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Perception of Beneficiaries Regarding the Micro Finance To the Self Help Groups (SHGs): A Case Study



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Abstract

Micro finance provided by the commercial bank, co-operative banks and RRB is becoming very helpful for the benefit of people under the plans of the Government of India. The perception of beneficiaries is that they are getting immense help after joining the SHGs. Beneficiaries have reported that after their participation in SHGs they are more respected in their own families and society in general. It is the perception of beneficiaries regarding the micro finance means they are not only getting the finance from the bank like commercial, co-operative and RRB etc but also they are gaining economic and social development due to their training and promotion programmes conducted by the NGOs at time to time. The main aim of the beneficiaries of SHGs is to remove the poverty from the root and it enables them to fight against the poverty because there is a need to require the proper finance to come into the existence for the rural people.

Hence, the SHGs programmer, although primarily aimed at poverty alleviation, is resulting in even more fundamental and desirable change in terms of social empowerment of women, empowerment of their families through higher incomes and better choices and finally in the betterment of community life regarding the poor rural people. So the perception of beneficiaries is to remove the poverty due the great effort from the micro financing institutions.

Keywords : Microfinance, SHGs, MFIs, NABARD, DRDA

Introduction

Microfinance of beneficiaries refers to the financial services provided by the commercial banks under the different schemes of the ministry of government. Financial services such as deposits, loans, money transfers, and insurance to poor and low income households are helpful for the beneficiaries for their economic and social development. Provision of microcredit, namely loans for the poor, has however dominated the microfinance sector globally. The government of India and state authorities have increasingly realized the importance of devoting attention to the economic and social betterment and development of the beneficiaries of Dehradun district in Uttarakhand. The Indian constitution guarantees that there shall be no discrimination on the grounds of gender. In reality, however, rural people have harder lives and are often discriminated against with regard to land and property rights and in access to medical facilities and rural finance. Commercial Bank charges a reasonable interest rate on micro financing from the group of beneficiaries in Dehradun district Uttarakhand.

Dehradun district is one of the most important Districts among the entire 13 Districts in Uttarakhand. Micro financing by the commercial banks is playing a very important role in the development of Uttarakhand. Generally rural poor are not getting micro finance directly from the commercial banks in the District. We have taken micro financing from commercial banks to SHGs in the District. The present study is based on those financial institutions (commercial banks) which are providing micro finance to the rural poor with the help of self help groups (SHGs). The purpose of this study is an attempt to know how micro-finance through Commercial banks are helpful for the poor people to fight against poverty. Going forward, micro finance will play a very important role as a service catering to the financial needs of the very poor. The main purpose of this study is to make the rural poor aware about the process and importance of micro finance.

Review of Literature

Only few studies have been carried out on the related topic. One such study has been done by Pathak (1992), who focused on SHGs of Kerala. The SHGs of Kerala state have become centers for initiating action regarding the needy poor people in rural areas, alcoholism, illiteracy and divorce (NABARD, 1997). On the other hand, the study of Harper (1996) highlighted the services of banking community to the poor by lending to SHGs as a micro finance. Puhazhendhi and Jayaraman (1999) highlighted the importance of supplementary activities like animal husbandry, poultry form etc, and non – farm activities like petty shop, provision stores, flower selling business etc, in the improvement of economic conditions of the rural poor. Dadhich (2001) stated that effective implementation of micro finance can be a means not only alleviate poverty and empower woman but also be a viable economic and financial proportion. Satya (2005) stated that micro finance in India is making steady and satisfactory progress through NABARD and other nodal agencies in the country. Thorat (2005) stated that micro financial services provided to the poor in sustainable manner is consistent with high repayment rates than the beneficiaries would go in for repayment that are quite high in consideration to a staggered manner of provision of services. Emerson Moses (2011), has concluded in his study that micro finance has emerged as a catalyst of rural development, especially in the overpopulated country like India. In his study he provides all the information regarding the micro finance and its all demand and supply factors. S. Sarumathi and Dr. K. Mohan (2011) found that microfinance brought psychological and social empowerment than economic empowerment. Impact of micro finance is appreciable in bringing confidence, courage, skill development and empowerment. Devraja T.S. (2011) has studied the India's achievement of the MDG of halving the population of poor by 2015 as well as achieving a broad based economic growth also hinges on a successful poverty alleviation strategy. In this backdrop, the impressive gains made by SHG-Bank linkage programme in coverage of rural population with financial services offer a way of hope. In a similar study Mr. Nikhil (2011) considered that the microcredit movement has proved that it is possible to deliver financial services to poor people living in rural areas at a large scale, free from any reliance on subsidies. Manisha Raj (2011), in his research paper entitled "Microfinance Institutions in India and its Legal Aspects" states that Microfinance institutions have been proved a very important financial wing to incorporate the poor in the financial sector. Now on the other aspect like the challenges faced by the microfinance institutions Badrudduza (2011) found the positive results shown by MFIs in many countries but still there are a number of challenges before the microfinance industry, as shown in his study. Rajesh and Ravi (2011) states in their study, despite the role of microfinance is very good in poverty alleviation but the unethical and

