



Micro-Finance: A Study of SHG as a Tool to Combat Unemployment and Poverty with special reference to Public Sector Banks

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Abstract : *India is a developing economy. It is still facing problems of poverty and unemployment. There are various schemes of government to tackle the problem of unemployment such as Pradhan Mantri Rojgar Yojna, Swarna Jayanti Rojgar Yojna, Integrated Rural Development Programme (IRDP) Jawaharlal Rojgar Yojna. These schemes are implemented by Public Sector Banks to provide employment. Private agencies and NGOs also lend helping hands in addressing the problems of poverty and Unemployment. Microfinance is also seen as a beacon of hope*

to combat poverty and unemployment. Microfinance is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who don't have access to traditional sources of capital, like banks or investors. There are Self Help Groups which raise microfinance. SHG is a voluntary homogeneous group of 10-15 individual from weaker section of the society. Banks also have their SHGs. SBI is considered as one Public Sector Banks, for this study. Banks have to identify their beneficiaries and take proper follow up actions in order to obtain the desired results.

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Introduction :

Microfinance, also known as microcredit, is a financial service that offers loans, savings and insurance to entrepreneurs and small businesses which do not have access to traditional source of capital, like banks or investors. The goal of micro financing is to provide money to individuals to invest in their business, according to businessnewsdaily.com published in 1996.

Microfinance focuses on meeting the financial needs of population that are financially underserved. These are individuals who usually lack the credit or resources to secure a loan and are unlikely to get approval from traditional banks. Typically, these consumers are seeking small-denomination loans to finance the purchase of specific equipment, or the

capital to start a small business.

Self-Help Group (SHG) is a small voluntary association of poor people, preferably from the same socio-economic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings among its members. The savings are kept with a bank. This common fund is in the name of the SHG. SHG is a group formed by the community, which generally has specific number of members like 15 or 20. Usually, the number of members in one SHG does not exceed twenty. In such a group the poorest would come together for emergency, disaster, social reasons and economic support for each other.

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation headquartered in Mumbai, Maharashtra. SBI has actively participated in SHG-Bank Credit Linkage programme since its inception in 1992 as a pilot project of NABARD. Since then, the bank has made a steady progress in financing SHGs. SBI's market share in SHG credit linkage is 17.93% (March 2017).

As on 31st March 2017, Bank's lending to SHGs is Rs.6,139 crore to 3.57 lakh SHGs, of which 91% are women SHGs.

Objectives :

This project work is focused on accomplishing the following objectives:

- To understand the vast spread agonies related to poverty.
- To understand the problems of poverty and unemployment.
- To explore the importance and benefits of micro financing in the economy of India.
- To understand the concept of Microfinance and its implementing agencies.
- To understand the characteristics of SHG'S linkage programme with Public Sector Banks.

Hypotheses :

- Microfinance is an alternative to alleviate the problem of poverty and unemployment.
- Self Help Groups are quite successful in mobilizing small savings and micro-credit for the underprivileged sections of the society.

Methodology :

Data has been collected on the basis of the objectives of this study.

Primary Data: Primary data has been collected through a Structured Questionnaires.

Secondary Data: Secondary data includes the information collected from the published journals, newspapers and different websites based on the objective of this research.

Data Analysis and Interpretation :

Table 1. Classification on the basis Literacy level.

It is clearly shown in the graph (figure 1.1.a) that out of 15 groups, 6.67% of the total respondents attended primary school, 26.66% of the total respondents attended secondary school, 60% of the total respondents attended higher secondary school and 6.67% of the total respondent groups have never attended school.

Table 2. Classification of groups on the basis of Annual Income

It is clearly shown in the graph (figure 2.1.a) that out of 15 groups 40% group members have annual income less than 15000, 13.33% group members have annual income ranging between 15000-25000, 20% group members have annual income more than 35000 and 26.67% group members have annual income more than 35000.

Table 3. Classification of groups on the basis of SHG taking loan

It is clearly shown in the graph (figure 3.1.a) that out of total 15 groups 53% of SHGs take loan and 47% do not take loans.

