



RESEARCH ARTICLE

IMPACT & SUSTAINABILITY OF SHGs

Ignatius Balraj¹ and Dr. R S Bharathish Rao²

¹Research Scholar, Bharathiar University.

²Principal, SRN Adarsh College, Bangalore.

ABSTRACT

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Corresponding author:

ignatius.inasi@gmail.com.

Greater access and sustainable flow of credit is critical for empowerment of poor. The credit needs of the rural poor are determined by a complex social economic profile where it is difficult to adopt lending approach as usually followed by banks. Despite rapid expansion of financial system still the dependence of the unbanked on money lenders continues in some areas. Under this circumstances a non-formal agency for credit supply to poor, in the form of Self Help Group could emerge as a promising partner to the formal credit system. A livelihood is sustainable when it enables people to cope with and recover from vulnerabilities, shocks, and stresses. SHG has emerged as one of the most important tools of socio economic development particularly which are aimed at women's empowerment, livelihood strengthening and poverty alleviation. *This paper highlights how SHGs access to these livelihood assets influenced by political, social, and institutional framework which affects rural poor as how they are accessing the livelihood assets by adopting livelihood strategies. The impact indicators like occupation of the SHG members, credit utilization and asset acquisition has been studied in this research paper.*

INTRODUCTION

According to NABARD Self Help Group defined as "A *small, economically homogenous group of unreached rural poor, voluntarily formed to save and mutually agreed to contribute to a common fund to be lent to its members as per group decision*". These groups consist of the members who are poor with low savings capacity depending upon money lenders or informal sources of finance for meeting their

consumption needs. SHGs having a common goal of socio-economic sustainable development and discussing their problems and resolving it through appropriate participation and decision making. It is a local level institution having its own objectives.

The prevailing traditional deposit and loan products, systems, procedures and banking policies were perhaps not suited to meet the immediate

requirements of the unbanked population. Studies indicated that such unbanked poor successfully could organise themselves into groups aimed at self-reliance. SHG-Bank Linkage Programme which addressed the issue, as a delivery mechanism through SHGs, assimilating the flexibility, convenience and responsiveness of the informal sector with the resources and branch network of banking system, aiming at provision of financial services to the rural poor. This delivery mechanism also helped to cut down the transaction costs at the level of banks and SHG members substantially.

ARE

- To inculcate the savings and banking habits among members.
- To secure them from financial, technical and moral strengths.
- To enable availing of loan for productive purposes and repaying the same over a period of time and in the process.
- To gain economic prosperity through loan/credit;
- To gain from collective wisdom in the financial matters in organising and managing their own finance and distributing the benefits among themselves.

THE OBJECTIVES OF SELF HELP GROUPS

Box: Showing Issue of Policy Guidelines by RBI

- SHG – Bank linkage approach is cost effective, transparent and flexible and improves accessibility of credit from the formal banking system to the Unbanked rural poor.
- Offers solution to the twin problems of recovery and high transaction cost of banks.
- Banks to play a major role in formation of SHGs and their linkages.
- Banks to treat linkage programme as a **“Business Opportunity and Corporate Strategy”**.
- Considered as priority sector lending for weaker sections under Service Area Approach.
- Banks to include SHG concept in their training curriculum.

Source: RBI

REVIEW OF LITERATURE

(Reddy & Malik, 2011) highlighted the reasons for success of SBLP in southern states. The study identified the success factors like importance of NGO, healthy relationships with Government, different delivery channels, credit movement, evolution of community based programmes, awareness through education improved the strength of the SHGs in South India. (Parida & Sinha, 2010a) examined the performance and sustainability of three different types of SHGs like all-

male, all-female and mixed SHGs. The study has highlighted the reasons, why female SHGs are doing well in India when compare to other SHGs. The study explored the reasons like female SHGs performed better in loan recovery, continuous savings, financial management practices, book keeping and linkage with the SHG federations.

(Sivasubramanian & Ali, 2012) analysed the flow of credit from the banks and its impact on the

entrepreneurial prosperity among the members of the SHGs. The study shows that majority of the SHG members are petty vendors, after joining as member in SHG which helped in sourcing the working capital to take up their discontinued business. Members who are associated with SHG are able to increase their sales. The study made a point that credit flow helped SHGs to take up entrepreneurial activities as most of the members invested loan availed from SHG as seed capital to procure raw material and machinery. The study has concluded that because of the credit flow from the banks to SHGs improved the entrepreneurial prosperity for sustainable development. The study suggests that Government should create interest free fund for microfinance which should be made available for banks, NGOs and MFIs.

