Chapter -VI

Conclusion & Suggestions
CONCLUSION

The basic objective of this research was to analyse the impact of SHGs in improving the economic condition of their members in eastern U.P. The analysis, of data using the survey we had done, demonstrates that in post-SHG period the members of the groups had significant improvements in their economic status in comparison to pre-SHG period. The overall analysis shows that SHGs have brought opportunities for economic empowerment and development for the members in rural areas. Financing through SHG’s ensure several benefits such as: (i) an individual can get a small credit from the SHGs which he might not get from banks and formal institutions; (ii) because of the group a poor get access to the required amount of appropriate credit at a relatively low interest rate than non institutional sources; (iii) financing through SHGs reduces transaction costs both for lenders and borrowers; (iv) improvement in repayment of the loan; and (v) remarkable empowerment of poor women (both socially and economically).

Like most of the developing countries India is also facing poverty as one of the major constraint for development of the country. Since independence Indian government have been emphasizing upon the role of finance in promoting equitable growth in rural areas. Microfinance has emerged as one of the most effective tool for combating poverty in rural areas. The basic objective of providing microfinance through SHGs is to fill the gap between demand and supply of funds of the rural poor. The range of activities undertaken in microfinance through SHGs include group lending, individual lending, the provision of savings and insurance, capacity building, and business development. Various microfinance models yielded wonderful results and has proved that poor are bankable and credit worthy. NABARD has been playing a key role in the growth and development of SHGs in India. Various credit delivery innovations such as Grameen Bank Replications, NGO networking, credit unions, and SHG federations have been encouraged by NABARD for
increasing the outreach of the SHGs. It has also established a Micro Credit Innovations Department for developing, spreading, and facilitating the microfinance movement.

India has developed a model of microfinance organization in the form of Self Help Groups (SHGs) in 1992. Since 1996, SHG’s has become a regular feature of the Indian financial system. Now India has emerged as the largest microfinance market and covered largest number of borrowers in microfinance section followed by Bangladesh. It promotes savings among members and helps in availing the formal credit from the banks with out any collateral securities. It also helps the poor people in generating the self employment basically in the rural areas which will help in the overall growth of the Indian economy. The performance of banks in linking SHGs to the banking system scaled up to desirable heights during the recent years. As on 31 March 2010, there were more than 69.53 lakh savings-linked SHGs and 48.52 lakh were credit-linked SHGs covering 9.7 crore poor households under the microfinance programe. But in the last decades, physical as well as financial performance of SHGs has recorded increases at declining growth rate. Thus remarkable performances made by SHG-Bank linkage programme in coverage of rural population with financial services offers a ray of hope.

Though several studies are available on the effect of microfinance through SHGs but there is dearth of study on the impact of SHGs in Uttar Pradesh. The present study is an attempt in this direction. The economic impact of microfinance through SHGs is discussed in detail in the previous chapters through the study of SHGs from the eastern Uttar Pradesh. Based on the general observation in the field and also through the analysis of various data available, an attempt has also been made in this chapter to highlight the major findings and to provide some useful suggestion for further improvement in the availability of microfinance, especially in the rural areas.
MAJOR FINDINGS:

The present study demonstrated that SHGs had positive impact on economic condition of the members. Major findings of the present study are given below:

The socio-economic profile of the sample members shows that in the sample areas literacy rate is very low, 45 per cent of sample households were illiterate and about 33 per cent of the respondents could only sign. The SC/ST and backward class constituted 81 per cent of the total sample. NGOs covered more SCs/STs than banks mainly because of easy and affordable procedure of NGOs which attracts more poor population. The distribution of sample households, according to age of the members reveals that the majority of the sample SHG members (50%) belonged to productive age group (21-40 years). This study found that agriculture (farming) constituted the major share employing 36 per cent of sample households and about 26 per cent of the sample households accounted as a daily labourer (mazdor). The proportion of respondents who were engaged in service sector and self employed/business was 7 percent and 21 percent respectively. The work status of the respondents reveals that about 10 percent of the respondents were not doing any work. They were mostly women engaged in house keeping. In the selected SHGs out of 1423 members 1036 were women consisting 73.81 percent of total population. Thus the programme is focusing on women, who are marginalized and the weaker sections of the society.

Conclusion of the study are summarised as follows

1. Our study found a positive impact of the SHG on saving level of the members. Before joining the group on an average per member annual saving was Rs.581 which rose to Rs. 1805 after joining the group. The incremental saving was about 210 percent increase between the pre and post SHG period. The study also highlights that the members of NGO groups had little higher saving level than the members of bank groups but there is no significant difference between the saving of NGO groups and
bank Groups. Our study also concludes that there is direct positive relationship between the age of the SHG and level of saving of the members. This means that the saving level of members increases with the age of the SHGs.