extortionist practices by MFIs led to arguably a draconian measure in its home turf Andhra Pradesh halting the industry in its tracks. Sidhatha (2011) and their co-authors found that the Microfinance delivery involves faced by MFIs include the inaccessibility of the micro finance services to the rural poor, the capital inadequacy of the MFIs, the demand supply gap in provision of microcredit and micro savings and the lack of women orientation in marketing, evaluation and delivery of microfinance. The micro challenges include the inability to reduce the high transaction cost involved in delivering microfinance, the non-availability of documentary evidence and collateral among majority of rural poor, difficulty in reducing the dependency of the rural poor on money lenders and lastly the problem of repayment tracking where lending is not based on documentary evidence. K. Muralidhara Rao (2004) found in his study that Private MF in India, barring a few Exceptions, are still fledgling efforts and are therefore unregulated. Jonathan Morduch and Stuart Rutherford (2003) in his study "Microfinance: analytical issues for India" states that the microfinance movement is thus striving to match the convenience and flexibility of the informal sector, while adding reliability and the promise of continuity and in some countries it is already doing this on a significant scale.

Objective of the Study

The present study is conducted for the following objectives.

1. To ascertain the present financial condition for the beneficiaries of SHGs in Dehradun.
2. To understand the beneficiary's perception towards the micro finance services provided by the commercial banks in Dehradun.

Hypotheses

The following hypotheses which are linked to the objectives of the study are proposed

H₀. Beneficiary's perception that SHGs are satisfied with micro finance being provided by the commercial banks

Research Methodology

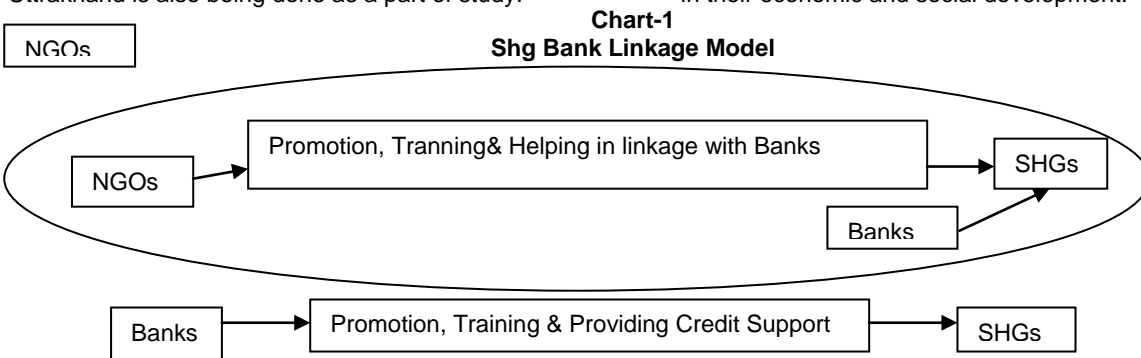
For micro level study we have taken Dehradun district whatever the results are derived will be applicable in areas of Uttarakhand as a whole. Descriptive research design have been used of the beneficiaries of Micro finance and their perceptions towards the scheme (SHG) availed by them have been determined and described. The present study will be based on both primary and secondary data. Primary data will be collected through well designed questionnaires and open Ended interviews with the beneficiaries (SHGs) and employees of the commercial Banks in Uttarakhand. Secondary data will be collected from annual reports, magazines, Newspaper, internet, review and records of Micro finance institutions, statistical department of Uttarakhand and commercial banks of Uttarakhand. We have taken the sample size of 200 beneficiaries of SHGs for this study. Sample area of the research will cover the full area of Dehradun districts of Uttarakhand. Analysis of data will be made by using

