

Impact of Self Help Group Activities concerning Microfinance for Economic Sustainability and Growth – An Empirical Study in Ludhiana

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Abstract:

For sustainable growth, Micro Finance through Self Help Groups promise to deliver poverty alleviation and results in Financial Inclusion. The objective behind is to make the members (women) of self help groups self dependent, self reliable and confident enough to solve their problems. The self help group inculcate the habit of saving among women, so that they can reinvest in entrepreneurial activities. This paper attempts to examine the role of micro finance in poverty alleviation by encourage the savings, access to loan by bank linkages across Ludhiana the major district of Punjab. The primary data has been collected with the help of structured questionnaire and secondary data through journals, magazines and websites.

Keywords: Micro Finance, Financial Inclusion, SHG, Women

I. INTRODUCTION

The major problems faced by any developing country are of poverty and unemployment. India is also a developing country facing the same problem. Dr. Mohammad Yunus came up with an idea of micro financing through Self Help Groups as a major tool for poverty alleviation and rural development. Ours is a male dominating society and women has always been considered a weaker sex by discriminating them in every sphere of life whether being a social life, economic life or family life. Micro finance through SHG helps in shaping the future of women by giving the economic power in their hands. Self help group is formed by 10-20 people especially women meeting weekly/fortnightly/monthly who pools in the money for some productive purpose, open bank account in the name of group, arrange loans, conduct savings etc. These loans may be used in entrepreneurial activities which help in transforming the lives of women which leads to lesser dependence on men.

Review of Literature

- Kumar (2010) while comparing the differences in quality of SHGs between SHGs under the umbrella of federations and other SHGs which are not part of federation observes that federation type SHGs are functioning well. He assesses the quality of SHGs by using NABARD CRI and also advised all banks to access the quality of SHGs using the CRI before every credit linkage.
- Roy (2007) undertaken quality assessment of SHGs in West Bengal and this was done by using twenty indicators like group meeting, members' participation, group discipline, savings, micro-credit, financial management, economic and social initiatives and linkages with institutions.
- Sahu (2010) assessed the quality of SHG in Northwest India based on the 13 indicators Thus, in group formation, homogeneity in economic status should be given weightage. Continuity in the perusal of social causes and issues, group processes, and other social parameters should be considered while fixing determinants of group quality.
- Study by Okibo and Makanga (2014) found that microfinance institutions are useful tools for poverty reduction. It has improved the standard of living of clients.
- Berhane and Gardebreek (2012) attempted to assess the long term impact of microfinance and found that participants had benefited in terms of broader socio-economic aspects, such as health and education of their children and long-term participants enjoyed relatively higher average annual consumption than short-term participants.

Need of the study

There is no in-depth work done on women empowerment and microfinance with reference to SHGs; it was found that a lot of research work has been done in Southern Region of India. But as far as Punjab is concerned, there is lack of research. So, this study will be focused on Ludhiana one of the major districts of Punjab where microfinance industry is still in the emerging stage and not much research work has been done to assess the impact of microfinance on women's lives residing in Punjab.

Objectives of the study

1. To study the socio-economic profile of SHG women and to analyse the reasons for joining SHG.
2. To study the change in income level, family expenditure and savings before and after joining self help groups.

II. RESEARCH METHODOLOGY

The study has been conducted in Ludhiana, one of the major districts of Punjab between January 2015 to March 2015. Total of 30 SHGS is selected for the present study. Simple Random sampling has been used, out of 30 SHGs, 5 members from each group has been selected. A pre tested and structured questionnaire was formed for the collection of data. In addition secondary data has been taken from journals, internet and magazines. Different statistical tools such as percentage, chi-square test is applied on the data.

Table 1 is the demographic profile of the members. Table 2 represents the Income status of members before and after joining self help groups. Table 3 shows the family expenditure of each member's household. Table 4 represents the saving pattern of the members before and after joining SHGs. Table 5 shows the purpose of taking loans and Table 6 represents the repayment behavior of the members who have availed loan facility.

