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ROLE OF MICRO FINANCE FOR RURAL DEVELOPMENT WITH SPECIAL
REFERENCE TO SHGs IN TIRUNELVELI DISTRICT

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Abstract

Finance helps the poor catch up with the rest of the economy as it grows. Finance also helps extend the range of individuals, households and firms that can get a foothold in the modern economy, and it reduces damaging concentrations of economic power. There was a need for an innovative programme for credit which must be collateral free, flexible and must fulfill the needs of underprivileged classes. It was also realized that majority of the poor people were ignored by most of the programmes, so they remained laggard and less participative in poverty alleviation processes. In India there are certain misconceptions about the poor people that they need loan at subsidized rates of interest of on soft terms; they lack education, skills, capacity to save credit worthiness and therefore are not bankable. Nevertheless, the experiences reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy. Meanwhile, to compensate for the relative lack of success with which formal banks have been able to serve the poor, new microfinance approaches are being developed.

Microfinance in India is mainly provided through Self-Help Groups (SHGs), Microfinance Institutions (MFIs) and some other methodologies. The network of many financial institutions like public and private sector commercial banks, co-operative banks, regional rural banks and MFIs is used to provide microfinance to the poor people in India.

INTRODUCTION

Development of a country will move on the development path if all the citizens are involved in the development process and enjoy good standard of living by having access to basic amenities of life such as food, clothing,

housing, health, clean water, education, employment and good natural and social environment. But, if the people of a country are poor they will think about earning their livelihood only and their inclusion in the progress of nation will be miles away. India is a developing country in which about 30 per cent of its total population still lives below poverty line, It means more than 2/3 of the total population still lives in rural areas; hence the prosperity of India lies in the prosperity of its villages. Even though the Indian Economy is experiencing a GDP growth rate of about seven percent, almost a third of the rural and a quarter of the urban population is still living below the poverty line. These poor people are malnourished and most of them are unemployed. Rural credit can be one important means in alleviation of poverty. A governing body of research from around the world shows that well developed and inclusive financial systems are associated with faster growth and better income distribution.

Microfinance is considered as a development tool to alleviate poverty in Asia, Africa and South American countries. Microfinance gives quick and tangible results to the poor people, especially women. Microfinance, when extended to people, especially women, in rural areas coupled with supporting activities like training, raw material supply, marketing of products leads to investment in micro enterprises, women may become entrepreneurs, generate main or additional income to the family, poverty is reduced, and development takes place and the women get the self confidence to go for enterprising activities with social, economic, and political empowerment and with her increased knowledge and awareness, development takes place. When the groups of people join as a group and are provided with empowerment leads to social and economic development in a holistic and sustainable manner.

Micro-finance has profound implications not just from a finance perspective, but also from the perspective of economic and social development. Microfinance has overturned established ideas of the poor as consumer of financial services, shattered stereotypes of the poor as not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of “social investment” for the poor. Microfinance is believed to be a tool to generate income and employment and alleviate poverty especially in the developing countries. The approach is accepted by the World Bank and other financial institutions as an important tool for poverty eradication and enhancement of living standards, particularly those of women. Moreover, microfinance has come to be regarded as a supplementary development tool that widens the financial service institutions through self-help groups (SHGs).

STATEMENT OF THE PROBLEM

Indian Villages are faced with problems related to poverty illiteracy, lack of skills health care etc. These are problems that cannot be tackled individually but can be better solved through group efforts. Today these groups known as Self-help groups have become the vehicle of change for the poor and marginalized. Self-help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide.

Rural Development is a very dynamic process which involves in improving the socio cultural, environmental, political and economic well-being of the rural poor living in relatively isolated areas. In a country like India where majority of the people are living in rural areas, the concept of rural development assume great significance. Providing economic support or loans to the rural women helps them to empower, not only economically but also socially, further this strengthens the whole society in general. Hence, the present study is placed in this context to examine the relationship between Self Help Groups and socio-economic development of rural community in general and women in India and also to suggest suitable measures for the effective improvement of functioning of SHGs in improving the socio-economic conditions of the rural people. The self help group SHGs approach is a new instance into the field of rural development which aims at improving the living condition of the rural poor by creating sustainable community based institutions.

