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Assessing the Economic Impact of SHG-Based Microfinance on Rural Households

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***Abstract*—Microfinance based on Self Help Groups (SHGs) has become an important means of attaining financial inclusion and improving the socio-economic status of rural households in India. By providing savings, credit, and other financial services, SHGs help rural households, in particular women, to participate in income generating activities and improve their economic status. This paper analyzes the economic impact of microfinance based on SHGs on rural households. The paper analyses the contribution of microfinance on income generation, employment creation, asset creation, and poverty alleviation. The research explored how one can access microcredit, which helps promote working activities in the agricultural sector and household investments. The study analyzes the role of SHGs in promoting financial literacy, saving behavior, and decision-making capabilities of the members of SHGs. Collective participation and support from other SHGs enable rural population members to obtain social and economic empowerment impacting their lives. Although microfinance based on SHGs faced issues such as the small volume of loans, repayment evocations, or unequal access to credits, it has demonstrated a significant efficiency in enhancing the living conditions of the households.**

***Index Terms*—Self Help Groups, Empowerment, Rural Trade.**

I. INTRODUCTION

The SHG-Bank Linkage Project (SBLP) started as an Action Research Project in 1989. After pilot testing it on 500 SHGs across the country between 1992 and 1995, mainstreaming of the concept was undertaken in 1996 and the expansion stage started in 1998. Over the last ten years SBLP has become a model delivery mechanism of microfinance in India. The number of SHGs linked to banks has increased from 500 in 1992 to over one million by 2003 reaching around 12 million

women through deposit services, cumulatively providing over Rs. 39 billion as credit between 1992 and March 2004. By 31st March, 2010, 69.53 lakh SHGs were linked with banks; and National Bank for Agriculture and Rural Development (NABARD) estimates that by the end of financial year 2010, around 97 million families will be covered with microfinance (NABARD, 2010). Since 1994, along with NABARD, development financial institutions such as Small Industries Development Bank of India (SIDBI) and microfinance promoting organizations like Rashtriya Mahila Kosh (RMK - the National Women's Fund) have also started providing bulk loans to MFIs.

II. OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To study the functions of SHGs in Rural trade.
2. To find out the outreach of micro finance in India and study the changes that took place in the economic status of the SHG members after credit linkage with the bank.

III. REVIEW OF LITERATURE

Self Help Groups (SHGs) are important to beat abuse, make certainty for the economic independence of provincial poor, especially among ladies who are generally undetectable in the social structure. These gatherings empower them to meet up for a typical target and gain quality from one another to manage abuse, which they are confronting, in a few structures. A gathering turn into the reason for activity and change. It likewise helps working of relationship for common trust between the advancing association and the country poor to steady contact and honest to goodness endeavors.

Chiranjeevulu (2003) found in his examination that the ladies have enormous energies to begin their very own ventures given the correct chances. They have created bounteous self-assurance and confidence through SHG development. Economic destitution as well as social and sexual orientation issues can be handled successfully through this procedure.
Sharma (2001), clarified based on his examination, Micro financing through SHGs is adding to the advancement of provincial individuals in an important way. It is seen that huge changes in the expectations for everyday comforts of SHG individuals have occurred as far as increment in salary levels, resources, investment funds, obtaining limit and pay creating exercises.

Gurumoorthy (2008) clarified that the Self Help Group (SHG) as a reasonable choice to accomplish the destinations of country advancement and to get network investment in all rustic improvement programs. It was a sorted out set up to give smaller scale credit to the country ladies on the quality of the gathering reserve funds without demanding any guarantee security to encourage them to go into pioneering exercises and for making them ambitious ladies.

IV. BLUEPRINT OF THE STUDY AREA

At the start it is pertinent to comprehend the land highlights of the region under investigation. Thane city has a rich chronicled legacy and is spread over a region of 9, 33,700 hectares. According to enumeration 2001 aggregate populace of Thane city is 14.50 lakh and the thickness of populace is 544/hectare. Populace living in ghettos in 2005 was 5,49,775 and the normal size of the family in ghettos is 4.67 to 5 people for every apartment. The general proficiency rate of the city is 80.67% with male education at 87.06% and female proficiency at 73.10%. There are 28 open doctor's facilities, 43 dispensaries and 122 essential wellbeing focuses in the city. The city administering body Thane Municipal Corporation (TMC) has partitioned the city into nine sub-boards of trustees (Prabhag Smities) for managerial adequacy.The examination contains an example of three Self-Help Groups Promoting Institutions (SHPIs), 51 SHGs and 340 respondents from SHGs chose aimlessly in Thane city. The example incorporates SHGs shaped by the TMC for executing the Central government's Swarna Jayanti Shahari Rozgar Yojana (SJSRY) plot for the Below Poverty Line (BPL) family units, SHGs which are not associated to any association and are being overseen by their agents chose from the group and the SHGs advanced and upheld by NGOs, for example, Reach Education Action Program (REAP), Shivai Mahila Mandal and Community Outreach Program (CORP).

