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MICRO-FINANCING: ITS IMPACT ON ECONOMIC DEVELOPMENT OF RURAL PEOPLE: A STUDY ON THE SHGS LINKED WITH REGIONAL RURAL BANKS IN LAKHIMPUR DISTRICT OF ASSAM

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ABSTRACT

Rural Banks (RRBs) which are jointly owned by Govt. of India, the concerned State Government and Sponsor Banks are playing a major role in financial inclusion particularly in the rural areas. The present research paper is an attempt to study a few observations of Self-Help-Groups (SHGs) with special reference to SHGs linked with RRBs for the working and performance of SHG members living in the rural areas like Lakhimpur district of Assam. A survey on the performance of the SHGs, the economic impact of SHGs members was conducted at Lakhimpur district of Assam. Both the primary and secondary data have been used. For collecting primary data all the 9 development blocks in Lakhimpur district have been purposively selected. Again from each development block 10 SHGs (Linked with AGVB only) and from each sample SHGs 3 members have been randomly selected (9x10x3=270 respondents) for the purpose of the study. From the study it has been observed that RRBs in the rural areas of Assam has been playing important role for the economic development. After joining the SHGs the poor people particularly the women have not only increase their income but also improve their living standard. Since respondents have been in a tight work and the majority of the respondents' educational background is low creates some negligence in filling the questionnaire. Therefore, these conditions might affect the quality of the paper to some extents.

KEYWORDS

Economic Impact, Micro finance, Regional Rural Banks (RRBs) and Self Help Group (SHG).

1. INTRODUCTION

The overall development is possible only if the vicious cycle of poverty can be removed entirely. In India most of the people live particularly in the rural areas are, below the poverty line and finance to these indigenous peoples is considered as an important issue for the Government of India¹. It has been seen from the last decades that poverty becomes the most economical problems faced by every developing countries in the World. There are still around 200 million people in rural areas that live below the poverty line and for whom banking access is still not a reality. A major cause of poverty is the lack of access to productive assets and financial resource. In spite of this, various factors like increasing level of illiteracy, inadequate health care and extremely limited access to social services are common among the poor people living in the rural areas. In this regard, microfinance to Self-Help-Groups may be considered as a vital option for meeting the financial requirement of the poorer section of the society. Microfinance is the form of financial development that has its primary aim to alleviate the poverty².

In India, microfinance was initiated by NABARD by the promotion of SHGs and its eventual linkage with formal banks. This came to be named as the SHG-Bank Linkage Programme or the SBLP. Self Help Groups or SHGs represent a unique approach to financial intermediation³. The microfinance services provided through SHG - bank linkage has the most successful initiative in financial inclusion. Rural Banks (RRBs) which are jointly owned by Govt. of India, the concerned State Government and Sponsor Banks are playing a major role in financial inclusion particularly in the rural areas. RRBs are the best suited vehicles to widen and deepen the process of financial inclusion. Thus, the present research paper is an attempt to study the economic impact of microfinance on the members of Self-Help-Groups (SHGs) with special reference to SHGs linked with RRBs in the rural areas like Lakhimpur district of Assam.

2. REVIEW OF EXISTING LITERATURE

Researches have been done in the field of micro finance and SHGs linked with the Banks not only at International level but also at the national and regional level. *Langat et al.* (2011) had studied the effect of 'village bank' credit system on household welfare at Bomet country of Kenya. They had also reported that the household income of credit participants was significantly higher than that of the non-participants. Besides credit, education, age of the household head, farm and off-farm income play a significant role in determining the wellbeing in a household⁴. *Audu & Achegbulu* (2011) observed that there was a need for capacity building as more of the managing Directors of these banks were ill-equipped for the services they were meant to provide, which lead them to miss their target market⁵. *Das* (2010) had studied the performance of SGSY-SHGs Linked with RRB in Karnataka. From the study he reported that most of the immature SHGs were not reckoned by the banks as serious micro-credit clients and the SHG bank linkage process was not pursued seriously⁶. *Jothi* (2010) revealed that the sample respondents who were either unemployed or engaged in petty activities during their pre-member period, have become very active by becoming full employed in varied activities and thereby earning more for their family⁷. *Singh S. Dilan* (2010) has opined that the financial education imparted to the SHG members has a positive impact on the saving and asset accumulation strategies adopted by them⁸. *Roy* (2011) reported that the Tripura Grameen Banks (TGBs) in Tripura, RRBs in Nagaland, Mizoram and Arunachal Pradesh, UBI in Manipur, SBI in Meghalaya, and AGVB in Assam was doing well as compared to the other public sector banks in the NER for the development of the rural people⁹.