(Dalla Pellegrina, 2011) using from the world bank data investigated which kind of lending - micro lending, informal lending and bank lending is suitable for promoting investment either in farming and non - farming activities. The study reveals that MF programs are suitable for few sectors. The study also finds that there is no efficient superior credit agreement and concludes that Households who belongs to group lending programs invest more in non-agricultural products and Households who belongs to agriculture borrow from informal sources and banking invest more.

(Garikipati, 2008) Studied the impact evaluation of lending, household vulnerability and women empowerment. The study explores that lending through microcredit strengthen household vulnerability. In the case of the women who are from the poorest of the poor who diverted the loans to manage the crisis's in the household. The study also explores that women diverted the funds to productive and consumptions needs.

(P. Gupta & Manjunatha, 2013) empirically studied how women are empowered through microfinance and alleviated the poverty in Bangalore Urban. The study reveals that before joining SHG most of the poor are employed in informal sector. After joining as member in SHG, women received micro capital and started micro business. After joining, SHG member's involvement in the production related and business related activities increased. The study concludes that after joining SHG, member's income, savings and credit access increased. The study proved that microfinance has filled the gap to access low cost formal financial services.

(Kumar & Golait, 2009) examined the outreach of

SHG-Bank linkage Programme by comparing different regions and state wise. The study concludes that southern region has performed well in terms of total loans to SHGs in India as the performance is not even in the other regions due to the factors like active role of the State Governments, presence of NGOs, better performing SHGs, socio-cultural factors. And also pointed out that the average loan size in the other regions is much lower than the southern region which is why the performance of SHG-Bank linkage programme in Northern, Western and Eastern regions is low.

(Parida & Sinha, 2010b) explored the performance and sustainability of SHG programs in India at the group level with gender perspective by surveying six states (Assam, Orissa, Uttar Pradesh, Maharashtra, Andhra Pradesh and Karnataka). Based on the factors like sustainability, literacy, federation, savings percentage & loan recovery concludes that female SHGs performed well than the male SHGs. The study also finds out the reasons like percapita savings, financial management practices and; loan recovery for performing well when compared to male SHGs.

Financing through SHGs reduces transaction cost for both borrowers and lenders. As lenders no need to manage a large number of small size accounts. In case of borrowers save expenses like travel and time to get a small loan. The Indian perspective of financial inclusion emphasizes on three dimensions of credit, wealth creation and contingency management. Beyond credit a wide range of financial services including savings accounts, remittances, insurance etc facilities are needed for promoting financial inclusion (Venkataramany & Bhasin, 2009).

The intervention of SBLP has positive impact on women empowerment. Through microfinance women are able to access financial products and services and also members achieved social recognition (P. K. Gupta & Hanagandi, 2012).

(Thakur, Sharma, & Jain, 2010) empirically analysed micro finance as tool for poverty control with special reference to Gwalior. The study has identified the factors like employment opportunity, tenure of SHGs and NGOs are the important factors responsible for poverty control and also suggested that MFIs has to develop smooth credit system with the help of financial institutions.

SUSTAINABILITY AND LIVELIHOOD OF SHGS

A livelihood is a means of making a living. It encompasses people's capabilities, assets, income and activities required to secure the necessities of life. A livelihood is sustainable when it enables people to cope with and recover from vulnerabilities, shocks, and stresses (such as natural disasters and economic or social upheavals) and enhance their well-being and that of future generations without undermining the natural environment or resource base (International Federation of Red Cross and Red Crescent Societies, 2015). The livelihoods approach should be a way to improve understanding of the livelihoods of poor people. It draws on the main factors that affect poor people's livelihoods and the typical relationships between these factors. Access and use of livelihood assets like natural resources, technologies, their skills, knowledge and capacity, their health, access to education, sources of credit, or their networks of social support.

The access to these livelihood assets influenced by political, social and institutional framework which affects rural poor as how they are accessing the livelihood assets by adopting livelihood strategies. In order to manage one's livelihoods one needs more than just income or an asset base, the HDI is often considered a better index of the status of livelihoods of a population. In this measure of livelihoods as well, it can be seen that though the value of HDI has improved slightly (from 0.554 in 2012 to 0.586 in 2014), India has slipped from 134th position, among 184 reporting countries, to 135th position in this period (State of India's Livelihoods Report, 2014).

