



Micro finance & Micro credit As a Solutions for the Income, Consumption and Investment of Women through SHG in Maharashtra

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Abstract

The present study assess the benefits of micro finance and micro credit through SHG especially in Maharashtra and the benefits in terms of income, consumption and investment for the women Entrepreneurs working in SHGs. The focus is made on the working scenario and the role of the institutions like NABARD to meet the adequate requirement of the SHG. While in some situation the role of microfinance is found quite unsatisfactory due to some deprivations like caste, gender, landlessness & illiteracy. But the noteworthy is that in terms of distribution of loan and small finance cycle is regulating in a proper channel due the Cluster of SHGs to the women entrepreneurs. The domestic violence and equality is reduced with the participation of the women in the economic activities.

Women have generally been subjected to stifling oppression and stultifying suppression, resulting in their subordination throughout the history irrespective of socio-economic, demographic and religious differences. Since men and women considered as two wheels should work equally to move the vehicle of society. Availability of employment provides an individual and his/her family with purchasing power enabling his/her to acquire subsistence as well as consumption goods to satisfy the basic needs, comforts and leisure. (Azeez,2012)

The micro and small enterprises, because of their inherent advantages of being capital saving and labour intensive, are conducive to balanced economic development through generation of employment avenues of masses. It is believed that micro and small enterprises are the nursery where the indigenous people get the opportunity for self employment by exposing and developing their entrepreneurial skills. In fact, the small scale industrial sector is often regarded as the 'breeding place' for entrepreneurship at small scale which can create productive employment for

masses thereby paving the way for inclusive growth in an economy. (Sharma, 2012). The micro and small enterprise run effectively by the proper flow of credit in small packets. Due to this the concept of microfinance and micro credit emerged.

Microfinance and micro enterprise development play a crucial role in alleviating poverty and generation of self employment. In India, 92 percent of the workforce is in the informal sector and micro enterprise is the main source of livelihood for many of them. Under SHG Bank Linkage programme promoted by NABARD, some of the SHG members have graduated to become micro entrepreneurs from the status of micro borrowers. It is important at this juncture to understand the impact of these micro enterprises on the livelihood of SHG members. (Guha, 2010). The term micro finance is not new in India, but in movement from 70s. The SHGs and people involved in micro enterprise got benefitted through this to fulfill the demands of daily needs and raise the standard of their living. The recent statistical information reveals that women constitute about 48 percent of the total population of the country. But the employment market all of the 459.1 million employed population in 2004-05, only about 148 million (32 percent) were women of the women labour force; only 5 million women are in the organized sector and remaining in the unorganized sector. (Rahul S.Mhopare, 2012)

Micro finance

In India, 600,000 women in villages are working every day to provide for themselves, their families & their communities. Microfinance has transformed the lives of the vibrant women in villages, she felt with the idea that how poor women in villages saves money through self-help groups & taking loans that were lifting them out of abject poverty to promising enterprises.

In spite of the advancement in information technology & call centers; predictive the rise of a new superpower, millions of poor people especially in rural areas are struggling to meet the requirement of food, clothes & shelter in their day-to-day life. Than the question arises that - **How could India truly flourish? Is microfinance is really a solution to help the women in villages?** (Arnopoulos, 2012)

Microfinance in India

The birth of microfinance movement in India can be traced to 70's. The main aim of the movement was to alleviate poverty by delivering financial services to the poor. The basic idea was to enable poor to access the financial services so that poor can have a asset base and initiate income generation activities. The movement was initiated in India by the joint efforts of NGOs and CBOs. Self Employed Women Association (SEWA) is considered one of the pioneers of the microfinance movement in India. Over the years, the efforts of these organizations have proved that poor are bankable. Further, in the last two decades microfinance movement has gained a lot of prominence world over and also in India. (Guha, 2010 p -3)

How Microfinance work

Women taking small loans in villages met under the umbrella of non-government organizations (NGO's) or microfinance institutions with links to banks than loan officers would arrive in the village to dole out money & receive weekly payments. In the beginnings, the women in microfinance circles, also called thrift & credit or self-help groups, concentrated on very small loans for new mini business, but after the amount increases, as the increase in the requirement.

According to a report by Indian development economist on the microfinance sector N. Shrinivasan, says that reaching about 55 million households across the country & mostly through women self- help groups. According to Subir Roy, a leading Indian Financial journalist, says that microcredit in India was reaching 20% of the 600 million working poor. (Arnopoulos, 2012)

The Indian women/ self-help groups took loans & initiating small business for poverty eradication. The different small-scale business in which they are involved are-

- 1) Cotton seed collective.
- 2) Journalism/ writing articles in local newspapers.
- 3) Fertilizing the barren land b the use of hybrid seed , chemical fertilizers & pesticides.
- 4) Tailoring (garment industries)
- 5) Seed keeping
- 6) Goat-rearing
- 7) Good nutrition & health care promotes
- 8) Fish trading
- 9) SKS(Swayam Krishi Sangham)
- 10) Managing mini- farm
- 11) Organic cotton farming
- 12) Sand contract etc.

