



## IMPACT OF MICRO FINANCE ON SHG'S CASE STUDY OF NALGONDA DISTRICT

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### **Abstract**

*This study focuses on self-help groups and their involvement in microfinance. Today, the financial world is an extensive source of supply and production factors for capital for the economy by country, work and organization. An entrepreneur makes a living from business, profession or opportunities, but it is very difficult to get involved in a small, large or key industry. India is a multi-city country with 85% of the population living in rural areas. To meet supply and prosperity, we need small financial resources such as microfinance, informal rural loans, small sectors, etc. White bankers ignored or avoided these small, informal sectors from the beginning to increase their resources and improve their lives. It was not until the 1980s that the national banks began to show a patriarchal approach to these issues, which undoubtedly made up the bulk of GDP and accelerated our country's growth.*

### **Introduction**

#### **The concept of social capital and SHG process model**

Achieving sustainable development requires a good understanding of the exact nature of social capital formation and its role in promoting local development activities, as well as the interplay between new organizations and old formal networks. Ever-growing social capital is a necessary contribution to sustainable development. This section focuses on social capital and the SHG process model.

#### **The concept of social capital**

The concept of social capital has given the development discourse a new dimension. Putman (1993) equates social capital with "these" characteristics of social organization, such as trusts, rules and networks that improve the efficiency of society by initiating coordination. Unlike the results of these development paths, the concept of social capital can best be seen in the processes that drive societies along specific development paths. As with other types of capital, the goal is to raise wealth. That's probably why they hurt so much (Chopra.k.2002).

The basic promise with an organizational perspective is that an organization influences what people think, can and want or may do. An organization is a structure that consists of social interactions that regulate the processes of social interaction and give them meaning.

#### **SHG process model; Levels and their effects.**

The SHG process model includes, on the one hand, different substances and, on the other hand, different areas (regions or borders) (environments) of society where SHG can be influenced. Ingredients can be classified as: SHG members (and their families), institutional group, village association, Panchayat Raj organization, external institutions, non-governmental organizations, government institutions, etc., financial institutions (state banks, credit unions, cash savings, banks, refinancing institutions). , in particular microfinance organizations, etc.). The structure can begin with a central circle and be represented by central circles representing (2) parts of the GAA (1) as the organizational group and external actors (Figure 1), the four spheres of social expression. Here it is affected by SHG in the form of four segments (see below (concentrated circles)). The first is the economic aspect, which includes natural resources, labour, capital, infrastructure, technology, etc. The



second is the socio-cultural aspect, which has a social structure and dynamism. Perspectives on human nature, religion, gender, roles, temporal and spatial orientation; Third policy, including language, etc., stability, ideology, organizational geopolitical relations, etc. Fourth population, population growth, age structure, urbanization, immigration, health, etc.

### **Microfinance and ATMs**

While technological innovations make our world smaller and our production systems more efficient, the benefits of economic growth and development generally do not reach all sections of society. One of the main goals of development efforts is to eradicate poverty through grants and institutional loans.

An overview of rural development programs and the credit system shows this in recent years. No significant progress has been made in the areas of poverty or rural development. Neoclassical economists analyzing rural financial markets in developing countries attribute this to the inability of institutional authorities to work effectively with the poor, primarily through cheap and discounted credit. (Adam, 1984). For them, the high marginal costs associated with serving a large number of small borrowers with low credit needs have failed due to institutional incompetence.

### **Organization of groups**

To facilitate the initial mobilization of the poor, NGOs initially focused on specific issues directly related to the poor, such as self-interest exploitation, regular migration in search of work and loans to small businesses. , Supply of raw materials, etc. The first efforts aimed to evoke a new awakening of the target group, namely small farmers, landless workers in rural areas, underdeveloped classes and SK / ST. Many instruments were used, such as informal education, informal discussions, games and puppetry. Programs such as opinion formation, medical help and financial support are often used to gain the target group's trust during difficult times. This preparatory phase of sensitization by various sensitization and fixation methods lasted a long time, sometimes more than 2 years. At this stage, NGOs can build relationships with target groups that they have known from the beginning. Initiate a collective reflection on common problems and suggest solutions based on the group's efforts. In short, the group formation process takes time.