Building social capital is basic in general agrarian advancement techniques went for lessening rural destitution. Putnam has separated social capital into two essential classes: holding and connecting. Holding is the way toward making a system of individuals who meet up for a typical reason, for instance, a SHG or an agriculturists' affiliation. The emphasis is on group development, building trust or a kind of paste that holds a group of individuals together. Connecting in social capital means the way toward making linkages with outside groups for a typical reason.

V. LOCALE OF THE STUDY

The territory of Maharashtra was chosen for the examination purposively as the specialist knows about the nearby dialect, which would help to construct brisk compatibility, and furthermore encourages inside and out investigation through close to home perception.

Selection of the District

Thane District was purposively selected for the study for the following reasons.

1. Thane District is one of the districts in Maharashtra where the Self Help Groups formed from the inception years i.e. 1985 and has highest number of Self Help Groups.
2. No similar type of Research work was conducted in the District regarding study on Capacity Building and Empowerment of Self Help Groups.
3. The investigator has an intimate knowledge of the District compared to other District as he hails from the District.

Selection of Talukas / Tehsils

Out of 15 Talukas / Tehsils in Thane, two Talukas / Tehsils were selected randomly because SHG's have their existence in almost all the Talukas / Tehsils of Thane district.

Selection of Villages

From each Talukas / Tehsils selected, three villages were randomly selected against the criteria of maximum number of Self Help Groups existing.

Selection of Self Help Groups

Ten Self Help Groups were selected randomly from each of the 6 (six) villages selected.

Selection of the members of Women Self Help Groups

All the members of each of the selected Women Self Help Groups were chosen by casual method for the study thus making 15 women respondents of SHG from each village and thus making 90 women respondents from all the six villages selected for the study.

Particulars of Talukas / Tehsils, Villages and Respondents selected for the Study

Sl.No.	Talukas / Tehsils	Villages	Number of Women Members
1	Vikramgad	Wasuri	15
		Bangarchola	15
		Shilset	15
2	Vada	Bawali	15
		Nehruli	15
		Chikhli	15
Total			90

VI. ACHIEVEMENT OF SHGs IN THANE DISTRICT

Self-help is a standout amongst the most interesting parts of rural advancement. A dynamic procedure rises above the tight limits of some random parts of improvement. Self-Help is a central occupant of later extended procedures of fundamental needs and self-dependence. As indicated by the National Bank for Agriculture and Rural Development (NABARD), a self-help group is a little economically homogeneous and fondness group of rural poor deliberately meeting up : to spare little sums frequently; to commonly consent to add to a typical store; to meet their crisis needs; to have aggregate basic leadership; to understand clashes through aggregate administration and shared discourse; to furnish insurance free credits with terms chosen by the group at market driven rates. CASA (Church's Auxiliary for Social Action) sees SHGs as a device for network association (Bose 1997), a movement of financial advancement and a methodology for women's empowerment. Therefore, Self-Help is both a methods and an objective inside the system of fundamental needs. It is a methods with which to accomplish objectives of least necessities of private utilization i.e., sufficient sustenance, asylum and garments and network administrations

i.e., safe drinking water, sanitation, open transport, wellbeing and training. It is additionally distinguished as a device; individuals ought to take an interest in settling on the choices, which influence them.

VII. CONCLUSION AND SUGGESTIONS

Based on real discoveries of the investigation, strategy measures to enhance the working of SHGs have been recommended, the most vital ones are quickly specified underneath:

1. SHGs ought to be sorted out into leagues to pick up showcasing abilities for their items and approach quality preparing for their individuals for aptitude advancement.
2. The leagues can have tie-ups with business houses to advertise their items and preparing foundations for limit building.
3. SHPIs should hold mindfulness battles to spread mindfulness about micro budgetary items, for example, micro protection and settlements.
4. Subscription to micro protection can give SHG individuals insurance against stuns, for example, mischances, demise and characteristic cataclysms.
5. SHPIs should find a way to enhance straightforwardness in the working of SHGs, for example, required turn of group pioneers to stay away from disintegration of trust of individuals.
6. The government associations I. e. the TMC for this situation should hold intermittent carefulness checks to regulate the working of SHGs with the goal that deceitful group pioneers don't downy blameless SHG individuals and wipe out their little investment funds.

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