The NGO's & MFI's providing the microcredit plays an important role in combating poverty & in mobilizing women around social issues. The institutions and local level association helped in women's movement driving development blossoming in the villages & some city slums . In developing country like India, constant vigilance & support for women is required by banks & MFI's grassroots organizations to introduce microcredit to the neediest especially those in remote areas. (Arnopoulos, 2012, p. 330).

Muhammad Yunus also introduced a new system of 'micro-credit', which is practiced in some sixty countries, and his Grameen bank is a billion- pound business, which is acknowledged by world leaders & the world bank acting as a fundamental weapon in the fight against poverty.

The famine of 1974 in Bangladesh's underlined the need to grow more food ; focused all efforts on farming , & of how micro-credit was extended into credit unions. Yunus emphasized on the word "Grameen" in different forms. His focused was mainly on landing money /loans to women. Some banks in Bangladesh are gender-biased and not allow lending money to women. The economic development is possible, if there is a reduction in inequality " If the goals of economic development include improved standard of living , removal of poverty, access to dignified employment & reduction of inequality then it is quite natural to start with women. They constitute the majority of the poor, the under-employed & the economically & socially disadvantaged. And since they were closed to the children, women were also our key to the future of Bangladesh. In the country like Bangladesh , purdah system is practiced by women, which means they have to live inside the four walls of their houses, their economic value as compared to men is quite low. So education to the women & their unmarried daughter is seen as quite a burden. (Yunus, 2007)

A list of cliches & myths on micro credit are-

- Credit alone is useless, it must be packaged with training, marketing, transportation, facilities, technology & education.
- Poor women have no skills, so it is useless to talk about programmes for them;
- The influence of religion & custom is so strong on poor women that they cannot move an inch in any direction;
- The rural power structure is so powerful & too entrenched to allow such a credit program to succeed;
- It will be impossible for the women to keep their borrowings or their income to themselves, husbands will torture them to death; if need to be, to grab this cash;
- by encouraging the poor(women) to take up independent professions, a shortage will be created in the supply of wage labor; as a result wage rates will shoot up, this will increase the cost of production, create inflation & adversely affect agricultural productivity;
- Credit may help temporarily, but it won't do anything in the long run, it won't achieve an equitable restructuring of society. (Yunus, 2007, pp. 77-78)

He has created a new grameen company- Grameen shiksha(Education). The motive of the organization is to develop the methodology for the rapid spreading of education among grameen families & families outside Grameen. He said – We are exploring uses of modern technology – interactive satellite, TV, radio & the internet- to ensure that we reach as many people as possible.

as quickly as possible. (Yunus, 2007, p. 228)

His idea about the economic advancement of the country throws the light on the future condition of the poor people. He wrote - the economic advancement of a poor family needs a broader enabling & sustaining environment. Micro-credit starts up the engine in the family, but that engine now needs refueling, maintenance, expansion of capacity & a good road to make a good progress. Reaching the survival point with micro credit can be accomplished without difficulty. To go much further one needs good a health-care system, education, a pension plan, good communication, market information. If no such support system is developed the economic advancement made by the borrowers may come to a halt or even slide backward. Grameen education to bring the masses through the use of Information technology. (Yunus, 2007, p. 229).

The concept of SHGs

Self Help Group- SHG is a group of about 10-20 people from a homogenous class, who come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They used this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation, including prioritization of needs setting terms and conditions and accounts keeping this gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond their individual capacities. (Tankha, 2012).

The concept of SHG is based on the following principles:

- Self-help supplemented with mutual help can be a powerful vehicle for the poor in their socioeconomic development;

- Participative financial services management is more responsive and efficient;
- Poor need not only credit support, but also savings and other services;
- Poor can save and are bankable and SHGs as clients, result in wider out reach, lower transaction cost and much lower risk costs for the banks;
- Creation of a common fund by contributing small savings on a regular basis;
- Flexible democratic system of working;
- Loaning is done mainly on trust with a bare documentation and without any security;
- Amounts loaned are small, frequent and for short duration;
- Defaults are rare mainly due to group pressure; and
- Periodic meetings non-traditional savings.

