

Micro Finance and Socio - Economic Development: A Case study of Sangli District**1. Dr. Vinodkumar D. Kumbhar**

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Abstract :

Development of a nation is very much dependent on the development of rural masses. But the real problem faced by the developing countries like India is the poverty. Poverty is a term with which many developing countries are suffering. Even after more than 50 years of planning, various poverty alleviation programmes, official estimates shows that around 26.1 percent of total population still lives below the poverty line in India. The financial requirement is one of the basic needs of the poor rural people of the society for their socio-economic upliftment. Amongst the poor the most disadvantageous group are the women and they constitutes almost half of the population of India. Now a day in India, the contribution of this women population towards the socio-economic development is vital. As per 2001 census 48.2 percent(49.60 crores) of total population are women, while the 2011 census provisional figures released on 31st March 2011 reveals that the female population has risen by 18.12 percent to reach 586.5 million (58 crores). Microfinance to Self Help Groups (SHGs) may be considered as a vital tool for meeting the financial requirement of those poorer sections of the society living in the rural areas. In India, in the ninth and tenth five year plans proper emphasis has been given for the empowerment of women through SHGs by the planning commission. The NABARD is the main initiator of the SHG movement since 1986-87. Now a day's both central and state governments, nationalized commercial banks, regional rural banks, cooperative banks, NGOs, non-banking financial corporation (NBFC) etc. have joined in the SHG movement as promoters.

The present research paper is an attempt to analyze the role of Micro-Finance and Self-Help-Groups (SHGs) for the socio-economic development of the poor people in Sangli district of Maharashtra. For collecting the primary data a total of 40 SHGs and ten (10) members from each SHG (40x10= 400 respondents) were randomly selected covering the entire Sangli district. From the study it has been found that after joining the SHGs the poor rural people can increase their income and improve their standard of living by performing economic activities independently.

Key words: Micro-Finance, Self-Help-Groups, Socio-Economic Development, Rural People

1.1 INTRODUCTION

Development of a nation is very much dependent on the development of rural masses. But the real problem faced by the developing countries like India is the poverty. Poverty is a term with which many developing countries are suffering. Even after more than 50 years of planning, various poverty alleviation programmes, official estimates shows that around 26.1 percent of total population still lives below the poverty line in India. The financial requirement is one of the basic needs of the poor rural people of the society for their socio-economic upliftment. Amongst the poor the most disadvantageous group are the women and they constitutes almost half of the population of India. Now a day in India, the contribution of this women population towards the socio-economic development is vital. As per 2001 census 48.2 percent(49.60 crores) of total population are women, while the 2011 census provisional figures released on 31st March 2011 reveals that the female population has risen by 18.12 percent to reach 586.5 million (58 crores). Microfinance to Self Help Groups (SHGs) may be considered as a vital tool for meeting the financial requirement of those poorer sections of the society living in the rural areas. In India, in the ninth and tenth five year plans proper emphasis has been given for the empowerment of women through SHGs by the planning commission. The NABARD is the main initiator of the SHG movement since 1986-87. Now a day's both central and state governments, nationalized commercial banks, regional rural banks, cooperative banks, NGOs, non-banking financial corporation (NBFC) etc. have joined in the SHG movement as promoters.

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1.2 CONCEPT OF MICROFINANCE

Microfinance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self-help movement (Reddy &Manak, 2005). Micro finance is a programme for the poor and by the poor to mobilize the savings and use them to meet their financial needs (Rao, 2010). The Task Force on Supportive Policy and Regulatory Framework for Micro Finance has defined Micro Finance as “the provision of thrift, credit and other financial services to the poor in rural, semi-urban and urban areas to help raise their income levels and improve their living standards” (NABARD,1999). Micro Finance is a participative model that can address the needs of the poor especially the women. The most common microfinance product is a micro credit or Loan. These tiny loans are enough for hard working micro-entrepreneurs particularly the rural women to start or expand their small business such as weaving, handloom & handicrafts, embroidery & tailoring etc. and sell the products in the markets for generating their income.

