
**WORKING OF MICROFINANCE MODEL IN INDIA WITH SPECIAL REFERENCE TO JHAJJAR
DISTRICT OF HARYANA**

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Abstract

Microfinance means provision of financial services at a small scale to the rural and urban poor including the self employed people. Linked with microfinance approach, the Self Help Group (SHG) movement plays a major role in poverty alleviation in rural India. The present paper is undertaken with the objective to understand the working of SHGs in India with special reference to Jhajjar district of Haryana state. For meeting the objectives, primary data were collected through a structured, non disguised questionnaire on random sampling basis from various self help groups in the study area. The study found that the main objectives of group meetings were collecting saving and discussing interloaning related issues. All respondents of the SHGs attended their meetings regularly. Majority of respondents were found to be regular in their contribution towards saving and receiving the loan from the groups.

Keywords: Microfinance, Self Help Groups, Social Change and Finance.

Introduction:

Microfinance is the provision of financial services to low-income poor and very poor self-employed people (Otero, 1999) These financial services generally include savings and credit but can also include other financial services such as insurance and payment services (Ledgerwood,1999). Further, it is also defined as the attempt to improve access to small deposits and small loans for poor households neglected by banks (Schreiner and Colombetm 2001).

Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. microcredit refers to small loans, whereas microfinance is appropriate where Non Government Organizations and Micro Financial Institutions supplement the loans with other financial services such as savings, insurance, etc. (Mosley,1997). Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Kabeer, 2005).

Linked with microfinance approach, the SHG movement has now been accepted by all countries of the world as an effective strategy for poverty alleviation. 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 SHGs. They provide the benefits of economies of scale, cost effective alternative for different financial services, collective learning, democratic and participatory culture, affirm base and platform for dialogue and co-operation. The groups have been recommended to be informal and to keep themselves away from bureaucratic and corrupt practices, unnecessary administrative expenditure and profiteering constraints. Groups are expected to be homogeneous so that the members do not have conflicting interest and all the members can participate freely without any fear. There is however something beyond this. These groups are expected to foster true democratic culture where all the members participate actively by taking part in the debate and decision – making process which is possible only in small groups. After being formed, generally by External Agency, Group starts collecting a fixed amount from each member regularly. For about six months it only collects amount; no loan is given to any member. During this period the groups are expected to open a saving account with Financial Institutions (FIs). After accumulating a reasonable amount of resources the group starts lending to its member for petty consumption needs. The repayment of the loan with interest and regular amount enlarge the working fund and increase the scope of lending. The groups are jointly liable to the bank for repayment. The joint liability, decision-making process and pressure at the group level are the most important aspects for the banks to do business with the poor, illiterate and informal groups. The demand for loan is for consumption, health, education, marriage, petty production and petty trade etc. A SHG can be all women group, all men group, or even a mixed group. However, it has been the experienced that women's groups perform better in all the important activities of SHG. In 1991-92 NABARD started promoting SHGs on a large scale. And it was the real take-off point for the 'SHG movement'. In 1993, the Reserve Bank of India also allowed SHGs to open saving accounts in banks. Facility of availing bank services was a major boost to the movement. The movement of SHG was nourished in the states of Gujarat, Maharashtra, Andhra Pradesh, Rajasthan, Tamilnadu and Kerala. Now nearly 560 banks like NABARD, Bank of Maharashtra, State Bank of India, Cooperative Banks, Regional rural banks, the Government institutions like Maharashtra Arthik Vikas Mahamandal (MAVIM), District Rural Development Agency (DRDA), Municipal corporations and more than 3,024 NGOs are collectively and actively involved in the promotion of SHG movement.

Many researchers had conducted their research on working of SHGs in the group based microfinance programs in India. Some of the researchers have concluded the group functions democratically with 2-3 office bearers elected by a consensus of the group. Two office bearers viz. the President and Secretary are essential, while a third office bearer i.e. a Treasurer is optional. Better to restrict the office bearers to just two- President and Secretary. Office bearers should rotate at least once in two years. Ideal rotation would be once every year, depending on availability of educated members to act as Secretary. Group meets periodically at fixed intervals for the following purpose: a) to discuss, reflect on and find solutions to socio-economic issues / problems of members, the group and of the community. b) to transact business. All members' attendance and active participation at meetings is essential. Decisions are taken at meetings by a consensus of the group and not by the President and Secretary alone. The President and Secretary manage the administration of group as per the bye-laws and group consensus and homogeneity in membership, democracy, transparency; co-operation, unity and mutual understanding in the group significantly influenced the successful working of SHGs (Anand, 2004; Purnima and Reddy, 2007 and Kumar and Raj, 2009). At the same time some other researchers found that there are several factors, such as freedom of participation, motivation, decision-making, group communication, leadership, trust, group homogeneity and empathy that play an important role in indicating the effectiveness of working which brings about group cohesion and better performance (Purnima and Reddy, 2007 and Saikumar and Hanisch, 2011). In this perspective, the present paper tried to examine the working of Self Help Groups in India with special reference to Jhajjar district of Haryana State.

