

Impact of SHG Bank Linkage Program on Saving and Borrowing Pattern of Rural Women in Chhattisgarh

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Abstract

India since independence is continuously trying to improve the socio economic condition of rural women. Microfinance has evolved across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self-help movement. Based on the concept of “self-help,” small groups of women have formed into groups of ten to twenty and operate a savings-first business model whereby the member’s savings are used to fund loans. The results from these self-help groups (SHGs) are promising and have become a focus of intense examination as it is proving to be an effective method of poverty reduction. There are various models of providing microfinance services to the poor people. The SBLP was started as an action research project in 1989. NABARD has pioneered the concept and implemented the SHG Bank Linkage programme since 1992 for providing easy access of institutional credit to rural poor. The present study deals with the SHG Bank linkage program of providing microfinance benefits to the poor.

The present study attempts to study the extent to which SHG Bank Linkage Programme been able to really improve the access of the rural poor women and other marginalized sections to formal finance by studying their saving and borrowing pattern. Our study is conducted in the rural area of Chhattisgarh. The study is based on primary data collected by the survey method from the SHG members with the help of structured questionnaire. In order to assess the impact of the programme “before and after” approach is followed. Efforts have also been directed towards suggesting some effective policy and guidelines to bring changes in providing microfinance to the women in these areas.

Keywords: Microfinance, Self-help group, saving pattern, borrowing pattern, NABARD

I. Introduction

Poverty alleviation has been the centre of development planning in India since our independence. Micro-Finance in recent times has been recognised and accepted as one of the new development model for alleviating poverty through social and economic empowerment of the poor. The cynosure of the model being the empowerment of women by making them economically and socially independent. Poverty alleviation is still an unfinished agenda in India. Despite efforts made over the past few decades, rural poverty in India is continues to be significant.

India has traversed a long distance on the road to development since independence achieving significant success in various sectors. But somehow the Experiences of different anti-poverty and other welfare programmes within the country and elsewhere have shown that the key to its success lies in the participation of community based organisations at the grassroots level. People’s participation in credit delivery, recovery and linking of formal credit institutions to borrowers through the intermediation of Self Help Groups (SHGs) have been recognised as a supplementary mechanism for providing credit support to the rural poor.

(**Puhazhendi, 2002**) Moreover, microfinance has come to be regarded as a supplementary development paradigm, which widens the financial service delivery system by linking the large rural population with formal financial institutions through SHGs. A widespread impression has formed that SHGs, when linked to banks form a sustainable model for providing access to financial services for India's low income family (**Christen**). As an efficient socio-economic financial mechanism, micro-credit enables various agencies, both governmental and non-governmental, to realize their targets, among them in the Millennium Development Goals (**Hussain, F. and Knight, T., 2008**). Microfinance is the provision of broad range of financial service such as deposits, loans, payments, money transfers and insurance to the low income households and their micro enterprises to break out of their impoverishment (**Lazar, D. & Palanichamy, P., 2008**) In India microfinance has become an important tool of economic development. (**Tiwari, A.M, and Thakkur, S. G., 2007**).

II. SHG-Bank Linkage Programme

Self Help Group-bank linkage Programme (SBLP) aims to deliver financial products & services to the section of Indian population that lacks access to formal banking. This segment often from lower income, meets its financial needs through informal sources such as money lenders, traders, and family and friends etc. However these sources have their own limitations. The SBLP was started as an action research project in 1989. NABARD has pioneered the concept and implemented the SHG Bank Linkage programme since 1992 for providing easy access of institutional credit to rural poor .The pilot project was designed as partnership model between three agencies –Banks, NGOs and SHGs. Under SBLP, 10-20 individuals are organised in groups known as Self-help groups (SHGs) by NGOs commonly known as Self Help Promoting Institutions (SHPI) .The SHGs are also encouraged to take up livelihood activities for which skill training is provided by certain NGOs and the members are encouraged to save internally and lend the saving to members during the time of need.

The SHG-Bank Linkage Programme has the following objectives.

- To develop mutual faith and confidence between the rural poor and bankers
- To combine sensitivity, flexibility and responses of the informal credit system with the strength of administration capabilities, technical strength and the financial resources of the formal financial institutions.
- To expand credit flow/ financial services to the rural poor with less transaction costs.
- To alleviate poverty and empower the women (Narang, 2012).

