

# Performance of Self-help Groups in Micro Finance

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## Abstract

Self-Help Groups (SHGs) emerge as an important strategy for empowering women and to alleviate poverty. India's SHG movement has emerged as the world's largest and most successful network. The main objective of this paper is to assess the study is conducted by using multi-stage random sampling method to collect primary data from the Akola District. The study revealed that Self-help group has earning on an average ₹ 14528/year to each member through dairy enterprise and ₹ 19600 thorough goats rearing. The study also concluded that on the extent of various levels of empowerment achieved by the members through their participation in SHGs. Personal, social, economic and financial empowerment were attempted which was possible due to microfinance.

**Keywords:** Microfinance, Self-Help Group, Women Empowerment

The promotion of agriculture and allied economic activities through credit intervention for ensuring sustainable development and securing the prosperity of rural areas is a prime objective of the government. In this direction formal credit institution have been guided by the central government to achieve the growth with equity and a large share of the credit (40 %) disbursed for various activities was channelized to the priority sector.

Microfinance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self- help movement.

Based on the concept of "self-help", small groups of women have formed into groups of ten to twenty and operate a saving-first business model whereby the members saving are used to fund loans. The results from these self-help groups (SHGs) are promising and have become a focus of intense examination as it is proving to be an effective method of poverty reduction.

First official interest informal groups lending in India took shape during 1986-87 when National

Bank for Agricultural and Rural Development (NABARD) supported and funded an action research project on saving and Credit Management of Self-help Groups' of Mysore Resettlement and Development Agency (MYRADA).

In 1988-89 NABARD undertook a survey of 43 Non-government Organizations (NGOs) spread over 11 states in India to study the functioning of SHGs and possibilities of collaboration between the banks and SHGs in the mobilization of rural saving and improving the delivery of credit to the poor (Borbora and Mahanta 2001).

Keeping in view the importance and also to examine whether the Self-help Groups has helped in the pursuit of economic empowerment or not, an Endeavour has been made to study the activities undertaken by SHGs members and economic empowerment brought about by this activities.

In view of the above present study entitled "Performance of self-help groups in micro finance" was undertaken with the objective to study the economics of selected activities and socio-economic empowerment of selected SHG member.

**Methodology**

The study was undertaken in Akola district of Maharashtra state. Four tahsil's namely Akola, Akot, Balapur and Barshitakli and one village from each tahsils were purposively selected for the study. A list of all the self-help Groups which have obtained loans under the Swarna Jayanti Gram Swarojgar Yojana (SGSY) was obtained from the District Rural Development Agency, Akola. Two farming related activities were selected for the studying their economics which were done by majority of the SHG's. The activities were Goat raring and Dairy enterprises i.e. economics of buffalo. Therefore, two SHG's from each village and in total eight SHG's were selected from all four tahsils. The primary data were collected personally and were recorded in pre-designed questionnaire proforma for the year 2013-14. The simple tabular analysis and standardized cost concept was used to accomplish the objectives.

**Economics of activities**

To ascertain the net return, the fixed and variable cost concepts were employed which are mentioned below.

**Variable Cost**

Paid out expenses like feed cost, hired labour, medicinal charges, miscellaneous charges (water charges insurance charges), and other paid out

expenses + interest on working capital @ 12% per annum included in variable cost.

**Fixed Cost**

All Goat and Dairy animal were grazing by conventional method as such there was no specific land for raising fodder crops therefore, there was no fixed capital investment on land. It includes only depreciation on animal shed and other assets + interest on fixed capital @ 10% per annum.

**Total Cost**

It includes Variable cost + fixed cost

**Gross Return**

It comprises the value of total product and by product which were sold out.

**Net Return**

It was calculated by deducting total cost from gross return.

**Benefit Cost Ratio**

The benefit cost ratio indicates the return on per rupee invested and it was calculated by dividing gross returns by total cost.