¹ Dutta Alok Ranjan (2009), "Performance of SHG model of microfinance under SGSY scheme-A study in Dibrugarh district (Assam)", M.Phil dissertation, submitted to Binayaka Mission University, January 2009.

² Barr, Michael S. (2005), "Microfinance and Financial Development", The John M. Olin Centre for Law & Economics Working Paper Series, University of Michigan Law School, p. 273.

³ Sharma Abhijit (2011), "Delinquency of SHGs in NER" research project submitted by CMR Indian Institute of Bank Management (IIBM), GUWAHATI.

⁴ Langat J.K. & et al. (2011), "Effect of credit on household welfare: The case of 'village bank' credit in Bomet Country, Kenya", Asian Journal of Agricultural Sciences, vol. 3 no. 3, May 2011, pp. 162-170.

⁵ Audu, M.L. & Achegbulu, J.O., (2011), "Microfinance and Poverty Reduction: The Nigerian Experience", International Business and Management, CSCanada, Vol. 3, No. 1, August 2011, pp. 220-227.

⁶ Das, B.C, (2010), "Performance of SGSY-SHGs Linked to RRBs in Karnataka", Economic Affairs, Vol.55 No.3 & 4, December 2010, pp. 207-216.

⁷ Jothi, V.N., (2010), "Socio-Economic Impact: Microfinancing of Self-Help Groups", SCMS Journal of Indian Management, A quarterly Journal, January - March, 2010, pp. 91-103.

⁸ Singh S. Dilan, (2010), "Saving approaches of Self-Help Group Members- a study with reference to Manipur", Prajnan, Journal of Social and Management sciences, vol. XXXIX, no. 1, April 2010, pp.29-39.

⁹ Roy, Arup, (2011), "Microfinance Performance of Public Sector Banks in the NER of India", BIZ n BYTES - a quarterly published Journal of Applied Management & Computer Science, Volume 4, November 2011, pp. 1-18.

3. OBJECTIVES OF THE STUDY

The present study is basically concerned with the role of microfinance and its impact on the economic development of the rural people through SHGs linked with Regional Rural Banks (RRBs) at Lakhimpur district of Assam. To achieve the main objectives of the study the following specific objectives have been framed:

1. To study the demographic characteristics of the respondents;
2. To study the benefits received by the respondents under the study area;
3. To study the marketing status of the SHG products under the study area; and
4. To summarize the findings of the present study with suitable recommendations.

4. METHODS AND MATERIALS OF THE PRESENT STUDY

For achieving the objectives of the present study both the primary and secondary data have been used. The primary data were collected from field survey through filled in questionnaire and direct interview method. The secondary data were collected from different journals, books, relevant documents, news papers and magazines, records of Non-Governmental Organisations (NGOs), Institute of Co-operative Management (ICM) etc. After careful examination, it was decided to follow three stage sampling. At the first stage, all the nine development blocks in Lakhimpur District (namely Naoboicha, Lakhimpur, Bihpuria, Telahi, Karunabari, Boginodi, Narayanpur, Dhakuakhana and Ghilamora) have been purposively selected. Secondly, ten SHGs were randomly selected from each of the sample development blocks. At the third stage, from each sample SHGs three number of members were randomly selected. Thus our present study represents 270 (9X10X3=270) number of respondents. The data so collected were tabulated for the purpose of analysis. Tools, like percentages, simple average, have also been used for the purpose of the study.