In the development paradigm, microfinance has evolved as a need-based programme for empowerment and alleviation of poverty to the so far neglected target groups (women, poor, deprived etc.). It has also become one of the most effective interventions for economic empowerment of the poor. Poverty eradication is the major task of the Government. The Government of India, through the Ministry of Rural development, has implemented a number of poverty reduction programmes to bring rapid growth to the economy. These programmes have reduced poverty to a considerable extent. But in absolute terms, still a large number of people are in poor state. It remains as a major problem confronting rural development. Even after sixty years of independence, a quarter of population remains below poverty line. The level of poverty reduction during the last three decades is less than one million per year. At this rate, it will take 300 years to eliminate poverty in the country.

Self- help groups (SHGs) play today a major role in poverty alleviation in rural India. A Growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit, as well as in other activities like income generation, natural resources management, literacy, child care and nutrition, etc. The savings and credit focus in the SHG is the most prominent element and offers a chance to create some control over capital, albeit in very small amounts. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation. Almost all major donor agencies support SHGs in India in one way or another and many Success stories are available, describing how membership in a SHG changed the life of a particular individual or group for the better. Many NGOs in India are promoting the SHG mechanism and linking it to various other development interventions. Whereas there is ample evidence that the SHG approach is a very effective, efficient and relevant tool for organizing and empowering the poor, problems do arise with design, development and introduction of programmes to promote income generating activities (IGAs) that will generate sufficient,

sustainable and regular income. There are few documents available that critically reflect on the role of SHGs in the wider rural economy.

NEED OF THE STUDY

Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation.

Micro-finance programmes not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organised groups. Although no ‘magic bullet’, they are potentially a very significant contribution to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening. Through their contribution to women's ability to earn an income these programmes have potential to initiate a series of ‘virtuous spirals’ of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviours as an essential component of achieving gender equality. Thus keeping all this in mind the researcher decided to conduct a study on the topic **“ROLE OF MICRO FINANCE FOR RURAL DEVELOPMENT WITH SPECIAL REFERENCE TO SHGs IN TIRUNELVELI DISTRICT”**

SCOPE OF THE STUDY

This study helps the researcher to find the role of microfinance in rural development and to provide valuable suggestions and recommendations to needy. It will be useful to the researcher to collect data on the progress of microfinance programme in the respective region and categories the pros and cons of it and helps to understand the microfinance services provided at different institutional level. The study paves way for further research in the development of micro finance, role of NGOs and voluntary organizations in sustainable rural development, marketing of products of SHGs, training and its effectiveness in group management and income generating activities, sustainable alternative livelihood practices brought by micro finance through SHG, micro finance and MDG and role of micro finance in rural development in the context of the emerging threats of globalization.

OBJECTIVES OF THE STUDY

The study entitled **“ROLE OF MICRO FINANCE FOR RURAL DEVELOPMENT WITH SPECIAL REFERENCE TO SHGs IN TIRUNELVELI DISTRICT”** made an attempt to study on the role of micro finance through SHGs in rural development of Tirunelveli District. Following are the Objectives:

- To study the demographic profile of respondents (SHG members) in the study area
- To study the profile of the financial service providers of SHGs in the study area

- To analyse the awareness level of SHG members towards micro finance in the study area
- To know the problems faced by SHG members in the availing financial assistance in the study area and the problems faced in the group as a member.

METHODOLOGY

- Selection of the Sample
- Formation of the Questionnaire
- Collection of Data
- Consolidation of Data
- Analysis of Data

Selection of the Sample: In the primary stage of methodology is related to selection of the sample. This study will be conducted among the Self Help Groups found in Tirunelveli District. Among the members in each SHGs sample respondents are to be selected based on the Stratified Random sampling method.

Formation of the Interview schedule: The second stage of methodology is related to the formation of Interview schedule to obtain necessary particulars pertaining to the study.