2. Study reveals implying the significant increase in microcredit by SHGs to its members. Positive impact of the SHGs on borrowing level of the members. The loan amount received per member during the pre SHG situation was Rs.4312 which reached to Rs. 11807 in post SHGs situation. There was significant difference between the mean value of borrowing level of the bank groups and NGO groups. The respondents of the bank groups had significantly higher average borrowing level than the members of NGO groups in post SHG situation. The increase in quantum of loan between pre and post-SHG situations, according to the age of the groups, shows an increasing trend along with an increase in the age of the groups. The older groups (6 and above) registered highest percentage of incremental borrowing (295 percent), followed by 3-4 years old groups (183 percent) and newly formed groups (upto 2 year) recorded 47 percent. Though in post SHG period the members of middle aged groups recorded higher level of borrowing followed by older groups and new groups.

3. SHGs have encouraged their members to undertake more productive economic activities. The share of borrowing for productive purposes increased from 28.74 per cent to 61.87 per cent in pre SHG to post SHG situation. This is a noticeable positive switchover of the respondents’ behavior form consumption to production purpose. By providing some training and support the members of SHGs can easily become micro entrepreneurial in rural development. The study data reveal that SHGs played a vital role of the replacement of all sorts of informal agencies in
catering the credit needs of the sample households. After the intervention of the SHGs, the borrowing pattern had also changed. A reduction of about 60 per cent in share of the moneylenders has been recorded and 76 per cent of the loan was received from SHGs.

4. The present study found that SHGs had helped its members to their assets. On an average, the sample members possessed assets worth Rs. 46543 in pre SHGs situation which increased to Rs. 70919 in post SHGs. The members of the bank groups had significantly higher value of assets size than that of the members of NGO groups. The members of older groups had reported greater percentage increase (220 percent) followed by members of 3-5 years old SHGs (108 percent) and members of newly formed SHGs. The study also reveals that in post SHG period, the members of the middle aged groups had significantly higher level of asset value than that of new groups. Members of the older groups had also significantly higher level of assets value than that of new groups. Though members of older groups had little higher assets value than the members of middle aged groups but there is no significant difference between the older groups and middle aged groups. Thus study demonstrates a positive and direct relation between the age of the SHG and assets value held by the members.

5. In respect of repayment of the loan, after joining the SHGs the members have become more disciplined and responsible by making loans repayment on time. About 68.5 percent sample members made repayment on time after associating the group. The percentage of defaulters has decreased from 14.5 to 3.5 percent.

6. In pre SHG period the major share of loan accounts (41 percent) and loan amount (34 percent) were availed at the interest rate of more than 50 percent. On the other hand, in post SHG period the major share of the
loan amount (60.9 percent) and account (64 percent) were contracted at the interest rate of 11 to 20 percent. This implies a positive impact of the programme in reducing the interest burden of the respondents and reducing the exploitation by informal agencies, mainly money lenders. However, the average rate of interest changed by the SHGs is still much higher than banks and other institutional sources.

7. Our study also has found an improvement in the literacy level of the sample members. The literate members have increased from 10 percent to 23 percent; similarly the percentage of the members who can sign only also rose from 8 percent to 34 percent. On the contrast the percentage of illiterate members has come down to 45 percent from 78.4 percent after joining the group.

8. The present study shows that SHGs has a positive impact on the income level of the members. Our data reveal that in pre-SHG average individual annual income was Rs. 8992 which rose to Rs. 11785 to post-SHG period. The study found that though members of bank groups had little higher income level than the members of NGO groups but there is no significant difference between the NGO groups and bank groups. The members of the older groups have recorded higher level of annual income, followed by middle aged groups and new groups. This means there is strong positive direct relation between the incremental income of the members and the age of the SHGs.

9. After joining the SHGs the members were able to generate new source of income or expand their old income source which enhanced their income level and raised their purchasing power. In pre SHG period, the expenditure of 27.5 percent of the respondents was less than Rs. 10000 per annum which declined to 9 percent. On the other hand the percentage of respondents having annual expenditure between Rs. 20000-30000
increased drastically from 20.5 percent in pre SHG to 46.5 percent in the post SHG period. This implies that average consumption expenditure of the SHG members have increased after joining the SHGs.

