unit, without collateral, relying on self-monitoring and peer-pressure within the group for repayment of these loans.

These linkages were designed not just as a strategy for poverty alleviation through financial empowerment, as was earlier pointed out. It was designed to be a vehicle by which rural women could achieve social, personal and political empowerment as well. Improvements in confidence levels, independence, mobility, decision-making capability and increased acceptance within the family were considered to be pointers towards personal empowerment. It was also anticipated that the rural women could accomplish social empowerment through micro finance, epitomized by improvements in organizational, interactive and public speaking skills, group cohesiveness, increased awareness on rights, social problems, increased acceptance in the society and participation in social activities. Rural women can successfully empower themselves against social evils like alcoholism, domestic violence, abuse and exploitation, gender bias and social exclusion.

The SHG model of micro finance has been accepted as being popular among the bankers who have seen its potential. The SHG-bank linkage programme in micro finance is

identified to work better where the credit culture is not severely damaged, particularly in Southern parts of India [Srinivasan and Sriram 2003]. Hashemi, Schuler, and Riley (1996) found that membership in Grameen Bank has a significant positive effect on empowerment by contrasting program villages with non-program villages. Studies have also shown that the presence of micro finance programmes for women can increase the empowerment of landless women, whereas such programmes for men can have a negative effect [Pitt, Khandker and Cartwright, 2006].

It is against this backdrop that the present study was undertaken to identify the perception of the SHG members regarding the extent of empowerment they have achieved through access to micro finance enabled by the SHG-bank linkage.

Methodology of Study

Exploratory Research Design is used for the study. The present study was undertaken during the period of June to September of 2011. The study was conducted in the district of Alappuzha, in the State of Kerala. Alappuzha is the most densely populated district in the state. It has a very high sex ratio of 1079 females per 1000 males. It has a coastline of 821 kilometers.

The district has six taluks. Cherthala taluk, with 20 villages, formed the locale of the study. Cherthala accounts for the largest area with 340.44 square kilometers and a population of 4,78,000. Rural population in the taluk comes to a very high 67.5 per cent. Three villages, namely Kuthiathodu, Thuravoor South and Aroor were selected to form the sample. The villages are very distinctive on account of its location in the coastal belt. Thus the study was narrowed down to the various women-Self Help Groups formed and functioning within the coastal locale.

Personal visits were conducted to a number of such SHGs, with a view to further narrow down the number of SHGs to be subjected to study. Giving due consideration to important

facts like category [on basis of formation of SHG], conduct of commercial activities [groups conducting and not conducting activities], representativeness of different religious community of the locale population etc, 18 Self Help Groups were finally selected, on stratified sampling basis, as final sample groups. Three strata into which groups were divided included groups sponsored by Kudumbasree, groups sponsored by NGOs, and groups sponsored by other types [religious, caste, local movements etc.]. There were 5 groups under Kudumbasree category, 7 under NGO-sponsorship and 6 under the other category.

The study predominantly depends on Primary Data. Attempt was made to elicit response from at least ten members of each of the selected 18 SHGs. However, in very rare cases, where members were not accessible after repeated attempts, one or two members were dropped from the list of respondents. Accordingly, the number of respondent members was 43 from the first strata, 59 from the second and 51 from the third, totaling 153. Three responses [one from the first and two from the second strata] were excluded from analysis for being incomplete. Thus, the final sample size came to 150, made up of 42 members of SHGs sponsored by Kudumbasree, 57 of groups sponsored by NGOs and 51 of groups sponsored by other types. Primary data were collected by employing a structured questionnaire. The questionnaire was pre-tested on an initial sample of 20 members for validity and consistency. The initial sample was later included in the final sample.

Findings of the Study

The following form the major findings of the study:

1. Social and Economic Profile of the Respondents:

Out of the total, 76.0 per cent of the respondents were married, while 10 per cent were single and 6 per cent were widowed. As regards the education of the respondents, 26 per cent had education up to +2, while 22 per cent were graduates. The rest included 15.3 per cent who had studied till the fifth standard. Occupational status of the respondents revealed that 30 per cent were self-employed, 22.7 per cent were housewives, 16 per cent were

salaried and 12.7 per cent were daily labourers. As regards the monthly income, 36 per cent of the respondents belonged to the income category of Rs. 2,000 - Rs. 3,000, while 30 per cent belonged to below Rs. 1,000 and 21.3 per cent to Rs. 1,000 - Rs. 2,000 category.

