

ROLE OF MICROFINANCE AND CONSTRAINTS INVOLVED IN MICROFINANCE FOR SHG IN KURNOOL DISTRICT OF ANDHRA PRADESH

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ABSTRACT

Though women were said as the better half of India, they were not provided with equal opportunities and rights. Hence, to improve our Nation, the basic unit of society should be developed which can be done only with the help of women who was the home maker. In order to empower women socially and economically, microfinance aids the way through SHG. In this present paper, the constraints experienced by the beneficiaries of SHG were enlisted and suitable suggestive measures were suggested. The present study was conducted at Kurnool district of Andhra Pradesh. In Kurnool district, Kurnool division was selected purposively. In Kurnool, 6 villages were selected and in each village 1 SHG group with 10 beneficiaries and 10 non-beneficiaries were selected thus, constitute 60 beneficiaries and 60 non-beneficiaries. The primary data was gathered with the help of interview schedule and the secondary data was gathered with the help of previous studies. The collected data were tabulated and analysed with suitable statistical tools and the findings were presented. The findings revealed that major constraint experienced by the respondent was drop-outs because of migration. The members lent the fund among themselves based on equal distribution and repaid in monthly instalments with interest rate.

KEYWORDS: Micro-finance, constraints, SHG, Kurnool, Beneficiaries, Drop-outs & Appraisal

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INTRODUCTION

Nearly half of the population in India were women. Before independence, women were restricted within the four walls of their house and had societal and cultural practices which inhibit their activities. After independence, they initiated Knitting, Kitchen, Pickle making, Tailoring; but, now women excelled in all sectors wherever they stepped their foot. Yet in remote part of the areas, women were underestimated and not independent. Hence, to empower women socially and financially, microfinance plays a crucial role through SHG. SHG is a group of 10-15 women of same class meet regularly with a common problem. During their meet, each one contributes some common fund and the common fund is provided to loan among the members during an emergency at an interest rate less than the market interest rate. The decisions were taken by consensus method and the leader of the group is changed periodically. The members of SHG can also take loan from the bank without any collateral security.

SHG is also referred as a cost-effective mechanism for providing financial services to unreached poor and successful in meeting the financial needs of the rural poor women. Rekha Goankar (2001) in her study concluded that the movement of SHGs can significantly contribute towards the reduction of poverty and unemployment in the

rural sector of the economy and the SHGs can lead to social transformation in terms of economic development and the social change. Naila Kabeer (2005) in a study apparently concludes that while access to financial services can and does make important contributions to the economic productivity and social well-being of poor women and their households. It does not “automatically” empower women – any more than do education, political quotas, access to waged work or any of the other interventions. It has been observed by M. Anjugam (2007) that socially backward, landless and marginal farm households participate more in the self help group programme. Possession of livestock and consumer goods by the member households has been found to deter the joining of group.

Gladis Mary John (2008) found that membership in SHG inculcated a great confidence in the mind of majority of women to succeed in day to day life. Positive change was found in the attitude of relatives and friends towards the women in self help groups. Tiyas Biswas (2007) indicated that rapid progress in SHG formation now lead to empowerment of women across the country. Hausmann, Tyson and Zahidi (2010) reported that poor women had lack of access to health care services when needs was found to be disadvantaged. Kumar et al., (2014) studied the various constraints experienced by rural women in SHG under production, processing, marketing and technical sectors. The most problematic production constraints were high cost of concentrates and non-availability of veterinary services. The most severe processing problem was lack of knowledge on processing technology and lack of storage facility. The most problematic marketing problem was non-availability of scientific storage facility in villages and low price of milk. Problem of more incidence of severe disease was the most problematic technical problem.

Reed (2014) figured out that about 80 per cent of the microfinance recipients were women. Meanwhile Nair and Tankha (2014) mentioned that SHG were extensively promoted through government and non-government organizations in India and in addition to this, it was estimated to have 93 million members in 2012 which implies that it impacts over 300 million households. Uma Devi and Narasaiah (2017) mentioned that, ‘the interventions of micro-finance has led to tremendous changes in the life of women at grass root level’. Rathod Nilam and Devi Ganga (2018) commented that, ‘SHGs playing the leading role in changing the economic scenario’. Shobha and Udaaychandra (2018) reported that most of the SHG members were middle aged, educated up to primary school and belonged to backward class. Balamurugan (2019) observed that most of the SHG members belonged to middle aged, educated up to primary education, possessed nuclear family with major occupation agriculture and earns an income of Rs.2000 per month.

