



## IMPACT OF MICRO FINANCE ON RURAL DEVELOPMENT THROUGH SELF-HELP GROUPS

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### INTRODUCTION

Microfinance (MF) is an emerging Sector, playing a vital role in poverty alleviation for the low-income families and women-headed households promoting social and economic justice by increasing access and participation in the formal financial system. This sector is providing loans, guarantees and other financial services to eligible institutions to expand outreach and profitability, which would enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security, self-sustaining and integral to the communities in which they operate and they have potential to attract more resources and expand services to clients. Microfinance is the key mantra for a sustained and long-term economic growth in India. The same is in sharper focus today with the Government taking keen interest to ensure a comprehensive and visible uplift of rural people through effective implementation of various schemes.

### DEFINITION OF MICRO FINANCE

Microfinance can be defined as “any activity that includes the provision of financial services such as credit, savings, and insurance to low-income individuals which fall just above the nationally defined poverty line, and poor individuals which fall below that poverty line, with the goal of creating social value. The creation of social value includes poverty alleviation and the broader impact of improving livelihood opportunities through the provision of capital for micro enterprise, and insurance and savings for risk mitigation and consumption smoothing”.

### CONCEPT OF RURAL DEVELOPMENT

The word rural development connotes overall development of the rural areas with a view to improve the quality of life of rural poor people. Village development is a strategy to attain infrastructure, community services for the poor people to enrich human development. The development of rural areas and improving the economic and social conditions of the people residing in rural areas has been among the central concerns of development planning since its inception. Both the Central and the State governments in our country are making serious efforts to reduce rural poverty by introducing programmes aimed at asset building, income generation and wage employment. Poverty and unemployment are the two important problems in our rural villages. These problems encountered through women SHGs because the government, banks, NGOs and other financial institutions encouraged to women people to form a group.

Integrated Rural Development Programme (IRDP) was the first major self-employment programme initiated in 1979-1980. Over the years, a number of sub-programmes have been added to IRDP such as Training of Rural youth in Self-Employment Programmes (TRYSEM), Development of Women and Children in the Rural Areas (DWCRA), supply of Improved Tools for Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY). The objective of IRDP was to enable individual families to cross the poverty line by providing them with income generating assets through a mix of governmental subsidy and term credit by the financial institutions. DWCRA aimed at social and economic empowerment of rural poor women by forming them into Self-Help Groups (SHGs) engaged in income generating activities. TRYSEM aimed at imparting skill up-grading training to rural poor youth to enable them to take up Self wage employment. The objective of SITRA was to enable rural artisans to enhance the quality of their products and increase incomes with the help of improved tools. GKY was intended to provide irrigation through exploitation of ground water (bore wells and tube wells)

### SELF-HELP GROUPS-CONCEPT

The concept of “SHG” is used to describe groups of people in different contexts. In the Indian context, a SHG can be defined as a “Homogeneous affinity group of rural poor, voluntarily formed to save small amounts out of their emergent credit needs and revolving their resources among the members, both for consumption and production, at such rate of interest, period of loans and other terms, which the group may decide. Such groups may be informal or registered and should not have a membership of more than 20, if they were to be unregistered”. In order to facilitate smoother and meaningful development, self-help group has become one of the largest and widely accepted means of effective delivery mechanism in the world. SHG is a homogeneous group of primary stakeholders (poor, women, users, etc.) formed voluntarily on areas of common interest so that they can think and plan for their development. It is a means of empowerment. It also promotes collective action



paying the way of or transparency and accountability. Confidence level and social development indicators have shown encouraging improvements.

### FEATURES OF SHGs

Characteristic Features of SHGs:

- Transparency in operations.
- Intimate knowledge of each other's intrinsic strengths, needs and problems.
- Have a common fund.
- Have simple and responsive rules.
- SHG route is one of the effective methods of delivery of Credit to the unreached poor.
- Collective decision making
- Market driven rates of interests and as decided by the group.
- External interference kept to the least and
- Conflict salving through collective leadership and mutual discussions.

### SIGNIFICANCE OF SELF HELP GROUPS

SHGs play a very significant role in the development of economy with different functions in rural and backward areas. These SHGs will help to eradicate the poverty, unemployment and illiteracy problems which are facing by rural and backward areas in India. Following are the some important significant aspects of Self Help Groups:-

1. Self Help Groups create a common fund by contributing small amounts of saving on a regular basis.
2. The groups are flexible enough to operate with help of NGOs and to manage the common pooled resources in a legal manner.
3. SHGs sponsored microfinance activates improve the access of rural poor to financial services both savings and credit.
4. The SHGs develop good rapport with nationalized banks and act as a mediator between peripheral rural individuals and centralized banking system.
5. Group's acts as efficient media for women empowerment in all sections of society viz. social economical and political systems.
6. Micro financing institutions creates self respect among the individual and better coordinate between the group members. It also helps to decreases tribal dependence on the moneylenders. Self Help groups as micro financing institutions are emerging as cost effective mechanisms for providing financial services to the needy poor people especially women.
7. The SHGs in coordination with banking system are enabling the rural poor to cross the poverty line through additional employment and income generation. They are also enabling easy accessibility of credit to the poor that too without any collateral security.
8. The Self Help Groups ensure active participation of people, wide distribution of power, dispersed decision making and evolution of new leadership for long term sustenance of activities.
9. SHGs believes in steady and balanced growth of infrastructural facilities like irrigation, transport and other services which are built by the group itself.
10. The group exhibits the highest concern to the poorest among themselves and benefits distributed accordingly. Hence the sense of equity and mutual help is high among the group members.