The economic status of the respondents revealed that only 4.7 per cent and 4 per cent each did not own any landed property and house, respectively. In case of financial savings and deposits, 59.3 per cent of the respondents did not have it, while 60.7 per cent of them owned no valuables or ornaments.

2. Motivations for joining SHG

The study identified that the major motivators for the respondents in joining SHGs were their friends [26.7 per cent], neighbours [24.0 per cent], personal interest [20.0 per cent], NGO officials [15.3 per cent], and other SHG members [14.0 per cent]. Refer to Table 1.

It was revealed that easy access to loans [58.3 per cent], development of skill sets [52.7], participation in economic activity [52.7 per cent], inculcation of savings habit [50.0 per cent], opportunity of social interaction [47.3 per cent] and participation in social activity [25.3 per cent] were among the major motivational factors behind the joining of the SHGs. Details are given in Table 2.

3. Nature of Operations and Group Characteristics of SHGs

Regarding the nature of operations of their SHGs, the respondents reported existence of bank linkage [85.3 per cent], denial of access to books of accounts [80.7 per cent], conduct

of regular meetings [78.7 per cent], improper maintenance of attendance register [56.7 per cent], occurrence of member drop-outs [55.3 per cent], improper maintenance of books of accounts [49.3 per cent], and occurrence of conflicts [48.7 per cent]. See Table 3 for details.

The opinion of the respondent SHG members regarding the nature of operations of their group revealed that feelings of trust among the group members [66.0 per cent] and group interaction between members [52.0 per cent] existed at high levels. Nearly 62.7 per cent of respondents were highly satisfied about the operations of SHGs. Leadership qualities and accountability existed at medium levels for 67.3 per cent and 46.7 per cent respectively. As regards transparency of operations, nearly 71.3 per cent agreed with medium to low levels of existence of transparency. Group cohesion was medium according to 62.7 per cent. Refer Table 4 for results.

4. Personal Empowerment after joining SHG

Personal empowerment achieved by the respondents after joining the SHGs was identified as being composed of improvements in confidence [62.0 per cent], decision-making capability [68.0 per cent], and mutual respect [47.3 per cent] at high levels, and independence [60.0 per cent], mobility [38.0 per cent], self-respect [56.0 per cent], and family acceptance [37.3 per cent] at medium levels. For 31.3 per cent, family acceptance, for 28.0 per cent, mobility and for 18.0 per cent, self-respect improved only by low levels. See Table 5[i].

The Factor Analysis performed indicated that Decision Making Capability, Confidence and Mutual Respect were the factors, which best explains the level of personal empowerment achieved. Results are provided in Table 5[ii].

5. Social Empowerment after joining SHG

Social empowerment as achieved by the respondents after joining the SHGs were identified to be composed of improvements in participation in social programmes [61.3 per cent high improvement level and 38.7 per cent medium improvement level], organisational skill [66.0 per cent high and 28.0 per cent medium], interactive skills [48.0 per cent high and 52.0 per cent medium], group cohesiveness [42.7 per cent high and 57.3 per cent medium], awareness on social problems [47.3 per cent high and 43.3 per cent medium] , membership in other organizations [47.3 per cent high and 29.3 per cent medium], acceptance by society [36.7 per cent high and 42.7 per cent medium], public speaking skills [28.7 per cent high and 48.0 per cent medium] and awareness on rights [42.7 per cent low and 37.3 per cent medium]. See Table 6[i].

The Factor Analysis extracted Organizational Skills, Participation in Social Programmes, Interactive Skills, and Group Cohesion as the factors most explaining the variations in social empowerment of the respondents. Details are provided in Table 6 [ii].

6. Financial Empowerment after joining SHG

Financial empowerment achieved by the respondents after joining the SHGs were identified to be composed of improvements in income [85.3 per cent high improvement and 10.7 per cent medium improvement], financial security [56.0 per cent high and 23.3 per cent medium], financial management capability [48.7 per cent high and 33.3 per cent medium], living conditions [46.0 per cent medium and 39.3 per cent high], savings [76.0 per cent medium and 24.0 per cent high], and expenditure [61.3 per cent medium and 23.3 per cent high]. Table 7 [i] gives details.

