

Microfinance development and impact on SHGs Socio- Economic and Socio Political Empowerment: An Empirical study of Kashmir Division

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ABSTRACT

SHGs creation is considered an essential step towards poverty alleviation in the developing and under developing countries and in India SHGs bank linkage program has got a significant development towards poverty alleviation. The current study examines the impact of Microfinance on the SHGs Socio- Economic and Socio Political of Microfinance beneficiaries in the Kashmir Division of J & K State (India). The present study made an attempt to examine the impact of microfinance on the Self Help Groups (SHGs) in the selected districts of India in Kashmir Division of J&K State (India). It is observed in this study that microfinance development has a significant impact SHGs Socio- Economic and Socio Political of microfinance beneficiaries.

Key words: Microfinance, SHGS, beneficiaries

I.INTRODUCTION

The world bank estimates that half of the population in the world is living less than 1\$ a days and one third of population is living one and two dollars a day and the distance between poor and rich is increasing day in and day out. The gaps between these ends is seriously being contemplated by altruist and philanthropist to minimize the gap and to reach to those who have not been reached yet by formal financial initiations. In the light of this microfinance approach has been considered a viable approach to address the poverty related issues and dimensions. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. Microcredit, or microfinance, is banking the un bankable, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without.” (Gert van Maanen., 2004) is based on the premise that the poor have skills which remain unutilized or underutilized. Microcredit fits best to those with entrepreneurial capability and possibility. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

II.MICROFINANCE IN INDIA

Like other developing countries, where microfinance has been taken as an indispensable tool to fight poverty, many gigantic institutions in India took the responsibility upon their shoulders to reach the deprived class particularly the ones living in extreme conditions of poverty. Major initiative came in 1969 by nationalization of commercial banks, bank branches got extended in the rural area. India has over 35,000 rural branches of commercial banks and regional rural banks, and around 15,000 cooperative bank branches to bring the people under the purview of banking system. In 1978 integrated rural development program (IRDP) was introduced to alleviate India's rural poverty. A deep and serious contemplation for poverty alleviation in India is seen by some major initiatives like the setting up of Rashtriya Mahila Kosh to re-finance microfinance activities of NGOs, Establishment of SIDBI foundation for micro-credit (SFMC0 as a financier of microfinance institution (MFIs), Bank linkage program under the overall guidance and supervision of the National Bank of Agriculture and Rural Development (NABARD), leading of Self Help Group (SHGs) as a part of priority sector, exemption of non- profit companies engaged in microfinance business from registering as non-banking financial companies (NBFCs). As a result of this, commercial banks (mainly in the public

sector), regional rural banks (RRBs) and cooperative banks have emerged as important channels of microfinance provision and introduction of schemes like Swarn Jayanti Gram Swarozgar Yojana (sgsy) and Swa Shakti targeting rural poor routed through SHGs have given a new direction for poverty alleviation in the country. At present IRDP has been replaced by Swarnjayanti Grameen Swarozgar Yojana (SGSY) which is explained as under:-

Swarnjayanti Gram Swarozgar Yojana / National Rural Livelihood Mission (SGSY/NRLM)

The Swarnjayanti Gram Swarozgar Yojana (SGSY) is a major on-going programme for the generation of self-employment of the rural poor people so that they can enhance their living conditions. SGSY is a holistic program covering all aspects of self-employment, viz organization of the rural poor into Self Help Groups (SHGs) and their capacity building, planning of activity clusters, building up of facilities of infrastructures, technology, credit and marketing. SGSY was launched on 01.04.1999 after restructuring and merging the erstwhile Integrated Rural Development Programme (IRDP). The Swarnjayanti Gram Swarozgar Yojana (SGSY) became major sustainable income generation through Self Employment and micro-enterprise development programme to be implemented by all the states of the country including State of Jammu and Kashmir. SGSY which is based on the cluster approach which puts emphasis on identification of few key activities in each cluster or block, and helping in developing forward and backward linkages to establish sustainability in these self – employed activities. SGSY Program was replaced on 1st April 2103 by National Rural Livelihood Mission (NRLM) by ministry of Rural Development of India for building strong institutions of the poor and for the poor with special focus on enabling these institutions to access a range of financial services. The program aims at removing poverty through financial inclusion, as well as developing a highly intensive program for intensive application of human and material resources in order to mobilize the poor into functionally effective and efficient institutions promote their inclusion in the mainstream financial sector and strengthen their livelihood. However under SGSY and NRLM the basic structure of creating the SHGs remains the same with some minor modifications. Self Help Groups (SHGs) is generally economically deprived homogeneous group formed through a process of self-selection with members ranging between 10 and 20. SHGs have well defined rules and by-laws, hold meetings regularly and maintain records, savings and credit discipline