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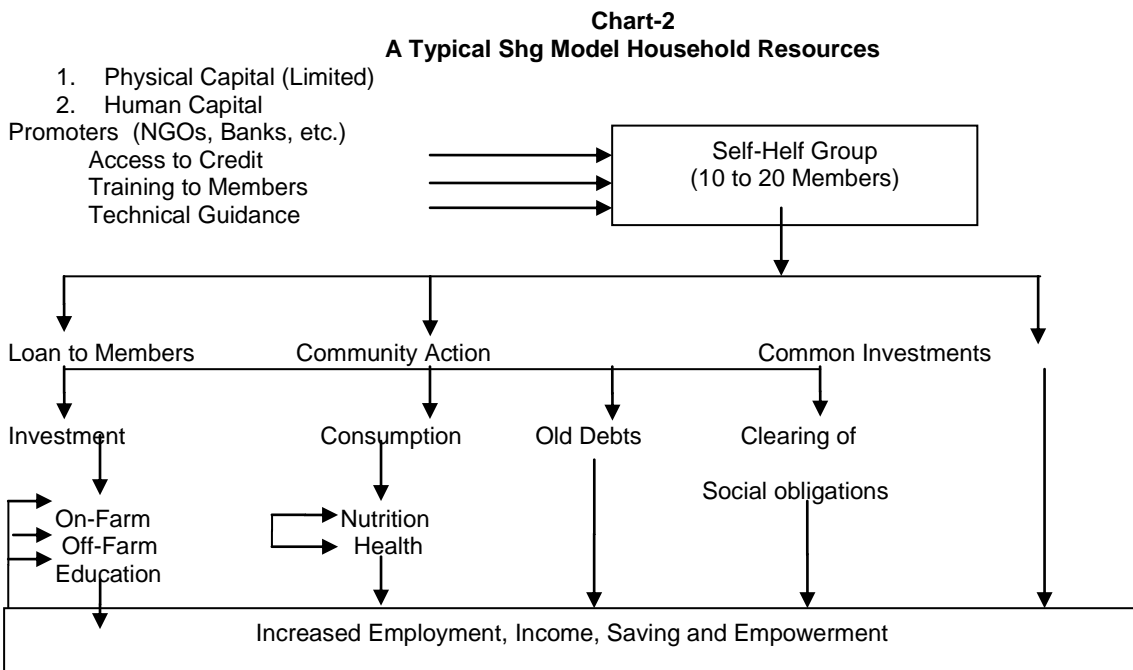
various required statistical tools. Tables, Diagrams, pie chart, graphs, ratio, percentages, correlation chi square test etc. will also be used to analyze, present and interpret the problem for drawing the result of the study. Public survey regarding their Opinion about the functioning of various Commercial banks like Punjab national bank, Bank of Baroda, Allahabad bank and Oriental bank of commerce, in the State of Uttrakhand is also being done as a part of study.

Perception of Beneficiaries under the SHGs Linkage Models

Following models are broadly used in the perception of beneficiaries regarding the micro financing process to show how this process is done on behalf of NGOs, SHGs and banks and how NGOs promote the SHGs to take a micro credit for the beneficiaries and this micro credit is how much useful in their economic and social development.



Source: Nanda, Y.C. (1995)

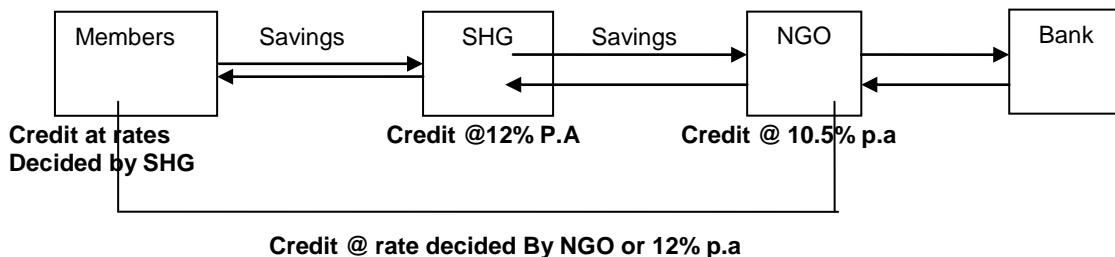


Source: Namboodiri, N.V. and R.L. Shyani, Indian Journal of Agricultural Economics, Vol. 56 (3), July-Sept. 2001.

Indirect Linkage Models

In this model basically the funds flow through the NGO i.e. the NGO is the financial intermediary. In

case of this linkage model various types exist which have been given below:



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Analysis of the Study

Following analysis is done on the basis of data for the 200 beneficiaries in district Dehradun regarding the SHGs.