I Demographic Profile

Table 1 represents the demographic profile of self help group members which only consists of women members. In terms of age major portion of members lie in the age group of 18-30 years followed by the members of age group between 31-45 also actively participate in socio-economic activities. The aged members between 46-60, 60 and above also involve themselves in the activities and discussions held within the group. Education is not a matter of concern to be the members of the group, 43.33% of respondents had basic primary level education, 20% having their educational level at middle level and the other side is that 30% of the women are illiterate. A very few members of self help groups have their qualification of secondary level and above who manage the finances of the whole group. Major chunk of respondents are involved in the labour work i.e. 67%. 40% of women are housewives and 23% are engaged in the service sector. Only few women members i.e. 13.33% are into farming. The analysis shows that 52% women who are the part of self help groups are married, 23.33% are widow and 14.66% are divorcee who wants to be self dependent and self reliable and unmarried women are also engaged into the activities held at SHG level which shows the percentage of 10.01%.

Table 1: Demographic Profile of members of Self Help Groups

Determinants	Measuring Groups	No. of Members	Percentage to total
AGE(in years)	18-30	70	46.66
	31-45	40	26.66
	46-60	30	20.00
	60 and above	10	06.68
	Total	150	100.00
EDUCATIONAL LEVEL	Illiterate	45	30.00
	Primary	65	43.33
	Middle	30	20.00
	Secondary and above	10	06.67
	Total	150	100.00
OCCUPATION	Farming	20	13.33
	Labour	67	44.66
	Housewife	40	20.00
	Service	23	22.01
	Total	150	100
MARITAL STATUS	Married	78	52.00
	Widow	35	23.33
	Divorcee	22	14.66
	Unmarried	15	10.01
	Total	150	100

Source- Primary Data

Reason for joining SHG

The main purpose of Self help groups is to get loans and to promote their savings, in addition to gain social status. According to the analysis 46.67% members have joined Self help groups for getting loans for entrepreneurial purpose, 26.66% members joined to encourage savings and 20% respondents to improve their social status. The respondents who have joined SHGs for some cultural and political factors are 6.67%.

Reasons for joining Self Help Groups

Sr. No.	Reasons	No. of Members	Percentage
1.	For getting loans	70	46.67
2.	For promoting savings	40	26.66
3.	For social status	30	20.00
4.	For other reasons	10	6.67
	Total	150	100.00

Source: Primary Data

II Income level of members

For the improvement in standard of living, Income acts as a major determinant. The income of members has increased after joining self help groups. The highest percentage of members before and after joining the self help groups lie in the income category of 2000-3000 per month. This increase shows that members have raised their income level after joining the self help groups. 26.66% of respondents lie in the income group of 2000-3000, which has been increased to 30% after joining the group. According to the data collected there is an impact that there is change in the percentage of income to approximately 3% to 9% after joining the group. Many women members involved themselves in economic activities independently and with a group to raise their income level and standard of living.

Hypothesis 1: H_0 - There is no significant difference in the monthly income of the members before and after joining self help groups.

Table 2: Monthly Income of the members before and after joining Self Help Groups

Sr. No.	Before joining SHGs			After joining SHGs	
	Monthly Income(Rs.)	No. of Respondents	Percentage	No. of Respondents	Percentage
1.	Less than 1000	36	17.33	15	08.00
2.	1000-2000	45	20.00	32	23.33
3.	2000-3000	30	26.66	52	30.00
4.	3000-4000	20	13.33	23	14.00
5.	4000-5000	12	8.00	16	9.33
6.	5000-6000	05	4.66	8	6.66
7.	Above 6000	02	1.33	04	4
	Total	150	100.00	150	100.00

Source: Primary Data

The calculated value of chi-square is 18.9 which is greater than the tabulated value i.e 12.5916 at 5% level of significance. The null hypothesis is rejected; and it reflects that the respondents having higher income has increased significantly after joining the self help groups.

Expenditure Level of members

There is an increase in the family expenditure with the increase in income level. Nowadays working women is an asset for the family. They get respect from their family and society as well because they are independently working and involved themselves in household incomes and expenditures. Before joining the self help group the highest family expenditure level lies between 1000 – 2000 but after joining self help group the expenditure level goes up and lies between 2000-3000. The improvements were also there in the expenditure level of 3000-4000 showing the increase in percentage from approximately 4% to 15%.

