
AN ECONOMIC ANALYSIS OF LOANING PROCESS OF SHG IN HARYANA

Dr. Surender Ahlawat

Assistant Professor

Department of Economics,
Chaudhary Devi Lal University,
Sirsa-125055, Haryana, INDIA

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 economic problems in rural India. The present paper is undertaken with the objective to understand the economic analysis of loaning process of SHGs in Haryana. For meeting the objectives, primary data were collected through a structured, non disguised questionnaire on random sampling basis from various selfhelp 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; 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.

Methods & Materials:

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.

Results and Discussion:

As, the basic objective of promoting SHGs among the poor women was to develop the habit of saving and using their saving amount towards meeting the credit needs of the SHGs members. It was decided to explore interloaning activities of different SHGs. This section is further sub divided into the following sub heads:

- ✓ Monthly interest rate for member of SHGs
- ✓ Monthly interest rate for non- member of SHGs
- ✓ Receiving the loan from the SHGs by members of SHGs
- ✓ Reasons of not taking loan by the members of SHGs
- ✓ Getting loan from any bank
- ✓ Loan sanctioning from any bank
- ✓ Loan Sanctioning From Any Bank
- ✓ Sources of loaning of SHGs

Monthly Interest Rate for Member of SHGs

Monthly Interest rate for member of SHGs was studied and the results have been presented in the table1. One of the important advantages of SHGs is that the members can avail loan easily

Table1: Block Wise Distribution of Sample Respondents by Monthly Interest Rate for Member of SHG.

Sr. No.	Blocks	Monthly Interest Rate for Member of SHG					Total Member
		Less than 12%	12%	18%	24%	More than 24%	
1.	Jhajjar	0(0)	21(100)	0(0)	0(0)	0(0)	21
2.	Beri	0(0)	10(50)	10(50)	0(0)	0(0)	20
3.	Matanhail	0(0)	0(0)	22(100)	0(0)	0(0)	22
4.	Bahdurgarh	0(0)	21(100)	0(0)	0(0)	0(0)	21
5.	Sahlawas	0(0)	20(100)	0(0)	0(0)	0(0)	20
	Total	0(0)	72(69.23)	32(30.77)	0(0)	0(0)	104

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

and that too at a low interest rate than money lenders. 69.23 per cent respondents of the SHGs in all the blocks were reported that SHGs were charging 12 per cent monthly interest rate. Further, 30.77 per cent respondents of the SHGs were also reported that SHGs were charging 18 per cent rate of interest. This is basically a very high rate of interest for those SHGs whose members belonged to very poor families.

Monthly Interest Rate for Non- Member of SHGs

Monthly Interest rate for the non- member of SHGs was studied and the results have been presented in the table 2. Giving loan to the people outside the group was considered as an important source of income for all SHGs. But 39.42 per cent respondents of SHGs were in favour of not giving loan to non members of SHGs. Further, 30.76 per cent respondents of SHGs reported that they were charging 18 per cent rate of interest from non members of SHGs. However, 29.80 per cent respondents of SHGs reported for charging 24 per cent rate of interest from non members of the SHGs. Non- members preferred for obtaining loans from these SHGs because in some of the villages money lenders were charging much more interest rate that was even more than 24 per cent rate of interest.

Table 2: Block Wise Distribution of Sample Respondents by Monthly Interest Rate for Non- Member of SHG.