Micro finance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Before 1990s, credit schemes for women were almost negligible. There were certain misconception about the poor people that they need loan at subsidized rates of interest on soft terms, they lack skills, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experiences of several and SHGs reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them in their enterprises rather than subsidies. Earlier government efforts through various poverty alleviation schemes for self-employment by providing credit and subsidy received little success. Since most of them were target based involving various government agencies and banks. (M.K.Ghadoliya)

Source of income

- Commercial Banks
- Housing Finance Institutions
- NABARD
- Rural Development Banks
- Land Development Banks
- Cooperative Banks,

They are the major formal financial institutions. Urban Cooperative Banks (UCB) Urban Credit Cooperative Societies (UCCS) are the two primary cooperative financial institutions operating in the urban areas. There are about 1400 UCBs with over 3400 branches in India having 14 million members. Similarly there exist about 32000 Credit Cooperative Societies with over 15 million members with the total outstanding lending in 1990-91 was Rs. 20 billion. (M.K.Ghadoliya).

Saving Groups and Self help groups

Two savings-led group models have emerged over the past decade as a means of reaching poor households that are largely neglected by current financial service providers: Savings Groups (SGs), primarily in Africa, and Self-Help Groups (SHGs), predominantly in India.

SGs refer to self-managed community-based groups that provide their members access to basic financial services. SGs are composed of 15 to 25 self-selected individuals who meet regularly (usually weekly or fortnightly) to save and, if desired, borrow for short periods, paying monthly interest at a rate set by the group. After approximately 12 months, all savings and earnings are distributed back to group members (often referred to as a share-out). The earnings usually are distributed in proportion to their savings. SGs respond directly to the unmet financial services needs of the remote and rural poor by providing: i) a secure place to save; ii) the opportunity to borrow in small amounts and on flexible terms; and iii) affordable basic insurance services. SGs aim to increase household financial assets and to decrease household vulnerability to financial and other shocks while the self help group A predominately Indian phenomenon, SHGs consist of 20 to 30 people, usually women, whose objective is to save, borrow and invest funds. NGOs, government agencies and banks organize and support SHGs, training their members to manage savings and credit activities. The vast majority of SHGs are linked to banks. (Saving Groups & self-help groups. The Master Card Foundation).

Social capital

A major concern of recent microfinance literature is the cost of forming and sustaining SHGs (for example, Sinha, 1998). Often their formation is rapid, but the interface with a bank takes longer. Many SHGs disappear in the absence of NGO support. Why formation takes longer in some cases and durability of SHGs differs calls for a deeper understanding of the relationship between aspects of social capital and the channeling of credit through SHGs (Gaiha and Nandhi, 2005). Two forms of social capital may be distinguished: one is associational and the other normative or cognitive. Associational capital manifests itself in the pervasiveness and density of informal and formal associations and networks (women's associations, producers' groups, cooperatives, village councils). Data not only on the number but on how they function would lead to a clearer understanding of their vital role. Whether their composition is homogeneous or differentiated by caste/religion/occupation/gender, for example, would be indicative of their pervasiveness. Frequency, nature of interaction among members and their specific concerns would throw light on their density and functioning. The normative aspects – specifically trust, reciprocity and, more broadly, a sense of affinity with the community – are undoubtedly harder to capture empirically.¹⁴ However, that should not rule out their ordinal measurement. In fact, some recent work points to interesting possibilities. See, for example, the rich collection of papers in Dasgupta and Serageldin (2000), Dasgupta (2001), Karlan (2005) and De Weerd (2005). The approach followed in Gaiha and Nandhi (2005) is not as ambitious but easy to replicate, as it relies largely on the responses of participants and nonparticipants in the SHG/bank linkage programme in Maharashtra. (Thapa, 2006)

Micro –finance and Self –Help groups in Maharashtra

Economic well-being depends on some forms of capital. Human capital is an important component of it. Educational attainment is a specific form of human capital. A large fraction of SHG members is illiterate or possesses primary education. About 40 per cent possess middle level of education and a small fraction consists of matriculates or above. A similar distribution is obtained for the control group. Nearly 70 per cent of SHG members were landless or nearly landless. The corresponding share of the control group was markedly lower (40 per cent). So to the extent that lack of ownership limits income enhancing options, SHGs covered a large subset of households disadvantaged

in this respect. The average land owned among SHG members was 0.70 acre as against 2.02 acres among the nonparticipants. Although a large majority of SHG members were permanently employed, many were seasonally or temporarily employed. In parts of Maharashtra with semi-arid or arid conditions, slack periods tend to be long. So to the extent that SHG loans help finance productive activities, the income gains would enhance welfare significantly. By contrast, a much larger majority of the control group reported that they were permanently employed. (Nandhi, 2007)

Table – 1
Features of Microfinance Approches

Features	SHG	Grameen	Individual Banking
Clients	Primarily women	Primarily women	Primarily men
Groups	15-20 clients per group	Usually 5 clients 1 group (organized into centres of 4-6 groups)	Individual clients
Services	Savings & credit	Credit-regular cycle	Credit
Role of MFI staff	Guide & facilitate	Organize (groups dependent on staff)	Organize
Meetings	Monthly	Weekly	Individual transaction-often daily.
Savings deposits	Rs 20-100/month	Rs 5-25 weeks	Flexible
Interest on savings	Bank rate (4.25%) + profit share	6-9%	6%+
Initial loan amount	Rs 5-10,000	Rs 2-5000	Rs 5-15000
Effective interest rate	24-28 percent	32-38 percent	23-38 percent
Insurance	Sometimes loans linked to health & life insurance.	Sometimes loans linked to health & life insurance.	Sometimes loans linked to health & life insurance.
Development services	Some associated programmes.	Small social projects	Enterprise support

(Adapted from Sinha (2005) cited from R. Gaiha & M.A.Gandhi.)