The SHG Bank Linkage Programme has grown exponentially after more than 25 years of its inception. The system has evolved and matured enabling the self-help group to access to large loans under SHG Bank Linkage Programme bin addition to the laon accessed from group itself and NGO MFIs.As on 31 March 2020 the SHG BLP programme has reached many a milestone with a total membership of about 1.02 crore groups covering 12.4 Crore households across India. The programme has made an indelible mark on the Indian financial landscape by extending loans to the extent of R1,08,075 crore to 56.77 lakh SHG as on 31 March 2020.(**NABARD, Status for Microfinance-2019-20**)

III. Review of Literature

Savings and borrowings can be viewed as two sides of the same coin (Afzal, d'Adda, & Fafchamps). **Rutherford (2000)** distinguishes 'saving up' from 'saving down' in order to highlight the difference between savings and borrowings. The former is setting aside funds to receive a lump sum amount later and 'saving down' is receiving a lump sum that is to be repaid in regular instalments later. Both are drawn out of the demand for 'lump sum' amounts that individuals need. Thus the latter behaviour is termed by **Morduch (2010)** as 'borrowing to save'. In micro financing, the Grameen bank provides loans to people who have nothing to offer in collateral. Their clientele consists 97% of women and they are doing well.

Micro-Finance in recent times has been recognised and accepted as one of the new development model for alleviating poverty through social and economic empowerment of the poor. The cynosure of the model being the empowerment of women by making them economically and socially independent. Since independence different anti-poverty and other welfare programmes within the country and elsewhere have shown that the key to its success lies in the participation of community based organisations at the grassroots level. People's participation in credit delivery, recovery and linking of formal credit institutions to Borrowers through the intermediation of Self Help Groups (SHGs) have been recognised as a supplementary mechanism for providing credit support to the rural poor. (V. Puhazhendi, K. C. Badatya, 2002).

Self-help Groups (SHGs) are small groups of individual members who voluntarily come together and form associations for achieving some common objectives. The SHGs are small in size having membership ranging from 10 to 20. They are homogenous and have certain prerequisites of group binding factors. These groups start saving whatever possible and with the help of credit the group then uses its saving to give loan to other members to meet their emergency and other needs. (Manoj sharma1 & Ekhalak ansari2, 2014).

In India the organization of SHG, especially those promoted by nongovernmental organization (NGO) is widely recognized as a development strategy for poverty reduction (Sangeetha, Ram Bahal, Premlata Singh and P. Venkatesh, 2013). The positive impact on the members SHG is that it is empowering women by creating awareness among them of saving and investment. Saving is an important variable for every country to be studied for the economic growth and development of any country. It is an important macroeconomic variable to be studied under the purview of the economic arena on an individual as well as household basis. As for an individual saving becomes the cushion for the future's intercourse of the unforeseen and upcoming as well as the uncertain circumstances of life. (Subhashree Nayak, Dr. Narayan Sethi. 2013).

IV. Objective of study

1. To study the saving and borrowing pattern of women members of self-help groups.
2. To study the impact of SHG Bank Linkage programme on quantum of saving and borrowing pattern of women members of self-help groups.

V. Hypothesis

1. H1: There is significant impact of SHG Bank Linkage Program on quantum of saving of SHG members post joining the group.
2. H2: There is significant impact of SHG Bank Linkage Program on borrowing by the SHG members post joining the group.

VI. Research Methodology

The present study is based on both primary and secondary data. We select the Bastar district of Chhattisgarh for our study, adopting a multistage random sampling technique to select the respondents. The Unit for analysis are individual members of SHG that had been linked with bank. Three Blocks namely Bastar, Jagdalpur and Dharba are randomly selected and three villages are selected randomly from each Blocks. From each village three SHG are selected randomly and five members from each SHG are selected giving 135 respondents. Data are collected from 135 respondent out of which 23 samples are rejected due to half-filled data.

In the present study the target population is the rural women of Chhattisgarh who are members of self-help group. The target population is defined in terms of elements (respondents), sampling unit (Self-help group), geographical extent (Chhattisgarh) and time period is year 2020.

The sampling frame is identified by approaching NGO's and regional rural banks who are basically responsible for promoting SHG. In Chhattisgarh various NGO's like Pradhan, Society, Satya, Pankhudhi are very active in this field.

The present survey is conducted with the aid of pre tested structured questionnaire (**Research Instrument**) to assess the impact of microfinance through SHG Bank linkage (SBLP Model) on the saving and borrowing pattern of women in Chhattisgarh. The instrument is based on nominal scale and ordinal scale.