1.3 Need and Relevance of Micro Finance in India

The need for micro finance in India stems from the insufficient availability of credit from the Formal Rural Banking System for the rural poor and the consequent adverse impact on agricultural productivity and incomes. This problem of credit inadequacy has been the concern of policy makers and academics in India. The nationalization of banks in 1969 led to an increase in the branches in the rural areas and in the various policies aimed at social banking. This has resulted in rural people's access to credit. However the inequalities in the banking system across the regions and social classes persisted. The number of poor obtaining credit from formal rural banking system was lower than should have been expected considering their proportion within the population. Factors leading to this state of affairs relate to the following.

- Insistence on collateral by formal banking institutions which could not be provided by the poor. Procedures lay down by the banking institutions.
- Long distances between the villages and the bank branches.
- Cultural gaps between the bank officials and the poor.
- Inconvenient and short banking hours.
- Inflexible lending policies and procedures.
- Lack of credit available for consumption.
- Widespread belief that the poor are non-bankable.

These hurdles led to the need for micro finance for alleviation of rural poverty. In addition to these problems faced by the poor borrowers of credit from the formal banking institutions the latter themselves were compelled to find alternative ways of providing loans to poor people through the group based organizations like the self help groups. The factors responsible for the formal banking institutions themselves showing interest in this direction are worth studying.

1. In the later 1980s formal banking institutions began to face problems of higher transaction costs due to lending small amounts to large numbers and recurring losses. In addition managerial inadequacies within the banking system caused problems resulting in mounting over dues. This led to banks finding alternative ways of their credit deployment.
2. Commercial banks were particularly attracted to group based (SHG) credit programmes because lending was based on savings of members of such groups and larger loans could be given only after the group had proved itself through repayment. Repayment rates were better from such groups.
3. The government of India decided that from 1999-2000 onwards group methodology should be adopted in the case of poverty alleviation programmes such as IRDP, TRYSEM and DWCRA. This programme channeled the assistance to the poor who were part of SHGs. The SHG would select the beneficiaries and help the implementing agencies in monitoring the assistance provided and help in the recovery of loans.
4. Banks tried to find ways of improving their financial viability. Bank started lending to members of SHG (with or without NGO intermediation) which undertook the responsibility of selection, monitoring and recovery of loans and repayment to banks. Banks also secured refinance from NABARD for their loans to SHGs and had the advantages of a reduction in the transaction costs, improvement in recoveries and lending to wider coverage of the target group. The borrowers also experienced a reduction in transaction costs.

5. The rigid banking system and the consequent inaccessibility of credit to the poor also stimulated many NGOs in introducing and expanding micro finance programmes. A majority of an estimated 30,000 NGOs in India started micro finance programmes.

Micro finance enabled the poor to save and provide the poor with the confidence to approach banks to deposit their savings, thus enabling them to access the banks' resources.

1.4 International Experiences in Micro Finance

The global nature of micro finance movement is reflected in the growing number of organizations providing micro finance to poor people. Here a brief account of the experiences of a few countries in micro finance has been provided.

1. Bangladesh

Grameen Bank is the largest provider of micro credit in Bangladesh. Prof. Mohammed Yunus is the man behind the Grameen bank. He obtained certain amount from the bank for on-lending without any security/collateral to the poor who were organized into small groups. The process led to the constitutions of the bank under Grameen Bank Ordinance of the Government of Bangladesh in 1983.

2. Latin American Countries

The two major economic crises in the last 15 years with its origin in Mexico had its impact on the poverty levels in many of the Latin American countries. The government in these countries had responded with initiating a variety of programmes to tackle the issue of rising poverty.

Argentina significantly reduced poverty in the early 1990s compared to the immediately preceding years as a result of successful micro-economic stabilization programme. An NGO founded in 1992 by a group of Argentinean business leaders provides the basic tools – access to credit and business training.

In Bolivia two apex organizations PRODEM and Banco Sol are providing micro finance to the poor.

In Chilly PROPESA an organization founded in 1988 by a group of Chilean businessman with support from ACCION international is dedicated to creating jobs and bettering lives of micro entrepreneurs in the formal sector through credit programme and training.

In Columbia, four important micro finance institutions operating viz., Actuar Tolima, Cooperative Exponder, Foundation Mario Santa Domingo (FMSD).