SHG has emerged as one of the most important tools of socio economic development particularly which are aimed at women's empowerment, livelihood strengthening and poverty alleviation. Livelihood interventions in the context of SHGs are any activity that households engage in to generate income or earn a living to provide the necessary essentials. In this context we can consider that SHGs are involved in the farm and non-farm activities as a livelihood strategy. SHGs livelihood approach aims to understand and learn from change so that it can support positive patterns of change and help mitigate negative patterns,

which in turn mitigate the vulnerabilities. In order to improve the status of livelihood of SHGs there is need to enhance the opportunities to diversify the activities of SHGs. Several evaluation studies have shown that the rural livelihoods programmes have been relatively successful in alleviating rural poverty wherever systematic mobilization of the poor into SHGs, their capacity building and skill development was taken up in a process-intensive manner(refer figure 1). The rural poor households are seduced to take high levels of debt which is considered high risk as often the households invest in the small business or income generating activities that can be undertaken from home. In rural majority of the women adopted income generating activities as livelihood strategy to lead the house as men are engaged in temporary and migrant work. Many models, schemes and programmes focused on integrating of women, systematically bringing the rural poor under the SHGs, involving them in the community development programmes etc.

DATA INTERPRETATION AND ANALYSIS

The field study has been conducted in the Bangalore Urban District covering five taluks. The interaction with 60 samples termed as matured self-help groups, who have availed loan more than twice and the existence of the groups are in the range of 3-8 years. Primary data has been collected from the SHG leader and members. The detail analysis and interpretation is presented below.

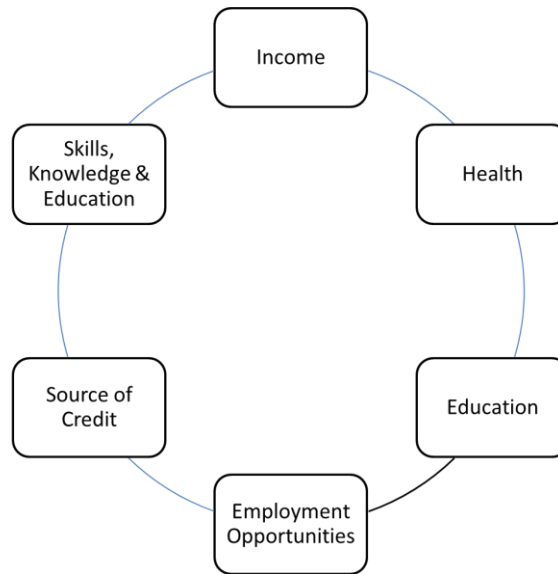
OCCUPATION OF THE SHG MEMBERS

Household occupation is one of the main indicators as it is the basic source of income. It is very difficult to run the family smoothly when their family head's income is not enough to improve their economic status of the family. Women join the SHG as member to support the family with their little income. Few women as already employed in the farm and non-farm sector are also joining as members to improve their income to meet the basic financial requirements.

Ho: Women join SHGs to generate additional income to uplift their family economic status.

H1: Lack of income is a factor which is motivating women to join the SHGs

Figure 1: Showing the dimensions of Livelihood for SHGs



Source: Author's Compilation

Table 1: Showing chi-square test significance of the members occupation on joining SHG

Occupation	oi	ei	oi-ei	(oi-ei) ²	(oi-ei) ² /ei
Agriculture	7	15	-8	64	4.27
Wage Labour	12	15	-3	9	0.60
Self Employed	15	15	0	0	0.00
Unemployed	26	15	11	121	8.07

12.93

Chi-Square Calculated Value	12.93
Degree of Freedom	3
Critical Value @5%	7.82
Critical Value @1%	11.35

Source: Primary Data

Women who are organized into SHGs are able to promote savings and credit activities which will lead to the permanent improvement of the economic status of the family. From the data 44% of the SHGs members are unemployed, 25% of the members are already self-employed, 20% SHGs members are daily wage labourers and 11% of the members are from the farm

sector. As majority of the members are unemployed these women are organized into groups by the promoting institutions and based on their skill members started income generating activities. Through the income generating activities members are able to contribute additional income to meet their financial requirements and also able to save to meet future

uncertainties. From the above test as the chi-square calculated value is 12.93 which is greater than the critical value at 5% is 7.82. Hence alternative hypothesis is accepted.

CREDIT UTILIZATION

Credit is one of the most critical inputs for empowering SHGs and to reduce rural indebtedness. Savings generated by members are contributed to common fund. Intern from the common fund based on

the requirement lent to the members based on the common interest rate. All most all the members contributed for the common fund and taken loan from the SHGs for income generating activities and for personal consumption purpose.