Greater role for NABARD

The NABARD is of the view that while greater emphasis is needed for growth and spread of SHGs across the country, the quality in terms of outreach of financial services, capacity building, sustainability etc., needs to be reemphasized. NABARD shall play a pro-active role and identify new initiatives that will contribute to effectively improving outreach to the poor thru' SHGs, MFIs, etc. (NABARD, 2005-06).

The initiative of 1992 to make the traditional and formal banks to extend financial services to deprived sections through informal Self Help Groups (SHGs), has now blossomed into a “monolith” micro Finance initiative. It has been recognized as a decentralized, cost effective and fastest growing micro Finance initiative in the world, enabling over 103 million poor households' access to a variety of sustainable financial services from the banking system by becoming members of nearly 8 million SHGs. The linkage with banks has provided the members of the Groups the facility of not only pooling their thrift /savings and access to credit from the banking system, but also created a platform through which they could launch a number of livelihood initiatives and also facilitate the empowerment process. (NABARD R. , 2011-12)

Micro finance is the fast growing beneficial concept for the rural as well as urban women to raise the standard of living. It also helps in generating the income within the premises of their home.

According to the fact sheet of Maharashtra-

- 1 Potential Rural households to be covered-104.39 lakh
- 2 Rural households covered* (SHG: savings linked)-107.52 lakh
- 3 Districts with low coverage of SHGs - 26 out of 33 districts
- 4 Average savings/SHG (₹)- 8749

National Average : 8230

- 5 Average credit disbursed/SHG (₹) 87988

National Average : 144046

Highest Priority State : Uttarakhand :148155

	2010-11	2011-12
Loans issued No. of SHGs (lakh)	0.63	0.68
Loans issued (₹ crore)	512.27	601.80
Loans outstanding (₹ crore)	1044.82	1162.54
Gross NPA (₹ crore)	81.62	103.40
SGSY (₹ crore)	29.82	58.51
SHG (non-SGSY) (₹ crore)	51.80	44.89
No. of WSHG districts		6

From Microcredit to Microenterprise – Challenges

- The present challenge is to induce SHGs and their members to graduate into matured levels of enterprise, factor in livelihood diversification, and increase their access to the supply chain, linkages to the capital market and appropriate production and processing technologies.
- A spin off of this challenge is how to address the investment capital requirements of matured SHGs, which have initially met members' consumption needs and are now on the threshold of taking off into "enterprise". There is evidence in MYRADA experience where lending for productive purposes has already been given greater emphasis by SHGs. The Community Managed Resource Centres (CMRCs) organized by MYRADA provide a variety of linkage services to SHGs and individual entrepreneurs among SHG members. This model requires to be studied.
- The SHG - Bank Linkage Programme needs to introspect whether it is sufficient for SHGs to only meet the financial needs of their members, or whether there is also a further obligation on their part to meet the non-financial requirements necessary for setting up business and enterprises. Ideally, it must meet both. (NABARD R. , 2011-12)

Issues in Income, Consumption and Investment of SHGs

While these processes are of sufficient importance in themselves, the constraints arising from the following conditions require careful probing:

- Lack of awareness, precluding participation in SHGs;
- Social barriers that tend to exclude some groups (for example SCs/STs in India, indigenous peoples in the Philippines);
- Biases of implementing agency staff (such as bank officials) against women in general;
- Illiteracy and inappropriate training; and
- Likely overburdening of women as a result of additional responsibilities in managing income-enhancing assets.

In addition to participating SHG members, members of the control group may throw valuable light on these constraints. (Thapa, 2006 pg – 17)

Conclusion

While targeting of microfinance through SHGs for the income, consumption and investment is quite unsatisfactory as many issues are also related with this. The income generation is improper & irregular, so consumption and investment is a long way to go. The institutions like NABARD is giving big support to this system, but still missing to the grassroots level. The savings is little. Due to illiteracy and narrow approach the woman are unable to get the full benefit and considerations. Credit alone is not useful if it is not packed with the mobility, transportation and other facilities. In conclusion, if the microfinance is taken as the consideration for the economic growth and empowerment of the women than other constraints should be removed. The equity and efficiency to be reinforced for growth output.

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