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SELF-HELP GROUPS: A KEYSTONE OF MICROFINANCE IN BANGALORE - WOMEN EMPOWERMENT

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ABSTRACT

This paper analyses, the current level, pattern of access to finance for India's rural poor and examines some of the key microfinance approaches in India, taking a close look at the most dominant among these, the Self Help Group (SHG) Bank Linkage initiative. The analysis in the paper draws heavily on a poor people from Karnataka. For examining the effectiveness and awareness of microfinance in people author undertake one survey through Bangalore District. To study the impact and participation by people in microfinance, authors have considered two local banks and four nationalized banks from Bangalore. For study considered local banks such as Bangalore District Central Co-Operative Bank and People bank. Other nationalized banks like ICICI, Axis Bank, Bank of Baroda and Canara bank. Here major findings women are more participated in Self Help Group and the small-scale industries are taking advantage of microfinance. By comparing local & nationalized bank, found that most of the people prefer local banks than nationalized bank. This study evidence that microfinance is reaching the core poor is very limited. This paper also reviews impact of microfinance on Poverty and The Millennium Development Goals

Key words: Microfinance, SHGs, Nationalized Bank.

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1. INTRODUCTION OF MICRO-FINANCE

Micro finance (MF) has become one of the most discussed subjects in the last two decades all over the world. Today micro finance programs and institutions have become increasingly important components of strategies to reduce poverty or promote micro and small enterprise development. In the recent years microfinance became an important intervention as a tool for rural development and poverty alleviation. In India, many a number of microfinance institutions including Non-Governmental Organizations (NGOs), NBFIs and Government agencies had intensively intervened. It has been approximately 25 years since the birth of micro finance with the Founding of the Grameen Bank in Bangladesh by Professor Mohammed Yunus. The field has since spread with the adaptation and evolution of Prof. Yunus' ideas to various countries and context. The UN Year of Micro Credit in 2005 indicated a turning point for micro finance as the private sector began to take a more serious interest in what has been considered the domain of NGOs. The year has seen the launch of a wide array of programmes throughout the UN system to raise public awareness about micro credit and micro finance (Gopinath, 2019ab). Micro credit is a powerful economic tool, expected to transform the social and economic life of the poor. 'Microfinance refers to small scale financial services for both credits and deposits-that are provided to people who farm or fish or herd; operate small or micro enterprise where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas'- Marguerite S. Robinson.

Broadly these definitions explain microfinance as the financial products and services provided to the poor's and unbackable. Since the microfinance interventions are carried out involving a solidarity groups like SHG, Grameen Joint Liability Groups (JLG) etc, so it often referred as group based microfinance.

2. THE NEED OF MICRO FINANCIAL SEVICES

Poverty alleviation: - This is the first reason for making available micro financial services. Poverty alleviation can be accomplished through the promotion of sustainable livelihood, by providing easy and effort able access to credit and other complementary services required for promotion of live hoods.

Harnessing talents: - Microfinance services help harness the talent leadership and entrepreneurial abilities of the poor. Microfinance services facilitate enterprise development and provide large employment generation in rural areas where poor can obtain employment.

Women empowerment: - Micro financial services mobilizing the woman, organizing them into groups, building their capacity for self-management at the grass root and enabling them to access wide range of services including credit saving, insurance and business development.

Credit delivery: - Microfinance services are needed to ensure effective delivery system. The system seeks to ensure rational allocation of resources in the form of subsidized credit in rural areas.

3. THE MILLENNIUM DEVELOPMENT GOALS

The central theme of the Millennium Development Goals is reduction of poverty in all its forms by 2015 by 50%.Fiscal measures of the state implemented through the financial system can play a significant role in reinforcing this objective (Gopinath, 2019b). When it is concerning the poor, the importance of community based organizations and NGOs cannot be denied in reaching the financial services to the grass root level in order to alleviate poverty. Thus the State Governments, the formal financial system and community based organizations can be considered as the three pillars that have to work in synergy to achieve this formidable task (Bhawiya Roopa & Gopinath, 2020)

3.1. Concept of Basic Self –Help Group (SHG)

The Self Help Group (SHG)-Bank Linkage Programme, in the past eighteen years, has become a well known tool for bankers, developmental agencies and even for corporate houses. SHGs, in many ways, have gone beyond the means of delivering the financial services as a channel and turned out to be focal point for purveying various services to the poor (Gopinath & Meenakshi, 2019). The programme, over a period, has become the common vehicle in the development process, converging important development programmes. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 69.5 lakh saving- linked SHGs and 48.5 lakh credit-linked SHGs and thus about 9.7 crore households are covered under the programme, envisaging synthesis of formal financial system and informal sector.(NABARD) (Gopinath & Kalpana, 2019).

