

**SELF-HELP GROUPS AND MICROFINANCE  
IN PANCHMAHAL DISTRICT OF  
GUJARAT STATE**

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# **SELF-HELP GROUPS AND MICROFINANCE IN PANCHMAHAL DISTRICT OF GUJARAT STATE**

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## **ABSTRACT**

The study entitled “**SELF-HELP GROUPS AND MICROFINANCE IN PANCHMAHAL DISTRICT OF GUJARAT STATE**” was undertaken to examine the progress and performance of SHGs, loan management activities, socio-economic impact of microfinance and problems faced by SHG beneficiaries. To arrive at the objectives, three stage sampling technique was used. The data related to the period of 2002 to 2006 were collected from the selected eight SHGs i.e. four male SHGs and four female SHGs and 128 respondents i.e. 64 beneficiaries and 64 non-beneficiaries spread over two talukas viz. Ghoghamba and Lunavada of Panchmahal district by survey method using interview schedule. The tabular, graphical and linear discriminant function analysis techniques were employed to achieve various objectives.

The SHG active members were found 80 to 100 per cent. The members regularly attended SHGs meeting and contributed to monthly savings. The amount of savings ranged between 30 to 50 rupees. The savings were used for lending loans to members. Attendance of SHG member in their regular meeting ranged between 80 to 95 percent and penalty collected for non attendance of meeting was ranged between Rs. 1 to Rs.5.

There was a considerable growth in number of loans, amount of loan disbursed and recovery performance between 2002 and 2006. The average number of loan disbursed per groups per year was 5.82 whereas the average amount advanced per group per year was Rs. 9210. Overall recovery percentage was 93.36. The SHGs emphasized monthly savings which enabled the group to get linked to financial institution and also to be sustainable and self reliant. The saving was Rs.512.56 per member and Rs. 6569.38 per group for the sample as a whole during the study period. Working capital which is the main source of funds available with SHG for lending to its members comprised of SHGs savings, interest on savings, fine, interest on loans and grant/loan from sponsoring bank. This fund available per SHG was about Rs. 58,760 for the sample as whole. It was also revealed that the progress and performance of female SHGs was better than that of male SHGs. The main variables discriminating between beneficiaries of female and male groups were education, land holding, loan amount, institution participation and extension contact and their respective contribution in discriminating the two groups were 48.36, 16.02, 17.00, 6.42 and 12.18 per cent.

Proper loan management is essential for the successful functioning of SHGs. The purpose-wise total amount advanced per group during the year 2006 was highest (56.35 per cent) for agriculture followed by 13.95 per cent for animal husbandry, 11.25 per cent for “others” (i.e. loan for marriage, social and religious functions, house renovation etc.), 9.90 per cent for income generation (non-farm), 7.20 per cent for health purpose and 1.35 per cent for education purpose. The time taken to avail the loan was ranged instant to fortnight. The health loan was generally advanced instantly because of emergency need. About 50 per cent of the loan was disbursed for agricultural

purpose for the sample as a whole and the least number of loans were advanced for consumption purpose. Purpose-wise recovery of loan (percent recovery to total advances for a given purpose) ranged between 88.05 to 99.17 per cent for the sample as a whole. It was observed that generally recovery was 100 per cent for the loans disbursed for education purpose. The average overdue in both the groups was ranged about 3 to 6 per cent.

The education level was between primary to secondary level in majority of the cases while 26.56 per cent of beneficiaries were illiterate and not a single beneficiary of SHG had got graduation. Majority of the beneficiaries were in category of marginal farmer (67.19 %) while 21.88 per cent beneficiaries were small farmer. The entire selected marginal farmers who were non-beneficiaries showed interest to join/form SHG. Generally, the farmers who had college level education and having large land holdings did not show interest to join/form SHG. It was observed that marginal and small farmers generally interested to get benefit of SHG. The Non-Government Organization (NGO) (45.31 %) and government organization i.e. Swarnajayanti Gram Swarajgar Yojana (SGSY) (39.06 %) were the main motivating factor influencing individual members to join/form SHG. This clearly indicates that the majority of respondents needed outside support to form SHG.

The SHGs beneficiaries had better institution participation, more extension contact/ participation and better mass media contact as compared to non-beneficiaries due to timely training and awareness to know the new things. The non-beneficiaries were lacking this type of exposure. A comparison of source-wise borrowings of beneficiaries and non-beneficiaries indicate that majority of the beneficiaries borrowed the money from their own capital of

SHGs whereas majority of the non-beneficiaries borrowed the money from the bank and few from the co-operatives.

Fifty per cent beneficiaries generated livestock assets whereas the other beneficiaries generated assets like farashkhana, farm equipment and weaving equipment. These assets were generated not only from internal lending of SHG but also generated through the borrowing from bank on group guarantee basis. For livestock purpose the whole groups borrowed the money from the bank with subsidy. These assets were generally used for employment and income generation activities among beneficiaries. Prior to obtaining credit facility from SHG/Bank a majority of respondents were involved in agricultural labour or farming activities which was the seasonal employment activity. A majority of the beneficiaries were able to get additional employment (75-102 man days per annum) due to SHG finance. Many of beneficiaries changed over to income generating activity after getting SHG micro finance. Thus, SHG micro finance substantially enhanced employment opportunities for beneficiaries as compared to non-beneficiaries, which led to improved income and living standard of beneficiaries. The income generated in all the activities were positive and the beneficiaries realised relatively higher net returns as compared to non-beneficiaries from the corresponding activities except in case of paddy farming. The beneficiaries felt the improvement in social status, education and health care as a result of active participation and involvement with SHG.

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## **CERTIFICATE**

This is to certify that the thesis entitled “**SELF-HELP GROUPS AND MICROFINANCE IN PANCHMAHAL DISTRICT OF GUJARAT STATE**” submitted by **Pancholi Bhavikbhai Shaileshbhai** in partial fulfillment of the requirement for the award of the degree of **Master of Science in Agricultural Economics** of Anand Agricultural University is a record of bonafide research work carried out by him under my guidance and supervision and the thesis has not been previously formed the basis for the award of any degree, diploma or other similar title.

Place: Anand

Date:                   , 2008

**(Y. C. Zala)**

Major Advisor

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Place: Anand

Date: / 07/2008

(

**Bhavik S. Pancholi )**

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## **CHAPTER – I**

### **INTRODUCTION**

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Micro-finance as per English dictionary means financing for small amounts. Small amounts are in general the requirements of the poor for their emergency needs like consumption, margin for their small enterprises, and supplement to their basic requirements like house construction, marriage, social ceremonies etc. The poor have been meeting these requirements from either informal outside sources like money lenders, rich people or their own in formal pooled savings through various social mechanisms like community savings, collection for marriage, contribution for house construction etc. Thus micro-finance encompasses all services like savings, credit, payment and other related activities. The outside informal sources have been charging exorbitant rate of interest causing huge outflow of resources from the poor. Since the slogan of poverty alleviation in early seventies, Govt. of India has been implementing various approaches like CADA (Command Area Development Agency), SFDA (Small Farmer's Development Agency), MFAL (Marginal Farmers and Agricultural Labourers Development Agency), DRAP (Drought Prone Area Development Programme), IRDP (Integrated Rural Development Programme) and the latest SGSY (Swarnajayanti Gram Swarajgar Yojana) to help the poor through augmentation of their productive assets. Micro-finance, especially the credit through the instrumental of self-help groups is a paradigm shift in the strategy for resolving the socio-economic deprivation because it intervenes in the process of impoverishment.

The microfinance (mF) movement in India is more than a decade old now. The Pilot Project on 'Linking Self-Help Groups (SHGs) with Banks' of the National Bank for Agriculture and Rural Development (NABARD) was mainstreamed as a normal lending activity of banks in 1996. Since then the mF movement through self-help groups (SHGs) has made unprecedented progress in India. It has emerged as the largest microfinance / micro credit programme in the world accounting for 13 per cent of the all clients and 16 per cent of the poorest clients (Nair, 2005).

Bangladesh has been acknowledged as a pioneer in the field of micro-finance. Dr. Mohammad Yunus, Professor of Economics in Chitgaon University of Bangladesh, was an initiator of an action research project 'Grameen Bank'. The project started in 1976 and it was formally recognised as a bank through an ordinance, issued by the government in 1983. Even then it does not have a scheduled status from the Central bank of the country, the Bangladesh Bank. The Grameen Bank provides loans to the landless poor, particularly women, to promote self-employment.

India has adopted the Bangladesh's model in a modified form. To alleviate the poverty and to empower the women, the micro-finance has emerged as a powerful instrument in the new economy. With availability of micro-finance, self-help groups (SHGs) and credit management groups have also started in India. And thus the movement of SHG has spread out in India. In India, banks are the predominant agency for delivery of micro-credit. In 1970, Ilaben Bhatt, founder member of 'SEWA' (Self Employed Women's

Association) in Ahmedabad, had developed a concept of 'women and micro-finance'. The 'Annapurna Mahila Mandal' in Maharashtra and 'Working Women's Forum' in Tamil Nadu and many. National Bank for Agriculture and Rural Development (NABARD)-sponsored groups have followed the path laid down by 'SEWA'. The 'SEWA' is a trade union of poor, self-employed women workers. Since 1987 'Mysore Resettlement and Development Agency' (MYRADA) has promoted Credit Management Groups (CMGs). The CMGs are similar to self-help groups. The basic features of this concept promoted by MYRADA are: 1] Affinity, 2] Voluntarism, 3] Homogeneity and 4] Membership should be limited to 15-20 persons. Aim of the CMG is to bestow social empowerment to women (Fernandez 1994). In 1991-92 NABARD started promoting self-help groups 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, Tamil Nadu and Kerala. At present, 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 in India

Women managed self-help groups have shown remarkable growth during the last decade in India. SHGs have proved to be very versatile and their members have successfully taken up both economic and community related interventions. SHGs provide poor women an opportunity to take decisions involving themselves, their groups and their lives. Savings and credit is normally used as an entry point for formation of SHGs since it gives the members a chance to participate in decision-making and satisfies their short-term credit needs. Realising that they can be a promising tool in capacity building of rural poor especially women, central and state governments have vigorously supported the SHG-centric models of development in India. Besides Swa-Shakti Project of Department of Women & Child Development (DWCD) which was launched in 1998, many other agencies have taken up programmes for supporting women's SHG movement. NABARD has launched a major initiative for accelerating credit linkage to SHGs and over 3, 25,000 SHGs are now accessing bank credit. Rashtriya Mahila Kosh (RMK, an autonomous organisation promoted by DWCD), Swarnjayanti Gram Swarojgar Yojana (SGSY) and Watershed Development Projects of Ministry of Rural Development, Mahila Samakhya of Department of Education, Women in Agriculture, Swayamsiddha of DWCD, Jeevika Project of Government of Gujarat, Stree Shakti, Mission Shakti and SHG Missions also support formation and strengthening of SHGs in a big way.

SHG Bank Linkage strategy has come a long way. More than 22, 38,000 SHGs have been credit linked as on 31st march 2006 to the formal banking

system. This was made possible with participation of over 44362 rural branches of 564 banks with cumulative loan disbursements of Rs. 11397.54 crore. This microfinance approach now takes formal banking services to the doorsteps of nearly 329 lakh poor households across the country. (Anonymous 2006b)

India, like most developing countries has been adopting rural development through various public policies since independence and the Policy makers have been emphasizing upon the need of rural development ever since the initiation of planning process in the country. According to Myrdal (1971) in a democratic society, the basic objectives of rural development are (i) raising community solidarity, (ii) raising agricultural needs and (iii) institutionalization of equality and part and parcel of rural development efforts.

The Government of India was committed to formulate plan policies on rural development during the successive Five Year Plans, it showed that policy shifts in rural development form the different five year plans:

**Table 1.1 Policy Shifts in Rural Development**

<b>Five Year Plan</b>	<b>Period</b>	<b>Rural Development Policy</b>
I <sup>st</sup>	1951-56	Community development as method and national extension service as the agency.
II <sup>nd</sup>	1956-61	Cooperative farming with local participation
III <sup>rd</sup>	1961-66	Panchayati Raj – three tier model of democratic decentralization.
IV <sup>th</sup>	1969-74	Area based programme.
V <sup>th</sup>	1974-78	Introducing concept of minimum needs programme.
VI <sup>th</sup>	1980-85	Emphasis on strengthening socio-economic infrastructure in rural areas, alleviating disparities under Integrated Rural Development Programme.
VII <sup>th</sup>	1985-90	Emphasis on creating new employment opportunities, special programmes for income generation through asset endowments, land reforms, participation of people of the grass roots level.
VIII <sup>th</sup>	1992-97	Emphasis on building up rural infrastructure, priority on rural roads, especially in tribal, hill and desert areas, minor irrigation, soil conservation, social foresting and participation of people in rural development programmes.
IX <sup>th</sup>	1997-02	Implementation of Jawahar Gram Samridhi Yojana, Swarn Jayanti Gram Swarojgar Yojana, Pradhan Mantri Sarak Yojana, Sarva Shiksha Abhiyan etc.
X <sup>th</sup>	2002-07	Construction of roads, capacity building, human resource development, communication, technology transfer, education, women empowerment, self help groups and micro credit etc.

Source: Indian Journal of Social Development, Vol. 1(1), June, 2001

### **Concept of SHG:**

Self-Help Group (SHG) is a small voluntary association of poor people, preferably from the same socio-economic background. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial management including prioritisation of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resource of a size that is much beyond individual capacities of any of them. The SHG members begin to appreciate that resource which are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the groups' own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments. (Anonymous, 2006a)

Generally Self-Help Group consists of 10 to 20 members. The members save some amount that they can afford. It is small amount ranging from Rs. 10 to 200 per month. A monthly meeting is organised, where formal and informal discussions are held on disbursement and repayment of loans. In the meeting, the members also share their experiences and discuss on many social issues of

the groups. The minutes of these meetings are documented and the accounts are written. The President, Secretary and Treasurer are three official posts in any SHG. If the SHGs are connected with some NGOs, they take part in other social activities of those NGOs.

### **1.1 Importance and Scope of the Study**

The foregoing discussion indicates the impressive performance of SHGs in physical terms. SHGs are emerging as alternative and effective micro-credit system. Thus, the Self-Help Groups (SHGs) in micro finance have received much attention from the policy makers and others for their perceived ability to contribute significantly to the economic growth and poverty alleviation. In spite of great importance of SHGs in context to microfinance in our economy, no systematic attempts have been made to study in detail except for a few studies. This study fills this gap through the field research at micro level.

In Panchmahal district, there are different numbers of organizations engaged in the identification/formation of self-help group and striving hard for their development. About 3764 SHGs are operated in the district. Therefore, it seems to be required to study on SHGs in context to microfinance in Panchmahal district. The financial institute and policy makers need to evaluate the present status of SHGs and about microfinance. It is assumed that the SHGs are useful in generating income and employment as well as in creating saving habit among the rural people. This assumption needs to be tested.

The results of this study provide valuable insight into the operational and organizational problems of self-help group and are expected to contribute

significantly towards the improvement of the working of the self-help group and micro finance through its policy suggestion. It also provides support for consultancy, training and educational programme.

The conclusions drawn from the study are of relevance not only for Panchmahal district but for other regions of the state too and methodology used may be useful for making studies in other states too. In short, this investigation is of great significance and importance in exploring the 'lights' and the 'shades' of SHGs and suggests several implications to the policy makers, planners, administrators, scientist, economists and social reformer. With this background the present study entitled "**Self-Help Groups and Microfinance in Panchmahal District of Gujarat State**" was planned with the following specific objectives:

### **1.2 Objectives of the Study:**

1. To analyse the progress and performance of the Self-Help Groups (SHGs).
2. To study the loan management activities in the SHGs.
3. To assess the socio-economic impact of SHG micro-finance on the beneficiaries.
4. To study the problems faced by SHGs Beneficiaries.

### **1.3 Hypotheses:**

The following hypotheses were formulated against the specific objectives.

