

Growth of SHGs through Microfinance (A Comparative Study of Four North Indian States)

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Abstract - SHGs act as financial mediators between banks and members who seek micro credits. These groups act as distributors who distribute microloans to the members of the groups. Microfinance means providing small scale financial services to the rural and urban poor to eradicate poverty from the rural India. SHGs usually consist of 15-20 members. The research paper has studied the compound annual growth rate of SHGs and loans disbursement to the SHGs of four Northern states (Punjab, Haryana, Himachal Pradesh and Rajasthan) by the banks.

Keywords - Microfinance, SHGs, Women SHGs, SEWA, NABARD, IRDP

I. INTRODUCTION

Introduction of Micro Finance: Microcredit is not a latest concept, informal moneylenders, cooperatives and credit union have been using this concept since 19th century (Rehman et.al 2015). It means the supply of financial services on a small scale to the rural and urban poor, including the self-employed. Microfinance refers to small scale financial services for credits and deposits that are provided to people who farm or fish or herd, operate small or micro enterprise where goods are produced, recycled, repaired or traded, provide services, gain income from renting out small part of land and to other people and local groups in developing countries both in rural and urban areas. The term microfinance is interchangeable with term micro credit.

Microfinance movement in India can be traced to 70s. The main motive of this movement was to alleviate poverty by providing financial services to the poor. The basic idea was to access the financial services so that the poor can have an asset base and also initiate income-generating activities. Self Employed Women Association (SEWA) is considered one of the founders of the microfinance movement in India. A series of policy measures were taken by the Government of India in the financial sector, which have facilitated intensification and deepening microfinance. These have contained nationalisation of the commercial banking sector in 1969, the establishment of Regional rural banks in 1975, reforms of the financial sector (since 1991), implementations of pro-poor schemes/ programmes through credit delivery system etc.

In India, banks made an entry in rural areas initially to provide an alternative to the rural money lenders who provide credit support, but not without exploiting the rural

poor. There are three main factors that are included for bringing the microfinance as a Policy in India.

1. The first factor is nationalisation of banks started in 1969, which needed the opening of rural bank branches in India in the period 1973 and 1985. Now, India has 32,000 rural branches of commercial banks and Regional rural banks and 14,000 cooperative bank branches.

2. Second is a national policy which impacts the banking and financial system of India is the Integrated Rural Development Programme (IRDP) which was introduced in 1978.

3. The third is liberalization of India's financial system in 1990. It was distributed in a series of structural adjustments and financial policy reforms which were started in Reserve Bank of India.

The last major event which impacted the financial and banking system in India was the liberalization of India's financial system in the 1990s characterized by a series of structural adjustments and financial policy reforms initiated by the Reserve Bank of India (RBI).

II. MEANING OF SELF HELP GROUPS

Self-help Group is homogeneous affinity groups with the common aim of enhancing their economic conditions. Some researchers said that Self Help Groups are a group of poor village people formed with at least 5 members. Generally, SHG comprises of 15-20 members having similar economic conditions and aspirations. There are no strict rules in SHGs, even though they framed smooth rules so that they conduct the SHGs meetings and the collection of money regularly. The credit is provided for both consumption and other productive purposes. SHGs also play an important role in lending loans at a reasonable rate of interest. All the decisions of SHGs are taken by members of the group collectively.

The philosopher Fahreet states that society has to be formed into small groups and to be engaged in productive activities. The basic assumptions of the SHGs are mutual trust, group cohesiveness, the spirit of thrift, group approach, demand-based lending, women-friendly, skill, training capacity building, and empowerment etc.

Background: SHGs are brain child of Grameen Bank of Bangladesh, which was founded by Prof. Mohammed Yunus. SHGs were formed in 1975. National Bank for Agricultural and Rural Development (NABARD) started the SHGs in India in 1986-87, But the real effort was taken after the linkage of SHGs with Banks in 1991-92. SHGs were

formed in Mysore Resettlement and Development Authority (MYRADA) in 1984-85 and initially called Credit Management Groups. In 1987, NABARD sanctioned a grant to MYRADA for the institutional capacity building of the SHGs and to match the groups' savings.