PILOT STUDY: The tools for collecting primary data were constructed by the researcher. Casual Interviews were conducted with fifty members from ten different SHG in Tirunelveli District in order to find out the variables of the study. The NGOs, Government agencies and the Banks (financial support providers) in the district were also consulted for the purpose of gathering the required information for constructing the Interview Schedule. The pilot study conducted covered fifty members of SHG in the District. In the light of the pilot study, the Interview Schedule was revised.

Collection of Data (Methods of data collection): There are two major approaches for gathering data. Primary data and Secondary data

Primary data: The primary data were collected by interviewing the members SHGs and the financial service providers with the help of the Interview Schedule.

Secondary data: The secondary data required for the study were obtained from various published and unpublished records, annual reports, bulletins, booklets, journals, magazines, etc., and downloaded materials from internet services. The researcher held discussions with the NGOs, government agencies and the banks linked with SHGs in Tirunelveli district.

Consolidation of Data: The collected data will be consolidated in the form of schedules for the purpose of interpretation; tabulation and formation of master table for analysis purpose. After the classification, the data will be processed (analysis) by using various statistical tools and diagrammatic illustration.

Analysis of Data

The following tools were applied to analyse the data

- **Simple percentage Analysis :** Helps to simplify the collected data, All the data collected through the Questionnaire and interview schedule was converted to percentage, one main reason is many of the tool in the statistics rely upon

percentage and next when data is converted to percentage it is easy to understand and draw inference.

- **Reliability test:** helps to measure the internal consistency, test is mainly used for Likert scale to find out reliable or not, low reliable factors should be removed.
- **Weighted Average Score (WAS):** has helped to evaluate how well a particular item discriminates between those particulars whose total score is high and those whose score is low.
- **Simple Ranking:** was adopted to find out the top ranked and least ranked variable out of the list of variables and this helps to find out which variable is responsible for a particular activity.
- **Chi-Square:** was employed to know whether the attributes are associated with each other.
- **ANOVA:** Analysis of variance- t test and f test are performed here; it is another statistical technique that it is used to make multiple comparisons. This is common throughout statistics, as there is many times where we want to compare more than just two groups. Determines whether there is any statistical significant difference between the means of three or more independent and dependent groups.
- **Pearson's Rank Correlation:** This tool is a measure of correlation that exists between the two sets of ranks, it is a measure based on the observation and not on the numerical values of the data. Measures the strength and direction of association that exists between two variables.
- **Regression analysis:** Next step to correlation, it predicts the value of one variable on the value of another variable and helps to associate that variables.
- **Factor Analysis:** Correlation Matrix was used to find out the degree of relationship of variables on one and each other. Principal Component Analysis and Varimax of Orthogonal Rotations Method were used to find out the Eigen values and loadings of development factors respectively. Eigen value is 1. Before using the Factor Analysis, Kaiser-Meyer-Olkin and Bartlett's Test were used to find out the sampling adequacy.
- **Statistical Diagrams:** For diagrammatical representation of data this tool was adopted, even a layman can understand the data if it is presented diagrammatically. It is also considered as one of a statistical tool for doing analysis.

FRAMED HYPOTHESIS

- **Ho:** There is no significant relationship between the demographic profile of respondents and SHGs performance.
- **Ho:** There is no significant relationship between the profile of financial service providers and SHGs achievement.
- **Ho:** There is no significance relationship between financial service providers and SHGs
- **Ho:** There is no significant relationship between SHGs and rural development.

NB: Other Hypothesis was framed in the analysis process then and there.

LIMITATIONS

- The study is confined to the respondents (members) of Tirunelveli district only.
- This study has restricted respondents as the members of SHGs and the heads of financial service providers only.
- Not all the SHGs have been taken for the study, only a few that are registered were taken.
- The study is individual member oriented and factors selected are personal in character.
- The primary data were collected through interview schedule method which is subjected to recall bias. However, sufficient care was taken at every stage to reduce the error through cross checks.
- As the present study is restricted only in Tirunelveli District, the results of the study cannot be generalised to other Districts in Tamil Nadu or other States of India.