H<sub>1</sub>: The performance of female Self-Help Groups is better than that of male Self-Help Groups.

H<sub>2</sub>: There is no recovery problem in SHGs.

H<sub>3</sub>: The Socio-economic status of members of Self-Help Groups is better than non-members.

H<sub>4</sub>: There is no delay in getting credit at low interest rate by the members of SHGs.

### **1.4 Limitations of the Study:**

Due to limited time and resources available with investigator, the study was confined only to Panchmahal district of Gujarat. Though the study was planned with the objective of assessing the performance of each sample SHG since its inception, due to lack of availability of organised data, the analysis could be carried out for only five years. This study was conducted for selected SHGs of Ghoghamba and Lunavada talukas of Panchmahal District.

**CHAPTER – II**  
**REVIEW OF LITERATURE**

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Self-Help Groups have found an important place in new micro-financial management activities. A comprehensive review of literature is an essential part of any scientific investigation. It is useful for developing conceptual framework and formulating appropriate design for the study. The review of literature enables the researcher to plan his research work critically and conclude his findings with reference to past studies. A brief review of studies, which have a direct or indirect bearing on the objectives of the present study, is attempted in this chapter.

The available research work has been presented under the following heads:

- 2.1 SHGs as an Alternative Credit System
- 2.2 Performance and Loan management of SHGs
- 2.3 Socio-Economic impact of SHGs
- 2.4 Problems faced by SHGs beneficiaries

**2.1 SHGs as an Alternative Credit System**

Mohan (1997) indicated that the Self Help Group needs to be developed as sub-system of co-operatives in order to activate the dormant membership, increase the volume of business and to diversify activities. Further, he suggested evolving a suitable legal framework so as to enable SHGs to play active role in rural credit and to substantially improve recovery performance.

Ramesh (1997) after comparing the seven principles of co-operation between Primary Agriculture Credit Societies (PACS) and SHGs stated that these principles were overtly seen in the functioning of SHGs rather than PACS. The distinctiveness of SHGs lies in the facts that they are fully democratic, autonomous, and thrift based organizations and are functioning in the same socio-economic and political environment in which PACS are functioning. While exhibiting basic characteristics of co-operatives in letter and spirit, SHG continue to be functionally effective and flexible and deserve to be better known as “new-wave co-operatives”.

Gurumoorthy (2000) mentioned that SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. SHG is a viable organizational setup to disburse micro credit to the rural women for the purpose of making them entrepreneur and encouraging them to enter into entrepreneurial activities. Credit needs of the rural women could be fulfilled totally through the SHGs.

Naggayya (2000) showed that an informal arrangement for credit supply to the poor through SHGs is fast emerging as a promising tool for promoting income-generating enterprises. He reviewed that the initiatives taken at the national level with a view of institutional arrangements to support this programme for alleviation of poverty among the poor, with focus on women. He mentioned that NABARD and Small Industries Development Bank of India (SIDBI) are playing a prominent role at various stages of implementation of this programme. There are other national level bodies supporting NGO's, viz.

Rastriya Mahila Kosh (RMK), Rashtriya Gramin Vikas Nidhi (RGVN) etc. He stated that there is an imperative need to enlarge the coverage of SHGs in the advances portfolio of banks as part of their corporate strategy, to recognize perceived benefits of SHGs financing in terms of reduced default risk and transaction costs.

Srinivasan and Satish (2001) studied networking for micro credit delivery. They mentioned that high transaction costs in the rural credit system are a core problem and the viability of the rural banking system is critically affected by it. The search for viable alternatives to reduce the transaction costs in rural lending has led bankers and development finance experts to the model of SHGs where the work relating to borrower identification, loan processing, loan disbursement, monitoring and recovery is externalized to groups of clients. In these groups, peer pressure acts as a resource for internalizing the information needs and also for exerting a positive influence on loan repayment. The study revealed that lending through SHGs and NGOs bear the least cost to the lenders when compared to other types of bank lending. The risk cost is also reduced to between 0.03 and 0.27% in case of lending through SHGs, whereas it is as high as 7.88% in normal bank lending. They also observed that the linkage between banks and SHGs works out to the advantage of both the bank and the borrower.

Karmakar (2002) examined that the growth rate of SHGs had been phenomenal which revealed that the rural people were involved in their growth

and were able to sharpen their micro-entrepreneurial skills with the help of their own savings and additional bank credit, as needed.

Rao (2002) reviewed the genesis and development of SHGs in India. They concluded that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of SHGs could be traced to mutual aid in Indian village community. SHGs encourage savings and promote income generating activities through small loans. The experience available in the country and elsewhere suggest that SHGs are sustainable, have replicability, stimulate savings, and in the process help borrower to come out of vicious circle of poverty.

Shylendra (2004) made an attempt to critically assess the self-help group-bank linkage programme focusing on its approach and the strategy and arrived at possible ways to take it forward. He mentioned the main aim of the programme being implemented since 1992 was to tap the potential of the SHG concept to bring banking services to the doorstep of the poor. In terms of reaching the physical targets, the programme seems to have done quite impressively in last one decade. It has all the potential to unfold new avenues for banking with the poor. The results achieved so far appear to be outcome of the persistence effort made by the NABARD in mobilizing large number of NGOs and financial institutions through cheaper refinance and capacity building supports. The programme still has a very long way to go if it has to become the core strategy of banking sector. The key to the future success lies in retaining the basic character and strength of SHGs along with integrating them

with appropriately with outside systems to meet the needs of the member in an enduring way. This calls for highly coordinate efforts among all the stakeholders at different levels.

### **2.2 Performance and Loan management of SHGs**

Kumbhare *et al.* (1994) in their study on transaction and service costs for co-operatives and Regional Rural Banks in Thane Districts, Maharashtra and South Arcot and Kamarju Districts in Tamil Nadu showed that the small size of loans of Co-operatives and Regional Rural Banks has led to high costs of credit delivery and high risk lending. They suggested the linkage of SHGs with credit institutions as an alternative for reducing transaction and service costs of Co-operatives and Regional Rural Banks.

Puhazhendhi (1995) studied 19 SHGs and 5 Bank Branches in the Southern States of India and commented that the intermediation of SHGs virtually eliminated the time spent by bank personnel on identification of borrowers, documentation, follow-up and loan recoveries, effecting 40 per cent reduction in transaction costs of banks and the transaction costs of borrowers was also reduced upto 85 per cent as compared to direct lending. The default risk was estimated to be negligible through SHGs.

Wadhwa (1995) conducted a case study on Indian experience in financing SHGs by banks. On selective basis, banks gave loans either through SHGs or to the SHGs for poor beneficiaries. The experience showed that recovery in the case of bank loans through SHGs were above 90% as compared

to the direct lending, where recovery was about 50%. Further, it was also found that the transaction cost of the bank was reduced by about one-third when the lending was done through the SHGs.

Vedini (1996) studied the twelve SHGs in Kolar district of Karnataka. The result of the study indicated that the recovery of credit was 75 per cent. The average amount lent by bank was Rs. 15,000 and the savings of SHGs were between to Rs. 4000 to Rs. 9000 and the maximum working capital of a self-help group was Rs. 68,122 while the minimum was Rs. 31,800.

Kumaran (1997) made a case study of three SHGs. viz, active, passive and dissolved, in rural Tirupati block of Andhra Pradesh to understand the process of their development, structure, function, and factors contributing to group formation and resource mobilization, besides participation of the members in decision making ad socio-economic activities. He found that the main factors responsible for active functioning of SHGs were solidarity and cohesiveness, whereas passivity was mainly on account of irregularities in savings and repayment of loan and lack of mutual trust and confidence among the members. As regards the dissolved group, regular defaulting by some members and irregularity in loan repayment were the major factors responsible for it.

Bhatia and Bhatia (2002) highlighted on the basis of few case studies that recovery of SHGs was higher than other credit extended to borrowers. Moreover, involvement of SHGs had helped the bank branches in recovery of old dues. They observed that there has been a perceptible change in the living

standards of the SHGs members, in terms of ownership of assets, increase in savings and borrowing capacity, income generating activities and income levels as well.

Datta and Raman (2001) studied SHGs under Rastriya Seva Samithi (RASS) at Tirupati in Andhra Pradesh and concluded that the success of SHGs in terms of high repayment was mostly related to the exploitation of prevailing social ties and social cohesion found among women members. Social cohesiveness among members spring not only from their diverse background of knowledge base, skills, occupations and income levels, but also due to the dynamic incentive system of progressive lending to the groups on successful completion of loan repayment. The regression estimates of SHG net income per member on the plausible variables showed that lesser dependence of SHGs on external resources, higher education of the members, higher loan provided in the current year and lower SHG expenditure contributed to the higher SHG net income per member.

Namboodiri and Shiyani (2001) examined potential role of Self-Help Groups in rural financial deepening in Gujarat. They mentioned that NGOs supported not only in the formation of SHGs but also in identifying economic activities, imparting training, and even financial support in the initial stage. The critical areas in forming the groups at the beginning were their size and composition, homogeneity, group discipline, saving habits, and sustainability. By offering saving service, a financial institution can promote greater customer

loyalty and loan repayment discipline. Thus, reducing the institution's cost of fund for on-lending and overall transaction cost.

Nedumaran *et al.* (2001) studied the performance and impact of Self-Help Groups in Tamilnadu. They found that about 47 per cent SHGs were registered as high performance and the saving and the average loan per group member in the groups showed an increase based on the age of the groups. The average annual saving per member was Rs. 550 in the self-help age group 2-3 years, which almost doubled and the loan advanced increased by 33 per cent after a period of four years. They also found that the repayment of loan was to the extent of 95 to 98 per cent. The annual net family income of the members in the post-SHG situation increased by 23 per cent over the pre-SHG situation. The study indicated that social condition of the members considerably improved after joining the group activities. Promotion of SHGs in the rural areas, training to the members and involvement of local NGOs in building the SHGs were recommended for the overall improvement of the households.

Dwarakanath (2002) found that the women led SHGs have successfully demonstrated how to mobilize and manage thrift, appraise credit needs and enforce financial self discipline. The study of self-help women groups in Andhra Pradesh revealed the effectiveness of these groups with linkage programme and awareness among the rural folk about the significance of women empowerment and rural credit.

Patel and Baria (2002) attempted to examine the micro- finance operations and performance. They mentioned that the recovery performance of

banks for loans given to SHGs has been much higher than for those given to individuals. Banks were the main source of finance to NGOs/ SHGs acting as micro-finance institutions (MFIs). They have reported high levels of recovery (mostly 90 per cent) and low transaction cost, as the members themselves provide constant watch and follow-up.

Wadhwa (2002) attempted to review on the Bank-NGOs Collaboration for better rural lending to the poor. He examined that NGOs play a crucial role in helping banks in enhancing and intensification as well as recovery of rural loan particularly to the poor. They can also help in recovery of NPAs and prudentially written off accounts based on suitable strategy and action plan.

Sarkar (2003) shared the experience on innovation on SHG led micro-finance development programme. He observed that overall repayment percentage improved from 84 to 94 per cent between pre-SHG and post-SHG periods. He also revealed that only 23 per cent of the household were saving in pre-SHG situation whereas almost all of them were saving in the post-SHG situation. Employment also increased by 17 per cent from 320 person days to 375 person days per household between pre and post-SHG situation.

Shylendra and Saini (2004) carried out a study with the objective of assessing the overall performance of the SHG intervention of a NGO called Sadguru Water and Development Foundation (SWDF). The study revealed that the SHGs of SWDF intervention had achieved a fairly good outreach. The SHGs seem to have given their members an easy access to small savings and credit facilities. This access in turn seems to be helping the members to take up

various income generating and livelihood support activities. Further, through their participation in SHG related activities, women feel that they are able to experience significant improvements in their skills and awareness. Going by the past trend, there appears to be a good potential for further growth of savings and credit activities by these SHGs.

Reddy and Gupta (2006) made an attempt to study the credit management in SHGs under SAPAP (South Asia Poverty Alleviation Programme) project. They found that the self help groups were successful in building up good amount of corpus/funds particularly from external agencies through convergence. Loans were sanctioned on need based only and the repayment of loans started immediately. However, the interest rate charged to members remained the same irrespective of purposes and quantum of loan amount in all groups and sources. Further, they found that the SHGs were conducting meetings regularly but member's participation in group meeting is not satisfactory. Almost all members participated in decision making process of group functioning and relevant records were also maintain satisfactory. However, rotations of leadership were found rarely in sample SHGs. They had sanctioned more than 75 per cent of the loans for income generating and productive activities. Contrary to the argument advocated in favour of microfinance programme the repayment rate was low in the sample SHGs during the study period. Therefore, they suggested conducting further study in order to know the reasons for this phenomenon.

### **2.3 Socio-Economic Impact of SHGs**

Borbara and Mahanta (2001) studied micro finance through self-help groups and its impact in Assam .They observed that the SHGs have helped to set up a number of micro-enterprises for income generation. Rastriya Gramin Vikas Nidhi's credit and saving programme in Assam was found to be successful as its focus was exclusively on the rural poor. It adopted a credit delivery system designed specially for them with the support of a specially trained staff and a supportive policy with no political intervention at any stage in the implementation of the programme.

Gaonkar (2001) studied the working and the impact of the Self-Help Groups in Goa. The study was based on the data collected from five women SHGs situated in Bardez and Bicholim talukas of Goa. The findings of the study revealed that individual loans were mostly used for productive purposes. The rate of recovery was cent per cent. Monthly interest rate charged on individual loan was high, varying from 2 to 3 per cent. She also observed that the group takes decision only after free and frank discussion and all the groups maintain the record such as membership register, minutes book, cash book, saving ledger and the loan ledger. Thus the SHGs had made a lasting impact on the lives of the poor, particularly women and their quality of life had improved a lot. The members gave following responses relating to social and economic aspects leading to improvement in their quality of life in terms of increase in the family income, increase in savings, increase in consumption expenditure, gaining self-confidence, productive use of free time, getting opportunity to

improve the hidden talent and getting more importance in the family. She concluded that the movement of SHGs can significantly contribute towards the reduction of poverty and unemployment in the rural sector of the economy. The SHGs can lead to social transformation in terms of economic development and the social change.

Madheswaran and Dharmadhikary (2001) had made an attempt to analyze the impact of SHG in providing credit to rural women to help uplift their economic status. The findings showed that the success of the MRCP (Maharashtra Rural Credit Project) was due to the combination of the following factors such as: (i) the SHG-Bank linkage, (ii) credit being made available for consumption purposes, (iii) easy and periodic availability of credit due to rotation of savings and (iv) active participation of the NGO.

Manimekalai and Rajeshwari (2001) carried out a case study on nature and performance of informal self-help groups in Tamil Nadu. They highlighted that the provision of micro-finance by the NGO's to women SHGs had helped the groups to achieve a measure of economic and social empowerment. It had developing a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization.

Puhazhendhi and Satyasai (2001) attempted to evaluate the performance of SHGs with special reference to social and economic empowerment. Primary data collected from 560 sample households in 223 SHGs functioning in 11 states representing four different regions across the country formed the basis of

the study. The study of the impact of the SHG programme on members in regard to economic empowerment revealed that there was an increase in the average value of assets comprising livestock and consumer durables by 72 per cent between pre-SHG (1992-93) and post-SHG (1999-2000) periods. About 59 per cent of household reported an increase in assets from pre-SHG to post-SHG period. Similarly, the net income per household increased by 33 per cent from Rs.20,177 to Rs. 26,889 during the same period. The study also revealed that about 22 per cent of the total sample households crossed the poverty line during the study period. The involvement of the rural poor in SHG significantly contributed to their social empowerment as measured by improvement in their confidence, their treatment within the family, communication skill and other behavioral changes. The empirical findings of the study revealed that the SHGs as institutional arrangement could positively contribute to the economic and social empowerment of rural poor and the impact on the later was more pronounced than on the former. Older groups had relatively more positive features indicating their better performance than younger groups that confirms the stability of the SHGs at the ground level.