Sr. No.	Blocks	Monthly Interest Rate for Non- Member of SHG					No Loan are Given to Non-Member	Total Member
		Less than 12%	12%	18%	24%	More than 24%		
1.	Jhajjar	0(0)	0(0)	0(0)	11(52.38)	0(0)	10(47.62)	21
2.	Beri	0(0)	0(0)	10(50)	0(0)	0(0)	10(50)	20

3.	Matanhail	0(0)	0(0)	22(100)	0(0)	0(0)	0(0)	22
4.	Bahdurgarh	0(0)	0(0)	0(0)	0(0)	0(0)	21(100)	21
5.	Sahlawas	0(0)	0(0)	0(0)	20(100)	0(0)	0(0)	20
	Total	0(0)	0(0)	32(30.77)	31(29.80)	0(0)	41(39.43)	104

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

Receiving the Loan from the SHGs by Members of SHGs

Receiving the loan from the SHGs by members of SHGs was studied and the results have been presented in the table 3. The findings of the table revealed that 71.16 per cent respondents of SHGs were receiving the loan from the groups and 28.84 per cent of members of SHGs were not receiving the loan from the groups. This is indicating the significance of SHGs in the weaker sections of the society that a SHG member feels convenient with the members of SHG. On the basis of the data obtained by the survey, it has confirmed that the availability of money collected by SHG members has been found to have more importance due to its real utilization for basic human needs.

Table 3: Block Wise Distribution of Sample Respondents by Receiving the Loan from the Group.

Sr. No.	Blocks	Receiving the Loan From the Group		Total Member
		Yes	No	
1.	Jhajjar	18(85.71)	3(14.29)	21
2.	Beri	10(50)	10(50)	20
3.	Matanhail	15(68.18)	7(31.82)	22
4.	Bahdurgarh	12(57.14)	9(42.86)	21
5.	Sahlawas	19(95)	1(5)	20
	Total	74(71.16)	30(28.84)	104

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

Reasons of Not Taking Loan by the Members of SHGs

Reasons of not taking loan by the members of SHGs were studied and the results have been presented in table 4. The finding of the table revealed that 13.33 per cent and 6.66 per cent members of SHGs were not taking the loan from their groups due to that they were afraid of taking loan and they were new one for it respectively. However, majority of the members of SHGs was not taking the loan from the group due to either not having money with the groups or they were not giving the loan from the groups. About 16.66 per cent and 3.33 per cent respondents of SHGs were not taking the loan from the group due to their no need of the loan and charging more interest respectively.

Table 4: Block Wise Distribution of Sample Respondents by Reasons of Not Taking the Loan.

Sr. No.	Blocks	Reasons of Not Taking the Loan.							Total Member to Whom Loan has not been Provided
		No Money With in SHG	Afraid From Loan	No Loan Given to Themselves	New Member	No Need for Loan	Due to More Interest is Charged	Other Reasons	
1.	Jhajjar	0(0)	2(66.67)	0(0)	1(33.33)	0(0)	0(0)	0(0)	3
2.	Beri	8(80)	2(20)	0(0)	0(0)	0(0)	0(0)	0(0)	10
3.	Matanhail	1(14.29)	0(0)	0(0)	0(0)	5(71.42)	1(14.29)	0(0)	7
4.	Bahdurgarh	0(0)	0(0)	9(100)	0(0)	0(0)	0(0)	0(0)	9
5.	Sahlawas	0(0)	0(0)	0(0)	1(100)	0(0)	0(0)	0(0)	1
	Total	9(30)	4(13.34)	9(30)	2(6.66)	5(16.67)	1(3.33)	0(0)	30

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

Getting Loan from Any Bank

Getting loan from any bank was studied and the obtained results have been presented in the table 5. The findings of this table revealed that all SHGs were getting loan from the banks. This is indicating that the concept of credit provision has linked the SHG with the banks for effective working of all SHGs.

Table 5: Whether Groups are Getting Loan From Any Bank?