5. SHG-BANK LINKAGE MODEL OF MICRO-FINANCE

In 1999, Reserve bank of India (RBI) had setup a micro-credit cell to make it easier to micro-credit providers to pursue institutional development process. The project was designed as a "Partnership Model" between three agencies viz., the SHGs, banks and Non-governmental Organizations (NGOs). In India, there are three types of SHG models have emerged:

- Bank-SHG-Members:** The bank itself acts as a self-help group promoting institution (SHPI).
- Bank-Facilitating Agency-SHG-Members:** Facilitating agencies like NGOs, government agencies, or other community-based organizations form groups.
- Bank-NGO-MFI-SHG-Members:** NGOs act both as facilitators and microfinance intermediaries. First they promote groups, nurture them, and train them, and then they approach banks for bulk loans for lending to the SHGs.

The second model, where SHGs were formed and nurtured by the NGOs and other government agencies, was more popular among the bankers. Banks opened saving accounts and then provided credit directly to the SHGs, while NGOs acted as facilitators. This approach has been widely accepted by the practitioners partly because of the large scale participation of state government through development agencies like the District Rural Development Agency (DRDA), District Women Development Agency (DWDA), and some of the centrally sponsored social sector missions, and also because of special initiatives of NABARD¹⁰.

NABARD's SHG-Bank Linkage programme witnessed a significant progress in the recent past. As on March'12 total 79, 60,349 SHGs were having ₹ 6, 55,141.46 Lakhs savings with banks. The agency wise progress under microfinance through SHG-Bank Linkage model during the last three years has been given in the table 5.(a).

TABLE 5 (A): AGENCY-WISE NO. OF SHG FINANCED (Amount ₹ in lacks)

Agency	During 2009-10				During 2010-11				During 2011-12			
	SHGs		Bank Loan		SHGs		Bank Loan		SHGs		Bank Loan	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
CBs	9,77,521	61.60	9,780.18	67.70	4,323,473	57.94	423,006.42	60.29	4,618,086	58.01	415,298.04	63.39
RRBs	3,76,797	23.70	3,333.20	23.10	1,155,076	15.48	135,084.19	19.25	2,127,368	26.72	130,013.93	19.85
Coops.	2,32,504	14.70	1,339.92	9.30	1,983,397	26.58	143,539.67	20.46	1,214,895	15.26	109,829.49	16.76
Total	1,586,822	100.00	14,453.30	100.00	7,461,946	100.00	701,630.28	100.00	7,960,349	100.00	655,141.46	100.00

Source: NABARD

Table 5.(a) showed that there was a tremendous increase in the number of SHGs linked with Regional Rural Banks (RRBs) from 23.70 per cent during 2009-10 to 26.72 per cent during the year 2011-12.

Assam has the highest number of SHGs linked with RRBs among the North Eastern States. Assam recorded 121298 no. of SHGs during 209-10, 136642 no. during 2010-11 and 149291 no. of SHGs during 2011-12. The progress of microfinance and saving of SHGs with RRBs in North Eastern States was shown in Table 5.(b) and the progress of microfinance and saving of SHGs with RRBs in Assam was shown in Table 5.(c).

TABLE 5 (B): PROGRESS UNDER MICROFINANCE – SAVINGS OF SHGS WITH RRBs IN NORTH EASTERN REGION (Amount ₹ in lacks)

Region /State	During 2009-10		During 2010-11		% Growth (2010-11)		During 2011-12		% Growth (2011-12)	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
Assam	121298	2637.95	136642	2853.01	12.6	8.2	149291	3039.1	9.3	6.5
Meghalaya	1834	132.51	2169	148.73	18.3	12.2	2507	143.16	15.6	-3.7
Nagaland	NA	NA	625	34.08	NA	NA	679	50.99	8.6	49.6
Tripura	15832	2660.6	17644	2762.21	11.4	3.8	16696	2736.28	-5.4	-0.9
Arunachal Pradesh	1038	77.85	1050	78.75	1.2	1.2	959	54.2	-8.7	-31.2
Mizoram	2643	176.97	2085	106.2	-21.1	-40.0	2202	507.04	5.6	377.4
Manipur	4723	80	5279	95.05	11.8	18.8	5784	106.06	9.6	11.6
Sikkim	NA	NA	0	0	NA	NA	0	0	NA	NA
Total	147368	5765.88	165494	6078.03	12.3	5.4	178118	6636.83	7.6	9.2

Source: NABARD

¹⁰ Bansal Hema (2005), "SHG- Bank Linkage Program in India- an overview", Journal of Microfinance, Vol. 5, No.1, pp. 21-49.