Sharma (2001) observed that micro-financing through SHGs was contributing to the development of rural people in meaningful manner. He reported that significant changes in the living standards of SHG member had taken place in terms of increase in income levels, assets, savings, borrowing capacity and income generating activities.

Banerjee (2002) made an attempt to examine the impact of SHGs in terms of achievement of expected benefits such as access of poor to institutional credit, undertaking income generating activities, employment generation, increase in income level, repayment performance and overall socio-economic development in Tamil Nadu. The study revealed that creation of income generating assets activities through loans availed from banks had made significant impact on overall economic status of the group members. The positive impact of employment generation on the group members, who had undertaken income-generating activities, was observed in 45 per cent of the group members. The additional employment generated through SHGs lending worked out to 172 man days per member. Undertaking supplementary activities such as animal husbandry, poultry etc, and non-farm activities like petty shop, kirana shop, flower vending, business, etc. provided employment to a greater extent.

Patel and Baria (2002) studied impact of microfinance on living standards of SHG members covering 560 members of 223 SHGs located in 11 states across five regions. Evaluation studies showed that the SHG-bank linkage programme had improved the economic and social conditions of members through positive impact on the level of assets, income, access to credit, savings, self-confidence etc. The programme had brought down the transaction cost for banks as well as borrowers. The impact had been found more in case of SHGs linked through NGOs.

Gupta and Athavale (2003) carried out a case study on impact of rural self-help groups in Hoshangabad district of Madhya Pradesh. The impact of development due to SHG was that the villagers – men and women- who used to leave the village in search of labour were now self-employed and self-sufficient. Not only this but Villagers had built village road by doing “Shramdan” and had also helped to the needy patients.

Ray (2005) made an attempt to examine the Self-Help Group strategy in poverty alleviation in Tripura District. He examined that self-help groups brought a positive impact towards poverty alleviation. The collective efforts of the groups help the individual members improving their quality of life through additional income generation. Through SHGs, women were empowered to fight against social evils, address social backwardness and overcome gender discrimination, inequality and exploitation. He also reported that the SHGs because of their close-knit identity, manageable size and operational flexibility are fast emerging as promising instrument for job creation, income generation among the rural youth and poverty eradication.

### **2.4 Problems faced by SHGs Beneficiaries**

Shylendra (1998) studied the performance of eight women's SHGs promoted in Bidaj village (Gujarat, India) under an action research project called Model Village Project. The SHGs project was one of the three schemes promoted by the IRMA team in Bidaj. The SHGs were created to act as instruments of savings and development for the women. He reported that the SHGs failed in the first three years of their existence to enable members to

realise their potential benefits. On the basis of the assessment made, the main reasons identified for the failure of SHGs were the wrong approach followed in the SHGs formation by the team, misconceptions about SHGs' goals both among the team and the members of SHGs and lack of clarity about the concept of SHG particularly by the team leading to failure in ensuring conditions necessary for their successful functioning.

Manimekalai and Rajeshwari (2001) carried out case study on nature and performance of informal self-help groups in Tamil Nadu. Among the problems faced by the SHG women in running their enterprise, lack of finance was reported to be a serious problem. The other problems were non-availability of raw material, lack of infrastructure facilities including marketing and lack of support from family members in running the enterprises.

Sarada *et al.* (2002) conducted a study to identify the constraints and suggestions of rural women in SHGs for enhancing women empowerment in Cumbum and Prakasam, Andhra Pradesh, India. The problems identified were grouped into categories viz., personal, social, economical and other problems. The results showed that the perceived problems hindered the socioeconomic and psychological development of rural women. The major problems experienced by the respondents were lack of training education, lack of freedom to make decision, lack of social mobility due to family restrictions, insufficient loans, low income and no market for their products. With the existing problems, the following suggestions were given: skills oriented training for women, increasing education level of women, increasing loan for

self help groups, improving general awareness of rural women, economic independence for women in the family and encouraging women to form groups with good leaders.

Nirmala *et al.* (2004) made an attempt to examine the problems experienced by the women SHG in Pondicherry. The finding showed majority of the respondents to be engaged in non-farm activities which were largely traditional and less remunerative in nature. The major problems encountered by them in conducting their productive activities were loans not received on time, difficulty in getting raw materials, labour and marketing problems.

## **CHAPTER – III**

### **METHODOLOGY**

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Scientific study of any problem requires a systematic investigation using appropriate method and procedures in order to arrive at reliable and practical conclusion. This chapter deals with the method of investigation, research design and tools employed in the present study. The chapter is divided into the followings sub-heads.

- 3.1 Coverage of the Study
- 3.2 Selection of Self-Help Groups Respondents.
- 3.3 Source of Data
- 3.4 Reference Period
- 3.5 Designing of Survey Schedule
- 3.6 Analytical Tools

#### **3.1 Coverage of the Study**

##### **3.1.1 Selection of the Study Area**

The Panchmahal district is selected for the study. The district is situated in Eastern Gujarat. It is bounded on the north by Sabar Kantha district, on the south by Vadodara district and on the west by Vadodara and Kheda District. The district headquarters is located at Godhra.

##### **3.1.2 Area and Population**

According to the census of 2001, total geographical area of the district is 8866 Sq. kms and the population of 20, 25,277 persons. Out of which, 10, 44,937 are male and 9, 80,340 are female. About 87.49 per cent population are living in rural area and 12.51 per cent persons are living in urban areas. The

number of female per 1000 male is 938. The density of population per Sq. Km. is 400. The literacy rate is 61.50 percent. The district at present comprises of 11 talukas with an equal number of Community Development Block. It has 9 towns and 1906 villages.

### 3.1.3 Selection of Talukas

The present study confined to Panchmahal district of Gujarat state. In Panchmahal district, there are 11 talukas. Considering the limited time and resources, it was decided to select two talukas from selected district on the basis of the higher no. of SHGs. In Panchmahal district 3764 SHGs are functioning. Lunavada and Ghoghamba taluka were selected on the basis of higher no. of SHGs. The selection of talukas is also presented in the map. (Fig.3.1)

**Table 3.1 List of Self-Help Groups in Panchmahal District**

Sr. No.	Talukas	No. of SHGs
1.	Godhara	277
2.	Morvah	285
3.	Shahera	432
4.	Lunavada	<b>607</b>
5.	Khanpur	273
6.	Kalol	197
7.	Halol	271
8.	Jambughoda	140
9.	Ghoghamba	<b>529</b>
10.	Santrampur	423
11.	Kadana	330
<b>Total</b>	--	<b>3764</b>

Source: Jilla gram vikas agency, Panchmahal, Godhra.

### **3.2 Selection of Self-Help Groups Respondents.**

It was decided to select male and female SHGs which were functioning for the past five years and linked to bank. Then, four SHGs i.e. two female and two male groups were randomly selected from each selected talukas. Thus, total eight SHGs were selected for the study. For the selection of beneficiaries, 8 members were randomly chosen from each selected SHG. Thus, in all 64 beneficiaries were selected from eight SHGs. (32 female beneficiaries and 32 male beneficiaries). On a similar pattern, equal numbers of non-beneficiaries having same economic status were also selected from the same/neighbouring villages for the comparative study. Thus, in all 128 respondents was sample size for the study.

### **3.3 Source of Data**

The required primary data related to the progress and performance of SHGs, loan management activities, socio-economic characteristics, amount of loan disbursed, purpose of loan, recovery performance, overdue status, savings, working capital, assets creation, employment generation, income generation and constraints of the respondents were collected by survey method using interview schedule.

### **3.4 Reference Period**

To study the progress and performance, loan management activities, socio-economic impact and constraints of self-help groups members, the required data from 2002 to 2006 were collected during the months of July-Aug 2007.

### **3.5 Designing of Survey Schedule**

Considering the nature of the study and for obtaining correct and perfect information from the respondents, it was decided to collect information through personal interview using the interview schedule. While preparing the interview schedule, the available related literature and research reports were referred. Some ambiguous points were clarified through discussing with concern experts. On the basis of their suggestions, the interview schedules were revised.

### **3.6 Analytical Tools**

The progress and performance of Self Help Groups was studied through the variables such as loan disbursement, recovery, overdue, savings and working capital. The data were tabulated and percentage and simple average were computed to draw meaningful conclusions. The results are presented in tabular form and graphical representation.

Further, Linear Discriminant Analysis was used to find the variables discriminating between beneficiaries of female and male. The variables selected for discriminant analysis are:

- X1 - The age of the SHG member in years.
- X2 - Education score of family head in an ascending order for the number of year of schooling.
- X3 - The total land holding of the beneficiary in hectares.
- X4 - The loan amount taken from SHG in Rs.
- X5 - The loan amount repaid was taken by giving a score, of '0' for full repayment and '1' for partial repayment.
- X6 - Institutional participation.

During the course of data collection, respondents were asked about their association with various organizations within and out side their villages. Those who participated in Village Panchayat, Milk Producers' Co-operation Society and Taluka Panchayat etc., were assigned score of '1' and '0' otherwise.

X7 - Extension contact.

Those who contact Gram Sevak, Extension Officer, TDO etc. were given score '1' and '0' otherwise.

X8 - Extension participation.

The respondent participated in NGO Training, Agricultural Exhibition etc. were assigned a score of '1' and '0' otherwise.

X9 - Mass media participation.

The type of mass media participation was Radio news, News papers, TV shows and Magazines. Score "1" was assigned for those who had exposure to mass media participation and "0" otherwise.

X10 - The net income from loan utilisation in Rs.

### **Procedure in Linear Discriminant Analysis**

The discriminant function was used to know the relative importance of different variables in terms of their power to discriminant between the beneficiaries of two groups; Female and Male groups.

The discriminant function of the following form was used:

$$Z = L_1 X_1 + L_2 X_2 + L_3 X_3 + L_4 X_4 + L_5 X_5 + L_6 X_6 + L_7 X_7 + L_8 X_8 + L_9 X_9 + L_{10} X_{10}$$

Where,

Z = Composite discriminant scores for the two groups.

Xi's = Variables selected to discriminate the groups.

Li's = Discriminant coefficients.

For the application of discriminant function, two groups are expected to be roughly of equal size. Thus, the sample comprised of 32 female members and 32 male members in the present study. The function is constructed by choosing values of linear discriminant coefficients in such a way that the ratio:

$$\frac{\text{(Variation of 'Z' between the two groups)}}{\text{(Variation of 'Z' within the two groups)}} \quad \text{Was maximized}$$

The calculation of discriminant function involves the solution of the following equations in the matrix notations.

$$SL = D$$

Where,

$$S = \begin{pmatrix} S_{11} & S_{12} & \dots & S_{1k} \\ S_{21} & S_{22} & \dots & S_{2k} \\ \vdots & \vdots & & \vdots \\ \vdots & \vdots & & \vdots \\ S_{k1} & S_{k2} & \dots & S_{kk} \end{pmatrix} \quad L = \begin{pmatrix} L_1 \\ L_2 \\ \vdots \\ L_k \end{pmatrix} \quad \text{and} \quad D = \begin{pmatrix} d_1 \\ d_2 \\ \vdots \\ d_k \end{pmatrix}$$

Where,

K = Number of Variables

L<sub>k</sub> = Vector of coefficient of discriminant function

S = Pooled dispersion matrix, and

D = Vector of difference between the mean values of different characteristics for the two groups.

The discriminant function was tested for the significance to know whether or not the variables considered together were significantly discriminating the two groups or not. The Mahalanobis  $D^2$  statistic was used to measure of distance between the groups. (Komar S, 1999)

The product of coefficient of discriminant function and the differences between the mean values of different characteristics for the two groups were multiplied by 100 and the value of  $D^2$  which ultimately gave the percentage contribution of individual characteristics to the total distance measured.

To study the loan management by SHGs, the data relating to purpose-wise loan disbursement, range and length of time for loan disbursement, recovery of loans and overdues were collected, compiled and analyzed. Simple averages and percentages were calculated and presented in tabular forms and graphs.

The socio-economic impact of SHGs micro-finance on the beneficiaries were studied by using extension participation and exposure, source-wise borrowings, loan utilization pattern, asset creation, employment generation, income generation and other perceived benefits. They were presented in tabular forms. The problems faced by SHGs beneficiaries were studied through frequency distribution.

**CHAPTER-IV**  
**RESULTS AND DISCUSSION**

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This chapter deals with the findings of the present investigation which have been arrived at subjecting the data to necessary tabulation and analysis keeping in view the objectives of the study. The findings of the study are discussed in following five heads.

- 4.1 General Information of the SHGs.
- 4.2 Progress and Performance of SHGs.
- 4.3 Loan Management by SHGs.
- 4.4 Socio-Economic Characteristics of Respondents
- 4.5 Socio-Economic Impact of SHG Micro-Finance on the Beneficiaries.
- 4.6 Problems faced by the Beneficiaries of Selected SHGs.

**4.1 GENERAL INFORMATION OF THE SHGs**

The general information of SHGs regarding type of SHG, year of establishment, number of members, number of active members, main functions of SHGs, periodicity of SHG meetings and attendance, penalty for non-attendance, amount of savings per month, savings utilisation and repayment period of Ghoghamba and Lunavada talukas are presented in Tables 4.1 and 4.2 respectively.

**Table 4.1: General Information of the SHGs of Ghoghamba Taluka**

Sr.No.	1	2	3	4
Name of the SHG	Aambavadia Bachat Dhiran Juth	Aadivasi Anarde Yuvak mandal	Virbai Bachat Dhiran Juth	Jay Yogeshwar Dhiran Juth
Type of SHG	Male	Male	Female	Female
Year of establishment	2000	2000	2001	2001
No. of member	11	11	15	10
No. of active member	9	10	12	10
Main functions	Loan for Agril. Animal Husb. Health and other activities	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Savings, credit management and Loan for Agril. Animal Husb.	Loan for Agril. Animal Husb. Health and other activities
Periodicity of SHG meeting, and attendance	Monthly 80 %	Monthly 80 %	Monthly 80 %	15 Days 90 %

*Continued....*

**Table 4.1 Contd...**

Sr.No	1	2	3	4
Penalty for non-attendance (Rs.)	3/-	1/-	3/-	2/-
Amount of saving/month (Rs.)	50/-	30/-	30/-	30/-
Saving utilization	Loans to members only	Loans to members only	Loans to members only	Loans to members only
Repayment period	Minimum 6 months Maximum 1 year	Minimum 6 months Maximum 1 year	Minimum 6 months Maximum 1 year	Minimum 6 months Maximum 10 months

### **4.1.1 GHOGHAMBHA TALUKA**

In four groups studied viz. two male and two female groups, the number of members per group varied from 10 to 15.

#### **4.1.1.1 Number Of Active Members**

The percentage of active members to total members varied between 80 per cent to cent per cent. A member is considered active if one attends the meeting regularly and takes part in SHG decision making.

#### **4.1.1.2 Main Functions Of SHGs**

The main functions of SHGs are savings, credit management and lending loans for all kinds of activities including consumption, health, agriculture, animal husbandry and income generation loans. It could be observed from Table 4.1 that all the SHGs performed these functions.

#### **4.1.1.3 Periodicity Of SHG Meetings And Attendance**

The periodicity of SHG meeting and attendance is an important criterion to assess the performance of SHGs. Regular meetings and the participation of members positively contributes to the growth and performance of SHGs. Three sample SHGs conducted regularly meetings every month and one sample SHG also conducted regularly meeting twice in a month. Two male sample SHGs had 80 per cent attendance while in two female sample SHGs, one had 80 per cent and another had 90 per cent attendance. This implies that female is more actively engaged in these activities.

### **4.1.1.4 Penalty For Non-Attendance**

As indicated earlier, regular participation in group meetings help in better performance of the SHGs. Therefore, as a means of compulsion, penalties are imposed on the members who absent in attending such a meeting. In two male sample SHGs penalty for non-attendance was Rs. 3 and Rs.1 respectively, while two female sample SHGs collected penalty for non-attendance was Rs. 3 and Rs. 2 respectively. The amount of penalty is decided by the members of the SHGs.