Table 1: Beneficiaries

Particular	Frequency	Percent	Valid Percent	Cumulative Percent
Male	150	75.0	75.0	75.0
Female	50	25.0	25.0	100.0
Total	200	100.0	100.0	

Source: Field Survey

Table 1 shows that most of the beneficiaries are male (75%) while female are 25% which is participating in the SHGs promoting Scheme.

Table 2: Income of the Beneficiaries

Particular	Frequency	Percent	Valid Percent	Cumulative Percent
less than 10000	94	47.0	47.0	47.0
10000-15000	61	30.5	30.5	77.5
15000-20000	19	9.5	9.5	87.0
20000 & above	26	13.0	13.0	100.0
Total	200	100.0	100.0	

Source: Field Survey

Most of the beneficiaries come under the income less than 10000 like 47% (table 2) in comparison to other income groups which means there are more people living below poverty line in District Dehradun, so they need proper finance.

One Way Anova Test

The perception of beneficiaries of the District Dehradun seems to be more interested in micro

Table 3: Size of SHGs

Particular	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 10	32	16.0	16.0	16.0
10-15	128	64.0	64.0	80.0
15 & above	40	20.0	20.0	100.0
Total	200	100.0	100.0	

Source: Field Survey

Most of Group of beneficiaries recommended the strength between 10-15 member like 64% while other are falling under the different strength which are very less to above strength like 10-15 members according to the above (table 3).

Table 4: Satisfaction of Beneficiaries After Joining SHGs

Particular	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	147	73.5	73.5	73.5
Strongly agree	23	11.5	11.5	85.0
Disagree	19	9.5	9.5	94.5
Strongly Disagree	11	5.5	5.5	100.0
Total	200	100.0	100.0	

Source: Field Survey

It was found during the field survey that most of the beneficiaries agree that they are getting the satisfaction after joining the SHGs like 73% while there are very less Number of beneficiaries who are Disagree (9.5%) and strongly disagree (5.5) who are not satisfied from that according to the above (Table 4).

finance regarding the socio economic development on the basis of Anova

Report

Income of the beneficiaries	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Less than 10	32	1.7500	.43994	.07777	1.5914	1.9086	1.00	2.00
10-15	128	1.8281	1.05075	.09287	1.6443	2.0119	1.00	4.00
15 & above	40	2.1750	1.27877	.20219	1.7660	2.5840	1.00	4.00
Total	200	1.8850	1.03786	.07339	1.7403	2.0297	1.00	4.00

A ANOVA test for determining significant variance in beneficiary's perception for satisfaction level. In our Null Hypothesis we have assumed that perception of beneficiaries regarding the income and size of SHGs differs of income, satisfaction level after joining SHGs and size of SHGs.

ANOVA

Income of the Beneficiaries	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.361	2	2.181	2.046	.132
Within Groups	209.994	197	1.066		
Total	214.355	199			

Multiple Comparisons

Income of the Beneficiaries

(I) Size of SHGs	(J) Size of SHGs	Mean Difference(I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Less than 10	10-15	-.07813	.20406	.922	-.5600	.4038
	15 & above	-.42500	.24487	.195	-1.0033	.1533

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10-15	Less than 10	.07813	.20406	.922	-.4038	.5600
	15 & above	-.34687	.18702	.155	-.7885	.0948
15 & above	Less than 10	.42500	.24487	.195	-.1533	1.0033
	10-15	.34687	.18702	.155	-.0948	.7885

In Terms of Beneficiary's Income and Size of the SHGs

The beneficiary of SHGs seems to be more satisfied in terms of Income of the beneficiaries and size of the SHGs. The mean satisfaction level for income is (2.181) between the group and it is (1.066) within income. But there is no significant variation between the satisfaction level for the beneficiary's income and size of the SHGs at 95% confidence level since the value of P.E. is more than 0.05.

Income of the Beneficiaries

Size of SHGs	N	Subset for alpha = 0.05	
		1	
Less than 10	32	1.7500	
10-15	128	1.8281	
15 & above	40	2.1750	
Sig.		.117	

The beneficiaries of Distt. Dehradun seems to be more interested in Micro-finance. There is no significant variation between the income of the beneficiaries and size of the SHGs at 95% confidence level since the value of P.E. is less than 0.05.