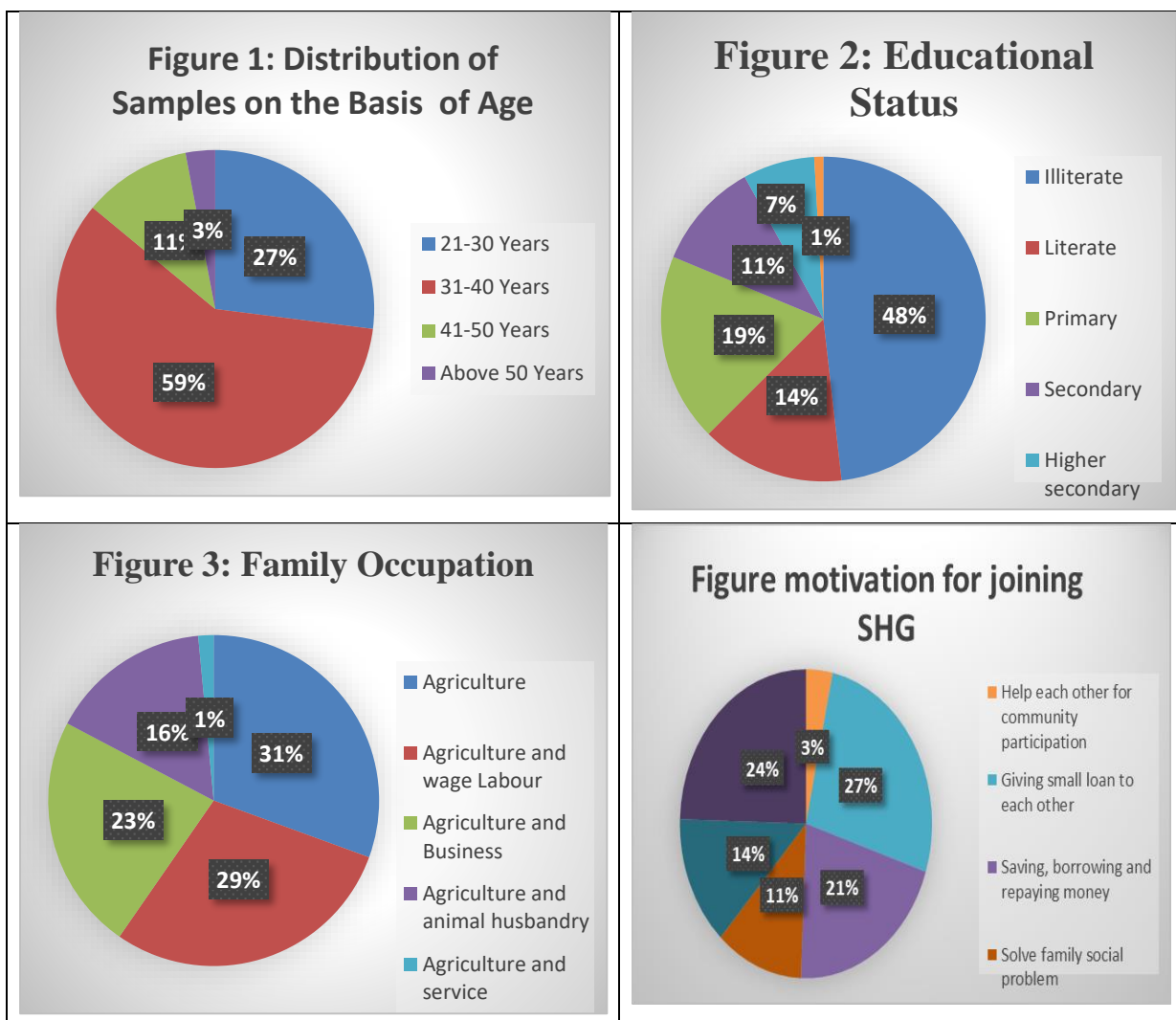
Reliability, Normality and validity of data: The values of Cronbach's Alpha value (.929) is acceptable and desirable, as this value is more than 0.700, confirming that the scales are reliable enough to be used for further analysis.

In order to determine normality of data relating to saving and borrowing of SHG member we use Shapiro-Wilk Test and normal Q-Q Plot. The Sig. value of the Shapiro-Wilk Test (.167) is found to be greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution. Validity of data is found high.

To study the objective of the research, the data collected from primary sources are processed and analysed through percentage and average. To study the impact of SHG Bank Linkage programme on saving and borrowing pattern of women members, the statistical test for finding the difference before and after joining the SHG, paired t-test is done.

VII. Data Analysis and Findings

The socio economic condition like age, marital status, education level, types of family, monthly income affects the development of women.