SHG come in directly contact with the lending agencies members, Under the basic SHG model generally women are involve, and they are mobilizing and organizing into self help groups (Gopinath, 2016). The size of SHGs is neither too lager, as exceeding 20 nor too small as less than 10. Besides performing saving and loan activity, SHG a serve as a forum for the poor rural women to,

- Voice their opinions and take decisions
- Interact with one another on group issues
- Share their experiences
- Exchange ideas and raises their voice on various social issues
- Initiate to collective action on a wide range of social, personal and economic issues.

Each SHG selects its own leader, secretary and treasurer and hold regular meetings. Capacity building inputs are provided to SHGs by the NGOs, so that they become capable of functioning units in an independent and effective manner. Saving activity is compulsory feature of SHG activities. This saving activity permits accumulation of capital. The amount of money to be saved is fixed by the group members themselves (Gopinath & Chitra, 2020a).

After period of one or two months of consistent savings, the SHG start rotating their saving in the form of small internal loans for micro enterprises activity and other purpose including consumption, as may be decided by members. Most of the decisions making functions such as interest rates to be charged for internal loans, repayment schedule, fine for default etc. are left to the decision of the group.

Only those SHGs that have performed well in rotating internal savings, in the form of small internal loans are assisted with external funds through linkage with banks and other financial intermediaries (Gopinath & Chitra, 2020b). The NGOs act as promoters and catalysts, facilitating the establishment of the micro finance system that is capable of bring economic, social, political and personal empowerment to the poor clients.

4. PROGRESS OF SHGS

The conceptual thinking behind the SHG initiative is that self-help supplemented by mutual help can be a powerful vehicle in the upward socio-economic transition of the poor. Poor can save and are bankable. Collective wisdom of the poor and peer pressure are valuable collateral substitutes. NABARD has played a key role not only in promoting SHGs but also in standing behind the SHG-Bank Linkage Programme. The total refinance released by NABARD so far has amounted to Rs. 31.3 billion. The performance of the SHGs has been extremely encouraging. Repayments by members to SHGs have been exceedingly high and on-time payments have hovered around 98%. Many of the expectations behind the basic philosophy underlying the formation of SHGs seems to have been fulfilled.

Our experience so far has shown that the poor can organize themselves and do things to promote the well-being. It has also had a tremendous social impact. It has made women more self-confident. This impression is largely derived from my experience in Bangalore District.

Despite this encouraging picture, as of now the total disbursement of credit is very limited and per household credit made available is very small. If a serious impact on the economic conditions of the rural poor has to be made, a much larger flow of credit to support a much broader production base is required. It is in this direction the movement has to travel. Self-Help Groups have to graduate into promoting micro-enterprises.

Table 1

	Average Savings of SHGs with Banks			Average Loans disbursed to SHGs by Banks			Average Outstanding Bank Loans against SHGs		
	2017-18	2018-19	Change (%)	2017-18	2018-19	Change ((%)	2017-18	2018-19	Change (%)
Commercial Banks	25173	24175	-3.96	225532	227988	1.09	167860	191785	14.25
Regional Rural Banks	20683	24986	20.80	193203	207826	7.57	137127	154499	12.67
Cooperative Banks	16275	16398	0.76	163306	174620	6.93	89766	109470	21.95
Total	**22405**	**23291**	**3.95**	**208683**	**216119**	**3.56**	**150584**	**171543**	**13.92**

4.1. The evolution of Self-Help Groups at three levels

- At the first level households use microfinance to meet 'survival' requirements where small savings and loans serve as a buffer in the event of an emergency or to smoothen consumption or even service previous debt to give themselves more liquidity during lean times.
- At the second level, 'subsistence' needs are met through microfinance, where a household begins to utilize microfinance to diversify its basket of income-generating activities, or to meet working capital requirements in traditional activities.
- At the third level as households reach a stage where they can assume a higher degree of risk, microfinance would be used to invest in setting up an enterprise or facilitating entry into employment in one way or the other in order that the household becomes 'sustainable'.