Methodology:

The present paper is based on primary data collected from household. The data was collected through pre -tested household schedules in Jhajjar district of Haryana State from all blocks of the district. The questions in the Questionnaire were open ended. The household schedule was structured pertaining to the objective of the paper. This paper focused the household as the unit of analysis than other units like clients or micro- enterprises based on its suitability (Amin et al, 2003; Evans and Adams, 1999; Sarangi 2007 and Zewde and Tollens, 2008). Based on the demand of the objective, five indicators are selected for working of SHGs and these indicators are joining of members, meeting of members, saving of members, loaning of members and training for members of SHGs. The study was carried out in Jhajjar district of Haryana state in India, which is situated in the eastern region of the state, Haryana and it is considered one of the under developed district in the state. This study engaged multi stage sampling technique. In the first stage, all block of district had been taken. From each block, 01 village was randomly selected. 02 SHGs were selected randomly from each village for target group and equal number of SHGs members selected for the control group. All total 104 household for target group and another 104 households for control group were sampled. The analysis was done engaging the statistical methods such as percentage and graph.

Working of SHGs:

In this section, working of SHGs is discussed in respect of the following parameters:

- ✓ Joining of members of SHGs
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- ✓ Training for members of SHGs

Joining of members of SHGs is further sub divided into sub heads:

- ✓ Reasons for joining by members
- ✓ Improvement received after joining by members.

Table1: Block Wise Distribution of Sample Members by Reasons for Joining SHG.

Sr. No	Reasons for Joining SHG	Blocks					Total
		Jhajjar	Beri	Matanhail	Bahdurgarh	Sahlawas	
1.	To Asset Building	20(95.23)	20(100)	20(100)	20(95.23)	20(100)	102(98.07)
2.	To Generate Income	21(100)	20(100)	22(100)	21(100)	20(100)	104(100)
3.	To Get Employment	21(100)	20(100)	21(95.45)	21(100)	20(100)	103(99.03)
4.	To Get Loan	21(100)	20(100)	22(100)	21(100)	20(100)	103(99.03)
5.	Animal Husbandry	15(71.42)	12(60)	13(59.09)	14(66.66)	10(50)	64(61.53)
6.	To Consumption	10(47.61)	10(50)	8(36.36)	12(57.14)	16(80)	56(53.84)
7.	To Meet Emergency Need	14(66.66)	5(25)	12(54.54)	10(47.61)	9(45)	50(48.07)
8.	To Do Agriculture	10(47.61)	4(20)	9(40.90)	7(33.33)	8(40)	38(36.53)
9.	Others	21(100)	18(90)	20(90.90)	19(90.47)	18(90)	96(92.30)
10	Total Member of SHG	21	20	22	21	20	104

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

The basic reasons for joining SHGs by the members were studied and the results have been presented in the table 1. The findings of the table revealed that 98.07 per cent and 61.53 per cent members of SHGs have joined their groups due to asset building and animal husbandry respectively. However majority of the members of SHGs has joined the SHGs due to the reason to generate income. About 53.84, 48.07 and 36.53 per cent members of SHGs joined the groups due to their consumption, meeting emergency need and do agriculture activities respectively. Further, 99.03 per cent of members of the SHGs have joined the groups to get employment and loan. Furthermore, 92.30 per cent members of SHGs has also joined the groups due to some others reasons. The results of the table reveal that the members of SHGs were joining the SHGs for economic productive purpose rather than non productive propose.

Table 2: Block Wise Distribution of Sample Members by Improvement Received After Joining SHG.