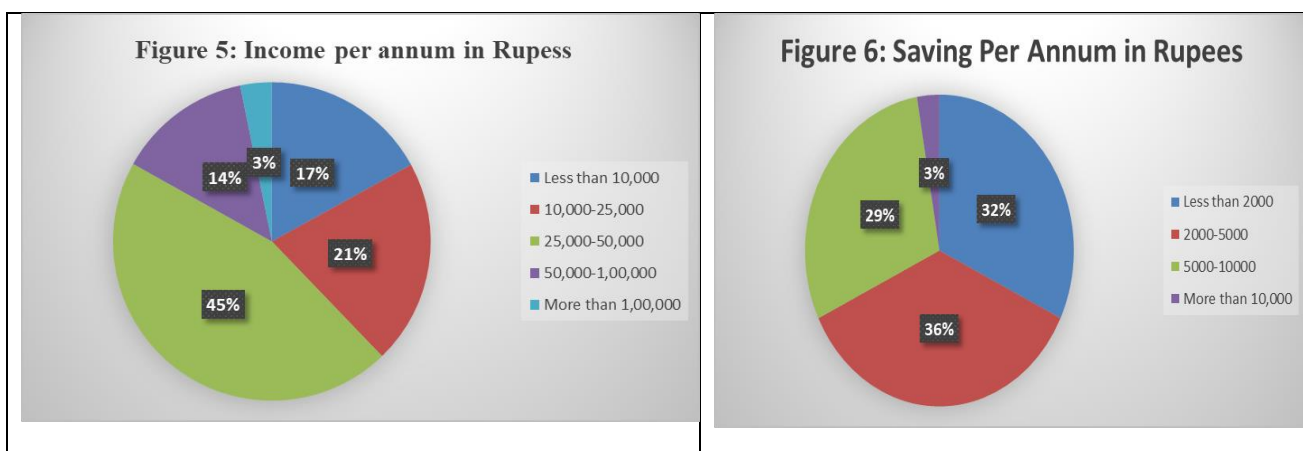


Interpretation: The major proportion of the sample SHG members are in the age group 31-40years (59%) followed by 21-30 years (27%) It is evident from the analysis that in total, 86 per cent of the respondents belong to the group of 20-40 years which is considered to be the most productive period in a person's life and this holds true for all the regions. 3 per cent of the members are in the age group of more than 50 years and 11% per cent in the age group of 40-50 years. However, a good majority are middle aged. The review of secondary data from APMAS, and NABARD shows that average age of 85% groups of SHGs is 35yrs. As they are middle aged members can be flexible to handle the responsibilities and deal with all age group people.

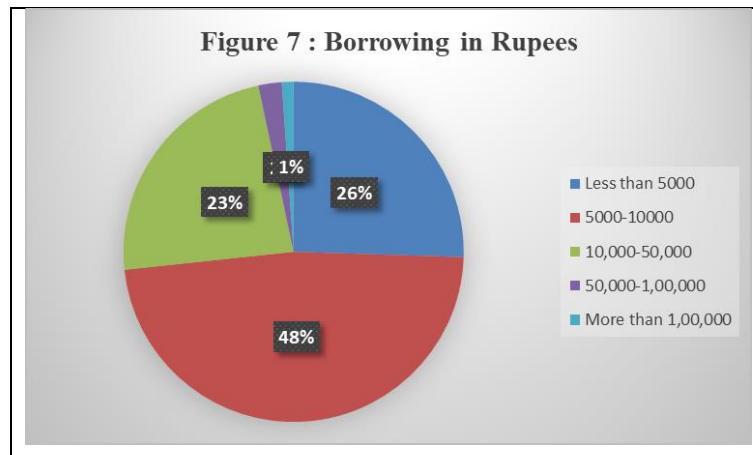
Education level is a significant factor which indicates the status of the people in the society and important aspects of growth, development and exposure. In this study 48% percentage of respondents found to be illiterate, 14.3% of the respondents are capable to read and write their name at least. This helps them to look after the accounts and understand the importance of money and its value. On the other hand 37.5% received some sort of formal education upto primary (18.75%), secondary (10.71%), higher secondary (7.14%) and graduation (0.89%). There is variation in literacy rate among different villages due to the geographical constraints and inequitable reach of education to these areas.

An estimated 70 per cent of livelihoods are forest produce and agriculture based; Fifteen per cent are dependent on animal husbandry. Another 15 per cent income of people comes from wage labour, in the rural areas of the study area. For the purpose of finding the principal occupation of family, the classification is based on agriculture, wage labour, animal husbandry, business and services. Since sometimes different members in a family are involved in different occupation, the researcher has taken a combination of two occupations in a group to find the involvement of rural people in different economic activity.