Table 5.(c)
Progress under Microfinance - Savings of
SHGs with Regional Rural Banks in Assam
(Amount ₹ Lakhs)

Sl. No.	Name of Bank	During 2009-10			During 2010-11			% Growth (2010-11)		During 2011-12			% Growth (2011-12)	
		No. of SHGs	No. of Members	Savings Amount	No. of SHGs	No. of Members	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	No. of Members	Savings Amount	No. of SHGs	Savings Amount
		1	Assam Gramin Vikash Bank	112422	NA	2248.73	126807	NA	2396.55	12.8	6.6	138473	1433133	2575.34
2	Langpi Dehangi Rural Bank	8876	NA	389.22	9835	NA	456.46	10.8	17.3	10818	124032	463.76	10.0	1.6
	Total	121298	*NA	2637.95	136642	NA	2853.01	12.6	8.2	149291	1557165	3039.1	9.3	6.5

Note: *NA- Not Available

Source: NABARD

Assam Gramin Vikash Bank (AGVB) and Langpi Dehangi Rural Bank (LDRB) are playing a major role as RRBs for linking of SHGs in Assam. LDRB are operated only in the Hills district like Karbi Anglong etc. of Assam. On the other district of Assam the role of AGVB is very significant as 1, 38,473 of SHGs linked with AGVB during 2011-12 which records 9.2 percent growth rate as compared to 2010-11. AGVB also records 7.5 per cent growth rate of savings amount during 2011-12 as compared to 2010-11. In Lakhimpur district, there are 10694 numbers of SHGs that have linked with Banks and out of which 6475 no.s that have passed Grade-I and 2025 no.s that have passed Grade-II phase¹¹.

6. RESULTS FROM THE STUDY

An attempt has been made to analyse the data collected from the field survey and thus the findings of the present investigation on the topic entitled 'Micro-financing: Its impact on Economic Development of Rural People: (A study on the SHGs linked with Regional Rural Banks in Lakhimpur district of Assam)' are presented as under:

6.1 DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

The demographic characteristics of the respondents were analysed as follows:

6.1.1 Gender of the respondents

TABLE 6.1.1.(I): GENDER OF THE RESPONDENTS

Sl. No.	Variables and Categories	Frequency (No.)	Percentage (%)
1	Male	26	9.63
2	Female	244	90.37
	Total	270	100

Source: Field Survey

It was also observed from the above Table 6.1.1.(i) that majority of the respondents i.e. 90.37 percent were female and whereas only 9.63 percent were male.

6.1.2 Educational status of the Respondents:

The educational status of the respondents have been shown in Table 6.1.2.(i) as follows:

TABLE 6.1.2.(I): EDUCATIONAL STATUS OF THE RESPONDENTS

Sl. No.	Variables and Categories	Frequency (No.)	Percentage (%)
1	Illiterate	21	07.78
2	Upto Primary school	95	35.16
3	Middle school	65	24.07
4	High school	59	21.85
5	College education	19	07.04
6	Post Graduation	11	04.07
	Total	270	100

Source: Field Survey

The education level of the respondents showed that 35.16 per cent of have education upto primary school, 24.07 per cent received middle school education, 21.85 per cent had received high school education, 7.78 per cent were illiterate and 7.04 percent were have college level education only 4.07 per cent have received the Post Graduate degree.

6.1.3 Respondents according to age:

The age of the respondents have been shown in Table 6.1.3.(i):

TABLE 6.1.3.(I): RESPONDENTS ACCORDING TO THEIR AGE

Sl. No.	Variables and Categories	Frequency (No.)	Percentage (%)
1	Young age (18 to 30 years)	92	34.07
2	Middle age (31 to 50 years)	173	64.07
3	Old age (above 50 years)	5	01.86
	Total	270	100

Source: Field Survey

From the above Table 6.1.3.(i) it has been observed that majority of the respondents i.e. 64.07 percent were middle aged, while 34.07 per cent were young aged and remaining i.e. 1.86 per cent only were old aged.

