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## IMPACTS OF SELF HELP GROUPS ON SAVING LEVEL OF HOUSEHOLD

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### Abstract

*The present paper tries to examine the impacts of SHGs on annual household saving level in Haryana. For this, primary data of member as well as non member groups were collected through schedule in the district of Jhajjar. The study reveals that participation in these groups has positive impacts on annual household income of members' more than non members of SHGs. In last, this SHGs model seems to be an excellent model for annual household saving in Haryana.*

**Keywords:** Microfinance; Self Help Groups; Development; Finance; Poverty.

### Introduction:

It is clear things that poor people want all type of financial services. The benefits of financial services are obvious and increasing evidences suggest that low income households are actively seeking new and better ways to invest in a more secure future. The poor require financial services to undertake different expenditures when there is wide mis-match in the inflow of income and outflow of expenditures in their household and business economy. Rural households face broad range of risks and crises such as natural, life cycle related, health related, economic, social, political and environmental.

Microfinance refers to the entire range of financial services rendered to the poor. It also includes skill up gradation and entrepreneurial development that would enable them to overcome the poverty. The concept of microfinance essentially rests on the premises that (a) to make investment to start up or expand their business, thus improving employment and income, (b) to accumulate assets over time and to hold part of their financial reserves as an income earning,

secure and liquid form which affords clear advantage in traditional forms of saving, and (c) to balance fluctuating income and expenditure better in risks and emergencies. Thus, microfinance could be referred to as providing credit support, usually in a very small amount, along with training and other related services to the people with poor resources and skills but they are in a position to undertake micro scale economic activities. Generally speaking, microfinance clients are poor and low-income people who do not have access to formal financial institutions. Moreover, microfinance clients are often self-employed, household-based entrepreneurs such as small retail shop keepers, street vendors, artisan, farmers and service providers. In this way, it may be concluded that microfinance is needed for poverty alleviation, women empowerment and financial inclusion.

In India, micro finance activities have grown under two different systems of patronage i.e. Self Help Group (SHG) – Bank Linkage Model and Micro Finance Institutions- Bank Linkage Model. The SHG – Bank Linkage Model involves Self Help Groups (SHGs) financed directly by the banks viz., commercial banks (public sector and private sector), Regional Rural Banks (RRBs) and Cooperative Banks. While, in Micro Finance Institutions (MFIs)- Bank Linkage Model, MFIs are linked to the banks. Banks provide financial assistance to MFIs so that these MFIs can further provide financial assistance to the SHGs. Both the models have their target at poor and women, predominantly. In the absence of any suitable legal and regulatory framework to carry on with the business of financial service provision, most players in the latter category have devised strategies to circumvent the governmental gaze in the most innovative ways.

Microfinance through SHGs has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally. Linked with micro finance approach, the SHG movement has now been accepted as an effective intervention strategy for poverty alleviation, generating income, empowering the poor and reducing unemployment. SHG linked micro finance includes such credits which are provided to the rural poor on easy terms and conditions and give access to several income generation and employment creation activities.

Many researchers had conducted the impact assessment studies on the group based microfinance programs and found contradictory results to each others. Some of the researchers have concluded the positive impact of the microfinance on the socio- economic development (Tripathy, 2006; Sundarapandian, 2006; Pandian and Eswaran, 2002) in India and across the world (Hiatt and Woodworth, 2006). Deininger and Liu (2009), Panda (2009) and Subramansan (2010) concluded that assets positions of members of the SHGs have increased after participation in the SHGs. At the same time some other researchers found that the micro finance interventions had little impact on the socio economic development of people (Kabeer, 2005; Shamsuddoha and Azad,

2004). Also (Kabeer, 2001) found out with the negative impact of microfinance in Bangladesh. Banerjee (2009) concluded that expenditure decreased after joining of the SHGs due to significantly increased in the savings. So the positive impacts of microfinance cannot be generalized and universally accepted throughout the world. In this perspective, the present paper tried to measure the impacts of participation in group based micro finance model in rural India with special reference to Jhajjar district of Haryana State due to wide presence of group based microfinance intervention programmes in India.

### **Methods & Materials:**

The present paper is based on primary data collected from household of members and non members of SHGs. The data was collected through pre –tested household schedules in Jhajjar district of Haryana. The questions in the Questionnaire were open ended. The household schedule was structured pertaining to the objectives of the study. A comparison between the members with the non members of SHGs household had formed the basis of analysis where the member's households were the households in which the one of the family member was a participant in SHG; and the non members included households where none of the members were under any SHG. The comparative analysis between the members groups and non members groups was a suitable method to study the impact of participation in the microfinance interventions, where there is no evidence of baseline data (White, Sinha and Flangan, 2006). This method is considered as one of the best method for it (Barker, 1999), and it remove exogenous problems (Nguyen, 2007).

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 objects, four indicators are selected for the study; and these indicators are annual Income, Expenditure, Saving, Investment level of households and Number of working days of respondents. 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 members groups and equal number of SHGs members selected for the non members of SHGs. All total 104 household for members groups and another 104 households for non members were sampled. The analysis was done engaging the statistical methods like mean and Standard deviation and paired t-

test. The mean is used in this study to present systemic description of the data relating to impact of SHGs on all indicators. The following formula for calculating the simple arithmetic mean was used:

$$\bar{X} = \frac{\sum X}{N}$$

Where,  $\bar{X}$  = sum of the values of the variables considered

N = total number of respondents.