III.REVIEW OF LITERATURE

According to Karnagar (2009) microfinance on the lives of underprivileged rural had a great impact as till 31 March 2007 4160, 584 SHGs were maintaining savings bank accounts with bank with banking sector with outstanding savings of Rs. 351271 crore, thereby ensuring financial inclusion for more than 5.8 crore poor households within its fold. In this regard post offices, NGOs NABARD and other financial institutions plays a significant role towards poverty alleviation in the rural areas.

Nikhil (2009) in this study revealed that micro credit program have a strongly positive relationship with poverty alleviation, but laid stress that loan given authority should mean it. The study reveals that states like Bihar (including Jharkand), Uttar Pradesh (including Utrachand) and Madhya Pradesh (including chatisgarah) are with bulk of poor people, microfinance may suit then for improving in their socio-economic conditions and for poverty alleviation.

Deiningner and Liu(2009) Argues that Although there has been considerable recent interest in micro-credit programs, rigorous evidence on the impacts of forming self-help groups to mobilize savings and foster social empowerment at the local level is virtually nonexistent, despite a large number of programs following this pattern. The authors use a large household survey to assess the economic and social impacts of the formation of self-help groups in India. They find positive impacts on empowerment and nutritional intake in program areas overall and heterogeneity of impacts between members of pre-existing and newly formed groups, as well as non-participants. Female social and economic empowerment in program areas increased irrespective of participation status, suggesting positive externalities. Nutritional benefit was more pronounced for new participants than for members of pre-existing groups. Evidence of higher consumption—but not income or asset formation—by participants suggests that at the time of the survey, the program's main economic impact had been through consumption smoothing and diversification of income sources rather than exploitation of new income sources. Evaluation of such programs in ways that allow heterogeneity of program impact can yield highly policy relevant insights

Neeraj (2014) in this study reveals that the micro finance played a major role in the mobilization of savings and promoting economic development. In the post financial sector reforms (1991) phase, the performance and strength of the banking structure improved perceptibly. Financial soundness of the Indian commercial banking system compares favorably with most of the advanced and emerging countries. Since 1991, the size of the Indian economy in terms of GDP at market prices has increased by almost fifteen times, whereas the household financial savings have expanded by sixteen times and the gross domestic savings by almost seventeen times during the same period but in this growth the contribution of Rural India is negligible. There is the immense need of development in rural areas as without rural development India cannot become a developed economy this can only be achieved through micro financing and making rural population self dependent is revealed in this study In this study some of the major issues related to shaping the future development of the legal framework for microfinance in India have been discussed. It is observed in this study that Micro finance sector seems to grow and with no full stop in sight. The sector performed creditably in a year under study that experienced a widespread liquidity crunch. The Self Help Group (SHG)–bank linkage programmed, made remarkable progress during the year 2008-09 with 8% growth.

Belli and Raghavenra (2014) in this study reveals that Shri Kshetra Dharmasthala Rural Development Project (SKDRDP) played a vital role in rural reconstruction, agricultural Development, community development and rural development even during last three decades era in Karnataka state. After the introduction of microfinance through Self-Help Groups (SHG), they penetrated into each and every corner in India and actually the NGOs are responsible for converting the pilot project of microfinance into a major programme and the NGOs are responsible for making the microfinance through SHG as the largest programme in the world. This study analyses the role of SKDRDP in sustainable rural development through microfinance. The study reported that SKDRDP are playing vital role in the formation of SHGs and motivating women to join the groups and linking the groups with the banks for microfinance. But, SKDRDP played limited role in marketing the products of SHGs.