The cross country experiences documents clearly brings out the fact that there is no unique model that can be replicated across the countries for the success of micro finance programmes in alleviating poverty. The paradigm of micro finance has varied from country to country depending upon the prevalent social, cultural, economic and political milieu. In countries like India, Indonesia, Nepal and Thailand, the government has taken the initiative in alleviating poverty through micro finance programmes. In some others like Bangladesh the initiative was taken by Non Government Organizations (NGOs). In the Latin American countries initiatives of group of individuals facilitated promotion of micro finance programmes.

1.5 Evolution of Micro Finance in India

Micro finance is not a new concept in India. The earliest step in micro finance can be traced back to the initiative of Self Employed Women's Association (SEWA) established in 1974 in Gujarat on cooperative principle for providing banking services to the poor women employed in unorganized sector of Ahmadabad. The linking of SHGs to micro finance took place in the late eighties. First official interest in informal group lending in India took shape during 1986-87 on the initiative of National Bank for Agriculture and Rural Development (NABARD). A part of this broad mandate NABARD initiated certain research projects on SHGs as a channel for delivery of micro finance in the late 80s. Among these the Mysore Resettlement and Development Agency (MYRADA) sponsored action research project on "Savings and Credit Management of SHGs" was partially funded by NABARD. In 1988-89 in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA) NABARD undertook a survey of 43 NGOs in 11 states in India to study the functioning of micro finance SHGs and their collaboration possibilities with the formal banking system. Both these research projects threw up encouraging possibilities and the NABARD initiated a pilot project called the SHG linkage project.

The launching of NABARD's pilot phase of SHG bank linkage programme in 1992 could be considered as a land mark development in banking with the poor.

1.6 Scope of the Research Study

The present study covers the various aspects of micro finance in the backward talukas of Belgaum district of Karnataka. It deals with the role of the banks in the growth and development of women SHGs. It also deals with the role of the banks in women SHGs linkage programmes and problems faced by the banks while financing the women SHGs. Further, the study covers the socio economic impact of micro finance on women SHG members and its role in entrepreneurship development.

1.7 Significance of the Research Study

Today many women are unable to get financial assistance from institutional sources of finance, due to lack of collaterals to provide as security against the credit. To make provision for financial assistance from institutional sources of finance, the Government of India and regulatory bodies have taken many measures to support the poorest of the poor. The most important measures are:

- a) The National Micro Finance Task Force 1998.
- b) The Working Group on Financial Flows to Informal Sector 2002.
- c) The Micro Finance Development and Equity Fund NABARD 2005.

1.8 Objectives of the Research Study

1. To examine the role of the banks in promoting the women SHGs.
2. To study the socio-economic impact of micro finance on women SHGs members.
3. To ascertain the problems of women SHGs members in promoting entrepreneurial activities.

1.9 Research Methodology and Data collection

The present study is based on secondary data. The secondary data would be collected from one branch of CB, RRB and Co-op Bank by selecting randomly as a sample from each taluka of Sangli district of Maharashtra to know the role of banks in the development of women SHGs and the bank linkage programmes. There are twelve talukas in Sangli district. Further, newspapers, websites, books and journals, etc. are used to collect the necessary information for the study. Besides, discussions will also be held with the officials of banks, NGOs and members of women SHGs.

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1.10 Socio – Economic Background of the Respondents

Social class, family size, marital status, education, age and rate of interest etc are some of the variables that affect the rural people particularly the women in their socio-economic development. Table 1 shows the socio-economic profile of the respondents.

TABLE 1

Socio – Economic Background of the Respondents

Sr. No.	Variables and Categories		Frequency (No.)	Percentage (%)
1	Community:	i. General & others	220	55
		ii. Schedule Caste	60	15
		iii. Schedule Tribes	120	30
		Total	400	100
2	Family size	i. Small (2-4)	110	27.5
		ii. Medium (4-6)	190	47.5
		iii. Big (6 and above)	100	25
		Total	400	100
3	Marital Status	i. Married	310	77.50
		ii. Unmarried	69	17.25
		iii. Widow	21	5.25
		Total	400	100
4	Educational Qualification	i. Illiterate	56	14
		ii. Below HSC	215	53.75
		iii. HSC pass	81	20.25
		iv. Graduate	30	7.50
		v. other	18	4.50