5. SHG BANK LINKAGE PROGRAMME

The SHG-Bank Linkage Programme started as an Action Research Project in 1989. In 1992, the findings led to the setting up of a pilot project. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, Banks and Non-Government Organizations:

- SHGs were to facilitate collective decision-making by the poor and provide 'doorstep banking';
- banks as wholesalers of credit, were to provide the resources;

NGOs were to act as agencies to organize the poor, build their capacities and facilitate the process of empowering them.

5.1. Impact of SHGs

With the structure and model of SHGs and SHG Bank Linkage firmly established, the nature of the impacts of SHGs can be more closely examined and evaluated. The latest published estimates from NABARD state that, to date of March 31, 2005, 1.6 million SHGs have benefited from approximately Rs 69 billion in financing (NABARD, 2005). There is no doubt that there has been greater outreach of financial services to the poor through SHGs. Of course the outreach has been good in South India. However, there outreach has been limited in the rest of the country.

In addition to the financial analysis of SHGs, the non-financial areas such as social security and gender dynamics are also affected by the SHG Movement. Indeed, poverty reduction is much less an issue of numbers but rather ideas and concepts. The following is an analysis of the non-financial impact of SHGs.

Political

Political engagement includes active involvement by SHGs in government including local assemblies, Lok Sabha or Panchayati Rai Institutions (PRIs) (APMAS, 2005). One of the key benefits of SHGs is women's empowerment and this can be seen with the number of women involved in public affairs.

The role of SHGs is both as an inspiration and as a financer. Impoverished women develop greater language and financial skills through the SHG which provides the building blocks for higher levels of confidence to engage the world. Also, the SHG sometimes finances the campaign of its members that stand for election. SHGs not only empower its members but also wield a powerful political role as a group as well.

Social Harmony

The compositions of SHGs are sometimes exclusively one particular social group or a mix. The impact of SHGs on social harmony has also been mixed. While it has been observed that in groups with mixed membership had group leaders that came from a variety of the social groups.

Social justice

Social justice is the presence of moral and ethical conduct in areas that are historically typified with backward and abusive customs. There have been several occurrences of SHGs resolving disputes between members and the community at large. Now, there are instances of women, SHG members, being involved in resolving disputes.

Livelihoods

Livelihoods, meaning a persons' economic activity, is an area that is vitally important to SHGs. The loans that SHG members receive are intended to improve their livelihoods so that they can receive greater and more steadier cash flows. In rural areas, livelihoods range from agriculture farming, animal husbandry, dairy and various other goods and services activities. The interventions to introduce new livelihoods or refine existing ones that could yield better economic results were done by external agencies.

6. SCOPE

This study done to find awareness of microfinance services & it's the impacts. To analysis this authors have considered Jalgaon district (Maharashtra). As well as in this study author cover the preference of people in micro finance service provider organizations. By conducting survey of customers & bank the finding are drawn. For study considered local banks such as Bangalore District Co-Operative Bank and People bank. Other nationalized banks like ICICI, Axis Bank, Bank of Baroda and Canara bank.

7. RESEARCH PURPOSE

The overall purpose for the selected literature is to evaluate the effectiveness of microfinance in various dimensions. This covers an impact and participation by people in microfinance. Loosely stated, the goal of microfinance is to reduce poverty, so this study also covers impact of microfinance in relation to poverty in Bangalore District. This study has focus on Self-Help group (SHG) & involvement of women in this activity.

8. METHODOLOGY

The study is basically based on both primary and secondary data. The primary data has been collected through questionnaire and several structured and unstructured interviews were also conducted to elicit fast hand information with the theme of the research work. However, secondary data is collected from various sources like journals, books, manuals, and reports of the state concerned for literature part. The primary data collected from customers & banks which are providing micro finance services in Bangalore.

A questionnaire-based survey covered a larger number of customers, with this method observation method also used. This study includes two questionnaires one for designed for customer of bank & second questionnaire designed for banks.