**Socio-economic Empowerment of SHG members**

For ascertaining the socio-economic empowerment, the Self-help group members asked their opinion

**Table 1:** Economics of dairy enterprise (per animal in ₹)

Sl. No.	Particulars	Akola	Akot	Balapur	Barshitakli	Overall
A	No of animal	3	3	2	4	3
B	Cost/SHG	35000	36000	35000	37000	35750
1	Variable cost	25280	24756	24789	25763	25147
2	Fixed cost	4800	4700	4800	4600	4725
3	Total cost	30080	29456	29589	30363	29872
C		<b>Total production</b>				
1	Milk (lit/lactation)	1900	1800	1900	1900	1875
2	Cost of milk (₹)	41800	39600	37900	41800	40275.00
3	Manures (₹)	1600	1800	1700	1900	1750
4	Young stock (₹)	2000	2800	2500	2200	2375
	Gross returns (₹)	45400	44200	42100	45900	44400
D	Net Return	15320	14744	12511	15537	14528
1	At variable cost	20120	19444	17311	20137	19253
2	B C ratio at variable cost	1.80	1.79	1.70	1.78	1.77
3	B C ratio at Total cost	1.51	1.50	1.47	1.51	1.49

through question to judge the socio-economic empowerment and the percentage distribution of the answer given by self-help group members along with their frequencies and presented in subsequent section.

## Results and Discussion

### *Economics of dairy enterprise*

The economics of dairy enterprises was calculated by using the variable cost and fixed cost concepts. The economics of dairy enterprise is presented in table 1.

It is observed from the table 1 that, the number of animals reared by the selected SHG are 3, 3, 2 and 4 in Akola, Akot, Balapur and Barshitakali respectively. In overall 3 animal was reared.

The Total cost required /SHG/animal was worked to ₹ 30080, 29589, 29589 and 30363 in Akola, Akot, Balapur and Barshitakali respectively. The gross return per SHG per animal was estimating by adding return from milk, return from manure and value of young stock. This was accounted to ₹ 44400 at an overall level. It is revealed from the table that per year on an average an amount of ₹ 14528 net return per animal was received in dairy enterprise. The total amount of ₹ 46584 was received from the milk of three buffalo which is the source of self employment to self-help group members

The benefit cost ratio was worked out by dividing gross return by total cost. It was estimated to 1.51,

1.50, 1.47 and 1.51 in four tahsils respectively at total cost whereas at variable cost it was found to 1.80, 1.79, 1.70 and 1.77 in Akola, Akot, Balapur and Barshitakali respectively.

### *Economics of Goat Rearing*

In goat rearing enterprises run by self-help group members were reared only for meat purpose. The goat of age two months were purchase from the market costing ₹ 575 per goat and all goats were sold at the end of the year the economics of goat rearing is presented in table 2.

It is seen from table 2 that the number of goat reared by selected SHG's was 16, 23, 33 and 24 in Akola, Akot, Balapur and Barshitakali respectively and at overall level it was 24.

The total cost per goat per year was ₹ 1460, 1320.03, 1275.55 and 1339.16 in Akola, Akot, Balapur and Barshitakali respectively. The gross return obtained per goat was ₹ 2110.56, 2140.38, 2167.12 and 2225.78 in Akola, Akot, Balapur and Barshitakali respectively. The overall level it was ₹ 2160.96. There was no production of milk towards all goat rearers under study. The receipt are mainly from sale of goat and sale of manure.

The benefit cost ratio was 1.45, 1.62, 1.72 and 1.66 in Akola, Akot, Balapur and Barshitakali respectively, from this one can say that the investment in goat rearing is financially feasible.