Ho: SHG members availed credit for business purpose and for taking up income generating activities

H1: SHG members utilized credit not only for income generating activities but also for personal requirements.

Table 2: Showing Chi Square Test significance for Credit Utilization

Loan Category	oi	ei	oi-ei	(oi-ei) ²	(oi-ei) ² /ei
Domestic Consumption	12	8.57	3.43	11.76	1.37
Emergencies	0	8.57	-8.57	73.47	8.57
Agriculture	10	8.57	1.43	2.04	0.24
Animal Husbandry	12	8.57	3.43	11.76	1.37
Income Generation	26	8.57	17.43	303.76	35.44
Asset Building/Investment	0	8.57	-8.57	73.47	8.57
Others	0	8.57	-8.57	73.47	8.57
	60	60.00			64.13
Chi Square Calculated Value	64.13				
Degree of Freedom	6				
Critical Value @5%	12.59				
Critical Value @1%	16.81				

Source: Primary Data

From the above table it is clearly evident that out of 60 SHGs 44% of SHG members utilized the credit for income generating activities like poultry, tailoring, petty vendors, vegetable vending, pickle making etc. 20% of the SHGs utilized credit for buying cows and goats, 20% of SHGs members utilized for domestic consumption like for marriage purpose, children education purpose, for house repairs, for repayment of the loan and for medical expenditure. Out of 60 SHGs 16% of SHGs utilized credit for agriculture purpose.

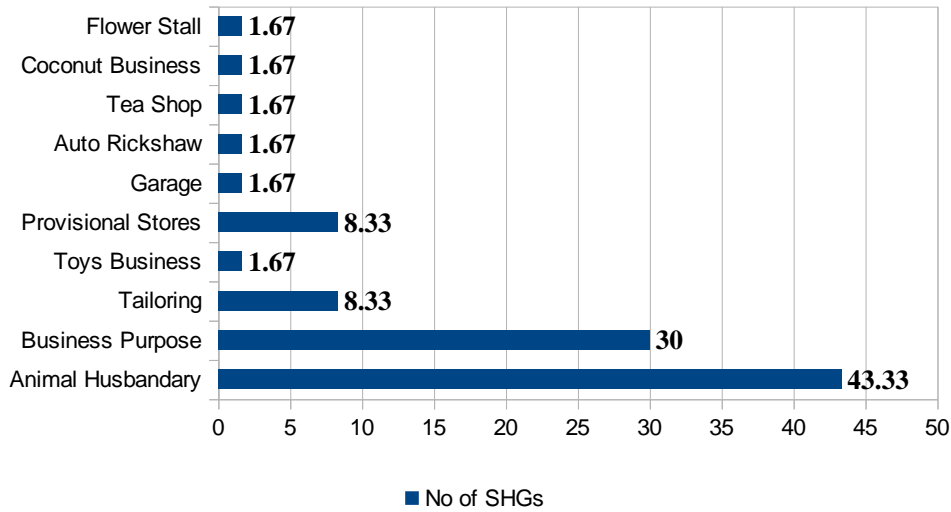
One of the objectives of SHGs is to meet the basic financial requirements at the time of emergencies. Members join the SHGs to improve the economic status of the family by taking up of income generating activities. As members are contributing their savings to the common fund, based on the members requirement SHGs are lending loans to members not only for income

generating activities but also to meet other financial requirements. As the Chi Square calculated value is 64.13 greater than the critical value @5% 12.59 and at 1% critical value are 16.81. Hence alternative hypothesis is accepted.

ECONOMIC ACTIVITIES TAKEN UP BY THE SELF-HELP GROUPS

Based on the local resources and skills members and SGHs take up sustainable income generating activities to meet their financial requirements. The sustainable income generating activities are in the form of petty business, vegetable vending, provisional stores, tailoring, pickle making, hand crafts etc. These groups are creating their own sustainable livelihood opportunities to generate income on a sustainable basis. The economic activities taken up by the micro self-help groups are presented in the following chart.