### **4.1.1.5 Amount Saving Per Month**

The philosophy of self help is emphasised in SHGs for self reliance and sustainability. Accordingly each SHG must have adequate savings in order to be linked to financial institution. The savings were collected by all SHGs every month. The amount collected varied between Rs. 30 and Rs. 50. One male group collected Rs.50 per member every month, while remaining three SHGs collected Rs. 30 per member per month.

### **4.1.1.6 Savings Utilization**

All the SHGs were using the savings for distribution of loans to only their members. Collected savings utilized for different loans like consumption, health, agriculture, animal husbandry etc.

### **4.1.1.7 Repayment Period**

The repayment period was varying six months to one year in male SHGs, while in one woman SHG it was six months to one year and in other it was six months to ten months.

### **4.1.2 LUNAVADA TALUKA**

As in the case of Ghoghamba taluka, here also four groups were examined i.e. two male and two female, and the number of members per group varied between 10 to 20, the least being 10 in the case of male group and the highest being 20 in case of female group.(Table 4.2).

#### **4.1.2.1 Number Of Active Members**

The proportion of active members to total members varied between 80 to 90 per cent.

#### **4.1.2.2 Main Functions Of SHGs**

The main functions of SHGs were savings and lending loans for different activities to its members.

#### **4.1.2.3 Periodicity Of SHG Meetings And Attendance**

The male sample SHGs conducted meeting every 15 days and attendance were 85-90 percent, while female group carried out meeting every month and attendance were 85-95 per cent.

#### **4.1.2.4 Penalty For Non-Attendance**

The male sample SHGs collected Rs. 2 and Rs. 5 respectively as penalty for non-attendance, while female sample SHGs collected Rs. 5 and Rs. 3 respectively as penalty for non-attendance. The amount of penalty is decided by the members of the SHGs.

#### **4.1.2.5 Amount Saving Per Month**

Savings was collected by all SHGs on a monthly basis. The amount was Rs. 30 and Rs. 50 respectively as in case of male sample SHGs, while the female SHGs collected Rs. 30 per month as saving

**Table 4.2: General Information of the SHGs of Lunavada Taluka**

Sr.No.	1	2	3	4
Name of the SHG	Shri Rajpurush SHG	Jay Bhatiji SHG	Jay Mataji Swashakti Mahila Mandal	Jay Bhavani SHG
Type of SHG	Male	Male	Female	Female
Year of establishment	2001	2000	2001	2001
No. of member	10	11	20	16
No. of active member	9	9	16	13
Main functions	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Loan for Agril. Animal Husb. Health and other activities
Periodicity of SHG meeting and attendance	15 days 90%	15 days 85%	Monthly 95%	Monthly 85%

*Continued....*

**Table 4.2 Contd...**

Sr.No.	1	2	3	4
Penalty for non-attendance (Rs.)	2/-	5/-	5/-	3/-
Amount of saving/month (Rs.)	30/-	50/-	30/-	30/-
Saving utilization	Loan to member only	Loan to member only	Loan to member only	Loan to member only
Repayment period	Minimum 6 months Maximum 10 months	Minimum 6 months Maximum 10 months	Minimum 6 months or based on purpose	Minimum 6 months Maximum 1 year

### **4.1.2.6 Savings Utilisation**

All the SHGs were using the savings for distribution of loans to its members only.

### **4.1.2.7 Repayment Period**

The repayment period ranged from six month to ten month in male sample SHGs, while in female sample SHGs it was six months to one year or based on purpose.

The performance of a SHG depends mainly on some important variables. Therefore, the variables like number of active members, SHGs main functions, periodicity of SHG meetings and attendance, penalty for non-attendance, amount of savings per month, repayment period and saving utilisation were measured to assess the progress of SHGs.

Ghoghamba taluka had relatively higher percentage of active members to total number varying between 80 per cent to cent per cent, whereas it was between 80 per cent and 90 per cent in SHGs of Lunavada taluka. It is a good sign that majority of the members are actively involved in SHG functions.

The SHGs are formed mainly to obtain mutual benefits for their members which are absent in formal financial institutions. In both Ghoghamba and Lunavada talukas, the main functions performed by SHGs are savings collection, credit management and loans to all kinds of activities including agriculture, animal husbandry, consumption and health loans. The SHG members need to meet regularly to arrive at important decisions for better performance of the groups.

In Ghoghamba out of four SHGs three were conducting their meeting on every month and one female SHG conducting meeting at 15 days intervals. The attendance varied between 80 to 90 per cent, While in Lunavada two male SHGs conducted meeting at 15 days interval and female SHGs conducted meeting on every month. The attendance varied between 80 to 90 per cent. In order to ensure members participation in the meetings, penalty is collected for non-attendance. In Ghoghamba sample SHGs collected penalty for non-attending the meeting was varied between Rs. 1 to Rs.3, while in case of Lunavada sample SHGs the penalty ranged between Rs.2 to Rs.5.

As indicated earlier, the members could avail credit for different purposes, but repayment had to be made regularly based on income availability. The repayment period varied from six months to one year in most of the sample SHGs

The monthly savings per member varied across the SHGs. In both talukas, female SHGs per month saving was Rs.30, while two male SHGs saving was Rs.30 and another two male SHGs saving was Rs.50. The SHGs savings were mainly utilised for loans to its members only.

### **4.2 PROGRESS AND PERFORMANCE OF SHGs**

To assess the progress and performance of SHGs, number and amount of loans, recovery, overdue, savings and working capital were considered important parameters for a period of five years (2002 to 2006). Therefore, the progress of loan disbursement, recovery and overdue performance per group was worked out and the results are presented in this section.

**Table 4.3: Progress of Loan Disbursement, Recovery and Overdue Performance during 2002-2006 (Average per group)**

Particulars	Year	Type of SHGs		Aggregate
		Male	Female	
<b>No. of loan disbursed</b>	2002	2.75	4.00	3.37
	2003	4.50 (63.64)	5.50 (37.50)	5.00 (48.15)
	2004	5.75 (27.78)	6.50 (18.18)	6.13 (22.50)
	2005	6.50 (13.04)	7.50 (15.38)	7.00 (14.28)
	2006	7.25 (11.54)	8.00 (6.67)	7.63 (8.93)
	<b>Pool</b>	<b>5.35</b>	<b>6.30</b>	<b>5.82</b>
<b>Amount disbursed(Rs.)</b>	2002	3125	4650	3887.50
	2003	5600 (79.20)	7425 (59.68)	6512.50 (67.52)
	2004	7925 (41.52)	10900 (46.80)	9412.50 (44.53)
	2005	10450 (31.86)	14250 (30.73)	12350.00 (31.21)
	2006	12450 (19.14)	15325 (7.54)	13887.50 (12.45)
	<b>Pool</b>	<b>7910</b>	<b>10510</b>	<b>9210</b>
<b>Recovery performance</b>	2002	2800.00 (89.60)	4327.50 (93.06)	3563.75 (91.67)
	2003	4981.25 (88.95)	6977.75 (93.98)	5979.50 (91.82)
	2004	7290.00 (91.99)	10340.00 (94.86)	8815.00 (93.65)
	2005	9640.00 (92.25)	13534.25 (94.98)	11587.13 (93.82)
	2006	11516.75 (92.50)	14576.00 (95.11)	13046.38 (93.94)
	<b>Pool</b>	<b>7245.60 (91.60)</b>	<b>9951.10 (94.68)</b>	<b>8598.35 (93.36)</b>

Table 4.3 *Contd...*

<b>Overdue status</b>	2002	177.50 (5.68)	153.50 (3.30)	165.50 (4.26)
	2003	245.00 (4.38)	175.25 (2.36)	210.13 (3.23)
	2004	310.00 (3.91)	249.50 (2.29)	279.75 (2.97)
	2005	338.75 (3.24)	247.50 (1.74)	293.13 (2.37)
	2006	424.25 (3.41)	264.00 (1.72)	344.13 (2.48)
	<b>Pool</b>	<b>299.10</b> <b>(3.78)</b>	<b>217.95</b> <b>(2.07)</b>	<b>258.53</b> <b>(2.81)</b>

Source: Field Survey

Note: For Number and Amount Disbursed figures given in parentheses indicate percentage increase over the previous year.

Note: For Recovery and Overdue status figures given in parentheses indicate percentage to total advances.

#### 4.2.1 Progress of Loan Disbursement, Recovery and Overdue in SHGs

From Table 4.3, it could be observed that the number of loans disbursed per SHG was increased over the years for both male and female groups. Overall it was 3.37 in 2002, whereas it was 7.63 in 2006. There was the highest increase (48.15 per cent) in number of loan disbursed during 2002 to 2003. Number of loan disbursed was found higher for female SHG (6.30) than that of male SHG (5.35).

The loan amount disbursed per SHG was also increased from Rs. 3887.50 in 2002 to Rs. 13,887.50 in 2006 for both male and female SHG. It was also observed that loan amount disbursed per SHG was higher in female group (Rs.10, 510) than that of male group (Rs. 7910). Thus the progress of

SHGs in terms of number and amount of loan disbursed was found to be satisfactory in the entire sample SHGs.

Though the sample SHGs indicated satisfactory performance in terms of number and quantum of loans disbursed, it is important to assess the recovery and overdue status as they determine the performance of any financial institution. It is interesting to note that overall recovery percentage was 93.36 per cent during five year period for sample as a whole. The recovery of loan was ranged from 91.67 per cent to 93.94 per cent for sample as a whole. It was also observed that the recovery percentage of female SHGs (94.68 per cent) was higher than that of male SHGs (91.60 per cent). As the recovery is essential for recycling of fund for productive purpose it can be inferred from the above discussion that SHGs performance was good in Panchmahal district.

The study of overdue is also require to evaluate the performance of SHGs as overdue is past due which is not paid at the scheduled or expected time limit. Per group overdue amount was only Rs. 258.53 (2.81 per cent to total advances) for the sample as a whole. The amount of overdue was slightly more for the male SHG (Rs. 299.10 per group) than that of female SHG (Rs. 217.95 per group) during the period of study. The overdue was found generally because of the failure of crops and low prices of agriculture produce.

### **4.2.2 Savings**

The other important indicator considered to assess the performance of SHGs is their savings. Adequate savings is a pre- requisite to get linked to a financial institution. Therefore, all SHGs prescribed a minimum monthly

savings to its members. The data regarding savings per member and per SHG is presented in Table 4.4. The saving was Rs.512.56 per member and Rs. 6569.38 per group for the sample as a whole during the study period. Per member saving is lower (Rs.470.85) in the female SHG than that of the male SHG (Rs.554.26) since per member saving was Rs. 30 per month in female SHG while in case of male SHG it was Rs. 30 for two selected groups and Rs. 50 for other two selected group.

**Table 4.4: Savings of SHG**

(Amount in Rs.)

Year	Savings per Member			Savings per Group		
	Male	Female	Aggregate	Male	Female	Aggregate
<b>2002</b>	448.14	379.92	414.03	4817.50	5793.75	5305.63
<b>2003</b>	487.09	413.44	450.27	5236.25 (8.69)	6305.00 (8.82)	5770.63 (8.76)
<b>2004</b>	563.14	471.80	517.47	6053.75 (15.61)	7195.00 (14.11)	6624.38 (14.79)
<b>2005</b>	615.12	515.37	565.35	6612.50 (9.23)	7862.50 (9.28)	7237.50 (9.26)
<b>2006</b>	657.79	573.52	615.66	7071.25 (6.94)	8746.25 (11.24)	7908.75 (9.27)
<b>Pool</b>	<b>554.26</b>	<b>470.85</b>	<b>512.56</b>	<b>5958.25</b>	<b>7180.50</b>	<b>6569.38</b>

Source: Field Survey

Note: Figures in parentheses indicate increase over previous year.

### 4.2.3 Working Capital

Savings form a major portion of working capital which is available for lending. Therefore, it is important to know the working capital availability in the groups. The working capital of the SHG is comprised of savings, interest

on savings, fine, interest on loans and grant/loan from sponsoring organization/bank.

It can be observed from Table 4.5 that the working capital available per SHG was about Rs. 58,760 for the sample as whole. The working amount was higher in female SHG (Rs.61,915.70 per group) as compared to male SHG (Rs. 55,607.50 per group) during the study period. The working capital also shows the increasing trend over the years.

**Table 4.5: Working Capital of SHG**

*(Amount in Rs per group.)*

Year	Working capital per Group		Aggregate
	Male	Female	
2002	41125	47132.50	44128.75
2003	51094.50 (24.24)	53996.50 (14.56)	52545.50 (19.07)
2004	55472.75 (8.57)	61383.50 (13.68)	58428.13 (11.20)
2005	61419.50 (10.72)	68813.50 (12.10)	65116.50 (11.45)
2006	68925.75 (12.22)	78252.50 (13.72)	73589.13 (13.01)
<b>Pool</b>	<b>55607.50</b>	<b>61915.70</b>	<b>58761.60</b>

Source: Field Survey

Note: Figures in parentheses indicate increase over previous year.

Thus, examining the parameters viz number and amount of loan disbursed, recovery, overdue, savings and working capital separately for male and female SHGs, the earlier formed hypothesis (H<sub>1</sub>) “The performance of female Self-Help Groups is better than that of male Self-Help Groups” is accepted.

#### 4.2.4 Variables Discriminating Between The Beneficiaries

In order to examine the relative importance of different factors in discriminating between the beneficiaries of female and male groups, the discriminant function analysis was carried out. The co-efficients of the discriminant function measure the net effect of an individual variable. The values of mean and the mean difference in characteristics of beneficiaries are presented in Table 4.6.

The t-values were found non-significant for the variables viz. age, loan repayment, extension participation, mass media contact and income from loan utilization. Therefore, these variables were dropped from the discriminant function analysis.

The discriminant function fitted for the significant variables (**Table-4.7**) for beneficiaries is as follows:

$$Z = 0.2360X_2 + 1.0752X_3 - 0.0003X_4 + 0.5170X_6 + 0.7129 X_7$$

The results indicated that the main variables discriminating between beneficiaries of female and male groups were education (0.2360), land holding (1.0752) and loan amount (-0.0003), institution participation (0.5170) and extension contact (0.7129).

In order to know the relative importance of each characteristic and its power to discriminate the two groups, the percentage of total distance was computed and is also shown in the same table 4.7. It could be observed from the table that education, land holding, loan amount, institution participation and extension contact were the major characteristics

discriminating the SHGs into the female groups and male groups and their respective contribution in discriminating the two groups were 48.36, 16.02, 17.00, 6.42 and 12.18 per cent.

**Table 4.6: Means and the Mean Differences in Characteristics of Male and Female Groups**

Sr. No.	Characteristics	Mean value		Mean difference ( $\Delta X_i$ )	t-values for ( $\Delta X_i$ )
		Male group	Female group		
1.	Age ( $X_1$ )	36.28	35.78	0.50	0.27
2.	Education ( $X_2$ )	7.34	3.22	4.12	4.45**
3.	Land holding ( $X_3$ )	1.18	0.88	0.30	2.19*
4.	Loan amount ( $X_4$ )	4896.88	6178.12	-1281.25	1.99*
5.	Loan repayment ( $X_5$ )	0.28	0.28	0	0
6.	Institution participation ( $X_6$ )	0.66	0.41	0.25	2.04*
7.	Extension contact ( $X_7$ )	0.81	0.47	0.34	3.02**
8.	Extension participation ( $X_8$ )	0.56	0.69	-0.12	1.03
9.	Mass media contact ( $X_9$ )	0.62	0.69	-0.06	0.52
10.	Income from loan utilisation ( $X_{10}$ )	1765.78	2012.50	-246.72	0.78

\*\* indicates significant at 1 per cent level.

\* indicates significant at 5 per cent level.