8.1. Sample Characteristics

Two local cooperative banks are considered, Jalgaon District Central Co-Operative Bank and People bank, Jalgaon. These bank have around 2000 to 3000 customers in District Bangalore, state Karnataka, India. Four national banks are considered, namely ICICI, Axis Bank, Bank of Baroda and Canara bank. By using this samples study shows comparative study of micro finance customer's reference for bank & customer awareness about micro finance.

8.2. Sample size

This study based on survey of 500 customers.

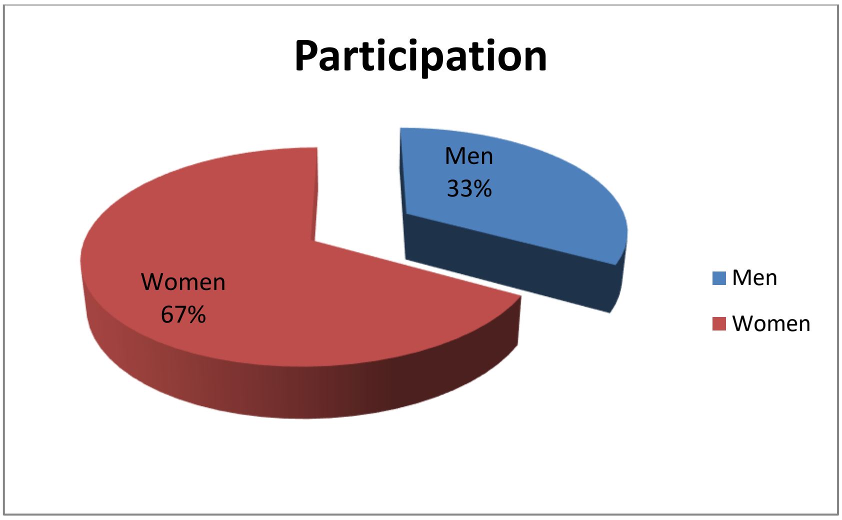
As per NABARD Status of Micro-finance in India 2016-2019

Table 2 Shows microfinance bank linkage for last three years in India. (NABARD)

(Amount ₹Crore)

Particulars	2016-17		2017-18		2018-19	
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
Loans disbursed by banks/FIs to MFIs/ MFOs	2314	19304.38	1922	25515.23	1933	14625.95
Loans outstanding against MFIs/MFOs as on 31 March	5357	29225.45	5073	32305.92	5488	17760.68

Source: Reporting Banks

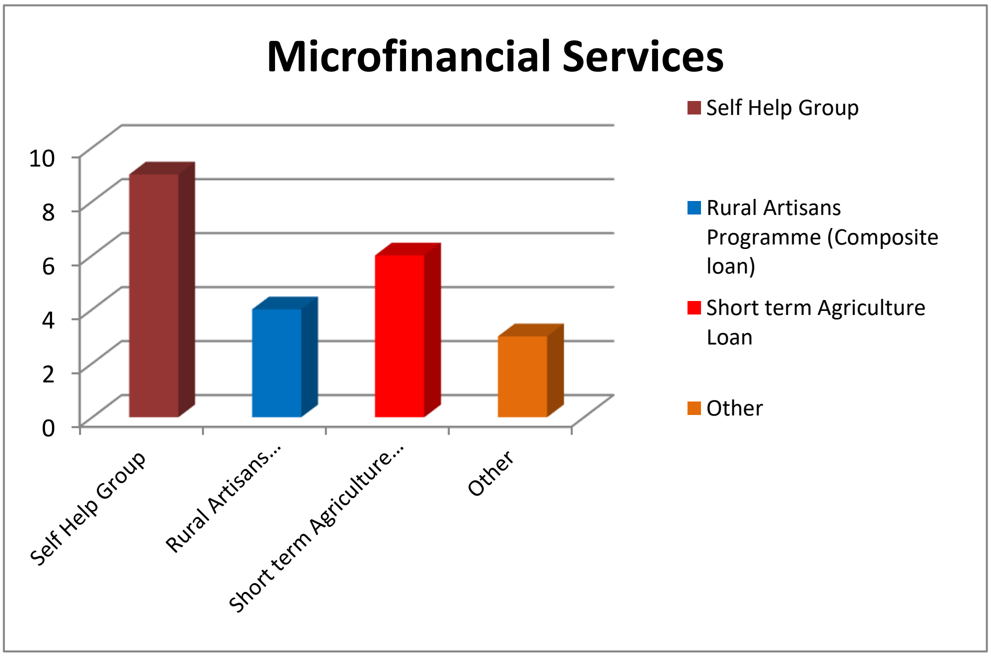


Graph 2 Shows 67% women & 33% men are participating in microfinance from Jalgaon district