SHGs have varied origins, mostly as part of integrated development programmes run by Non-Government Organizations (NGOs) with the support of donor. The major programme involving financial intermediation by SHGs is the SHG-bank linkage programme. This programme was launched in 1992 by NABARD, the apex bank for rural development in India. The programme covered 7.8 million families with 90% women members on-time repayment of loans as over 95% for banks participating in the programme by March 2002. It also involved 2155 NGOs and other self-promoting institutions.

III. REVIEW OF LITERATURE

1. Rehman et al (2015) studied the role of microfinance Institution in women empowerment taking a case study of Akhuwat, Pakistan and found that although women are economically uplifted but social discrimination is still prevailing in the society. It is also recognized that women are more inclined to spend their income on their families.

2. Modi et al (2014) studied the impact of Microfinance services on rural women empowerment taking respondents residing in rural areas of Northern Gujrat Region, found that microfinance has uplifted the economic conditions of rural women, increased their contribution towards family's decision making and improved their family's standard of livings. This study has given suggestions to MFIs to expand their financial support to rural poor women and make them aware about the usage of Loans by conducting regular meetings with them.

3. Sharma (2014) investigated Microfinance through SHGs and the empowerment of women taking a case study of some selected SHGs of Sikkim, analyzed the status of respondents before joining and after joining the SHGs and found that income of the respondents has been increased after joining SHGs and their role in decision making has also been increased.

4. Garftlund (2013) investigated the impact of microcredit on women's empowerment, taking a case study of the microcredit in the Tangail District, Bangladesh, confirmed that microcredit has positive impact on women's empowerment. The study indicated that the microfinance has enhances the women's decision making power and also improved the standard of livings of the women.

5. Loomba (2013) reported the role of Microfinance in women empowerment in India concluded that the Microfinance is playing a significant role to empower women socially, economically as well as psychologically. It is found that despite of the several problems, microfinance helps for uplifting living standard, decision making powers, economic status, awareness of poor women participants of SHGs in Gaziabad District

6. Kumar et.al (2013) identified the role of microcredit as a measure for women empowerment in Bangladesh. Both primary and secondary data had used. The result showed that women were more independent to take decisions after receiving microcredit. But there were problems of illiteracy, lack of credit utilization, lack of proper knowledge and training. Women had also faced the problems of marketing their products.

7. Das (2012) analyzed the Best Practices of SHGS and Women Empowerment taking case of Barak Valley Assam and found that the quality of SHGS in Barak Valley is lower than the other regions. There are so many factors which affected the quality of SGHS like inadequate incentives to the NGOs, lack of proper monitoring, delay in sanctioning of loans etc, but further studies reported that there is a positive impact of SHGS on women empowerment.

8. Sarumathi s.et. at (2011) studied the role of Micro finance in women's empowerment taking the study in Pondicherry region observed that Microfinance has brought self-confidence, awareness of child education, awareness of environmental issues, economic & social empowerment after joining SHGs in women respondents, as 92% of respondents reported that poverty has been reduced by participating in Micro credit programs, concluded that after joining SHGs there is appreciable improvement in the income of the respondents.

9. Manisha (2011) found that no. of SHGs in Punjab increased significantly, while seeing the growth of SHGs. In the year 2008 there was a great growth in no. of SHGs i.e. 14087 as comparison to 3579 in 2007. The study has depicted that dispensing the credit to rural poor is not enough rather emphasis should be laid on promotional activities of the SHGs.

10. Sharma (2007) reported that the Microfinance and Women empowerment taking hill and terai in 2004-2006 of Nepal, observed that women got empowerment by participating in Micro Credit Program. It is found that Private initiated MFIs are comparatively performed well than government initiated MFIs, due to their social awareness.

11. Jairath (2001) studied the growth of SHGs in extending micro credit in Rajasthan. The percentage of women SHGs in total no. of SHGs rose from 31.2 % in 1993-94 to 80 % in 1999-2000. Similarly, only 3% districts of the state were covered under SHG bank linkage in 1993-94 and increased to 80% in 1999-2000

IV. OBJECTIVE OF THE STUDY

To study the growth of self help groups (SHGs) to understand the present scenario.