PROFILE OF THE RESPONDENTS - LEADERS of SHGs

Age of respondents

Distribution on age of respondents

Sl.no	Particulars	No. of respondents	Percentage
1.	Below 35 years	64	15
2.	36-45	108	25
3.	46-55	116	27
4.	Above 56 years	137	32
Total		425	100

Source: Primary Data

From the above table it was clear that out of 425 respondents taken for the study it was found that majority of the respondents fall under the age group above 56 years 137(32%) followed by 46-55 years 116(27%), 36-45 years 108(25%) and below 35 years 64(15%). This findings is for the study taken it does not mean that SHGs are only for elderly people, it was found that some groups had only elder population some younger population and a few mixed of both.

Education qualification of respondents

Distribution on Education qualification of respondents

Sl.no	Particulars	No. of respondents	Percentage
1.	Read & write	39	9
2.	Primary	42	10
3.	Secondary	126	30
4.	Higher secondary	121	28
5.	Above Higher secondary	97	23
Total		425	100

Source: Primary Data

From the above table it was found that out of 425 respondents taken for the study majority of the respondents fall under the category secondary 126(30%) followed by higher secondary 121(28%), Above Higher secondary

97(23%), primary 42(10%) and read & write 39(9%). It was found that only bold, brave and educated people are elected by the group members as leaders once in three or five years.

Marital status of respondents

Distribution on Marital status of respondents

Sl.no	Particulars	No. of respondents	Percentage
1.	Married	323	76
2.	Unmarried	102	24
Total		425	100

Source: Primary Data

From the above table it was evident that out of 425 respondents taken for the study majority of the respondents are falling under the category married 323(76%) and unmarried 102(24%), here unmarried include spinsters, widow and divorced.

Occupational status of respondents

Distribution on occupational status of respondents

Sl.no	Particulars	No. of respondents	Percentage
1.	Agriculture	48	11
2.	Service	68	16
3.	Business	142	34
4.	Self – employment	164	39
Total		425	100

Source: Primary Data

From the above table it was clear that out of 425 respondents taken for the study majority of the respondents are self employed 164(39%) followed by business 142(34%), service 68(16%) and agriculture 48(11%). Here most of the leaders have occupation of their husband or the family and only a few their individual occupation the reason is the leader is also judged looking unto their family background where her family will also help in the functional process of the leader.

Family income of respondents

Distribution on family income of respondents

Sl.no	Particulars	No. of respondents	Percentage
1.	Below Rs.15000	69	17
2.	Rs.15,001 - 30,000	140	33
3.	Rs. 31,001 - 60,000	105	24
4.	Rs.60,001 & above	111	26
Total		425	100

Source: Primary Data

From the above table it was found that out of 425 respondents taken for the study it is found that majority of them fall under the category Rs.15,001 - 30,000 140(33%) followed by Rs.60,001 & above 111(26%), Rs. 31,001 - 60,000 105(24%) and Below Rs.15000 69(17%). In selecting a leader family background and family income is given more importance than an individual's monthly income.

Conclusion

It is evident from the study that microfinance empower on the ground of economic, social, political and also helpful in increasing the self confidence level of the participant. In the study area it is also found that microfinance has helped in development and has enabled the poor to expand and diversify their enterprises and also increase their income level. Micro financing through Self Help Group is undoubtedly contributing significantly in poverty alleviation and empowerment of the poor. Providing different capacity building training, providing different exposures and demonstration and empowering them to achieve their choices and opportunities is the definite way to contribute to the economic growth and the overall development. The present study is conducted to measure the performance of the microfinance through SHGs. It is evident from the study participant started to make saving monthly, increase their saving in comparison with the saving made at the time of joining of the group, increase availability of the fund, increase sources of fund, increase in income by utilizing funds provided by the groups, awareness related to the education of children is increased, participant are now discussing matters related with social and as well economic development.

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