Chart-01: Showing activities taken up by the SHGs (in %)



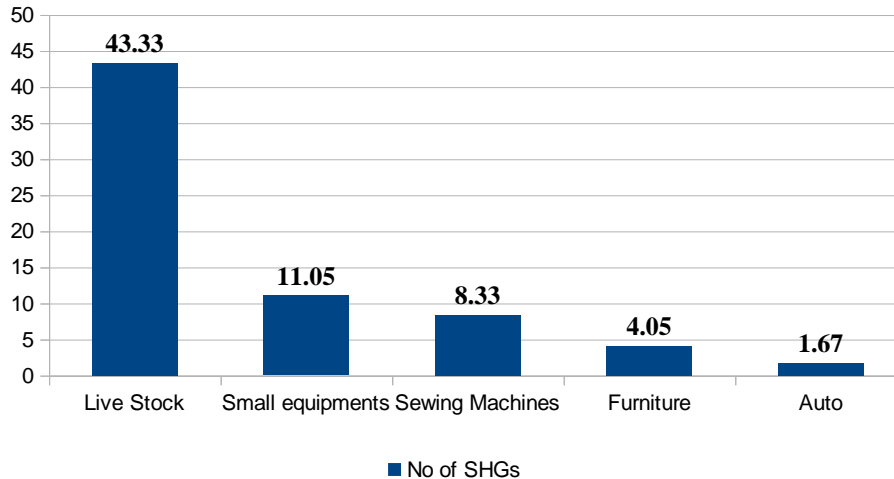
Source: Primary Data

The above chart clearly shows that 43.33% of SHGs utilized the credit to buy cattle and started milk business in their locality. 30% of the SHGs utilized the credit for the business purpose like procuring raw materials, furniture for provisional stores, for constructing the shops etc. 8.33% procured sewing machines, 8.33% exclusively invested on setting up of provisional stores. 10% of the SHGs utilized the credit to buy auto rickshaw, garage business, tea vending, flower stall and coconut business. From the above data it is observed that SHGs have taken up these economic activities based on the availability of local resources, opportunities for business and member’s individual entrepreneurial skills. These groups not only utilized the credit but also they have invested in the economic activity from their regular savings. Through the economic activities these groups met social and emotional needs of individuals and family dealing with problems due to lack of income. The economic activity of animal husbandry has yielding good results when compare to other activities. As a result the pattern of expenditure improved and supported their livelihood. Increased income and income generation on sustainable basis considered as sign of progress.

Asset acquisition is one of the important indicators considered for economic empowerment of members in the SHGs. From the above chart it is clearly evident that 68.43% of SHGs members acquired low value assets. 31.57% of members have not acquired any asset after joining the MSHG. Out of 68.43%, 43.33% of members have livestock, 11.05% procured small equipment’s, 8.33% acquired sewing machines, 4.05% acquired furniture and 1.67% acquired automobile. As most of the SHGs are five years old it is very difficult to acquire the assets with high value, with amount of finance what they are getting. Accumulation of high value assets is not possible with in the short period of time. But for accumulating high value assets it would take a long-term membership given that membership has a significant relationship with household income. 68.43% members acquired low value assets which are used to generate sustainable income to improve their family status and to meet basic requirements. May be in the long run with increased income and with the change in the expenditure pattern there is a possibility of acquiring high value assets like land, house, machinery etc.

ASSET ACQUISITION

Chart 2: Showing asset acquisition after joining SHG (in %)



Source: Primary Data

CONCLUSION

Household occupation is one of the main indicators as it is the basic source of income. Without income it is very difficult to meet the basic requirements of the household. Majority of the women who join the SHGs are unemployed and joined to generate additional income to meet their financial requirements. The economic activities taken up by the SHGs enhanced the consumption and expenditure pattern of the members. Through the additional income members are able to acquire low value assets, as there is a relationship between the formation of group and individual household income. Collective and collaborative decision making helped the groups to perform well in meeting the group objectives without leader and group representatives. Equal opportunity in the group and making the members to participate in the decision making process and group activities contributed to the transformation of the group from micro to matured self-help groups. Weekly meetings helped the members to

review their performance, solving the individual member's problem, guiding the members, supporting the members to achieve the group and individuals objectives.

SHGs are not only availing the credit but also saving to meet their financial requirements. Majority of the members are not only using credit for income generating activities, but also using for personal consumption like providing education for children, loan for marriage, constructing house, to meet the hospital expenses and to buy low value assets. It is found from the study that after joining the SHGs asset acquisition in the low value assets observed. SHG member's economic and social status improved. Sustainable livelihood activities helped the members to overcome the poverty level. The financial inclusion objective has an impact on the inclusive growth by providing financial services to the organized group. Access to the financial services empowered the women and contributed to achieve the inclusive growth and development of the economy.

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