**Table 2:** Economics of Goat enterprise (per Goat in ₹)

Sl. No.	Particulars	Akola	Akot	Balapur	Barshitakli	Overall
A	No of animal	16	23	33	24	24
B	Cost/SHG	550	600	650	500	575
1	Variable cost	1100.00	1050.00	1000.00	1050.00	1050.00
2	Fixed cost	360.00	270.00	257.55	289.16	294.18
3	Total cost	1460.00	1320.03	1257.55	1339.16	1344.18
C		<b>Total production</b>				
1	Manures (₹)	125.00	130.00	100.00	125.00	120.00
2	Sale of Goat (₹)	1985.56	2010.38	2067.12	2100.78	2040.96
D	Gross returns (₹)	2110.56	2140.38	2167.12	2225.78	2160.96
E	Net Return	650.56	820.35	909.57	886.62	816.77
1	At variable cost	1010.56	1090.38	1167.12	1175.78	1110.96
2	B C ratio at variable cost	1.92	2.04	2.17	2.12	2.06
3	B C ratio at Total cost	1.45	1.62	1.72	1.66	1.61

**Loan distribution and repayment of selected SHGs (₹)**

The economics of loan disbursement and repayment of dairy enterprise is workout and presented in table 3.

**Table 3:** Loan distribution and repayment of selected SHGs (₹)

Sl. No.	Particulars	Dairy SHGs	Goat raring SHGs
1	Amount of loan taken	96525	12420
2	Interest for 1 <sup>st</sup> year @12 % annum	11583	1490
3	Total Outstanding	108108	13910
4	Amount of loan paid	45366	13910
5	Outstanding at the end of 1 <sup>st</sup> year	62742	—
6	Interest on outstanding @12% per annum	7529	—
7	Total outstanding	70271	—
8	Amount of loan paid	27625	—
9	Outstanding at the end of 2 <sup>nd</sup> year	42646	—
10	Interest on outstanding @12% per annum	5118	—
11	Total outstanding at the end of 3 <sup>rd</sup> year	47764	—

It is revealed from the table 3 that, for dairy enterprise the amount of loan burrowed by SHG members was ₹ 96525 @ 12% per annum, (Chincholkar, 2010). In dairy enterprise average herd size was 3 milch animal. The burrower repaid the loan in a span of three year as it is a long tern enterprise. In case of goat rearing amount of ₹ 12420 was burrowed by SHG’s for the enterprise and retuned at the end of the year with interest.

**Socio-economic Empowerment of SHG members**

The Socio-economic empowerment of the selected SHG,s members were analysed and presented in table 4.

Socio-economic empowerment of SHG’s member is one of the objective of present study. Self-help group members asked their opinion on the following question to judge the socio-economic empowerment and the percentage distribution of the answer

given by self-help group members along with their frequencies are presented in table 4.

**Table 4: Socio-economic Empowerment of SHG members**

Sl. No.	Empowering activities	Total score	Contribution
1	Overcoming the resistance from members of the family to join SHG	120	100
2	Increased participation in decision making within household to issues that were usually considered outside the domain of woman	93	77.50
3	Improved status and increased respect in household	102	85.00
4	Feeling fearless, open and confident	115	95.83
5	All group members learn to sign their name and some have joined adult literacy program	102	85.00
6	More mobile, can move out of the house and the village more frequently	97	80.83
7	Awareness about government program due to their exposure and can apply for their own betterment and benefit of the community	64	53.33
8	Active decision to send their children to school	112	93.33
9	Employment generation through SHG	120	100.00
10	Confident for income generation	120	100.00
11	Change in standard of living	102	85.00
12	Ability to face problems	84	70.00
13	Knowledge and confidence of Marketing	112	93.33

It is revealed from table, that overcoming resistance from members of family to joined SHG, employment generation through SHG’s and confident for income generation activities were agreed by 100% SHG members. The 95.83% member are in agreement with feeling fearless, open and confident while, 93.33% SHG members agreed that active participation in decision to send their children to school and knowledge and confident of marketing are their achievement through self-help group. 85% member are of the opinion that their status and respect has increased they are able to signed and standard of living has been increased (Madheswaran and Dharmadhikary, 2001).

## Conclusion

Self-help group has help in earning on an average ₹ 14528/year to each member through dairy enterprise and ₹ 19600 thorough goats rearing. The achievement through self-help group is confidence in marketing, income generation, decision-making and elevation in socio-economic status which has empowered the self-help group women.

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