### OBJECTIVES OF THE PROPOSED STUDY

1. To understand the importance and status of microfinance in India.
2. To present the conceptual view and developments of Microfinance sector in global as well as in India in a phased manner.
3. To know the functioning, growth and development of SHGs in the State as well as in the country as a whole.
4. To examine the socio-economic characteristics of the sample respondents.
5. To analyze the impact of microfinance on rural development.
6. To offer suggestions for the effective implementation of micro finance programmes and thereupon conclusion is drawn.



### PROGRESS OF (Self -Help Groups)SHGS IN INDIA

Table – 1.1 reveals, initially there was a slow progress in the programme up to 1999 as only 32,995 groups were credit linked during the period from 1992 to 1999. Since then the programme has been significantly growing from 81,780 in 1999-2000 to more than 7.00 lakh in 2007-08 and during the year 2013-14 which are reduced to 5.99 lakh. This shows that decreasing trend is observed. However it is observed that the SHGs were increased (from 1.3 lakh to 47.24 lakh SHGs) by 22.5times over a decade a period i.e., from 1999-00 to 2013-2014.

**Table I.1: Progress of SHGs in India during the year 1999-00 to 2013-2014**

Year	No. of SHGs financed during the year (In Lakhs)	Cumulative No. of SHGs financed (in Lakhs)
1999-2000	0.82	1.15
2000-2001	1.49	2.64
2002-2003	2.56	7.17
2003-2004	3.62	10.79
2004-2005	5.39	16.18
2005-2006	6.20	22.38
2006-2007	6.87	29.25
2009-2010	6.23	43.5
2010-2011	6.89	44.9
2011-2012	7.84	46,6
2012-2013	8,87	47,4
2013-2014	9,94	49.8

Source: MCID NABARD (2009): “NABARD” and Micro Finance 2013-2014

**Table- I.2,Progress of Region-wise Savings of SHGs under Microfinance (as on 31<sup>st</sup> March 2014)**

Sl. No.	Region	No. of SHGs		Savings of SHGs	
		No.	%	Amount	%
1	Northern Region	310,998	5.08	22,703.92	4.09
2	North Eastern Region	240,093	3.92	10,210.16	1.84
3	Eastern Region	1,233,635	20.15	159,688.04	28.80
4	Central Region	712,915	11.65	38,679.20	6.97
5	Western Region	796,262	13.00	66,428.40	12.00
6	Southern Region	2,827,244	46.20	256,852.10	46.30
	TOTAL	6,121,147	100.00	554,561.82	100.00

Source: MCID NABARD (2009): “NABARD” and Micro Finance 2012-13.

### NEED OF SHGs FOR RUAL DEVELOPMENT

Development alone cannot bring peace and prosperity unless social justice and gender equality are ensured. It has been well accepted that various development programmes have by passed women who constitute about half of the population of the country. International conventions and conferences, legal enactments, constitutional provisions, etc., highlighted the imperative need for gender equality and women empowerment. The rural poor, with the intermediation of voluntary organizations join together for self help to secure better economic growth. This has resulted in the formation of a large number of SHGs in the country, which mobilize savings and recycle the resources generated among the members. SHGs are necessary to overcome exploitation, create confidence for the economic self-reliance of the rural poor, particularly among women who are mostly invisible in the social structure. These groups enable them to come together for a common objective and gain strength from each other to deal with exploitation, which they are facing, in several forms.

Rural Development makes people sat and on their own feet and break away from all structural disabilities which chain them to a static condition in which they have to live in. The problem of development in India is anonymous with the problem of Rural Development as two third of its population lives in Rural areas. Rural Development involves raising the socio-economic status of rural poor on a sustainable basis through optimum utilization of local resources. The essence of Rural Development in not providing but ‘promoting’ the rural sector. Thus, the stress of the Rural Development should be on self-reliance and in improving the quality life of rural people.



According to the World Bank, Rural Development is a strategy designed to improve the economic and social life of a specific group of people, the rural poor. Rural Development implies both on the economic betterment of people as well as greater social transformation. To attain the Rural Development firstly women empowerment must. Women in India are victims of a multiple socio-economic and cultural factors. Emancipation of women is a prerequisite for nation's economic development and social upliftment. The role of women and the need to empower them are central to human development programmes, including poverty alleviation. In spite of safeguards provided in many of the poverty alleviation programmes, it was observed that women in rural areas, especially from poor families could be not benefited. The SHG is a viable organizes setup to disburse micro-credit to the rural women for the purpose of making them enterprising and encouraging to enter into entrepreneurial activities. The formation of SHGs is not ultimately a micro-credit project but an empowerment and rural development process. The empowerment of women through SHGs would give benefits not only to the individual woman but also for development. These SHGs have a common perception of need and an impulse towards collective action. Empowering women is not just for meeting their economic needs but also for more holistic social development. The SHGs empower women both socially and economically. They encourage women to participate in decision making in the household, community and local democratic sector and prepare women to take up leadership positions these improvements towards for rural development.

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