IV.OBJECTIVES OF THE STUDY

- (i) To analyze the progress of SHGs in Kashmir division with reference to India SHGs progress and development.
- (ii) To study the impact of Microfinance on **SHGs Social Empowerment** of SHGs in Kashmir division

Hypothesis

The following Hypothesis is formulated taking into view the objectives of this study

Null hypothesis

- a) (H₀): There is no significant improvement in overall Socio-economic empowerment of SHG Members after joining the microfinance programme.
- b) Null hypothesis (H₀): There is no significant improvement in overall Socio -political empowerment of SHG Members after joining the microfinance programme.

V.METHODOLOGY

Collection of data: The study was based on the critical analysis of the available of literature as well as on both primary and secondary data. For this purpose a primary survey was carried in Kashmir Division of the J&K State

Database:

Primary data: The primary data was collected through direct investigation method. For this purpose, a schedule type questionnaire was designed which was administered to the beneficiaries of the microfinance schemes in the Districts of Indian Regions ..

Secondary data: In order to supplement the data collected through primary sources , various secondary sources were also explored which includes studies conducted and published in various academic and research journals and reports, besides relevant information available in the magazines , news papers and web-sites. Information was also collected from published data of NABARD publications, State level Banker's committee report, Census reports, Economic surveys, Statistical Digests and various dissertation and papers. Data has been collected from directorate of Rural Development Authorities Kashmir (DRDAK), and Directorate of Statistics & Economics.

Findings of study

The study reveals the following impacts on the social-Economic and socio-political conditions of microfinance beneficiaries

A: Impact of microfinance on Socio-economic Empowerment

- Impact of microfinance on Living Standards
- Impact of microfinance on Education
- Impact of microfinance on Health and Hygiene

The variables in the Table 4.5 shows that water (mean difference .0458905, t 36.697), toilet (mean difference .0504356, t 53.175), electricity (mean difference .0498526, t 50.070), flooring (mean difference .0477105, t (41.707), cooking (mean difference -.0445947, t 30.825). house hold assets (mean difference .0508263, t 55.574) shows that statistically there is significant difference between pre and post in these variables. It specifies that the impact of microfinance is positive on living standards of microfinance beneficiaries after they join the program. The schooling (mean difference .0467368, t 33.917), children enrolment and dropout (mean difference .0046737, t -2.864) shows there is significant difference between pre and post in these variables, and it shows that program has a positive impact on education of Microfinance beneficiaries, However, the dropouts from the school has a less impact. The Hygiene (mean difference .0508263, t 55.574), Nutrition (mean difference, 0481000, t -37.630), shows that there is significant difference between pre and post in the variables of health and hygiene of SHGs beneficiaries. The sign values in all the variables shown in the table 4.5 are much below at 0.05 and hence null hypotheses is rejected and alternative hypotheses is accepted that there is positive impact of microfinance beneficiaries on Standard of living, Education and Health and Hygiene.

Table 4.5: Impact of Microfinance Living Standards, Education and Health and Hygiene

	Mean score before intervention	Mean score after intervention	Mean difference	Standard deviation	t	P. Value Sign (2 tailed test)
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Water	.055500	.009610	.0458905	.0210369	36.697	.000
Toilet	.055500	.005064	.0504356	.0160123	53.175	.000
Electricity	.055500	.005647	.0498526	.0168086	50.070	.000
Flooring	.051216	.003505	.0477105	.0193119	41.707	.000
Cooking	.050437	.005842	.0445947	.0244231	30.825	.000
Household assets	.055500	.004674	.0508263	.0154396	55.574	.000
Schooling pre	.051605	.004868	.0467368	.0232628	33.917	.000
Children enrolment and dropouts	.004868	.009542	.0046737	.0275497	-2.864	.004
Hygiene	.055500	.004674	.0508263	.0154396	55.574	.000
Nutrition	.051800	.003700	.0481000	.0215790	37.630	.000

Source: Field Survey

B: Impact of Microfinance on SHGs Social Empowerment

- Awareness (Finance and Economic affairs)
- Confidence and Participation
- Leadership and Problem Solving
- Recognition and Bargaining

The impact on the awareness in the Table 4.6 shows that 'awareness about insurance' mean difference (-.61194, t -20.515), awareness about bank deposit (mean difference -.39104, t -8.823), awareness about advance (mean difference -.40000, t, -9.962), awareness about Govt. schemes (mean difference -.32239, t --5.055), awareness about financial products (mean difference -.47463, t -7.033) Economic affairs (mean difference about -.71642, t -16.379) shows that there is significant difference between pre and post of these variables. The t value in all the variables in the table 4.6 is highly significantly at 5% level. It is shows that there is a significant improvement in the empowerment of SHG beneficiaries with respect to awareness of various financial matters.