Swaranjayanti Gram Swarozgar Yojana- Physical Achievement Block-wise Physical Progress Report for the SHG upto the Month 2012-13

District: Dehradun

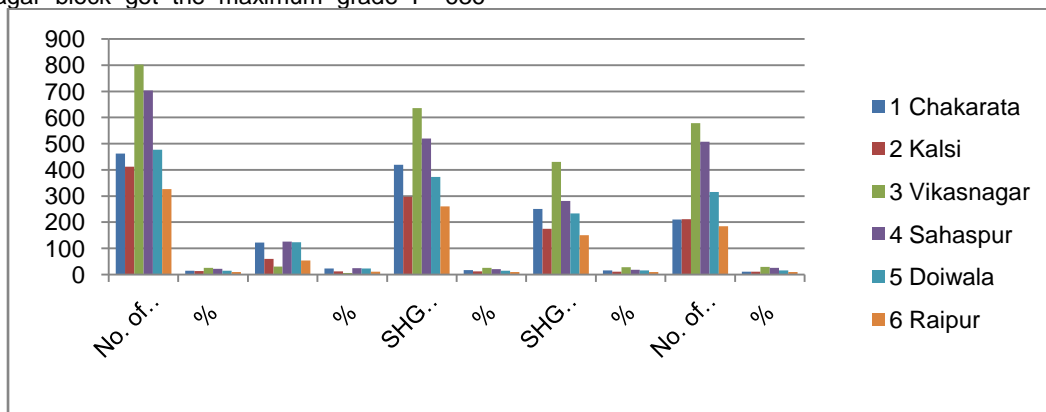
Year: 2013

Month: March

S.N.	Name of block	No. of SHG formed	%	SHG have defunct	%	SHG passed grade 1	%	SHG passed grade 2	%	No. of women SHG	%
1	Chakarata	462	14.52	122	23.64	420	16.76	251	16.49	210	10.45
2	Kalsi	412	12.95	60	11.63	297	11.85	175	11.50	212	10.55
3	Vikasnagar	802	25.20	31	6.01	636	25.38	430	28.25	578	28.77
4	Sahaspur	703	22.09	126	24.42	520	20.75	281	18.46	508	25.29
5	Doiwala	477	14.99	123	23.84	373	14.88	234	15.37	316	15.73
6	Raipur	326	10.25	54	10.47	260	10.38	151	9.92	185	9.21
	Total	3182	100	516	100	2506	100	1522	100	2009	100

It was found during the report of DRDA Dehradun that there are more SHGs emerged like 802 (25.20%) in Vikasnagar block. While this was very less in Raipur 326 (10.25%). The SHGs which was defunct from Chakarata 122(23.64%), Sahaspur 126 (24.42%) and Doiwala 123 (23.84%) in 2012-13. Viakasnagar block got the maximum grade Ist 636

(25.38%) which is more in comparison to the other block of Distt. Dehradun and this block is also block the maximum grade IInd like 430 (28.25%). The new woman SHGs emerged in Vikasnagar 578 (28.77%) and Sahaspur 508 (25.29%) according to the above table.



Source: DRDA Dehradun

Challenges

The challenges are about the Beneficiary's perception regarding the micro finance from the commercial banks, NGOs, co-operative banks and RRBs is becoming very difficult because they are not returning the loaning amount which is helpful in maintaining their group economic activities. Only micro credit to the beneficiaries is helpful in generating the income and their economic

development. Therefore gender focus in designing and implementing rural micro financial services should be enhanced throughout the whole Uttarakhand but it will be possible when financial institutions provide the proper finance at time to time. The Challenge is about how to link self-help groups with agricultural activities, which are of key importance for the livelihoods of small farm holders in India, but at the moment self-help groups have not taken much agricultural

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activities, as the decisions on agriculture are mainly taken by poor people.

Conclusion

Beneficiary's perception regarding the micro finance from the commercial banks, NGOs, co-operative banks and RRBs is becoming very important because they are getting the proper and sufficient finance which is helpful in maintaining their group employment like activities which are helpful in generating the income and their economic development. Micro-finance interventions are well-recognized world over as an effective tool for poverty alleviation and improving socioeconomic status of rural poor of District Uttarakhand. In India too, micro-finance is making headway in its effort for reducing poverty and empowering rural and urban poor people like beneficiaries of SHGs. Micro-finance through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO's has been largely a supply driven recent approach. Micro-finance institutions are other than banks which are engaged in providing financial services to the poor. Policy makers need to recognize the potential of micro financial services to support investment and growth in key economic sectors and hence to contribute significantly to national economic growth. It means rural poor people of Dehradun are getting more benefits regarding their living, saving and micro financial assistance for the small business like poultry, fishery and agricultural related economic activities. So district Dehradun is promoting the more SHGs Scheme for the rural and urban poor people.

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