## Results and Discussion

**Table 4.7: Factors Discriminating beneficiaries of Male and Female Groups**

Sr. No.	Characteristics	Mean difference ( $\Delta X_i$ )	Co-efficient ( $L_i$ )	Co-efficient x Mean difference ( $\Delta X_i \times L_i$ )	Percentage contribution
1.	Education ( $X_2$ )	4.12**	0.2360	0.9733	48.36
2.	Land holding ( $X_3$ )	0.30*	1.0752	0.3226	16.03
3.	Loan amount ( $X_4$ )	-1281.25*	-0.0003	0.3423	17.01
4.	Institution participation ( $X_6$ )	0.25*	0.5170	0.1293	6.42
5.	Extension contact ( $X_7$ )	0.34**	0.7129	0.2451	12.18
			$D^2 =$	2.012	100

\*\* indicates significant at 1 per cent level.

\* indicates significant at 5 per cent level.

### **4.3 LOAN MANAGEMENT BY SHGs**

Loan management is one of the very important functions performed by SHGs. Effective loan management leads to better performance of SHGs.

#### **4.3.1 Purpose-Wise Loan Disbursement**

The loans were disbursed to the beneficiaries for different purposes during study period. Therefore, it was classified into seven groups based on the different purpose for which the loans were advanced viz., consumption, health, education, agriculture, animal husbandry, income generation (non-farm) and "others". The information about purpose-wise loan disbursement to the members by SHGs is given in Table 4.8. The amount was sanctioned according to the availability of fund with SHG.

On reviewing the purpose-wise total amount advanced per group, it can be seen that during the year 2006 it was highest (56.35 per cent) for agriculture followed by 13.95 per cent for animal husbandry, 11.25 per cent for "others" (i.e. loan for marriage, social and religious functions, house renovation etc.), 9.90 per cent for income generation (non-farm), 7.20 per cent for health purpose and 1.35 per cent for education purpose. The loan for consumption purpose was advanced during 2004 for both the groups i.e. male and female group and during 2005 only for male groups. During the five years periods, loans were advanced every year for agriculture, health and "others" purposes, whereas for animal husbandry purpose loans were advanced during last four years.

Table 4.8: Purpose Wise Loan Disbursement by SHG

*(Average Amount in Rs per group)*

Year	2002		2003		2004		2005		2006		
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Aggregate
<b>Consumption</b>	0	0	0	0	250	250	75	0	0	0	0 (0.0)
<b>Health</b>	550	875	450	1375	625	375	1000	875	1250	750	1000 (7.20)
<b>Education</b>	125	125	0	0	250	0	125	0	250	125	187.5 (1.35)
<b>Agriculture</b>	1950	3300	3650	3950	4800	8075	5500	4950	7575	8075	7825 (56.35)
<b>Animal husbandry</b>	0	0	1125	625	375	750	500	4750	750	3125	1937.5 (13.95)
<b>Income generation (Non-farm)</b>	0	0	0	0	500	0	100	1250	1000	1750	1375 (9.90)
<b>Others</b>	500	350	375	1475	1125	1450	2250	2425	1625	1500	1562.5 (11.25)
<b>Total</b>	<b>3125</b>	<b>4650</b>	<b>5600</b>	<b>7425</b>	<b>7925</b>	<b>10900</b>	<b>10450</b>	<b>14250</b>	<b>12450</b>	<b>15325</b>	<b>13887.5 (100)</b>

Source: Field Survey Note: figures given in parentheses indicate percentage to total advances

### 4.3.2 Range and Length of Time for Loan Disbursement

In the previous section average amount disbursed per SHG was given. Therefore, to get the clear idea of loan amount advanced for different purposes and time taken to avail the loan, the additional information about range and length of time for loan disbursement given in table 4.9 it can be noticed from the table that amount disbursed for agriculture and animal husbandry was the highest range (Rs.1000-10,000) while for education and consumption purpose it was the least with Rs.500-1000. For income generation from non-farm purpose the minimum loan availed was Rs.1000 while the maximum was Rs. 5000. The time taken to avail the loan was ranged instant to fortnight. The health loan was generally advanced instantly because of emergency need.

**Table 4.9: Range and Length of Time for Loan Disbursement from SHGs**

<b>Purpose</b>	<b>Range (Rs.)</b>	<b>Time taken to avail loan</b>
<b>Consumption</b>	500-1000	Instant to 1 week
<b>Health</b>	1000-2000	Instant
<b>Education</b>	500-1000	Instant to 1 week
<b>Agriculture</b>	1000-10000	Instant to 1 week
<b>Animal Husbandry</b>	1000-10000	1 week to 15 days
<b>Income generation</b>	1000-5000	1 week to 15 days
<b>Others</b>	1000-5000	Within 15 days

Source: Field Survey

- Animal husbandry includes loans to purchase of feeds for cow and buffalos.
- Income generation include loans to petty business, sewing machine, weaving equipments (padiya/patrada) etc.
- “Other” includes loan for marriage, social and religious functions, house renovation etc.

### **4.3.3 Indicators of status of loan advanced**

#### **4.3.3.1 Relative Share of different Loans to total number of loans**

##### **Disbursed**

The information about the purpose wise percentage number of loan disbursed to total number of loans is presented in table 4.10. It can be observed from the table that about 50 per cent of the loan was disbursed for agricultural purpose for the sample as a whole. The least number of loans were advanced for consumption purpose (1.21 per cent). The number of loan disbursed for health and other purposes was 20.54 and 14.99 per cent respectively for the sample as a whole. About 8 per cent of loan was disbursed for animal husbandry.

#### **4.3.3.2 Recovery Percentage to Total Advances**

From the table 4.11, it is evident that purpose-wise recovery of loan (percent recovery to total advances for a given purpose) ranged between 88.05 to 99.17 per cent for sample as a whole. It was observed that generally recovery was 100 per cent for the loans disbursed for education purpose. The recovery was about 88 per cent for the consumption and for health purpose loans. Overall the recovery percentage was found satisfactory for the loan advanced for the different purposes. Therefore, the earlier formed hypothesis (H<sub>2</sub>) “There is no recovery problems in SHGs” is accepted.

**Table 4.10: Percentage Number of Loans to Total Number of Loans in Selected SHGs**(Figures in *percent*)

Year	2002		2003		2004		2005		2006		POOL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
<b>Consumption</b>	0	0	0	0	4.35	3.85	3.85	0	0	0	<b>1.21</b>
<b>Health</b>	27.27	31.25	16.67	22.73	13.04	11.54	23.08	20.00	24.14	15.63	<b>20.54</b>
<b>Education</b>	9.09	6.25	0	0	8.70	0	3.85	0	6.90	3.13	<b>3.79</b>
<b>Agriculture</b>	45.45	50.00	55.56	50.00	43.48	61.54	46.15	43.33	48.28	50.00	<b>49.38</b>
<b>Animal husbandry</b>	0	0	22.22	9.09	4.35	7.69	3.85	16.67	3.45	12.50	<b>7.98</b>
<b>Income generation</b>	0	0	0	0	4.35	0	3.85	3.33	3.45	6.25	<b>2.12</b>
<b>Others</b>	18.18	12.50	5.55	18.18	21.74	15.38	15.38	16.67	13.79	12.50	<b>14.99</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey

**Table 4.11: Recovery Percentage to Total Advances**(Figures in *percent*)

Year	2002		2003		2004		2005		2006		POOL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
<b>Consumption</b>	--	--	--	--	85.50	80.00	100.00	--	--	--	<b>88.50</b>
<b>Health</b>	75.00	100.00	86.15	97.77	81.50	76.10	90.00	94.75	92.00	100.00	<b>88.05</b>
<b>Education</b>	100.00	100.00	--	--	95.00	--	100.00	--	100.00	100.00	<b>99.17</b>
<b>Agriculture</b>	93.63	94.67	92.63	94.13	94.13	96.88	93.79	96.75	95.90	95.42	<b>94.79</b>
<b>Animal husbandry</b>	--	--	88.80	86.67	91.93	85.50	88.00	95.15	86.67	94.73	<b>89.68</b>
<b>Income generation</b>	--	--	--	--	79.30	--	93.75	94.20	96.00	96.66	<b>91.98</b>
<b>Others</b>	81.25	75.00	80.00	95.04	96.67	98.27	85.28	96.66	88.88	100.00	<b>89.70</b>

Source: Field Survey

### **4.3.3.3 Percentage Overdue to Advances in Each Activity**

The overdue is an important indicator of the performance of any financial organisation. Therefore, Percentage overdue to advances in each activity is presented in table 4.12. The overdue in the case of education loan was zero in both type of the groups (male and female). The average overdue in both the groups was ranged about 3 to 6 per cent. From the table it was also evident that the activity wise overdue did not show any set pattern.

**Table 4.12: Percentage Overdue to Advances in Each Activity**(Figures in *percent*)

Year	2002		2003		2004		2005		2006		POOL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
<b>Consumption</b>	--	--	--	--	0	10.00	0	--	--	--	<b>3.33</b>
<b>Health</b>	8.33	7.20	0	0	6.66	13.53	7.50	7.50	6.08	3.75	<b>6.05</b>
<b>Education</b>	0	0	--	--	0	--	0	--	0	0	<b>0</b>
<b>Agriculture</b>	4.54	3.20	3.38	2.51	3.91	1.33	3.10	1.83	2.82	1.65	<b>2.80</b>
<b>Animal husbandry</b>	--	--	4.52	6.67	8.33	9.25	5.32	1.45	4.95	1.05	<b>5.19</b>
<b>Income generation</b>	--	--	--	--	7.50	--	3.30	--	2.50	2.43	<b>3.93</b>
<b>Others</b>	7.50	5.71	8.33	2.08	2.50	--	2.50	0	4.44	0	<b>3.68</b>

Source: Field Survey

### **4.4 SOCIO-ECONOMIC CHARACTERISTICS OF RESPONDENTS**

The socio-economic characteristics of members and non-members were studied by using indicators like educational levels, land holding and factors responsible for joining SHGs and the result is presented in table 4.13.

#### **4.4.1 Educational level**

On reviewing the education level of the respondents who were member of the SHGs, it can be seen that 26.56 per cent beneficiaries were illiterate, while 29.69 per cent had education up to primary school and 34.38 per cent had education between primary school and higher secondary and only 9.38 per cent were educated between secondary to higher secondary education level. Not a single beneficiary of SHG had got graduation.

In order to get the opinion of the non-beneficiaries to form/join SHG, the relevant data were recorded. It is noticeable that all the non-beneficiaries who were illiterate and education up to primary level were expressed their desire to form/join SHG, while none of the college educated showed interest to join/form SHG.

#### **4.4.2 Land holding**

Majority of the beneficiaries were in category of marginal farmer (67.19 %) while 21.88 per cent beneficiaries were small farmer. The landless beneficiaries were 6.25 per cent and only 4.69 per cent beneficiaries had above 2 ha land holding. It is also observed that the respondents who were not member of SHG and had either no land or above 2 ha land did not show any interest to form/join SHG. The all selected marginal farmer who were non-beneficiaries showed interest to join/form SHG.

Thus it was found that higher educated person and large farmers were not interested to join in SHG, as generally formation of SHG is for marginal and small farmers benefits as well as higher educated person are more interested in services than joining in SHG.

**Table 4.13: Socio-Economic Characteristics of the Respondents**

Particular	Beneficiaries		Non-beneficiaries		Non-beneficiaries Interest to join SHG (%)	
	No's.	%	No's.	%	Yes	No
<b>1. Level of Education</b>						
a. Illiterate	17	26.56	22	34.38	100.00	-
b. Primary (up to VII Std.)	19	29.69	27	42.19	100.00	-
c. Secondary (VIII to X Std.)	22	34.38	8	12.50	50.00	50.00
d. Higher secondary (X to XII std.)	6	9.38	5	7.81	-	100.00
e. Graduation	0	0	2	3.13	-	100.00
Total respondents	64	100	64	100	-	-
<b>2. Land holding</b>						
a. landless	4	6.25	6	9.38	-	100.00
b. Marginal ( up to 1ha)	43	67.19	48	75.00	100.00	-
c. Small (1.01 to 2 ha)	14	21.88	6	9.38	50.00	50.00
d. large ( above 2 ha)	3	4.69	4	6.25	-	100.00
Total respondents	64	100	64	100	-	-

Source: Field Survey

**4.4.3 Motivation to join SHG**

From Table 4.14 it could be observed that the Non-Government Organization (NGO) (45.31 %) and government organization i.e. Swarnajayanti Gram Swarajgar Yojana (SGSY) (39.06 %) were the main motivating factors influencing individual members to join/form SHG. It is also interesting to note that about 11 per cent members had joined SHGs on their own interest without

any external influence while about 5 per cent members was motivated to join SHG by other SHGs. This clearly indicates that the majority of respondents needed outside support to form SHG.

**Table 4.14: Motivational Factors Responsible for the Formation of SHGs**

Sr. No.	Factors	Number	Percentage
1.	NGO (Non Government Organisation)	29	45.31
2.	SGSY (Swarnajayanti Gram Swarajgar Yojana)	25	39.06
3.	Self-interest	7	10.94
4.	Other SHGs	3	4.69
<b>Total respondents</b>		<b>64</b>	<b>100</b>

Source: Field Survey

#### **4.5 SOCIO-ECONOMIC IMPACT OF SHG MICROFINANCE ON THE BENEFICIARIES.**

The impact of micro finance on the beneficiaries was quantified using with and without comparison. The important indicators like extension participation and exposure, borrowings and loan utilisation, asset creation, employment and income generation and other perceived benefits were considered. In order to capture the impact, the comparison was made between beneficiaries and non-beneficiaries of SHGs.

##### **4.5.1 Extension participation and exposure**

Respondents association with different institution is an indication of their widen horizons. It can be observed from table 4.15 that about 48.84 per cent members of selected SHGs associated with different institutions while association with different institution is less (29.69 per cent) in non-beneficiaries respondents. As such majority of non-beneficiaries (70.31 per cent) had no institutional participation.

**Table 4.15: Distribution of Respondents Relating to Participation and Exposure to Different Extension Agencies**

Participation	Beneficiaries		Non-beneficiaries	
	Number	%	Number	%
<b>1. Institutions</b>				
Village Panchayat	6	9.38	3	4.69
Milk Producers' Co-operative Society	10	15.63	8	12.50
Taluka Panchayat	1	1.56	0	0
Youth Clubs	11	17.19	8	12.50
District Panchayat	0	0	0	0
Market Yard	0	0	0	0
Others	3	4.69	0	0
None	33	51.56	45	70.31
<b>2.Extension contact</b>				
Gram Sevak	20	31.25	18	28.13
Extension Officer	12	18.75	6	9.38
TDO	4	6.25	2	3.13
SMS	1	1.56	0	0
Plant Protection Officer	1	1.56	0	0
Agril. Scientist	1	1.56	1	1.56
Others	0	0	0	0
District Agril. Officer	0	0	0	0
None	25	39.06	37	57.81
<b>3. Extension participation</b>				
NGO training	25	39.06	0	0
Agril. Exhibition	9	14.06	15	23.44
Others	0	0	0	0
None	30	46.88	49	76.56
<b>4.Mass media</b>				
Radio News	13	20.31	7	10.94
News Paper	4	6.25	5	7.81
TV shows	11	17.19	6	9.38
TV & News Paper	8	12.50	2	3.13
Magazine	2	3.13	0	0
None	26	40.63	44	68.75

Source: Field Survey

Note: Total number of respondents 128. (64- Beneficiaries and 64- Non-beneficiaries)

A majority of the beneficiaries (about 61 per cent) had extension contacts whereas majority of the non-beneficiaries (about 58 per cent) did not have any extension contact. About 53 per cent beneficiaries of SHG had extension participation through NGO training (39.06 per cent) and agricultural exhibition (14.06 per cent) whereas only about 23 per cent non-beneficiaries had extension participation through agriculture exhibition.

About 60 per cent of beneficiaries used different mass media to get the information whereas 40 per cent beneficiaries did not use any mass media for getting information. The situation of non-beneficiaries is different than that of beneficiaries as only 31 per cent non-beneficiaries used different mass media while 69 per cent did not seek information through mass media.