Comparative analysis in microfinance services avail by people in Bangalore district

Table 3

Microfinance Services	Number of customers (in thousands)
Self Help Group (SHG)	9
Rural Artisans Program(Composite loan)	4
Short term Agriculture Loan	6
Other	3

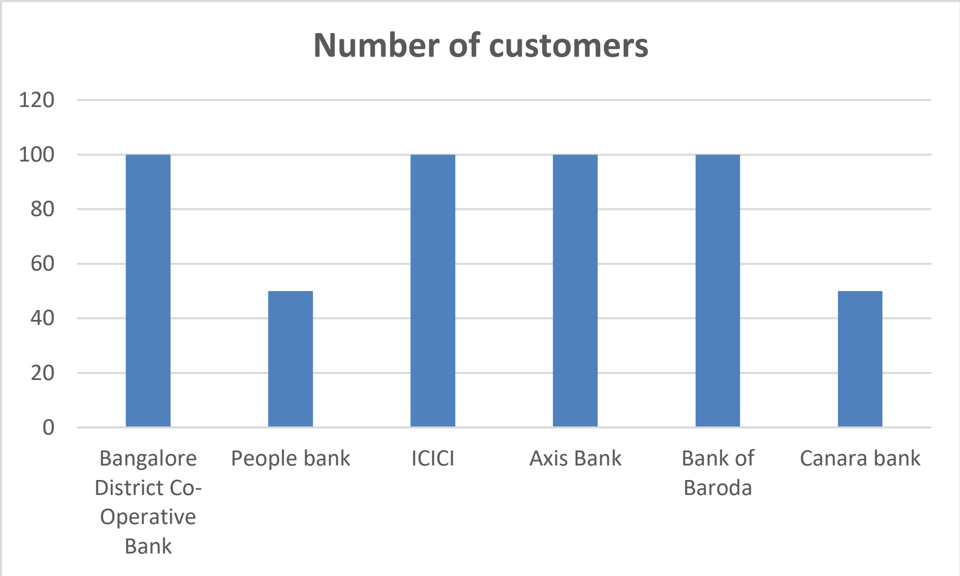


Graph 3 Shows comparative analysis in microfinance services avail by people in Bangalore District

Comparative analysis of customers involve in micro finance:-

Table 4

Name of Bank	Number of customers
Bangalore District Co-Operative Bank	100
People bank	50
ICICI	100
Axis Bank	100
Bank of Baroda	100
Canara bank	50



Graph 4 Shows comparative analysis of customers involve in micro finance bank loan between the local banks & nationalize bank.

9. DISCUSSION OF FINDINGS

After discussing we found that microfinance tries to assist the communities of economically excluded for achieving greater levels of asset creation and income security of the household and community level. In this study we found that people like to take microfinance from local bank because local banks accessible in Bangalore rural areas. The study result shows that more people are involve in SHG & participation of women is more than men. From above study it is very clear that microfinance remains a powerful tool for development.

10. CONCLUSION

Some valuable lessons can be drawn from the following experience of successful microfinance operations. India is to stand among the country of developed nation and there is no denying the fact that poverty alleviation and reduction of income inequalities has to be the top most priority. In this backdrop impressive gain made by SHG-Bank Linkage Programme in coverage of rural population with financial services offers a ray of hope. The paper argues for mainstreaming of impact assessment and incorporation of local factors in service delivery to maximize impact of SHG Bank Linkage Programme on achievement of Millennium Development Goals (MDGs) and not letting go the opportunities.

The main conclusion of this topic is that micro finance can contribute to solving the problem of inadequate housing and urban services as an integral part of poverty alleviation programmes. This paper has outlined working with SHGs to further their impact on civil society. It should be noted though that the sustainability of SHGs to effect such change is directly linked to their financial sustainability.

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