Research methodology - The present study is based upon secondary data. Data is collected from NABARD reports. For review of literature and introduction various journals, articles newspapers and relevant documents have been considered. For analysis and interpretation of the data compound annual growth rate has been calculated. Period for the data collection from 2006-2018, has been taken.

Analysis and interpretation - Loan Disbursed to SHGs

1. Punjab

Table 1: Number of total SHGs and women SHGs and loan disbursed to them from Year 2006 to 2018 in Punjab.

[Source: NABARD]

Years	Total Loans Disbursed		Out of total loans – loans disbursed to Women SHGs	
	No. of SHGs	Loans Disbursed	No. of SHGs	Loan Disbursed
2006-07	629	335.14	348	309.35
2007-08	2113	1715.01	1151	1026.2
2008-09	2227	2136.41	1413	1267.53
2009-10	1790	1944.55	1229	1331.31
2010-11	2648	3220.83	1689	1901.03
2011-12	2183	2381.89	1637	1534.16
2012-13	2021	2278.92	1448	1639.73
2013-14	1508	1508.59	1188	1190.56
2014-15	2669	3364.99	2376	3070.62
2015-16	2656	3783.57	2439	3507.19
2016-17	2584	2502.09	2226	2303.89
2017-18	3536	1967.91	1461	788.96

2. Haryana

Table 2: Number of total SHGs and women SHGs and loan disbursed to them from Year 2006 to 2018 in Haryana.

[Source: NABARD]

Years	Total Loans Disbursed		Out of total loans – loans disbursed to Women SHGs	
	No. of SHGs	Loans Disbursed	No. of SHGs	Loan Disbursed
2006-07	403	726.43	326	560.35
2007-08	2582	2613.89	1863	1699.75
2008-09	4573	6383.91	1845	2787.07
2009-10	4023	4669.74	3060	2917.87
2010-11	4789	6243.46	1393	2209.72
2011-12	3865	6195.93	3027	4692.29
2012-13	3241	5156.39	2572	3811.11
2013-14	1920	3060.62	1328	2103.19
2014-15	2523	4060.03	2199	3651.93
2015-16	3869	5398.91	3522	5134.94
2016-17	4469	5848.28	3827	5416.58
2017-18	4748	3709.68	1994	1391.18

3. Himachal Pradesh

Table 3: Number of total SHGs and women SHGs and loan disbursed to them from Year 2006 to 2018 in Himachal Pradesh. [Source: NABARD]

Years	Total Loans Disbursed		Out of total loans – loans disbursed to Women SHGs	
	No. of SHGs	Loans Disbursed	No. of SHGs	Loan Disbursed
2006-07	2059	1644.19	1851	1535.59
2007-08	4297	4116.59	3184	3003.35
2008-09	4957	4432.03	3560	2740.52
2009-10	3797	3821.60	2965	2949.12
2010-11	5293	7329.43	4377	5911.59
2011-12	4269	5324.46	3656	4394.29
2012-13	4164	4152.98	3596	3280.57
2013-14	2770	3706.66	2175	2946.35
2014-15	4062	5175.12	2734	3560.33
2015-16	3226	4527.28	2432	3406.45
2016-17	3715	5014.41	2878	3649.25
2017-18	3528	5016.97	2025	3047.08

4. Rajasthan

Table 4: Number of total SHGs and women SHGs and loan disbursed to them from Year 2006 to 2018 in Rajasthan.