The Factor Analysis results extracted Improvement in Income, Enhancement of Financial Security, and Financial Management Capability as the factors that resulted in variations in financial empowerment. Details are given in Table 7 [ii].

7. Micro-Finance through SHGs

The study also identified that nearly 58.7 per cent of the respondents depended on their income for sources of finance, while 52.7 per cent depended on moneylenders for external financing sources. It was also found out that 74.7 per cent of the respondents depended on SHG loans provided through the bank linkage programme as a source of finance. Among the 74.7 per cent of the total respondents who had availed of the loan facility of the SHG-bank linkage programme, 82.14 per cent utilized a part of the loan amount for their children's education, while 56.25 per cent utilized it for agricultural purposes and 43.75 per cent utilized it for marriage purposes of family members. Use of the micro finance for income generating purposes such as animal husbandry or poultry and small business ventures were limited to 11.61 per cent and 45.54 per cent, respectively. Another 34.82 per cent of the respondents employed a part of the money for repayment of other existing loans.

Conclusion

Self Help Groups of rural women can form the heart of community development activities. The pooling of minuscule and individual financial savings of the members through group activities can act as a strong back-bone for women empowerment. Supplemented by the linkages of the self help groups with banks, thereby enabling micro-credit facilities, the financial power of these rural women gets substantially increased.

The present study evidences the existence of strong linkages of the SHGs with banks. The very reason of members, as opined by them, in joining the group is the improved chances of accessibility to loans. Also the opportunity to undertake economic activities through group efforts, and the concomitant learning of entrepreneurial and technical skill sets act as motivators for group membership. Thus, there exists strong positive relation between the reasons for joining the group, and the existence of bank linkages. The strong bank linkage that exists, can visibly enhance the opportunity of members to access loans, undertake economic activities, and develop skills.

On the realistic aspect, it is also found that the members still depend enormously on indigenous money lenders, forcing high interest payments. The high incidence of bank linkage and accessibility to finance through SHGs is still not relieving the rural population from the clutches of money lenders and exorbitant interest rates. It points to the important fact of insufficiency of funding through the bank linkage programme. Thus, the SHG-driven micro-finance may suffer from serious limitations, reducing its positive impact on empowerment. The lack of transparency in the SHG activities, and inaccessibility to official records may further hinder the effectiveness of the movement.

Probably, the most disappointing fact relating to financial access is the limited employment of SHG credit facilities for economic and other income generating activities. Use of finance for entrepreneurial activities is deplorably low. The vagaries of indebtedness can only increase by using SHG credit facilities for refinancing pre-existing loans or for financing marriages.

Thus, what emerges from the present study is a gloomy state of SHGs and its access to micro-finance. Insufficiency of finance, lack of transparency in activities, and poor use of finance for productive, income-generating activities act as a limiting factor in achieving the intended empowerment.

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Table 1
Motivators for joining SHG

Motivators	No.	Per Cent
Friends	40	26.7
Neighbours	36	24.0
Personal Interest	30	20.0
NGO Officials	23	15.3
Other SHG Members	21	14.0
TOTAL	150	100.0

Source: Primary Data

Table 2
Reasons for joining SHG

Reasons	No.	Per Cent
Easy Access to Loans	87	58.0
Development of Skill Sets	79	52.7
Participation in Economic Activity	79	52.7
Inculcation of Savings Habit	75	50

Opportunity of Social Interaction	71	47.3
Participation in Social Activity	38	25.3
TOTAL	353	--

Source: Primary Data

Table 3
Nature of Operations of SHGs

Operations	Yes		No	
	No.	Per Cent	No.	Per Cent
Bank Linkage	128	85.33	22	14.67
Regular Meetings	118	78.67	32	21.33
Dropouts from SHG	83	55.33	67	44.67
Accounts Books	76	50.67	74	49.33
Conflicts	73	48.67	77	51.33
Attendance Register	65	43.33	85	56.67
Access to Books	29	19.33	121	80.67