Sr. No.	Blocks	Name of SHG	Getting Loan From Any Bank		Total Member in a SHG
			Yes	No	
1.	Jhajjar	Jai Sai Ram SHG	10(100)	0(0)	10
		Jai Bajrang Bali SHG	11(100)	0(0)	11
2.	Beri	Dada Dudadari SHG	10(100)	0(0)	10
		Shyam Baba SHG	10(100)	0(0)	10
3.	Matanhail	Amar SHG	10(100)	0(0)	10
		Pargti SHG	12(100)	0(0)	12
4.	Bahdurgarh	Suraj SHG	11(100)	0(0)	11
		Dada Buda SHG	10(100)	0(0)	10
5.	Sahlawas	Sacha Soda SHG	10(100)	0(0)	10
		Baba Shyam Ji SHG	10(100)	0(0)	10
	Total		104(100)	0(0)	104

Source: Survey of the Field

(Figures in the brackets represent percentage to the total)

Loan Sanctioning From Any Bank

Loan sanctioning from any bank was studied and the obtained results have been presented in the table 6. The findings of the table revealed that the loan of all the SHGs had been sanctioned from the banks. This has confirmed the effective participation of banks with this programme.

Table 6: Whether Loan Has Been Sanctioned From Any Bank?

Sr. No.	Blocks	Name of SHG	Loan Sanctioning From Any Bank		Total Member in a SHG
			Yes	No	
1.	Jhajjar	Jai Sai Ram SHG	10(100)	0(0)	10
		Jai Bajrang Bali SHG	11(100)	0(0)	11
2.	Beri	Dada Dudadari SHG	10(100)	0(0)	10
		Shyam Baba SHG	10(100)	0(0)	10
3.	Matanhail	Amar SHG	10(100)	0(0)	10
		Pargti SHG	12(100)	0(0)	12
4.	Bahdurgarh	Suraj SHG	11(100)	0(0)	11
		Dada Buda SHG	10(100)	0(0)	10
5.	Sahlawas	Sacha Soda SHG	10(100)	0(0)	10
		Baba Shyam Ji SHG	10(100)	0(0)	10
Total			104(100)	0(0)	104

Source: Survey of the Field

(Figures in the brackets represent per centge to the total)

Sources of Loaning of SHGs

Sources of Loaning of SHGs were studied and the results have been presented in the table 7. The findings of the table revealed that hundred per cent members of the SHGs were taking loan from the banks and SHGs. There was no other source of loan availability for the members of SHGs.

Table 7: Block Wise Distribution of Sample Respondents by Sources of Finance of SHG.

Sr. No.	Blocks	Sources of Finance of SHG			Total Member in SHG
		Bank	With in SHG	Other Sources	
1.	Jhajjar	21(100)	21(100)	0(0)	21
2.	Beri	20(100)	20(100)	0(0)	20
3.	Matanhail	22(100)	22(100)	0(0)	22
4.	Bahdurgarh	21(100)	21(100)	0(0)	21
5.	Sahlawas	20(100)	20(100)	0(0)	20
Total		104(100)	104(100)	0(0)	104

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 the 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.

Reference:

1. Amin, S., et al. (2003). Does microcredit reach the poor and vulnerable? Evidence from Northern Bangladesh, *Journal of Development Economics*. 7(1): pp 59-82.
2. Kamalvatta and Parminder Singh. (2001). The performance of self help groups in Panjab: study of Hoshiarpur district. *Indian J. of Agril. Eco.* 56(3) pp 452.
3. Manimekalai, M., Rajeswari G. (2001). Nature and performance of informal self- help groups- a case from Tamilnadu. *Indian j. of Agril. Econ.*, 56 (3): pp 453.
4. Rekha, R., Gaonkar, (2001). Working and impact of self- help groups in Goa. *Indian J. of Agril. Econ.*, 56 (3): pp 344.
5. Schreiner, M. and Colombet, H.H. (2001) From Urban to Rural: Lessons for Microfinance from Argentina. *Development Policy Review*, Vol. 19, No.3, 339-354.
6. White, H., Sinha, S. and Flanagan, A. (2006). A Review of the state of impact evaluation. Independent Evaluation Group, The World Bank, Washington D.C.

7. Zewde, Z. N. and Tollens, E. (2008). Microfinance impact evaluation at Household level. Microfinance and Poverty Eradication: Indian and Global Experience, (Ed. Lazar, D. and Palanichamy, P.), New Century Publication, New Delhi.