Hypothesis 2: H_0 - There is no significant difference in the monthly family expenditure of the members before and after joining self help groups

Table 3: Monthly Family Expenditure of the members before and after joining SHGs

Sr. No.	Before joining SHGs			After joining SHGs	
	Monthly Expenditure	No. of Respondents	Percentage	No. of Respondents	Percentage
1.	Less than 1000	28	18.66	12	8.00
2.	1000-2000	50	33.33	46	30.66
3.	2000-3000	33	22.00	52	34.66
4.	3000-4000	25	16.66	30	20.00
5.	Above 4000	14	9.35	10	6.68
	Total	150	100.00	150	100.00

Source: Primary Data

The calculated value of chi-square is 11.9 which is greater than the tabulated value i.e. 9.48773 at 5% level of significance. The null hypothesis is rejected; hence there is a significant difference in the family expenditure of respondents before and after joining the self help groups. With the improvement in the income level of women, there is an increase in the expenditure of the household after joining the group as it give rise to the standard of living.

Saving Pattern of the members of Self Help Groups

With the increase in income level, not only the level of expenditure rises but also there is also an increase in the level of savings after joining the self help groups. After meeting the family expenditure the women save the rest of amount to secure the future of their family and also help in raising the standard of living. According to the data collected, before joining self help group 63.34% of the members were under non saving category but as there is a remarkable improvement in the saving pattern, the percentage of non saving members has fallen to 10%.

Hypothesis 3: H₀- There is no significant difference in the monthly family savings of the members before and after joining self help groups

Table4: Monthly Family savings of the members before and after joining SHGs

Before joining SHGs				After joining SHGs	
Sr. No.	Monthly Savings	No. of Respondents	Percentage	No. of Respondents	Percentage
1.	Less than 100	35	23.33	50	33.33
2.	100-200	20	13.33	60	40.00
3.	Above 200	-	0.00	25	16.67
4.	Non saving members	95	63.34	15	10.00
	Total	150	100.00	150	100.00

Source: Primary Data

The calculated value of chi-square is 10.6 which is greater than the tabulated value i.e. 7.81473 at 5% level of significance. The null hypothesis is rejected; hence there is a significant difference in the monthly savings of respondents before and after joining the self help groups. With the improvement in the income level of women, there is an increase in the savings of the household after joining the group as it helps in rising to the standard of living.

III Loan and its Repayment

Purpose of taking loan

The major chunk of members has joined self help groups to avail loan facility so that they can be self dependent by entering into entrepreneurial activities. About 53.33% of the respondents have taken loan for dairy purpose, 30.67% have avail this facility for stitching and the remaining 16% for starting up the trading. The members have started up with all the activities for what they have availed loans without any fault.

Table 5: Purpose of Availing Loans

Sr No.	Activities	No. of Members	Percentage
1.	Dairy	80	53.33
2.	Stitching	46	30.67
3.	Trading	24	16
	Total	150	100.00

Source: Primary Data

Repayment of loans

The members are paying installments without any default in payment. This will help in the smooth running of the self help groups and members can avail more loans by doing payment on time and by making their goodwill. 78% of the members are paying installments in time and some members are making advance payment of loans.

Table 6: Repayment behavior of members

Sr. No.	Particulars	No. of members	Percentage
1.	Repayment in time	117	78.00
2.	Repayment in advance	33	22.00
3.	Repayment not in time	0	0
	Total	150	100

Source: Primary Data

III. CONCLUSION

The study was undertaken to examine the role of self help groups in the women empowerment in Ludhiana. It has been observed that Income of the family has been increased after joining the self help groups which results in the rise in family expenditure to raise the standard of living. There is an increase in the savings pattern as well. Saving is one of the important aspects which provide security to the family. After joining SHGs women took loan and invested that money in different entrepreneurial activities. The good practice of women who are the part of SHG is that there is no default in the repayment of loan. We may conclude from our analysis that there SHG is one of the effective poverty alleviation tool in rural areas as it has its positive impact on the lives of the women both economically and socially.

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