Source: Primary Data

Table 4
Opinion on Group Characteristics of SHG

Group Characteristics	Level of Characteristics					
	HIGH		MEDIUM		LOW	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Trust between Members	99	66.00	28	18.67	23	15.33
Interaction	78	52.00	66	44.00	6	4.00
Satisfaction	94	62.67	20	13.33	36	24.00
Leadership	43	28.67	101	67.33	6	4.00
Cohesion	43	28.67	94	62.67	13	8.67
Accountability	52	34.67	70	46.67	28	18.67
Transparency	28	18.67	79	52.67	43	28.67

Source: Primary Data

Table 5 [i]
Personal Empowerment of SHG Members

Personal Empowerment	Extent of Empowerment					
	HIGH		MEDIUM		LOW	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Confidence	93	62.00	57	38.00	0	0.00
Independence	33	22.00	90	60.00	27	18.00
Decision-making	102	68.00	48	32.00	0	0.00
Mobility	51	34.00	57	38.00	42	28.00
Self respect	39	26.00	84	56.00	27	18.00
Mutual respect	71	47.33	52	34.67	27	18.00
Family Acceptance	47	31.33	56	37.33	47	31.33

Source: Primary Data

Table 5 [ii]
Total Variance Explained: Factor Analysis
Personal Empowerment of SHG Members

Component	Initial Eigenvalues			Extraction of Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.049	29.267	29.267	2.049	29.267	29.267
2	1.917	27.384	56.651	1.917	27.384	56.651
3	1.045	14.924	71.574	1.045	14.924	71.574
4	0.783	11.190	82.764			
5	0.514	7.340	90.105			
6	0.428	6.114	96.219			
7	0.265	3.781	100.00			

Extraction Method: Principal Component Analysis

Source: Generated by SPSS

Table 6 [i]
Social Empowerment of SHG Members

Social Empowerment	Extent of Empowerment					
	HIGH		MEDIUM		LOW	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Organizational Skill	99	66.00	42	28.00	9	6.00
Group Cohesiveness	64	42.67	86	57.33	0	0.00
Interactive Skill	72	48.00	48	32.00	0	0.00
Public Speaking	43	28.67	72	48.00	35	23.33
Awareness on Rights	30	20.00	56	37.33	64	42.67
Awareness on Social Problems	71	47.33	65	43.33	14	9.33
Acceptance in Society	55	36.67	64	42.67	31	20.67
Participation in Social Programmes	92	61.33	58	38.67	0	0.00
Membership in Other Organizations	71	47.33	44	29.33	35	23.33

Source: Primary Data

Table 6 [ii]
Total Variance Explained: Factor Analysis
Social Empowerment of SHG Members

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.376	26.4	26.4	2.376	26.4	26.4
2	1.645	18.27	44.67	1.645	18.27	44.67
3	1.597	17.74	62.42	1.597	17.74	62.42
4	1.138	12.64	75.06	1.138	12.64	75.06
5	0.914	10.15	85.21			
6	0.535	5.99	91.20			
7	0.360	4.00	95.16			
8	.0253	2.82	97.98			
9	0.182	2.02	100.00			

Extraction Method: Principal Component Analysis

Source: Generated by SPSS

Table 7 [i]
Financial Empowerment of SHG Members

Financial Empowerment	Extent of Empowerment					
	HIGH		MEDIUM		LOW	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Income	128	85.33	16	10.67	6	4.00
Savings	36	24.00	114	76.00	0	0.00
Financial Management	73	48.67	50	33.33	27	18.00
Living Conditions	59	39.33	69	46.00	22	14.67
Expenditure	35	23.33	92	61.33	23	15.33
Financial Security	84	56.00	35	23.33	31	20.67

Source: Primary Data

Table 7 [ii]
Total Variance Explained: Factor Analysis
Financial Empowerment after joining SHG

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.799	29.975	29.975	1.799	29.975	29.975
2	1.395	23.250	53.226	1.395	23.250	53.226
3	1.015	16.922	70.148	1.015	16.922	70.148
4	0.921	15.352	85.50			
5	0.609	10.144	95.644			
6	0.261	4.356	100.00			

Extraction Method: Principal Component Analysis

Source: Generated by SPSS