Statement of the Problem

Women in India were restricted within the four walls of the house and inhibited them from participating in decision-making. In order to empower women socially and financially, they should be self reliant and independent, which can be done only through SHG which paves way for micro-finance. Hence, to promote SHG among the rural poor women, it became necessary to understand the role of micro-finance among them and the constraints involved in the activities of SHG should be studied. Keeping in mind about the background, the following objectives were formulated:

- To study the role of micro-finance on beneficiary and non-beneficiary members of SHG in the study area.
- To find out the constraints involved in the adoption of micro-finance by SHGs and suggest suitable policy measures.

METHODOLOGY

In Andhra Pradesh, Kurnool district was purposively selected for the study as it possess greater number of SHGs and it was the only corporation in which Ministry for Eliminations of Poverty in Municipal Areas (MEPMA) is incorporated. In Kurnool district, among the three revenue divisions, Kurnool division was purposively selected. Out of 20 villages in Kurnool division, Gundur, Kodumuru, Kothapalle, Krishnagiri, Kurnool and Srisailam were selected. From the selected 6 villages, one SHG from each village was selected, thus constitutes the 6 SHG. From the selected 6 SHG, 10 members from 1 SHG, thus makes 60 SHG beneficiary members. Meanwhile, 10 non-beneficiary members were selected from each village, which constitutes 60 non- beneficiary members. Thus, 60 beneficiary members and 60 non-beneficiary members constitute the 120 respondents. Primary data was collected from the respondents with the help of pre-tested structured interview schedule. Secondary data were gathered from the thesis, newspaper, reports.

RESULTS AND DISCUSSIONS

The role of micro-finance among the SHG members was studied by understanding their details of revolving fund, appraisal of group, lending pattern, loan and repayments pattern of the group. The details of revolving fund and appraisal of the group is presented in table.1.

Table 1: Role of Microfinance among the SHG Members(N=20)

S. No.	Particulars	Frequency / Amount (in Rs.)
1	Average revolving fund	6700.00 Rs.
2	Utilization of revolving fund	
	i) Deposited in bank	17
	ii) Equally distributed	2
	iii) Average amount in the fixed deposit	4750.00 Rs
3	Appraisal of the group before bank linkage	
	i) Yes	20
	ii) No	0
4	Agency that appraise SHG before bank linkage	
	i) DRDA	20
	ii) Others	0
5	Grade obtained in rating	
	i) A	19
	ii) B	1
6	Assessment procedure followed by the bank	
	i) Verified the savings pattern	19
	ii) Enquired about the purpose of loan	19
	iii) Enquired about the previous loans	20
	iv) Enquired about the quantum of loan	20
	v) Enquired about the matching grant	20
	vi) Verified all the records	20
vii) Enquired about the deposits	6	

From table.1, it can be seen that average revolving fund was Rs.6700/. The revolving fund was contributed by DRDA. 17 SHGs had deposited in the bank, 2 SHGs equally distributed the revolving fund among themselves. The average amount in the fixed deposit of SHG was Rs. 4750. Every SHG should be appraised before bank linkage such appraisal is done by development agencies. In this regard all the 20 SHGs were appraised by DRDA. 19 SHGs obtained A grade and 1 SHG obtained B grade in rating. The assessment procedure followed by the bank was 19 SHGs were verified the savings pattern, enquired about the purpose of loan. Whereas, 20 SHGs were enquired about the previous loans,

quantum of loan, matching grant and all the records were verified. Only 6 SHGs were enquired about the deposits.

The lending pattern, loan and repayment pattern of the SHG groups were studied and presented in table.2.

S. No.	Particulars	Frequency / Amount (in Rs.)
1	To whom the amount was lent	
	i) Within SHG members	20
	ii) Others	0
2	Pattern of lending	
	i) Equally distributed	14
	ii) Need based lending	6
3	Security for lending	
	i) No security	20
	ii) Land or house	0
4	Repayment Procedure	
	i) Principal and Interest in monthly instalments	20
	ii) Rate of interest – 11 percent	20
5	Repayment schedule - Monthly	20
6	Decisions makers in fixing the number of instalments	
	i) Groups	14
	ii) Others (Bankers)	6
7	Regularity of payment	
	i) Regular	20
	ii) Irregular	0

From table.2, it can be evident that the amount was lent within the group members in all the 20 SHGs. The amount was lent equally distributed in 14 SHGs and through need based learning in 6 SHGs. In all the 20 SHGs, there is no security required for lending. The loan amount is repaid through principal and interest in monthly instalments and at 11 per cent rate of interest. The loan amount is paid in monthly instalments in all 20 SHGs. The decision making authority in fixing the number of instalments was by the group members themselves in 14 SHGs and by the bankers in 6 SHGs. All the 20 SHGs regularly paid their loan amount.