[Source: NABARD]

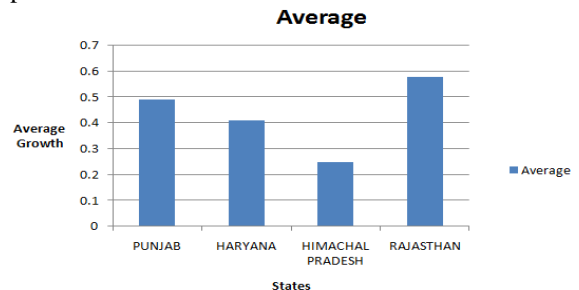
Years	Total Loans Disbursed		Out of total loans – loans disbursed to Women SHGs	
	No. of SHGs	Loans Disbursed	No. of SHGs	Loan Disbursed
2006-07	15197	4938.1	13603	4220.88
2007-08	21891	10168.35	7985	4583.14
2008-09	29687	16734.13	18027	11199.54
2009-10	26674	19172.25	20246	14850.6
2010-11	28723	19185.29	26131	17042.38
2011-12	18862	18273.37	15807	13860.06
2012-13	20161	21088.38	18213	17858.77
2013-14	17407	19459.80	17952	17851.08
2014-15	32590	28920.80	30996	27750.32
2015-16	25250	32177.19	23947	31095.89
2016-17	32200	40650.76	26871	35551.45
2017-18	30162	32593.96	18679	23771.38

Growth rate of Loan Disbursed to Self Help Groups and Women Self Help Groups in Punjab, Haryana, Himachal Pradesh and Rajasthan

Table 5: Average of growth of Loan disbursed to SHGs and Women Self Help Groups in Punjab, Haryana, Himachal Pradesh and Rajasthan from the Year 2006 to 2018.

Years	PUNJAB	HARYANA	HIMACHAL PRADESH	RAJASTHAN
2006-07	0.04	0.19	0.06	0.58
2007-08	0.63	0.40	0.26	0.27
2008-09	0.84	0.37	0.20	0.30
2009-10	0.38	0.46	0.23	0.27
2010-11	0.58	1.35	0.22	0.11
2011-12	0.48	0.33	0.26	0.17
2012-13	0.46	0.37	0.28	0.19
2013-14	0.50	0.36	0.30	0.55
2014-15	0.41	0.31	0.39	0.18
2015-16	0.94	0.28	0.35	0.24
2016-17	0.28	0.20	0.24	0.26
2017-18	0.39	0.27	0.25	0.29
AVERAGE	0.49	0.41	0.25	0.58

Table 5 represents the annual growth rate of SHGs in Punjab, Haryana, Himachal Pradesh, and Rajasthan. Then the average growth rate of loan disbursed to total SHGs and loan disbursed to women SHGs from all the years in each state is calculated. From the table, it is clear that Rajasthan has a higher growth rate as compared to the other three states. Himachal Pradesh has a lesser growth rate than Punjab and Haryana. Punjab is at second position as compared to other states.



Graph 1: Graph of Average growth of Loan Disbursed to SHGs and Women SHGs in Punjab, Haryana, Himachal Pradesh, and Rajasthan.

Bar Graph 1 shows the average growth of SHGs in four states from the period of 2006 to 2018. The least growth average of SHGs is seen in Himachal Pradesh. And the maximum is in Rajasthan. Punjab has a higher rate as compared to Haryana. The rank of Punjab is second in the average growth rate of SHGs from these four states.

Findings - With above interpretations the followings are the findings and suggestions:

1. The average growth rate of SHGs from the period 2006-2018 of four northern states has been calculated. Highest growth rate is found in Rajasthan and minimum growth rate is found in Himachal Pradesh.
2. Punjab has a higher average growth rate as compared to Haryana from 2006 to 2018.

V. CONCLUSION

Spreading awareness among women is the vital need of the modern society. With microfinance through SHGs woman has become more confident and stable. There is much evidence that woman's skill, her contribution towards family income, involvement in decision making of her family and her status in the society have been enhanced after getting microfinance through SHGs. Formal microfinance is not explained as a theory but now it is practically applicable phenomenon and available and accessible to the SHGs. As increasing number of formal banking branches of regional rural banks, commercial banks and cooperatives, they provide more microfinance services to the SHGs. With the above analysis, we have seen that loan disbursement by the various banks to the SHGs of four states (Punjab, Haryana, Himachal Pradesh and Rajasthan) from the 2006-2018, Rajasthan has the highest growth rate as compared to other three states and Punjab has a second highest growth rate.

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