Sr. No	Improvement Received After Joining SHG	Blocks					Total
		Jhajjar	Beri	Matanhail	Bahdurgarh	Sahlawas	
1.	Income Generation	21(100)	20(100)	22(100)	21(100)	20(100)	104(100)
2.	Improvement of Living Standards	21(100)	20(100)	22(100)	21(100)	20(100)	104(100)
3.	Interaction with Outdoors	21(100)	20(100)	22(100)	21(100)	20(100)	104(100)
4.	Recognition in Family	2(9.52)	3(15)	4(18.18)	3(14.28)	4(20)	16(15.38)
5.	Recognition in Community	4(19.04)	3(15)	5(22.72)	4(19.09)	5(25)	21(11.53)
6.	Education	1(4.76)	2(10)	4(18.18)	3(14.28)	2(10)	12(11.53)
7.	Access to Health Services	4(19.04)	4(20)	5(22.72)	3(14.28)	5(25)	21(20.19)
8.	Participation in Development Programme	11(52.38)	12(60)	12(54.54)	11(52.38)	9(45)	55(52.88)
9.	Health Awareness	3(14.28)	2(10)	3(13.63)	4(19.09)	2(10)	14(13.46)
10.	Access to Credit Sources	21(100)	20(100)	22(100)	21(100)	20(100)	104(100)
11.	Total Member of SHG	21	20	22	21	20	104

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

Improvement received after joining SHGs by the members was studied and the results have been presented in the table 2. The findings of the table revealed that 20.19 and 13.46 per cent members of SHGs have gained more access to health services and health awareness after joining the SHGs respectively. However hundred per cent of the members of SHGs have gained more income, improvement of living standards, more interaction with outdoors and more access to credit sources. However, 11.53 per cent of members of the SHGs have gained more recognition in community and education. Furthermore, 15.38 per cent members of SHGs were found to gain more recognition in their family. The results of the table reveal that participation in SHGs has improved more economic activities than the social activities.

Training for Members of SHGs

The capacity building of SHG members through vigorous training plays an important role in all aspects of SHGs. In this section, Training of SHGs is being discussed in respect of the type of training receiving. The findings of the table revealed that 34.28 per cent members of SHGs had received a training of bee keeping. However majority of the members of SHGs (37.14 per cent) had received training for beauty parlor. About 28.57 per cent members of the SHGs had received training for napkin making.

Table 3. Block Wise Distribution of Sample Respondents by Type of Training Provided to Members of SHG.

Sr. No.	Blocks	Type of Training Provided to Members of SHG.					Total Member Whom Training Provided
		Beauty Parlour	Bee Keeping	Making Napkin	Toy Making	Others	
1.	Jhajjar	13(100)	0(0)	0(0)	0(0)	0(0)	13
2.	Beri	0(0)	0(0)	3(100)	0(0)	0(0)	3
3.	Matanhail	0(0)	0(0)	7(0)	0(0)	0(0)	7
4.	Bahdurgarh	0(0)	7(100)	0(0)	0(0)	0(0)	7
5.	Sahlawas	0(0)	5(100)	0(0)	0(0)	0(0)	5
	Total	13(37.14)	12(34.28)	10(28.58)	0(0)	0(0)	35

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

Conclusion:

It is concluded that the main objectives of group meetings was collecting saving and discussing interloaning related issues. All respondents of the SHGs attended their meetings regularly. Imposition of fine was not found hundred per cent here. Not even a single one SHG had decided their saving jointly by all members. Majority of respondents were found to be regular in their contribution towards saving. About 50.96 per cent and 29.80 per cent respondents of the SHGs reported that they kept their saving balance amount with the Treasurer and the President. 69.23 per cent respondents of the SHGs in all the blocks were reported that SHGs were charging 12 per cent monthly interest rate. Majority of the respondents were receiving the loan from the groups. Hundred per cent members of the SHGs were taking loan from the banks and SHGs. Majority of the members of the SHGs has not received any training from any agencies for capacity building. On the basis of above facts, it is suggested that he SHGs must establish their creditability among the members of SHGs. For that a training programme for employment must be provided by Govt. regarding SHGs. More subsidies must be provided by the banks to the SHGs. Co-operative behavior should be done by the Govt. officials towards the members of SHGs. More awareness programmes about the concept of SHG must be run to remove the problem of unemployment. In this direction, education must be provided to the uneducated members of the SHG. Though, they can be trained by the basic concept of accounting specifically. The need of the day is that a cooperative behavior should be done towards the members of SHG by govt. officials. Convener of the SHGs must be encouraged for establishing other SHGs. Information regarding

loans and new schemes must be provided by the govt. to the members of SHGs. All families must also be encouraged for formation of new SHGs to solve their big problems like poverty and unemployment in an effective manner. In the last, it may be suggested that the concept of SHGs must be compulsory launched by the Govt. on a large scale by involving all poor people.

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