The standard deviation is used in this study to check the inequality, variation of distribution and reliability of data relating to the impact of SHGs on all the indicators. The formula of S.D. for calculating inequality of the distribution was as follows:

$$(S.D.) = \sqrt{\frac{\sum(X - \bar{X})^2}{N}} = \sqrt{\frac{\sum x^2}{N}}$$

Where,  $x = X - \bar{X}$

Paired t- test can also be employed to significance a difference between two means i.e. between the member and non member (Abbas, Sarwar and Hussain, 2005; Chandel, 1999). It is used when the sample items are the same but different situations are being analysed like difference between two means in case of paired data. The measurement of paired t test for calculating the difference between two means is given as follows:

$$t = \frac{\bar{d}}{s} \cdot \sqrt{n}$$

where  $\bar{d}$  = mean of difference, n = size of the sample,

S = standard deviation of the difference

Simple tabulation was made to the compare the variables between the members and non members of SHGs.

### **Results and Discussion:**

This sub section discusses the result of descriptive analysis and regression analysis that shows the impact of SHGs on annual saving level of the households of members and non-members of SHGs.

This sub section is further sub divided into the following heads:

- ✓ Comparison of members and non-member's annual household saving.
- ✓ Impact of participation in SHGs through comparison of annual household saving for members and non-members.
- ✓ Results of Logit regression model for annual family saving taking as participation in SHGs as an independent variable.

**Comparison of Members and Non Members Annual Household Saving.**

Table 1 shows the comparison between distributions of annual household saving of members and non-members. It can be seen from the table that mean, median and mode of the annual saving distribution has increased due to more increase in the income of members and participation in the SHGs. It implies that members are now saving more money than the non members due to compulsion of saving some amount in a fixed period. However S.D. of non members was found less than members of the SHGs. It implies that the increase in the household saving of the members have further increased the inequality of distribution of saving in that area. The distribution of saving is also obtained as less positively skewed for non members than the members. So it can be said that the average saving level have improved after joining the group. Further, the kurtosis shows that the distribution of saving of members is more peaked than normal curve which indicates that the redistribution of saving has taken place and inequality in saving has increased in the area.

**Table 1: Results of Descriptive Statistics for Annual Household Saving of SHGs**

| <b>Descriptive Statistics</b> | <b>Members</b> | <b>Non Members</b> |
|-------------------------------|----------------|--------------------|
| Mean                          | 41930          | 17692              |
| Median                        | 25000          | 10000              |
| Mode                          | 0              | 0                  |
| Standard Deviation (S.D.)     | 52991.12       | 24593.02           |
| Skewness                      | 2.9            | 1.8                |
| Kurtosis                      | 12.9           | 3.4                |

**Impact of Participation in SHGs through Comparison of Annual Household Saving for Members and Non Members.**

Table 2 takes only one variable as an annual household saving. In this analysis, null hypothesis has been setup as given below:

$H_0 : \bar{d} = 0$  (Joining in SHGs by members have not increased the annual saving level of household)

In this study, the table value of t- test ( $t_{.05} = 1.960$ ) at 5 per cent level of significance and corresponding to 103 degree of freedom has been considered. The table shows that the calculated value of t- test related to annual household saving level has been obtained 4.051 which were found

more than the table value. So, the null hypothesis is rejected and thus it was found that the participation or joining in SHGs have increased the annual household saving level of members.

**Table 2: Results of Paired t- test for annual household saving.**

| Variable                | Members                                | Non Members                            | Paired t- test |     |                 |
|-------------------------|--|--|----------------|-----|-----------------|
|                         |  |  | t- test        | df  | Sig. (2-tailed) |
| Annual Household Saving | $\bar{X}$ = 41930.77<br>S.D.= 52991.12 | $\bar{X}$ = 17692.31<br>S.D.= 24593.02 | 4.051          | 103 | .000            |

**Results of Logit Regression Model for Annual Household Saving Taking as Participation in SHGs as an Independent Variable.**

Table.3 shows that results of the Logit regression model for annual household saving taking the participation in SHGs as an independent variable. Here annual household saving is considered as a dependent variable. The table shows that the participation in SHGs is positively related with the annual household saving as evident from the positive value of coefficient. The coefficient of participation in SHGs is Rupee 24238.46 which indicates that if a person joins SHGs, then the income of his/her will increase by Rupee 24238.46. Here R<sup>2</sup> is 0.80 which indicates that increase in annual household income due to participation in SHGs is only explained by 80 per cent. So 20 per cent is the error term. But p-value is showing that both variables are highly significant.

**Table 3: Results of Logit Regression Model for Annual Household Saving.**

| Variable  | Coefficient | Standard Error | t- ratio | p- value |
|---|-------------|----------------|----------|----------|
| Constant  | 17692.30    | 4050.69        | 4.36     | .000     |
| Participation in SHGs   | 24238.46    | 5728.53        | 4.23     | .000     |
| Dependent variable = Annual Household saving<br>R <sup>2</sup> = 0.80 |             |                |          |          |

**Conclusion:**

It is concluded that the SHGs interventions has led a positive impacts on annual household saving of members of SHGs in Haryana. The annual household saving in a year is significantly

higher than that of the non members in SHGs. Thus, so far the survey results showed that there have been some positive impacts of SHGs based microfinance model on annual household saving of members of SHGs. This paper concludes that SHGs model seems to be an excellent model for increasing annual household saving and income in Haryana.

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