Table 4.6: Awareness (Finance and Economic affairs)

	Mean score before intervention	Mean score after intervention	Mean difference	Standard deviation	t	P. Value Sign (2 tailed test)
Awareness about Insurance Pre and post	1.6985	2.3104	-.61194	.54595	-20.515	.000
Awareness about Bank deposits Pre and post	1.8179	2.2090	-.39104	.81117	-8.823	.000
Awareness about advances Pre and post	1.8507	2.2507	-.40000	.73493	-9.962	.000
Awareness about Govt. Schemes Pre and post	1.9522	2.2746	-.32239	1.16740	-5.055	.000
Awareness about Financial Products Pre and post	1.9075	2.3821	-.47463	1.23513	-7.033	.000
Awareness about Economic affairs pre and post	1.8299	2.5463	-.71642	.80056	-16.379	.000

Source: Field Survey

The table 4.7 reveals that 'Authority' (mean difference -.68955, t -18.484), satisfaction (mean difference -.74925, t -15.697) Public meetings (mean difference .73731, t -21.558), Gram Saba (mean difference -.77910, t-24.664) shows that there is significant difference between pre and post in the variable of confidence and participation of microfinance beneficiaries. The t values in these variables are highly significant; it reveals that program has proved successful in developing confidence and removing bashfulness among the beneficiaries.

Table 4.7: Confidence and Participation

	Mean score before intervention	Mean score after intervention	Mean difference	Standard deviation	t	P. Value Sign (2 tailed test)
Authority Pre and post	1.7910	2.4806	-.68955	.68279	-18.484	.000
Satisfaction Pre and post	1.7582	2.5075	-.74925	.87366	-15.697	.000

Public Meeting Pre and post	1.5999	2.3373	-.73731	.62599	-21.558	.000
Gram Saba Participation Pre and post	1.5940	2.3731	-.77910	.57818	-24.664	.000

Source: Field Survey

The (table 4.8 shows that Recognition in society (mean difference -1.44478, t -38.359), Taking decisions (mean difference -1.03284, t -23.472), Leadership in the society (mean difference -1.03284, t -23.472), Handling problems (mean difference -.87463, t -13.904) shows that there is a significant difference between pre and post variables of leadership and problem solving. The t values in the table 4.8 in the variables are highly significant. It means that there is positive impact on the political empowerment of SHGs after they join the program.

Table 4.8: Leadership and Problem Solving

	Mean score before intervention	Mean score after intervention	Mean difference	Standard deviation	t	P. Value Sign (2 tailed test)
Recognition in society Pre and post	1.2627	2.7075	-1.44478	.68937	-38.359	.000
Taking decision Pre and post	1.5045	2.5373	-1.03284	.80537	-23.472	.000
Leadership in the society Pre and post	1.3343	2.4269	-1.09254	.74249	-26.932	.000
Handling Problems Pre and post	1.7522	2.6269	-.87463	1.15133	-13.904	.000

Source: Field Survey

The table 4.9 shows that societal recognition (mean difference -1.22388, t -28.790), membership (mean difference -1.27761, t -30.590), Negotiating power (mean difference -1.31642, t -32.962) shows that there is significant difference between pre and post in the variables of Recognition and Bargaining power of SHGs beneficiaries. The t value in these variables are highly significant, it shows that there is a positive impact of microfinance on social recognition and negotiating power of the beneficiaries.

Table 4.9: Recognition and Bargaining

	Mean score before intervention	Mean score after intervention	Mean difference	Standard deviation	t	P. Value Sign (2 tailed test)
Societal Recognition	1.1910	2.4149	-1.22388	.77808	-28.790	.000
Membership	1.3134	2.5910	-1.27761	.76445	-30.590	.000
Negotiating Power	1.2597	2.5761	-1.31642	.73097	-32.962	.000

Source: Field Survey

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