Table 4. Classification of groups on the basis of amount of loan.

The study reveals that out of 7 groups 28.57% group members have taken loan less than 10,000, 14.29% groups members have taken loan ranging between 10000-30000, 28.57% group members have taken loan ranging between 30000-50000 and 28.57% group members have taken loan above 50000.

Major Findings of the Research :

Initiatives of State Bank of India for SHG's

- Training programmes on SHGs are conducted at 54 Learning Centers and in sum SBI branches.
- Lending to Federations of SHGs.
- Sahyog Niwas - Housing loans upto Rs.50000 to the SHG members without any mortgage of house/land.
- Scheme for Promotion of Women SHGs implemented through anchor NGOs in 150 backward / Left Wing Extremism (LWE) affected districts.
- Cash credit facility provided to SHGs to facilitate flexibility in operation. SHG members can save variable amount over and above the minimum saving fixed by the group. This forms part of saving corpus for the purpose of arriving at loan limit to SHGs.

Based on the Analysis of Empirical Data and Personal Observations, the following findings were obtained:

- The majority of the Self-Help Groups in Bihar are women groups. In some areas men groups and mixed groups also exist.
- Most of the members are literate and reasonably educated and are capable to lead the group efficiently.
- The illiterate and poorest of the poor are not sufficiently represented in these SHGs.
- Savings and educational status are related. It may be assumed that educated members are more aware of the need for saving.

- Social aspects like communicative skill, decision making ability, self confidence and recognition in the family and community of the members have increased after becoming members of the SHG.

Other Observations :

- In the formation of self-help groups under livelihood programmes, Bihar has achieved the top position in the country.
- According to secondary data 24,000 Bihar self help group exist only on paper and in actual they do not exist.
- The state government plans 10 lakh self-help groups (SHGs) in the state by 2017-18. There are 1.18 lakh SHGs already functioning.
- Ten lakh Self Help Groups would be formed in Bihar in the next five years to weed out poverty. As a first measure, five lakh SHGs would be constituted which would benefit 1.25 crore poor families.

Conclusion :

Since Indian economy is in a transition stage it still encounters a lot of problems like poverty and unemployment. To eradicate these problems there are various schemes of government and public sector banks such as Pradhan Mantri Rojgar yojna, Swarna Jayanti Rojgar Yojna, Swarna Jayanti Seheri Rojgar Yojna. These schemes have potential to tackle the problem of poverty and unemployment. Microfinance is also one of the best solution to eradicate poverty and unemployment. Banks play vital role in providing microfinance. Hence, with the help of secondary data it is concluded that Bihar has achieved the top position in the country in formation of self-help groups. Bihar also has been able to motivate the highest number of women that are associated with Self Help Groups, the number is more than 72 lakh. They are associated with 6.30 lakh groups across the country, which helps in Women Empowerment. It is found that various agencies like Jeevika and TISA are playing a vital role in developing

microfinance system, on the basis of findings of the study there are many plans of the government for development for SHGs. Chief Minister Nitish Kumar has announced that Government has planned to form 10,000 self-help groups (SHGs) to make women economically stronger. Prime Minister Narendra Modi has stressed on due monitoring of loans being given to self-help groups and favored putting in a mechanism for stringent quality checks. As every coin has two sides microfinance also have some demerits. Microfinance is not working efficiently and many sections of the society is still not covered under microfinance services. Therefore, there is a need for efficient microfinance management, which will work towards fulfilling the financial needs of uncovered sections of the society. If microfinance management starts working in efficient and effective manner then it will be proved to be the best tool to eradicate poverty and unemployment in India. It has a potential to transform an economy.

Suggestions :

On the basis of the above findings and observations, the following suggestions have emanated, which may be helpful in strengthening SHGs and taking strategic decisions on Poverty Alleviation Programmes in the State.