Thus, The SHGs beneficiaries had better institution participation, more extension exposure and better mass media contact due to timely training and awareness to know the new things. The non-beneficiaries were lacking this type of exposure. Therefore it may be suggested that they also require joining SHG to improve their social status.

### **4.5.2 Source-wise borrowings**

Table 4.16 shows distribution of respondents according to Source-Wise Borrowings. A comparison of source-wise borrowings of beneficiaries and non-beneficiaries indicate that majority of the beneficiaries borrowed the money from their own capital of SHGs and only three beneficiaries took the loan from the bank, whereas majority of the non-beneficiaries borrowed the money from the bank and few from the co-operatives.

**Table 4.16: Distribution of Respondents According to Source-Wise Borrowings**

Source	Purpose						
	Cons.	Health	Education	Agriculture	Animal husbandry	Income generation	Others
<b>1. Beneficiaries</b>							
a. Banks	0	0	0	0	0	1	2
b. SHGs	3	18	6	42	9	5	17
<b>2. Non-beneficiaries</b>							
a. Banks	0	0	0	16	8	4	3
b. Co-operatives	0	0	0	2	0	0	0

Source: Field Survey

#### 4.5.3 Loan Utilisation Pattern

Table 4.17 indicates that in the case of beneficiaries the highest number of loan application was for agriculture (40.78 %) followed by “others” (18.45 %), health (17.48 %), animal husbandry (8.74 %), income generation (5.83 %), education (5.83 %) and consumption (2.91 %). In case of non-beneficiaries loans used mainly for agriculture (54.55 %) followed by animal husbandry (24.24 %) and income generation (12.12 %). Non-beneficiaries did not get benefit of loan for consumption, health and education purpose.

**Table 4.17: Comparison of Loan Utilisation Pattern of Beneficiaries and Non-Beneficiaries**

Purpose	Beneficiaries		Non-beneficiaries	
	Number	%	Number	%
Consumption	3	2.91	0	0
Health	18	17.48	0	0
Education	6	5.83	0	0
Agriculture	42	40.78	18	54.55
Animal husbandry	9	8.74	8	24.24
Income generation (non-farm)	6	5.83	4	12.12
Others	19	18.45	3	9.09

Source: Field Survey

#### 4.5.4 Asset creation

Table 4.18 indicates the total asset creation due to SHGs assistance. It was clear from the table that fifty per cent beneficiaries generated livestock assets whereas the other beneficiaries generated assets like farashkhana, farm equipment and weaving equipment. These assets were generated not only from internal lending of SHG but also generated through the borrowing from bank on group guarantee basis. For livestock purpose the whole groups borrowed the money from the bank with subsidy. Eight beneficiaries (12.50 %) generated farash khana asset by taking loan of Rs. 1, 44,500 from bank which had the total value of Rs. 1, 85,000. Three beneficiaries (4.69 %) took Rs.7500 financial assistance from SHG for farm equipments and other three

beneficiaries (4.69 %) took Rs.8000 financial assistance from SHG for weaving tools of padiya/patrada. One beneficiary (1.56%) took Rs. 6000 financial assistance from SHG for house renovation. Comparison of beneficiaries with non-beneficiaries indicates that eight non-beneficiaries (12.50 %) availed a loan of Rs. 65, 900 for livestock purpose while 5 per cent non-beneficiaries took the loan for house renovation.

**Table 4.18: Asset Creation**

Assets	Beneficiaries				Non-beneficiaries			
	No.	%	SHG loan (Rs.)	Total value (Rs.)	No.	%	Loan value (Rs.)	Total value (Rs.)
<b>Livestock</b>	32	50.00	560000	864000	8	12.50	65900	105000
<b>Farash khana</b>	8	12.50	144500	185000	0	0	0	0
<b>Weaving Equipments (Padiya/Patrada)</b>	3	4.69	8000	15500	0	0	0	0
<b>Sewing Machine</b>	0	0	0	0	1	1.56	2600	3750
<b>Farm Equipments</b>	3	4.69	7500	11200	1	1.56	1850	2600
<b>House renovation</b>	1	1.56	6000	11000	3	4.69	38000	56000

Source: Field Survey

Note: Percentage given on the basis of respondents (Beneficiaries-64, Non-beneficiaries-64)

These assets were mainly used for employment and income generation activities among beneficiaries. SHG get loan from bank as a group guarantee basis and bank trust more on SHG because they are more regular in repayment of loan. In non-beneficiaries no such group exist and therefore the bank can not advanced the money on group guarantee basis.

### **4.5.5 Employment generation**

Employment generation among beneficiaries and non-beneficiaries were compared to study the impact of SHG in term of employment generation. Prior to obtaining credit facility from SHG/Bank a majority of respondents were involved in agricultural labour activities which was the seasonal employment activity. The result are presented in the form of “before” and “after” comparisons to derive additional employment generated due to said activity. Table 4.19 indicates that selected SHGs advanced credit for 45 beneficiaries for four major activities viz, livestock, making padiya/patrada, farashkhana business and petty business. Livestock was a popular activity as 50 per cent of beneficiary’s availed credit. The additional employment generation was 102 days as they switched over from agriculture labour/farming to livestock. Other important activities were farashkhana (12.50 %) followed by production of padiya/patrada (4.69 %) and petty business (3.13 %) which generated 85, 75 and 90 days additional employment respectively.

Among the non-beneficiaries loans for livestock was obtained by eight (12.50 %) respondents which generated an additional employment of 90 days each. While, petty business generated an additional employment of 85 days for

three respondents and tailoring business generated an additional employment of 80 days for one respondent.

Thus, it can be concluded that the SHGs micro finance to the beneficiaries helped them to gain additional employment through new activities compared to their previous employment. A comparison between the beneficiaries and non-beneficiaries indicates that the SHGs micro finance substantially enhanced the employment opportunities for the beneficiaries. This also helped the beneficiaries to improve their income and living standards.

**Table 4.19: Employment Generation**

		Before taking advances		After taking advances		
Number	%	Activity	Employment (Man days/year)	Activity	Employment (Man days/year)	Additional employment generated/ respondent (Man days/year)
<b>Beneficiaries</b>						
3	4.69	Agril. Labour/farmers	75	Padiya Patrada	150	75
32	50.00	Agril. Labour/Farming	92	Livestock	194	102
8	12.50	Agril. labour	70	Farash khana	155	85
2	3.13	Agril. labour	60	Petty business	150	90
<b>Non-beneficiaries</b>						
3	4.69	Agril. Labour	65	Petty business	150	85
8	12.50	Farming	80	Livestock	170	90
1	1.56	Agril. labour	60	Tailoring	140	80

Source: Field Survey

Note: Percentage given on the basis of respondents (Beneficiaries-64, Non-beneficiaries-64)

### 4.5.6 Income Generation

Returns from loan utilisation per unit were considered for all the activities to indicate the economic impact of SHGs micro finance. The returns of non-beneficiaries were also considered to make the comparison. In Table 4.20, the variable costs included loan repayment, cost of production/raw materials, wages and other incidental expenses. It could be observed from the table that the beneficiaries were growing crops like paddy, maize, pigeon pea and groundnut. The other important activities were livestock, farashkhana, production of padiya/patrada and petty business.

Among the beneficiaries the net income was found highest in pigeon pea farming (Rs. 12,565/ha) followed by groundnut (Rs. 11,300/ha), paddy (Rs 7368/ha) and maize (Rs. 6755/ha). The other important activities were investment on petty business, livestock farming, production of Padiya/patrada and farashkhana which yielded Rs.4620, Rs. 3700, Rs. 2700 and Rs.2200 net return respectively.

Similarly in case of non-beneficiaries net income ranged between Rs. 11,465 to Rs. Rs.6338 for crop farming. For livestock activities beneficiaries got higher returns (Rs.3700) as compared to non-beneficiaries (Rs 2825).

Thus, the impact of SHG finance on income of beneficiaries is computed for all the activities. The net returns are worked out by deducting all the variable expenses including loan repayment and human labour cost from gross returns. The beneficiaries realised relatively higher net returns compared

## Results and Discussion

to non-beneficiaries except in case of paddy. Proper identification of the beneficiaries, timely credit availability and supervision on the end use of loan must have helped the beneficiaries in realising better returns. In addition, the factors like extension participation and exposure also have contributed to higher income of beneficiaries. It could be suggested that the SHG must concentrate on leading to more income generating activities like animal husbandry, petty business and cash crops.

**Table 4.20: Returns per Unit of Activity from Loan Utilisation**

*(Amount in Rs.)*

Activity	Beneficiaries				Non-beneficiaries			
	No	Gross returns	Variable cost	Return over variable cost	No	Gross returns	Variable cost	Return over variable cost
Paddy/ha.	18	20583	13215	7368	7	21955	13450	8505
Maize/ha.	15	23130	16375	6755	6	22925	16587	6338
Pigeon pea/ha.	7	29815	17250	12565	5	27815	16350	11465
Groundnut/ha.	2	21500	10200	11300	--	--	--	--
Livestock	32	14875	11175	3700	8	14000	10875	2825
Tailoring	--	--	--	--	1	10200	6500	3700
Petty business	2	17600	12980	4620	3	18075	13475	4600
Padiya/Patrada	3	6500	3800	2700	--	--	--	--
Farash khana	8	6000	3800	2200	--	--	--	--

Source: Field Survey

**4.5.7 Other perceived benefits**

Apart from asset creation, employment and income generation, the beneficiaries also expressed certain perceived benefits like social status, health care and education (Table 4.21). The highest percentage (59.38 %) of beneficiaries perceived their education, health and social status improved after joining SHG. 15.63 per cent of beneficiaries expressed that they derived benefits in terms of education and health care through SHG assistance whereas, 17.19 per cent beneficiaries felt that only their social status has been improved after joining SHGs. It is interesting to note that none of the beneficiaries opined that education was the only benefit due to SHG membership. Thus, the foregoing results indicate that the beneficiaries perceived a combination of benefits which changed their social outlook.

The above discussion on socio-economic impact of SHG microfinance on the beneficiaries validates the earlier formed hypothesis (H<sub>3</sub>) “The Socio-economic status of members of Self-Help Groups is better than non-members”.

**Table 4.21: Other Perceived Benefits from SHGs**

**N=64**

<b>Particular</b>	<b>Number</b>	<b>Percentage (%)</b>
<b>a. Education</b>	0	0
<b>b. Health</b>	5	7.81
<b>c. Social status</b>	11	17.19
<b>d. Both a and b</b>	10	15.63
<b>e. All the three</b>	38	59.38
<b>Total</b>	<b>64</b>	<b>100.00</b>

Source: Field Survey

#### **4.6 PROBLEMS FACED BY THE BENEFICIARIES OF SELECTED SELF-HELP GROUPS**

Problems are the things that limit or restrict to perform activates efficiently in SHG. In SHG the problems are social, economical and psychological that hinders the SHG to improve the performance. To identify the problems, the opinion of the sample beneficiaries was taken regarding troubles faced by the SHG members. These problems were measured through open-ended questions and based on the frequency and percentage of the respondents, weightiness of problem was assessed and ranking was done as shown in table 4.22

The major problems were long distance of market from village (76.56 per cent), low price and profit of the product (75.00 per cent), lacking of transport facility (48.44 per cent) and local buyer (26.56 per cent) as well as competition in selling the quality product (23.44 per cent). 20.31 per cent of the members also opined that some members were non-cooperative in SHG activities. The beneficiaries of SHGs also expressed that there was not any difficulty regarding obtaining in time credit and rate of interest. Thus, it confirms our earlier formed hypothesis i.e. (H<sub>4</sub>) there is no delay in getting credit at low interest rate by the members of SHGs.

**Table 4.22: Problems faced by SHGs Beneficiaries****N=64**

<b>Rank</b>	<b>Problems faced by SHGs beneficiaries</b>	<b>Frequency</b>
<b>I</b>	Long distance of market	49 (76.56)
<b>II</b>	Low price and profit of product	48 (75.00)
<b>III</b>	Lacking of transport facilities	31 (48.44)
<b>IV</b>	Lacking of local buyer	17 (26.56)
<b>V</b>	Competition for better quality product	15 (23.44)
<b>VI</b>	Non-cooperative SHG members	13 (20.31)
<b>VII</b>	Members working irregular	9 (14.06)
<b>VIII</b>	Non-availability of common work shed	8 (12.50)
<b>IX</b>	Difficulty in getting raw materials	5 (7.81)
--	Loans not received in time	0
--	High rate of interest	0

Source: Field Survey

- Figures in parentheses indicate percentage of respondent facing particular problem.

**CHAPTER – V**  
**SUMMARY AND CONCLUSION**

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This final chapter of the thesis provides a nutshell description of the study, conclusions, policy implications and suggestions.

Self Help Group and the micro-finance are emerged as a powerful instrument in the new economy to alleviate the poverty and to empower the weaker financial category of the society in general and women group in particular. Self-Help Group (SHG) is a small voluntary association of poor people, preferably from the same socio-economic background. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial management including prioritisation of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. The SHG members begin to appreciate that resource which are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates.

In Panchmahal district, there are different numbers of organizations engaged in the identification/formation of self-help group and striving hard for their development. About 3764 SHGs are operated in the district. Therefore,

the study entitled “**Self-Help Groups and Microfinance in Panchmahal District of Gujarat State**” was planned with the following specific objectives:

### **5.1 Objectives**

1. To analyse the progress and performance of the Self-Help Groups (SHGs).
2. To study the loan management in the SHGs.
3. To assess the socio-economic impact of SHG micro-finance on the beneficiaries.
4. To study the problems faced by SHGs beneficiaries

### **5.2 Methodology**

The data for the study were drawn from both primary and secondary sources. As the study confined to Panchmahal district of Gujarat state, first out of 11 talukas of the district, two talukas i.e. Lunavada and Ghoghamba were selected on the basis of higher number of SHGs. Then it was decided to select male and female SHG which were functioning for the past five years and linked to bank. Thus, total eight SHGs i.e. four female and four male groups were randomly selected from the two selected talukas. For the selection of beneficiaries, 8 members were randomly chosen from each selected SHG. Thus, in all 64 beneficiaries were selected from eight SHGs. For the comparative study, on a similar pattern, equal numbers of non-beneficiaries having same economic status were also selected from the same/neighbouring villages. Thus, in all 128 respondents were interrogated personally with the aid of the scheduled designed for the purpose. To study the progress and performance, loan management activities, socio-economic impact and

constraints of self-help groups members, the required data for the period from 2002 to 2006 were collected during the months of July-Aug 2007.

While processing the collected data tabular and graphical analysis were extensively used to achieve the objectives of study. Moreover discriminant function analysis was also employed.

### **5.3 Major Findings**

The major findings of the study are summarized as under:

#### **5.3.1 General Information of the SHGs**

5.3.1.1 SHG members' active participation was found satisfactory but it was slightly better (80 to 100 %) in Ghoghamba as compared to Lunavada taluka (80 to 90 %). The members regularly attended SHGs meeting and contributed to monthly savings. The amount of savings ranged between Rs. 30 to Rs. 50. The savings were used for lending loans to members

5.3.1.2 Attendance of SHG member in their meeting ranged between 80% to 95% and penalty collected for non attendance of meeting ranged between Rs. 1 to Rs. 5.

#### **5.3.2 Progress and Performance of SHGs**

5.3.2.1 There was a considerable growth in number of loan, amount disbursed and recovery performance between 2002 and 2006. It could be observed that the number of loans disbursed per SHG was increased over the years for both male and female groups. The average number of loan disbursed per groups per year was 5.82. Number of loan disbursed was found higher for female SHG (6.30) than that of male SHG (5.35). It was also observed that loan

## Summary and Conclusion

amount disbursed per SHG was higher in female group (Rs. 10,510) than that of male group (Rs. 7910) with Rs 9210 for the sample as a whole. Overall recovery percentage was 93.36 during five year period for the sample as a whole. Per group overdue amount was only Rs. 258.53 (2.81 per cent to total advances) for the sample as a whole. The amount of overdue was slightly more for the male SHG (Rs. 299.10 per group) than that of female SHG (Rs. 217.95 per group) during the period of study.