10. The study also found that the share of respondents engaged in agriculture has declined from 46.5 percent to 37.5 percent in pre to post SHGs situation. The percentage of respondents engaged in self employed/business has increased 6 percentge to 21 percent. On the other hand the percentage of unemployed/ housekeeping respondent has come down to 9.5 in post SHG, from 15 percent in pre SHG. This shows that after joining the SHG members become more business oriented.

11. In respect of employment generation the study reveals that average employment days per respondent worked out to 309 person days during post-SHG period that had registered an increase of about 66 per cent between pre to post SHG situations. The members of bank groups had little higher employment days than the members of NGO groups but there is no significant difference between the NGO groups and bank groups. On analyzing the data we came to the conclusion that the members of the older groups have recorded higher level of employment followed by middle aged groups and new groups. Thus the study found positive impact of the SHGs on the employment level of the members of the different ages of the SHGs.

12. Findings of the study also indicate that the micro credits have raised micro entrepreneurial activities among the members in the surveyed groups. As in post SHGs the members had started some additional income sources such as some of them brought milk animal, some of them had poultry, some started small new business or extended their old bussiness which enhanced their income and made them able to contribute household income, expenditure and savings. On analyzing the primary
data the study found that in post SHG period members have better economic conditions than that of pre SHG period. Thus this study establishes a positive impact of SHG on saving, borrowing, asset holding, income and employment levels of the member.

13. On the other hand it is also observed during the field survey that many SHG members have been taken loan for business purposes but used it for the consumption purposes. So, instead of generating any profit it become burden on the members. Some of women members have reported that their husband forces them to borrow from the group and unable to pay back. Lack of market facilities and inability to scale up production, grab them to remain poor. Low level of technical knowledge, lack of understanding and cooperation among the group and capital scarcity creates a negative effect on economic condition of the members which leads to decrease their assets value and increase loan burden.

1.2. SUGGESTIONS

The following recommendations are geared towards improving performance of micro-finance services particularly in economic upliftment and development in rural areas. There is a need for an examination of the strategies adopted for funds flow and its utilization, organizational structure of the SHGs etc., to understand the impact of microfinance. The following recommendations are based on the field observations and the issues emerging therein.

There is a need to simplify the procedure for applying, seeking and lending of credit from the banks. The procedural difficulties are one of the major constraints, which have discouraged members to take financial benefits from the banks. Therefore, the procedure to access credit should be made more easy and simple.
Bank staff and other functionaries of financial institutions should be cooperative to the SHGs members. They should ensure the existing level and types of group activity and informal intermediation, and be ready to offer services and selling products, which are appropriate for local communities.

Motivational training programmes should also be deployed for bank functionaries to generate in them a sense of cooperation and positive orientation towards SHG members. There is also a need to sensitize bank staff towards the needs, constraints and inhibitions of rural poor.

Selling of the finished products appears to be the biggest problem for the members. So, members of SHGs need marketing support and institutional capacity to handle marketing activities independently. Banks and NGO should provide support and training facilities to enable the members as successful business managers and sustaining micro-enterprises.

Under SGSY programme the funding to the SHGs must also be increased as the fund provided to the member of SHGs is not sufficient to start a suitable business which may be sustainable and profitable in the long run.

A large proportion of sample members in the sample areas were utilizing the loans availed from the banks to lend to others at a high rate. This practice is discouraged as a new form of moneylenders can not be allowed to replace the old one. Micro-finance institutions should give more emphasis on training facilities to help members for better use of their loans.

Banks and NGOs should also provide training to the members particularly on basic book keeping, loan records, internal loaning and basic accounting. This will ensure that members are equipped with necessary skills to enable them to use their loans effectively and productively.
Conclusion & Suggestions

A good regulatory framework for micro-financial services should be adopted to bring in much transparency, accountability and sustainability in the SHGs.

NGOs should not be organized only for the formation of SHGs they must stay and work with the members of the SHGs till they mature. It will help in creating the faith of the members in the NGOs.

The micro credit should emphasize the policies and plans oriented towards women empowerment to enhance women’s participation in SHGs.

Economic viability of the group is said to be achieved when the group is able to cover its operational costs from its own income. SHGs can be used as a powerful tool to create a responsible civil society which could take care of themselves and made them economic viable.

During the field survey most of the sample SHG’s member were engaged in traditional activities. So, the income gain of SHG’s member through these activities was found to be low. This suggests that there is further need to search for entrepreneurial activities that are profitable and sustainable for the long run.

The implementing of these recommendations can improve the effectiveness and efficiency of the SHGs which improve the economic condition of the members.