6.1.4 Respondents according to their Caste:

TABLE 6.1.4.(I): CATEGORY WISE DISTRIBUTION OF THE RESPONDENTS

Sl. No.	Variables and Categories	Frequency (No.)	Percentage (%)
1	SC	30	11.11
2	ST	38	14.07
3	Other backward castes (OBC)/MOBC	143	52.96
4	General	59	21.86
	Total	270	100

Source: Field Survey

It is revealed from the data presented in Table 6.1.4.(i) that more than half i.e. 52.96 percent of the respondents were reported to be OBC/MOBC category followed by general category (21.86 %), Scheduled Tribe (14.07%) and Scheduled Caste (11.11%).

¹¹ Census data 2011 of Lakhimpur Dist., Country Focus: India: Assam: Lakhimpur District: District Profile, <http://lakhimpur.nic.in/profile.htm>, on 20th May 2013.

6.1.5 Type of Family of the Respondents:

TABLE 6.1.5.(I): FAMILY TYPE OF THE RESPONDENTS

Sl. No.	Variables and Categories	Frequency (No.)	Percentage (%)
1	Nuclear	231	85.56
2	Joint	39	14.44
	Total	270	100

Source: Field Survey

It was also observed from the above Table 6.1.5.(i) that majority of the respondents i.e. 85.56 percent were nuclear family and whereas only 14.44 percent were joint family type.

6.2 INVOLVEMENT OF MEMBERS ON INCOME GENERATING ECONOMIC ACTIVITIES

The involvement of the respondents on the income generating economic activities in pre-SHG and post-SHG period were analysed in Table 6.2.(i) as follows.

TABLE-6.2.(I): ECONOMIC ACTIVITIES ADOPTED BY THE RESPONDENTS IN PRE-SHG AND POST-SHG STAGE

Type of Activities	Pre-SHG		Post-SHG	
	Frequency	Percentage	Frequency	Percentage
No activity	67	24.81	0	0.00
Piggery	48	17.78	78	28.89
Goatery	26	9.63	28	10.37
Duckery	22	8.15	32	11.85
Weaving	16	5.93	26	9.63
Food Processing	0	0.00	5	1.85
Fishery	5	1.85	14	5.19
Poultry	8	2.96	27	10.00
Bee keeping	0	0.00	0	0.00
Dairy	3	1.11	11	4.07
Mushroom	0	0.00	0	0.00
Petty Business	2	0.74	14	5.19
Agricultural Farm	73	27.04	11	4.07
Other income generating activities	0	0.00	24	8.89
Total	270	100	270	100

Source: Field Survey

Table 6.2.(i) shows that 24.81 percent of the respondents have no activity before joining the Self-Help Groups. After joining the group there has not a single person without any activity. The above table also shows that during the post-SHG period agricultural firm activities have reduced from 27.04% to 4.07%. From the Table 6.2.(i) it has been observed that 28.89 percent of the respondents involved in Piggery business followed by Duckery (11.85%), Goatery (10.37%), Poultry (10.0%), weaving (9.63%), other income generating activities (8.89%), Fishery (5.19%), Petty Business (5.19%), Dairy (4.07%) and only 1.85 percent were engaged in food processing activities. As far as the bee-keeping and mushroom cultivation was concerned there was not a single respondent who has started the activities before and after joining the SHGs. From the Table 6.2.(i) it can be concluded that the piggery activity emerged as the major activity started under SHGs by the respondents followed by Duckery, Goatery, Poultry, weaving, other income generating activities, Fishery etc.