5.3.2.2 The SHGs emphasised monthly savings which enabled the group to get linked to financial institution and also to be sustainable and self reliant. The saving was Rs.512.56 per member and Rs. 6569.38 per group for the sample as a whole during the study period. Per member saving is lower in the female SHG (Rs.470.85) than that of the male SHG (Rs.554.26) since per member saving was Rs. 30 per month in female SHG while in case of male SHG it was Rs. 30 for two selected groups and Rs. 50 for other two selected group.

5.3.2.3 Working capital which is the main source of funds available with SHG for lending to its members comprised of SHGs savings, interest on savings, fine, interest on loans and grant/loan from sponsoring bank. This fund available per SHG was about Rs. 58760 for the sample as whole and it was higher in female SHG (Rs.61915.70 per group) as compared to male SHG (Rs. 55607.50 per group) during the study period. The working capital also showed the increasing trend over the years.

5.3.2.4 The main variables discriminating between beneficiaries of female and male groups were education, land holding, loan amount, institution

participation and extension contact and their respective contribution in discriminating the two groups were 48.36, 16.02, 17.00, 6.42 and 12.18 per cent.

### **5.3.3 Loan Management by SHGs**

5.3.3.1 Proper loan management is essential for the successful functioning of SHGs. The purpose-wise loan disbursement during 2006 revealed that loans for agriculture was highest (56.35 per cent of total advances) followed by 13.95 per cent for animal husbandry, 11.25 per cent for “others” (i.e. loan for marriage, social and religious functions, house renovation etc.), 9.90 per cent for income generation (non-farm), 7.20 per cent for health purpose and 1.35 per cent for education purpose.

5.3.3.2 Timeliness and adequacy of loans helps the beneficiaries for better loan utilisation. Amount disbursed for agriculture and animal husbandry show the highest range (Rs.1000-10000) while for education and consumption purpose it was the least with Rs.500-1000. The time taken to avail the loan ranged instant to fortnight. The health loan was generally advanced instantly because of emergency need.

5.3.3.3 About 50 per cent of the loan was disbursed for agricultural purpose for the sample as a whole. The least number of loans were advanced for consumption purpose (1.21 per cent). Purpose-wise recovery of loan (percent recovery to total advances for a given purpose) ranged between 88.05 to 99.17 per cent for the sample as a whole. It was observed that generally recovery was 100 per cent for the loans disbursed for education purpose. The overdue in the

case of education loan was zero in both the groups. The average overdue in both the groups was ranged about 3 to 6 per cent.

### **5.3.4 Socio-Economic Characteristics of Respondents**

5.3.4.1 The membership to SHG is popular among individuals with different educational backgrounds. The education level was between, primary to secondary level in majority of the cases while 26.56 per cent of beneficiaries were illiterate and not a single beneficiary of SHG had got graduation. All the non-beneficiaries who were illiterate and education up to primary level were expressed their desire to form/join SHG, while none of the college educated showed interest to join/form SHG. Majority of the beneficiaries were in category of marginal farmer (67.19 %) while 21.88 per cent beneficiaries were small farmer. The entire selected marginal farmers who were non-beneficiaries showed interest to join/form SHG. Generally, the farmers who had college level education and having large land holdings did not show interest to join/form SHG. It was observed that marginal and small farmers generally interested to get benefit of SHG.

5.3.4.2 The Non-Government Organization (NGO) (45.31 %) and government organization i.e. Swarnajayanti Gram Swarajgar Yojana (SGSY) (39.06 %) were the main motivating factor influencing individual members to join/form SHG. This clearly indicates that the majority of respondents needed outside support to form SHG.

### **5.3.5 Impact of SHG Micro finance on the Beneficiaries**

5.3.5.1 51.56 per cent of the beneficiaries of the SHG did not have institutional participation whereas 48.84 per cent of the beneficiaries associated with different institutions. In case of non-beneficiaries respondents association with different institutions is less (29.69 per cent) as compared to the beneficiaries. A majority of the beneficiaries (about 61 per cent) had extension contacts whereas majority of the non-beneficiaries (about 58 per cent) did not have any extension contact. About 53 per cent beneficiaries of SHG had extension participation through NGO training (39.06 per cent) and agricultural exhibition (14.06 per cent) whereas only about 23 per cent non-beneficiaries had extension participation through agriculture exhibition. About 60 per cent of beneficiaries used different mass media to get the information whereas in case of non-beneficiaries it was 31 per cent only.

5.3.5.2 A comparison of source-wise borrowings of beneficiaries and non-beneficiaries indicate that majority of the beneficiaries borrowed the money from their own capital of SHGs whereas majority of the non-beneficiaries borrowed the money from the bank and few from the co-operatives. The loan utilization pattern revealed that the highest number of loans was utilized for agriculture purpose.

5.3.5.3 Fifty per cent beneficiaries generated livestock assets whereas the other beneficiaries generated assets like farashkhana, farm equipment and weaving equipment. These assets were generated not only from internal lending of SHG but also generated through the borrowing from bank on group

guarantee basis. For livestock purpose the whole groups borrowed the money from the bank with subsidy. These assets were mainly used for employment and income generation activities among beneficiaries.

5.3.5.4 Prior to obtaining credit facility from SHG/Bank a majority of respondents were involved in agricultural labour or farming activities which was the seasonal employment activity. A majority of the beneficiaries were able to get additional employment (75-102 man days per annum) due to SHG finance. Many of beneficiaries changed over to income generating activity after getting SHG micro finance. Thus, SHG micro finance substantially enhanced employment opportunities for beneficiaries as compared to non-beneficiaries, which led to improved income and living standard of beneficiaries.

5.3.5.5 The income generated in all the activities were positive and beneficiaries realised relatively higher net returns as compared to non-beneficiaries from the corresponding activities except in case of paddy farming

5.3.5.6 The beneficiaries felt the improvement in social status, education and health care as a result of active participation and involvement with SHG.

### **5.3.6 The Problems faced by SHGs Beneficiaries.**

Major problems faced by the beneficiaries of SHGs were long distance of market from village (76.56 per cent), low price and profit of the product (75.00 per cent), lacking of transport facility (48.44 per cent) and local buyer (26.56 per cent) as well as competition in selling the quality product (23.44 per cent). 20.31 per cent of the members also opined that some members were non-cooperative in SHG activities. The beneficiaries of SHGs also expressed that

there was not any difficulty regarding obtaining in time credit and rate of interest.

### **5.4 Suggestions/Implications**

On the basis of the above study, the following suggestions/implications seem to be useful for policy measures.

**5.4.1** The study revealed that the farmers who had college level education and having large land holdings did not show interest to join/form SHG and not a single respondent of the selected SHG had got graduation which indicating lacking of interest of higher educated and large farmers in SHG. It is required to encourage some educated person to become member of the SHG to lead the group.

**5.4.2** The concept SHG is relatively new and the very presence of it is based on self help and mutual help. After the bitter experiences of credit co-operatives, it is desirable to keep these institutions informal and away from political interferences. It is needed convince the members of the group that SHG is not a political unit but it is an economic activity for mutual wellbeing of the members.

**5.4.3** The study clearly indicates that the women groups are fairing well in all the respects of SHG functioning due to strong peer pressure and commitment to the institution. So there is a need for the concerned developmental agencies to identify and form more of such groups as they help for the economic development of the family as a whole.

**5.4.4** In order to ensure proper utilization of the credit, there is an urgent need to introduce availability of consumption credit in SHG.

**5.4.5** The role and contribution of NGOs in the formation and functioning of SHGs is noteworthy. Therefore, these NGOs should concentrate in providing training and awareness programmes for the benefit of members of SHG.

**5.4.6** There is a general feeling among the rural people that the Commercial Banks and Regional Rural Banks are not showing keen interest in the formation and development of SHGs on their own. The institutions attribute this to their lack of adequate trained man power in the rural branches. So there is an urgent need for creating a separate wing to take care of these informal institutions.

**5.4.7** In many cases the SHGs are enthusiastic to take up economic activities but they found to be lack of ideas. The line departments may design micro enterprises, diversification of activities, value additions in locally available resources/raw materials, market networks for produce, etc. for the SHGs.

**5.4.8** More number of entrepreneurship development training programmes may be arranged for the SHGs members.

**5.4.9** Most of the groups were formed because some one had pursued them to do so. In practice, they have not understood the rationally of formation of an SHG. SHGs members need more exposure, guidance and training regarding the aim and objective of the group, process for empowerment, skill to develop thrift, utilization of funds, business development, etc. success stories

may be brought to the notice of SHGs, which may induce the group members work more enthusiastically.

**5.4.10** The factors responsible for poor performance of micro-finance and functioning of SHG's should be investigated, examined and analyzed scientifically and systematically to resolve the emerging problems, difficulties and challenges being faced.

**5.4.11** More research should be carried out to assess the impact of micro-credit through SHG's. The impact assessment should be more focused on socio-economic empowerment of members, social change, dynamics of groups, business, leadership, promotion of viable micro enterprises etc.

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## APPENDIX

<b>SURVEY SCHEDULE FOR THE STUDY ON SELF-HELP GROUPS AND MICROFINANCE IN PANCHMAHAL DISTRICT OF GUJARAT STATE</b>
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### Interview Schedule for the Respondent

	No. of Respondent: _____
	Date of interview: _____
1. Name of the respondent: .....	
2. Village: _____, Taluka: _____, District: _____	

### General Information

1. Age:-.....
2. Name of the SHG of which you are a member.....
3. Name of institution supporting the SHG.....
4. Who invited you to the group.....
5. Type of SHG: - Men / Female
6. Year of establishment:-.....
7. How many members does it have today ..... And how many did it have when it was formed.....
8. No. of active members: - .....
9. Main function of SHG:-.....  
.....  
.....  
.....
10. Periodicity of SHG meeting and Attendance (%). .....
11. Penalty for non-attendance.....
12. Periodicity of election of office bearers.....
13. Do men / women belonging to all castes and religions to join the SHG  
yes / no
14. How much amount do you save in the SHG.....
15. What is the approximate annual budget of your SHG.....
16. Saving utilization.....

17. Have you saved and deposited some amount at places other than the SHG?  
If, yes Where? .....
18. Repayment period.....
19. Who keep the internal records of the group.. ..
20. How much loan you have taken.....
21. Loan obtaining from other source.....
22. Reasons for taking loans: Illness in family / House building / Marriage of daughter or son / Repaying old debts / for business / for agriculture / other .....
23. Where do you gather for meeting of SHG.....
24. Loan repaid Yes/No .....
25. Who decide the rule of business of the SHG.....
26. Who decide the amount and rates of interest to be charged on loans.....
27. What interest rate do your members pay for their loans.....
28. If two men / women apply for the loan at a same time, how a decision is arrived at.....  
.....  
.....
29. What action is taken if a men / women did not repay loan on time .....
30. Do you feel that SHG should continue to function..... yes /no  
If, yes what are the reasons.....  
.....  
.....

**Progress and Performance**

31. No. of loan and Amount of loan disbursed:-

Sr.no	Year wise	No. of loan	Total amount of loan disbursed (Rs)
1.			
2.			
3.			
4.			
5.			
6.			
7.			
Total			



## 32. Recovery performance (Rs)

Sr. No	Year wise	Total amount of recovery (Rs)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
Total		

## 33. Overdue status (Rs)

Sr. No	Year wise	Total amount of overdue (Rs)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
Total		

**Causes of overdue:**

## 34. Saving (Rs)

Sr. No	Year wise	Total amount of savings (Rs)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
Total		

## 35. Working capital (Rs)

Sr.no	Year wise	Total amount of working capital (Rs)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
Total		

Working capital includes SHGs savings, interest on savings, fines, interest on loans and grant/loans from sponsoring Organisation/Bank.

**Loan management by SHG**

## 36. Purpose wise loan disbursement from SHGs to beneficiaries:-

Sr.no	Purpose type	2002	2003	2004	2005	2006
1.	Consumption					
2.	Health					
3.	Education					
4.	Agriculture					
5.	Animal husbandry					
6.	Income generation (non-farm)					
7.	other					
Total						

## 37. Range of length:-

Sr.no	Purpose type	Range of length (minimum and maximum) (Rs)
1.	Consumption	
2.	Health	
3.	Education	
4.	Agriculture	
5.	Animal husbandry	
6.	Income generation (non-farm)	
7.	other	

## 38. Duration taken to availability the loan:-

Sr.no	Purpose type	Duration of time
1.	Consumption	
2.	Health	
3.	Education	
4.	Agriculture	
5.	Animal husbandry	
6.	Income generation (non-farm)	
7.	other	

## 39. Recovery no. of loans to total no. of loans:-

Sr.no	Purpose type	2002	2003	2004	2005	2006
1.	Consumption					
2.	Health					
3.	Education					
4.	Agriculture					
5.	Animal husbandry					
6.	Income generation (non-farm)					
7.	other					
Total						

## 40. Overdue status:-

Sr.no	Purpose type	2002	2003	2004	2005	2006
1.	Consumption					
2.	Health					
3.	Education					
4.	Agriculture					
5.	Animal husbandry					
6.	Income generation (non-farm)					
7.	other					
Total						

**Socio Economic Characteristics**

41. Education: - 1,2,3,4,5,6,7,8,9,10,11,12 and Graduate and Post Graduate.

42. Land holding: - .....ha

43. Motivational factor responsible for the formation of SHG:-

- i. NGO.....
- ii. Self interest.....
- iii. Other SHGs.....
- iv. Others.....

44. Number of family members:-

Male.....

Female.....

Children.....

45. Social participation:-

Are you a member and/or holding any position in any organization?

Yes / no, if yes give details:-

<b>Sr. No.</b>	<b>Organization</b>	<b>Member</b>
1.	Village Panchayat	
2.	Milk Producers' Co-op Society	
3.	Taluka Panchayat	
4.	Youth Clubs	
5.	District Panchayat	
6.	Market Yard	
7.	Others	
8.	None	

46. Did you participate in the Extension programme? Yes / No,  
If yes answer the following.

<b>Sr.no</b>	<b>Extension Contact</b>	Tick Mark (√)
1.	Gram sevak	
2.	Extension officer	
3.	Taluka development officers	
4.	District agriculture officer	
5.	Subject matter specialist	
6.	Plant protection officer	
7.	Agril. Scientists	
8.	Other, if any	
<b>Sr.no</b>	<b>Extension participation</b>	Tick Mark (√)
1.	NGO training	
2.	Agril. Exhibition	
3.	Others	
4.	None	
<b>Sr.no</b>	<b>Mass Media</b>	Tick Mark (√)
1.	Radio News	
2.	News Paper	
3.	TV shows	
4.	Magazine	
5.	None	

47. Annual income: - main occupation of the family.....

What is your annual income?

Specify :- a) Agriculture Rs.....

b) Service Rs.....

c) Animal husbandry Rs.....

d) Business Rs.....

e) Other Rs..... Total income Rs.....