		Total	400	100
5	Age Group	i. 18-25	74	18.50
		ii. 26-35	155	38.75
		iii. 36-45	81	20.25
		iv. 46-55	65	16.25
		v. 56-65	25	6.25
		Total	400	100
6	Sources of information	i. NGOs	154	38.50
		ii. Friends	136	34
		iii. Neighbors	110	27.50
		Total	400	100
7	Rate of Interest	i. 12 & above	60	15
		ii. 11	182	45.50
		iii. 10	89	22.50
		iv. 09	69	17.25
		Total	400	100
8	Opinion on the Interest Rate	i. Very High	68	17
		ii. High	56	14
		iii. Moderate	187	46.75
		iv. low	89	22.25
		Total	400	100
9	Status of Respondents	i. House Wife	210	52.50
		ii. Self-Employments	80	20
		iii. Labour	110	27.50
		Total	400	100
10	Joining in the SHGs	i. 2009	159	38.75
		ii. 2010	89	22.25
		iii. 2011	79	19.75
		iv. 2012	73	18.25
		Total	400	100
11	Motivation to Join Group	i. Self	42	10.50
		ii. Family Members	47	11.75
		iii. Friends	136	34
		iv. NGOs/Govt. Officers	175	43.75
		Total	400	100
12	Position in Group	i. Ordinary members	205	51.25
		ii. Representatives	110	27.50
		iii. Leader	85	21.25
		Total	400	100
13	Frequency of Group Meetings	i. Weekly	235	58.75
		ii. Fortnightly	145	36.25
		iii. Monthly	20	5

		Total	400	100
14	Participation in the Group Meeting	i. Regularly	310	77.50
		ii. Occasionally	90	22.50
		Total	400	100

Source: Field survey

1. Highest number of group member hails from general & other class representing 55 Percent followed by Scheduled Tribes (30%) and Scheduled Caste (15%).
2. 190 respondents have medium size family (4-6) representing 47.5percent, whereas only27.50 percent have small size family members.
3. Most of the respondents were reported as married representing 77.50 percent (310 out of400). 17.25 percent and 5.25 percent respondents were unmarried and widow womenrespectively.
4. Very few respondents were found poor in terms of education and literacy development.Only 14 percent respondents were reported to be illiterate. But educated respondentswere reported as 86 percent.
5. 38.75 percent respondents (155 out of 400) were in the age group of 26-35 years and morethan half (210 out of 400) respondents representing 52.50 percent were reported to behouse wife.
6. 182 respondents representing 45.50 percent are paying more than 11% interest on theirborrowings. 69 respondents (17.25 percent) are paying less than 10% rate of interest.
7. 69 percentages of respondents were satisfied with existing rate of interest while 124respondents representing 31 percent felt as high rate of interest.
8. 38.75 percent of respondents were jointing in SHGs during 2009. 89 membersrepresenting 22.25 percent formed in the year 2010 and 73 women's were joined after 2012.
9. 175 respondents out of 400 representing 43.75 percent reveals that NGOs/Govt. officers andfriends were the main motivators to join the group, whereas only 10.50 percent were the selfmotivated group members.
10. 205 out of 400 respondents (51.25 percent) were ordinary group members while 27.50percent and21.50 percent members are acting as representatives and leaders of the groups respectively.

1.11 Suggestions

1. Proper emphasis should be given to group lending and SHGs formulation for alleviatepoverty.
2. In avoiding of any misuse of money, there should be a need of proper regulating authorityat each level such as saving, depositing, and money lending.
3. Periodical training programme at regular intervals to group members may be organized by the NGOs and other Government officials to aware about bank loan, proper accountskeeping, self management, decision making etc.
4. Attendance at meeting and workshops should be made mandatory so that the memberscan enhance their group cohesiveness.
5. Women should be properly educated so that they will enhance the capability to managecommunities and community projects.
6. The NGOs and the State government must also monitor at a regular interval the overallperformance of SHGs and the members included in it.

7. There is a need for establishing a computerized MIS for SHGs and SHG federations to monitor their performance on a regular basis.

1.12 Conclusion

Microfinance is playing a significant role in alleviate poverty and rural development. Since women are the sole family caretaker, proper emphasis should be given to the rural women and for empowering the rural women finance is required. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural women. The Self Help Groups have proved the way for economic independence of rural women. Thus, it can be concluded that the self help groups contribute substantially in pushing the conditions of the female population up and through that chip in poverty eradication as well.

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