1. A system for monitoring the functioning of the groups, checking the registers plus accounts and auditing the accounts periodically has to be introduced.
2. The groups are to be directed to maintain the registers, conduct meetings, audit the accounts and submit monthly, half yearly and annual statements of accounts to the NGOs and banks.
3. A team of experts may be set, for giving necessary counseling to the members.
4. Belts of people with lower income have to be identified in their meagerly represented areas and brought within the span of SHGs.

LIST OF TABLES AND GRAPHS

Table 1. Classification on the basis of Literacy Level

Primary	Secondary	Higher Secondary	Never attended the school	Total no. of groups
1	4	9	1	15
6.67%	26.66%	60%	6.67%	100%

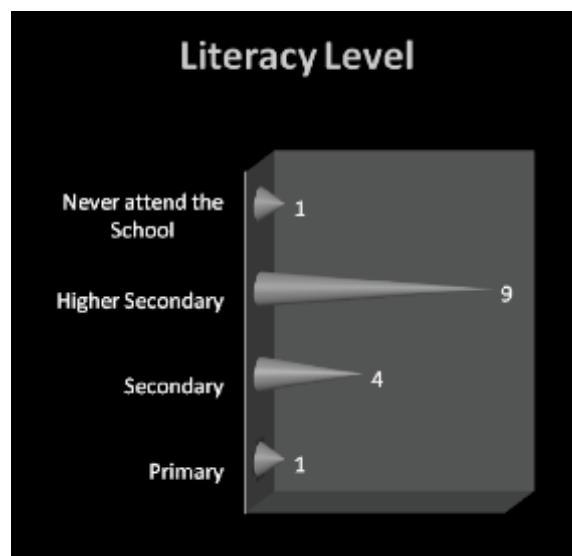


Fig. 1.1.a

Table 2. Classification of groups on the basis of Annual Income

Less than Rs.15000	Rs.15000-25000	Rs.25000-35000	More than 35000	Total no. of groups
6	2	3	4	15
40%	13.33%	20%	26.67%	100%

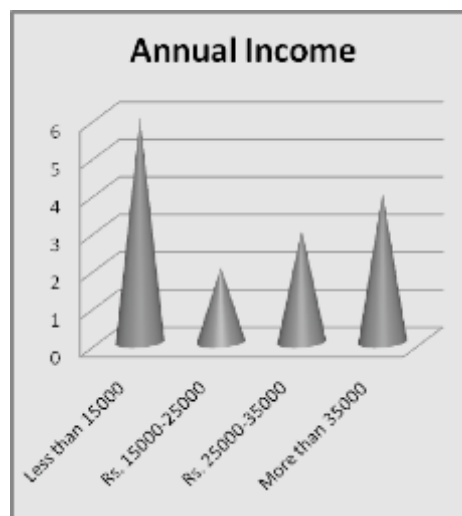


Fig. 2.1.a

Table 3. Classification of groups on the basis of SHG taking loans

Yes	No	Total no of groups
7	8	15
46.67%	53.33%	100%

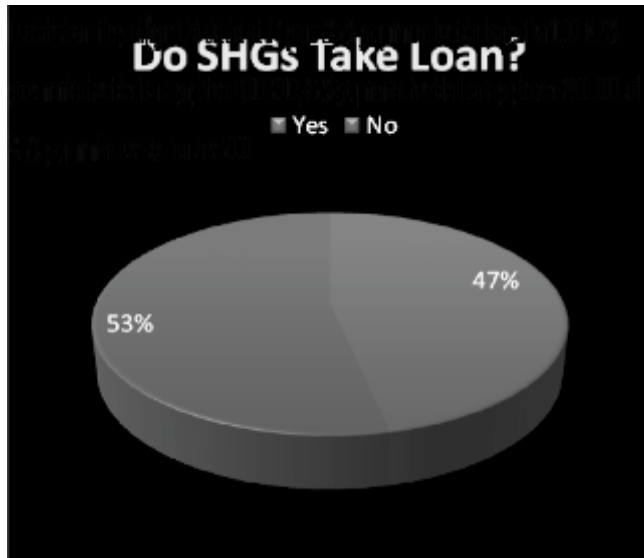


Fig. 3.1.a

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