48. Source wise borrowing:-

Sr. No	Source	Cons.	Health	Edn	Agril	Ani.Husb	Income Generation	others
1.	Banks							
2.	Co-operatives							
3.	Non-institutional lender							
4.	SHG							
5.	others							

49. Asset creation:-

Sr.no	Assets	Loan value (Rs)	Total value (Rs)
1.	Borewell		
2.	Livestock		
3.	Gobar gas		
4.	Weaving equipments		
5.	Pumpset		
6.	Farm equipments		
7.	House construction		
8.	others		

50. Employment generation:

Before taking advances		After taking advances		
Activity	Employment (Man days/year)	Activity	Employment (Man days/year)	Additional employment (Man days/year)
<b>Beneficiaries</b>				
<b>Non-beneficiaries</b>				

## 51. Income generation:

Activity	Beneficiaries				Non-beneficiaries			
	No	Gross returns	Variable cost	Return over variable cost	No	Gross returns	Variable cost	Return over variable cost

## 52. Other perceived benefits from SHG:-

Sr.no	Particular	Put ( $\sqrt{\quad}$ ) mark wherever applicable
1.	Education	
2.	Health	
3.	Social status	
4.	Both 1 and 2	
5.	All the three	

## 53. Problems faced by SHG member:-

Sr.no	Problems faced by SHGs	Frequency
1.	Difficulty in getting raw material	
2.	Lacking of transport facilities	
3.	Competition for better quality product	
4.	Lacking of local buyer	
5.	Low price and profit of product	
6.	Loans not received in time	
7.	High rate of interest	
8.	Non-availability of common work shed	
9.	Members working irregular	
10.	Non-cooperative SHG members	
11.	Long distance of market	

**Table 4.1: General Information of the SHGs of Ghoghamba Taluka**

Sr.No.	1	2	3	4
Name of the SHG	Aambavadia Bachat Dhiran Juth	Aadivasi Anarde Yuvak mandal	Virbai Bachat Dhiran Juth	Jay Yogeshwar Dhiran Juth
Type of SHG	Male	Male	Female	Female
Year of establishment	2000	2000	2001	2001
No. of member	11	11	15	10
No. of active member	9	10	12	10
Main functions	Loan for Agril. Animal Husb. Health and other activities	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Savings, credit management and Loan for Agril. Animal Husb.	Loan for Agril. Animal Husb. Health and other activities
Periodicity of SHG meeting, and attendance	Monthly 80 %	Monthly 80 %	Monthly 80 %	15 Days 90 %

*Continued....*

**Table 4.1 Contd...**

Sr.No	1	2	3	4
Penalty for non-attendance (Rs.)	3/-	1/-	3/-	2/-
Amount of saving/month (Rs.)	50/-	30/-	30/-	30/-
Saving utilization	Loans to members only	Loans to members only	Loans to members only	Loans to members only Minimum 6 months
Repayment period	Minimum 6 months Maximum 1 year	Minimum 6 months Maximum 1 year	Minimum 6 months Maximum 1 year	Maximum 10 months

**Table 4.2: General Information of the SHGs of Lunavada Taluka**

Results and Discussion

Sr.No.	1	2	3	4
Name of the SHG	Shri Rajpurush SHG	Jay Bhathiji SHG	Jay Mataji Swashakti Mahila Mandal	Jay Bhavani SHG
Type of SHG	Male	Male	Female	Female
Year of establishment	2001	2000	2001	2001
No. of member	10	11	20	16
No. of active member	9	9	16	13
Main functions	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Loan for Agril. Animal Husb. Health, Petty Business and other activities	Loan for Agril. Animal Husb. Health and other activities
Periodicity of SHG meeting and attendance	15 days 90%	15 days 85%	Monthly 95%	Monthly 85%

*Continued....*

**Table 4.2 Contd...**

Results and Discussion

Sr.No.	1	2	3	4
Penalty for non-attendance (Rs.)	2/-	5/-	5/-	3/-
Amount of saving/month (Rs.)	30/-	50/-	30/-	30/-
Saving utilization	Loan to member only	Loan to member only	Loan to member only	Loan to member only
Repayment period	Minimum 6 months Maximum 10 months	Minimum 6 months Maximum 10 months	Minimum 6 months or based on purpose	Minimum 6 months Maximum 1 year

Table 4.8: Purpose Wise Loan Disbursement by SHG

*(Average Amount in Rs per group)*

Year	2002		2003		2004		2005		2006		
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Aggregate
<b>Consumption</b>	0	0	0	0	250	250	75	0	0	0	0 (0.0)
<b>Health</b>	550	875	450	1375	625	375	1000	875	1250	750	1000 (7.20)
<b>Education</b>	125	125	0	0	250	0	125	0	250	125	187.5 (1.35)
<b>Agriculture</b>	1950	3300	3650	3950	4800	8075	5500	4950	7575	8075	7825 (56.35)
<b>Animal husbandry</b>	0	0	1125	625	375	750	500	4750	750	3125	1937.5 (13.95)
<b>Income generation (Non-farm)</b>	0	0	0	0	500	0	100	1250	1000	1750	1375 (9.90)
<b>Others</b>	500	350	375	1475	1125	1450	2250	2425	1625	1500	1562.5 (11.25)
<b>Total</b>	<b>3125</b>	<b>4650</b>	<b>5600</b>	<b>7425</b>	<b>7925</b>	<b>10900</b>	<b>10450</b>	<b>14250</b>	<b>12450</b>	<b>15325</b>	<b>13887.5 (100)</b>

Source: Field Survey

Note: figures given in parentheses indicate percentage to total advances

**Table 4.10: Percentage Number of Loans to Total Number of Loans in Selected SHGs**(Figures in *percent*)

Year	2002		2003		2004		2005		2006		POOL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
<b>Consumption</b>	0	0	0	0	4.35	3.85	3.85	0	0	0	<b>1.21</b>
<b>Health</b>	27.27	31.25	16.67	22.73	13.04	11.54	23.08	20.00	24.14	15.63	<b>20.54</b>
<b>Education</b>	9.09	6.25	0	0	8.70	0	3.85	0	6.90	3.13	<b>3.79</b>
<b>Agriculture</b>	45.45	50.00	55.56	50.00	43.48	61.54	46.15	43.33	48.28	50.00	<b>49.38</b>
<b>Animal husbandry</b>	0	0	22.22	9.09	4.35	7.69	3.85	16.67	3.45	12.50	<b>7.98</b>
<b>Income generation</b>	0	0	0	0	4.35	0	3.85	3.33	3.45	6.25	<b>2.12</b>
<b>Others</b>	18.18	12.50	5.55	18.18	21.74	15.38	15.38	16.67	13.79	12.50	<b>14.99</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey

**Table 4.11: Recovery Percentage to Total Advances**(Figures in *percent*)

Year	2002		2003		2004		2005		2006		POOL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
<b>Consumption</b>	--	--	--	--	85.50	80.00	100.00	--	--	--	<b>88.50</b>
<b>Health</b>	75.00	100.00	86.15	97.77	81.50	76.10	90.00	94.75	92.00	100.00	<b>88.05</b>
<b>Education</b>	100.00	100.00	--	--	95.00	--	100.00	--	100.00	100.00	<b>99.17</b>
<b>Agriculture</b>	93.63	94.67	92.63	94.13	94.13	96.88	93.79	96.75	95.90	95.42	<b>94.79</b>
<b>Animal husbandry</b>	--	--	88.80	86.67	91.93	85.50	88.00	95.15	86.67	94.73	<b>89.68</b>
<b>Income generation</b>	--	--	--	--	79.30	--	93.75	94.20	96.00	96.66	<b>91.98</b>
<b>Others</b>	81.25	75.00	80.00	95.04	96.67	98.27	85.28	96.66	88.88	100.00	<b>89.70</b>

Source: Field Survey

**Table 4.12: Percentage Overdue to Advances in Each Activity***(Figures in percent)*

<b>Year</b>	<b>2002</b>		<b>2003</b>		<b>2004</b>		<b>2005</b>		<b>2006</b>		<b>POOL</b>
<b>Type</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
<b>Consumption</b>	--	--	--	--	0	10.00	0	--	--	--	<b>3.33</b>
<b>Health</b>	8.33	7.20	0	0	6.66	13.53	7.50	7.50	6.08	3.75	<b>6.05</b>
<b>Education</b>	0	0	--	--	0	--	0	--	0	0	<b>0</b>
<b>Agriculture</b>	4.54	3.20	3.38	2.51	3.91	1.33	3.10	1.83	2.82	1.65	<b>2.80</b>
<b>Animal husbandry</b>	--	--	4.52	6.67	8.33	9.25	5.32	1.45	4.95	1.05	<b>5.19</b>
<b>Income generation</b>	--	--	--	--	7.50	--	3.30	--	2.50	2.43	<b>3.93</b>
<b>Others</b>	7.50	5.71	8.33	2.08	2.50	--	2.50	0	4.44	0	<b>3.68</b>

Source: Field Survey

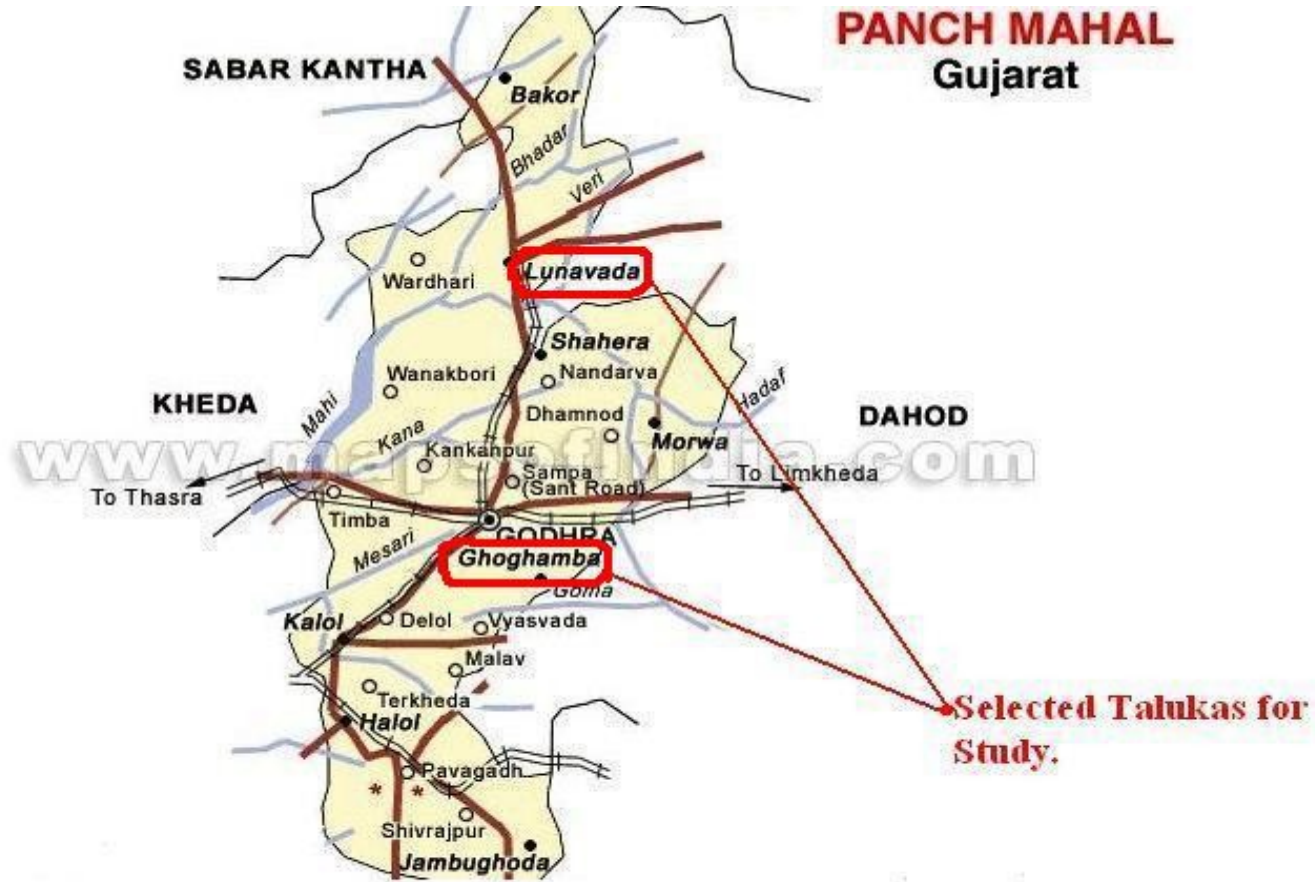


Fig. 3.1: Map Showing Selected Talukas for Study in Panchmahal District.

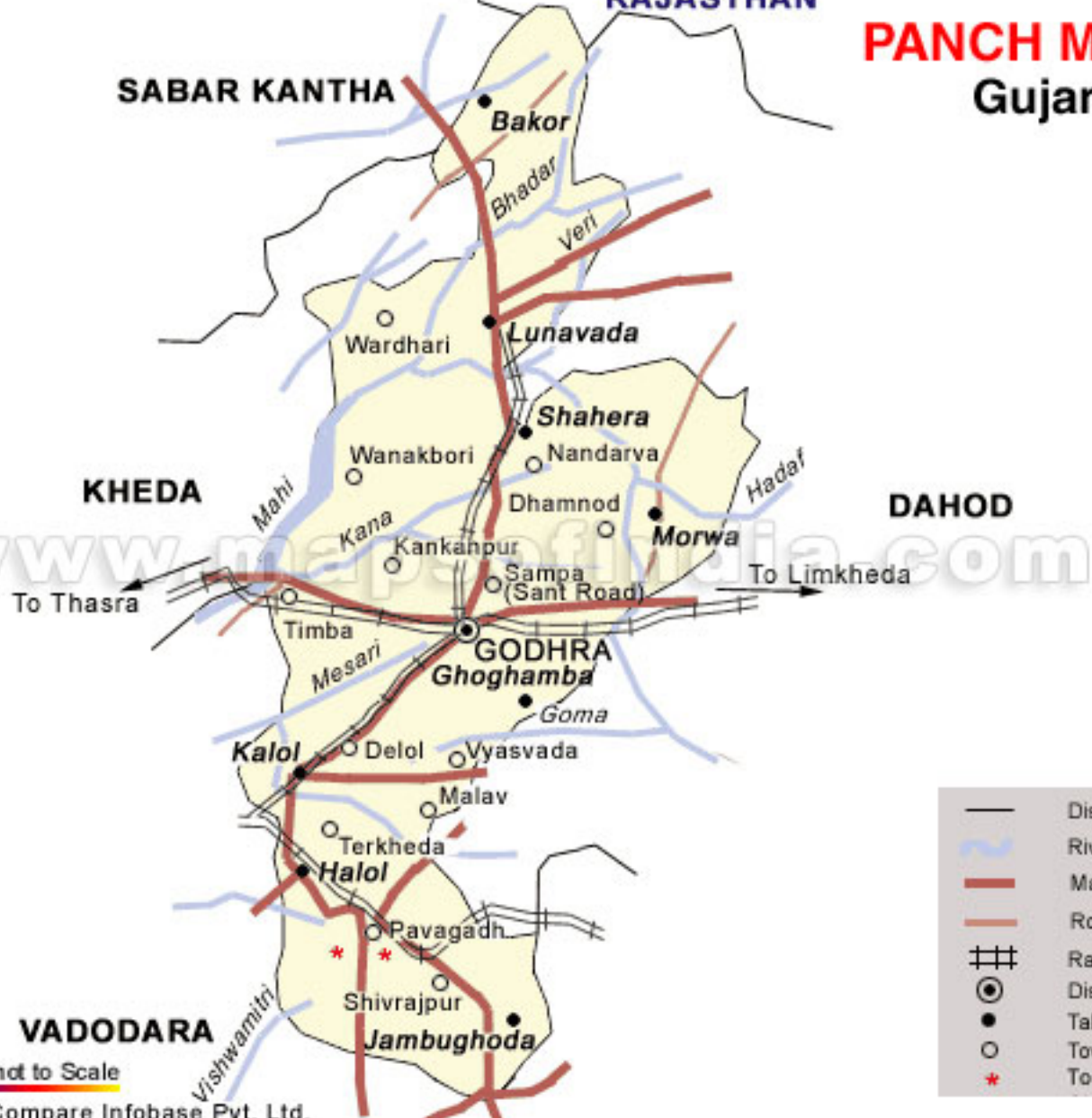


SABAR KANTHA

RAJASTHAN

# PANCH MAHAL

## Gujarat



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- District Boundary
- ~ River
- Major Road
- Road
- ⊕ Railway Track
- ⊙ District Headquarter
- Taluk Headquarter
- Town
- ★ Tourist Place

VADODARA

Map not to Scale