The selected respondents are inquired about their motivation to join self-help group. Figure 4 shows that Loan and borrowing is the primary reason for joining SHG. From study it is also found that NGOs are also playing important role in encouraging women to connect with the SHG.



Interpretation: The quantum of saving is directly proportional to income and inversely proportional to expenditure. To study the pattern of saving by the respondents their income status was recorded. Data reveals that 65% are able to save from 2000 to 10000 rupees annually. This is a good achievement of SHG Bank Linkage programme. A drastic change has been observed in the objective (financial) saving pattern of the respondents. 40% of the respondents had their saving account in any bank before joining the group. Post SHG this proportion increased to 92%. The women were not aware of other saving mode in a bank like RD and FD. Post SHG situation has brought some members using the mode of FD, RD and insurance as saving. Post office saving is an easy way of saving in rural areas but this percentage is as low as 1.5% in pre SHG scenario. The situation is improved in post SHG scenario with 12% respondents saving in post-office.



Interpretation: The findings of the loan availed by the SHG women member is very encouraging as it is observed that 111 members have availed loan from their saving in the group. Some of the members have taken multiple loans from the group, although the amount of loan availed from the group is small (5000-50,000) but it is able to achieve some of their requirement of investment which wouldn't have been possible without their involvement in group. The loans are availed from SHG group, Loan from bank through SHG, from bank etc. The contribution of money lenders in providing loan to rural women has declined to greater extent.

VIII. Hypothesis Testing

H1: There is significant impact of SHG Bank Linkage Program on quantum of saving of SHG members post joining the group.

Paired Samples Statistics For Saving					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Saving_Pre SHG	2242.37	112	1639.219	154.892
	Saving_Post SHG	4019.91	112	2945.311	278.306

Paired Samples Test For Saving									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pre SHG - Post SHG	1777.545	1772.795	167.513	-2109.484	-1445.606	10.611	111	.000

Interpretation:

From the above table we find that at 95% confidence level the significant (2-tailed) value is .000 Which is less than 0.05 .This implies that there is a significant difference between the Saving amount of SHG members before and after joining the group and hence we reject the null hypothesis. Since our paired samples Statistics box revealed that the Mean value of saving after joining the group (4019.91) is greater than the mean value of saving before joining the group (2242.37) we conclude that participation in group has significantly increased the saving level. Thus we accept the alternate hypothesis.

H2: There is significant impact of SHG Bank Linkage Program on borrowing by the SHG members post joining the group.

Paired Samples Statistics for borrowing							
			Statistic	Bias	Std. Error	95% Confidence Interval	
						Lower	Upper
			Pair 1	Borrowing_PreSHG	Mean	6812.50	8.99
N	112						
Std. Deviation	6194.347	-132.515			1362.358	3953.824	9178.137
Std. Error Mean	585.311						
Borrowing_PostSHG	Mean	11718.75		30.64	1512.12	9201.12	15239.37
	N	112					
	Std. Deviation	15782.272		-338.068	3258.684	9369.954	22096.079
	Std. Error Mean	1491.284					

Paired Samples Test for Borrowing									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Borrowing_PreSHG Borrowing_PostSHG	-4906.250	10547.732	996.667	-6881.212	-2931.288	-4.923	111	.000

Interpretation: From the table it is found that the average borrowing of respondents is improved from Rs.6, 812.50 to Rs.11, 718.75 in post SHG Scenario. From the above table we find that at 95% confidence level the significant (2-tailed) value is .000 Which is less than 0.05 .This implies that there is a significant difference between the borrowing amount of SHG members before and after joining the group and hence we reject the null hypothesis and accept alternate hypothesis. In this study it is found that that women member avail multiple loan from SHG group. In addition to that they avail formal loan from bank through the group.

IX. Conclusion

SHG-Bank Linkage Programme has been successful in creating awareness among the rural women of Chhattisgarh about their rights and duties, help them help them gain independence and improve their economic status. Financial independence create self confidence among the rural women and SHG Bank Linkage is providing this financial Independence. The SHG Bank linkage programme has established the strength of providing the rural women of Chhattisgarh income generation activity, thereby developing the habit of saving making them aware of different mode of formal saving. The Linkage programme has also made possible the loan accessibility, micro enterprise development through these rural women and making them economically and socially empowered. The SBL linkage has made possible availability of credit to large population of rural women due to their involvement in the programme. Not only this but also the amount of credit available to them has increased without the requirement of collateral. Thus the programme is successful in “credit widening” and “credit deepening”. The loan utilization pattern has also shifted from consumption and debt repayment to productive purpose like starting business or small enterprise.

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