6.3 BENEFITS DERIVED FROM THE INCOME GENERATING ACTIVITY BY THE RESPONDENTS

The benefits derived from the income generating activities by the respondents were analysed by two dimensions:

6.3.1 Monetary benefits; and

6.3.2 Non-monetary benefits.

6.3.1 Monetary benefits received by the respondents:

The monetary benefits received by the respondents were analysed in Table 6.3.1.(i) as follows:

6.3.1.(I): MONETARY BENEFITS (MONTHLY INCOME) RECEIVED BY THE RESPONDENTS

Variables (in ₹)	Frequency (No.)	Percentage (%)
Upto 500/-	38	14.07
501 to 1000	41	15.19
1001 to 1500	81	14.07
1501 to 2000	57	21.11
2001 to 2500	32	11.85
2501 to 3000	16	5.93
3001 and above	5	1.85
Total	270	100

Source: Field Survey

It has been observed from the Table 6.3.1.(i) that 43.33 per cent of the respondents had low incremental income which came upto ₹ 1500, while 38.89 per cent had medium income in the range of ₹ 1500 to ₹ 3000 and only 1.85 per cent had high incremental income of more than ₹ 3000. Thus it has been revealed from the above table that the average monthly income of the respondents was ₹ 1383.33/-.

6.3.2 Non-Monetary benefits received by the respondents:

The non-monetary benefits received by the respondents were analysed in Table 6.3.2.(i) as follows:

TABLE 6.3.2.(I): NON-MONETARY BENEFITS RECEIVED BY THE RESPONDENTS (MULTIPLE RESPONSES)

Variables	Frequency (No.)	Percentage (%)
Able to contribute towards the family income	225	83.33
Improvement of communication ability	258	95.56
Increased confidence level	225	83.33
Respect from the society	205	75.93
Respect from the family members	181	67.04
Improved household consumption of products	167	61.85
Understand the banking operation	177	65.56
Awareness in health & Hygiene care education	159	58.89

Source: Field Survey.

Vast majority of the respondents felt that their communication ability was improved (95.56%), followed by increase in their confidence level and contribution in the family income (83.33% each). 75.93 percent and 67.04 per cent of respondents opined that they were respected by society and family members, respectively. 61.85 per cent of the respondents opined about their improvement of household consumption of products. 65.56 per cent were understand the banking operation and 58.89 percent only were aware about the health education.

6.4 Marketing status of the respondents:

The marketing of the respondents have been discussed with the help of the following table:

TABLE 6.4.1.(I): RESPONDENTS ABOUT THE MARKETING OF THE SHG PRODUCT

Marketing	Frequency	Percentage
Sell to outside the district markets	5	1.85
Sell in local markets of the district directly	47	17.41
Sell to the wholesaler	16	5.93
Sell to the retailer of the district	202	74.81
Total	270	100

Source: Field Survey

The Table 6.4.1.(i) shows the marketing scenario of finished products of SHGs. 17.41% of respondents sold their finished product in the local market and 74.81% through the retailer of the districts. From the Table 6.4.1.(i) it has been found that most of the SHG products were sold in the local market by the respondents.

7 SUGGESTIONS

Based on the above study the following suggestions have been given forwarded:

1. The Regional Rural Banks and the NGOs should encourage the rural peoples basically the rural women for starting their own new ventures at their locality and should encourage the members to attend the meetings regularly.
2. People should come together on their own for motivating women to form a group instead of officials or village leaders to serve the ulterior motives.
3. Govt./Developing agencies should provide more and more informal education to rural people so that they will show their full capabilities towards rural development.
4. More emphasis given for minimising the over burdened of the women in the rural areas in respect to dual responsibility of managing household and economic activities.

8 CONCLUSIONS

The analysis made in this study with the help of both primary and secondary data has brought out many salient features about the changes in the social and economic aspects of the sample respondents who are the members in SHG. It is clear that the SHG plays a pivotal role in enhancing the both social and economic lives of the members and bring them more respect both domestically and socially. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural people. From the analysis of data it can be concluded that numbers of members have started savings only after joining the groups while majority of the members have no savings in the pre-SHG era. After joining the groups most of the members solved their problems alone.

9 SCOPE FOR FURTHER RESEARCH

The result of the present study would helpful for the Governmental, semi-governmental and non-governmental agencies in formulation of various policies and strategies aiming at poverty alleviation, income generation and socio-economic upgradation through microfinance and SHGs for the poor people living in the rural areas. It would also be an added to the existing literature. Through this research work the researchers who are working in this field can use the results for further works also.

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