The issues faced and identified during the group meetings were listed in table.2.

Table.2: Issues identified during Group Meetings(N=60)*

S. No.	Issues identified	Responses	
		Frequency	Percent
1	Uses of group	23	38.33
2	Group formation	35	58.33
3	Book keeping	54	90.00
4	Revolving fund	49	81.67
5	Internal leading	15	25.00
6	Meetings	27	45.00
7	Rate of interest	47	78.33
8	Loans and Repayments	57	95.00

(*- Multiple responses recorded)

From table.2, it can be understood that majority of the respondents experienced loan and repayments as the major issue (95%), followed by book keeping (90%), revolving fund (81.67%), rate if interest (78.33%), group formation (58.33%), meetings (45%), uses of group (38.33%) and internal leading (25%). Meanwhile, it was suggested that all the SHG groups should conduct meetings at regular intervals in individual's home or community buildings, maintenance of

attendance registers, recording of minutes etc. The meetings should be conducted in a friendly atmosphere.

Active and enthusiastic participation in discussion and arguments by members clearly bring out that members are conscious of their empowerment. Internal lending aspects were discussed according to 4 groups. This item was very essential as the group should decide the individual amounts to be disbursed, the rate of interest, method of repayment etc. Another crucial activity of the SHGs was extending credit to members in line with agreed norms from the amount accumulated from member's savings. Members should be privileged to apply for loans with minimum paperwork for various household and production purposes and even meeting expenses of socio-religious functions such as marriages, etc.

The major constraint identified was drop-out of the group members. The reasons for the drop-outs was studied and presented in table.3.

Table 3: Drop-outs and reasons for drop-outs(N=60)*

S. No.	Particulars	Responses	
		Frequency	Percent
1	Number of drop -outs	14	23.33
2	Reasons for drop-outs		
	i) Death	2	3.33
	ii) Migration	12	20.00
3	Settlement of accounts of the drop-outs		
	i) Accounts settled	9	15.00
	ii) Not settled	5	8.33
4	Joining of new members (New members joined in the place of drop-outs)	14	23.33
5	Attending training meetings	0	0

From table.3, it can be seen that nearly one-third (23.33%) of the members were drop-outs in SHG. The main reason for drop-outs was death (3.33%) and migration (20%). Meanwhile, all the drop-outs were replaced by new members (23.33%). In addition to this, 15 per cent of the drop-outs members' accounts were settled and 8.33 per cent of their accounts were not settled. Eventually, no members of the SHGs were never attended any training.

The SHG members participated in various development programmes which were studied and enlisted in table.4.

Table 4: SHG Members Participation in Development Programs (N=60)*

S. No.	Development programmes	Response	
		Frequency	Percent
1	Child labour campaign	55	91.67
2	Total literacy campaign	56	93.33
3	Girl child education	55	91.67
4	Pulse polio	59	98.33
5	Aids control mission	58	96.67
6	Family planning	58	96.67
7	Janmabhoomi	60	100
8	Mid day meal	58	96.67
9	ICDS activity	55	91.67
10	Food for work	60	100

(*- Multiple responses recorded)

From table.4, it can be seen that all of the respondents participated in Janmabhoomi and Food for work (100%), followed by Pulse polio (98.33%), Family planning (96.67%), Aids control measure (96.667%), Family planning (96.67%), Midday meal (96.67%), Total literacy campaign (93.33%), ICDS activity (91.67%), Girl Child education

(91.67%) and Child labour campaign (91.67%). When the participation of SHGs in development programmes was examined, the data revealed that there was an encouraging participation by all the SHGs in a majority of the activities. Apart from helping themselves, the groups were found to be contributing for the development of the society at large.

CONCLUSIONS

Micro-finance plays a crucial role in improving the standard of living of rural poor women through SHG. From the present study, it can be understood that the average revolving fund was Rs.6700 and 17 SHGs deposited it in bank and 2 SHGs equally distributed among themselves. Before bank linkage, every group should be appraised by development agencies such that all the 20 SHGs were appraised by DRDA and 19 SHGs obtained A grade, 1 SHG obtained B grade. The fund is lent among the group members by equal distribution method and it does not require any security. The loan can be repaid in monthly instalments with interest rate. The loans and repayments was the major issue discussed during the group meetings. Migration was the major reason for increasing number of drop-outs and the accounts of drops outs were mostly settled. It can be seen that apart from helping themselves, these SHGs had contributed for the development of the society at large by participating in development programmes.

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