### **NGO experience**

The credit system, which consists of formal institutions such as commercial banks and cooperative and informal institutions such as financial leaders, has failed to meet the credit needs of the poor. Creditors are limited by for-profit developers, bank structures and political accounts, and cooperatives are plagued by diversity of members, decentralization, political interference and government regulation. In search of alternatives, NGOs have found small groups of women who can save as little as possible each week. Some charities have also discovered that women collect and grow fists of rice every day to meet the growing needs of a hungry family. These women have made rules to prevent withdrawals until they voluntarily reach a certain amount. But there are times when some team members need a lot of money and need a little more time to save. With money in the group, it was not wrong to advance the fund after the other group members confirmed the need and agreed on the interest rate, payment method and payment date. There are other small functional groups in NGO activities, so NGOs began working with these socially viable groups and directly with individuals.



## Objectives of the study

1. To review the existing literature on micro-finance and SHGs.
2. To study the Micro finance institutions –role of NGOs in SHGs
3. To study the Self-Help Groups in India, Telangana and Nalgonda district

## To observe the role of SHG as a whole

To examine the above objectives the present study would like to take the Nalgonda District as case study by selecting about 200 sample households comprising different social categories and group members of NGOs and SHGs. For analyzing the objectives structured questionnaire will be prepared for collection of information from the selected households. The collected information will be tabulated and analyzed by using simple averages, percentages and ratios etc.

### a. Methodology of the study

#### a) Area of the Study

The Telangana region of Andhra Pradesh consists of 10 ten districts namely Warangal, Nalgonda, Nizamabad, Khammam, Karimnagar, Mahabubnagar, Ranga Reddy, Hyderabad, Adilabad and Medak viz. Among the 10 districts, the Nalgonda district selected as the area of study for this study.

#### b) Sampling Procedure:

The total number of beneficiaries treated as the universe for this study. A list of 284 samples drawn from the universe by following simple random method of sampling technique.

#### c) Methods of Data Collection:

- i. Primary data** An Interview Schedule developed to collect the primary data from the field. The schedule consists various inventor's namely socio-economic conditions, membership and participation in Self Help Group activities, and problems and prospects related to micro-credit system thoroughly developed by reviewing extensive studies.
- ii. Secondary Data:** Secondary data is collected with the help of following sources:
  - a. Encyclopaedia:** Encyclopaedia was used to know the details of the Self Help Group.
  - b. Reference Books:** The researcher has referred various regarding related to SHG in developing nation, project, initiative, technical problems in implementation of Self-Help Group etc.
  - c. Journals & Newspapers:** Various research papers and journals were referred
  - d. World Wide Web:** World Wide Web was viewed for understanding the government policies for implementation of Self-Help Group.
  - e. Government Diaries & Reports** - Government Diaries & Reports were observed for understanding the government strategies for implementation of Self-Help Group.

#### d) Data Classification and Analysis

Collected data classified and coded with reference to objectives and hypotheses of the data, further several statistical techniques like mean, mode, median, percentages, ratios applied wherever there are meaningful and related to derive the rational inferences.

#### e) Scope and Period of Study: -

In the present study we have to study various micro finance and rural development programmes in Nalgonda district. However, for detailed investigation we have restricted our scope on



Nalgonda district. We will study extent of gender disparity in different spheres and find out. Also, whether the policy related to woman has achieved desired objective. The period of study is 2015-2016 to 2019-2020.

**f) Nature of data: -**

This study is based on the secondary data. We have collected the secondary data from various sources viz. Magazines, Social, Economic and Political Weekly, Reports, Review of Literature and Analysis of secondary sources, Government Documents, Census Reports, Authorized Information, research papers, Monographs and record sources and other unpublished work such as unpublished thesis and Websites etc. The processed data has presented in the form of Tables, Graphs, Maps and Diagrams etc.

**g) Sources of Data**

To refute or validate the hypotheses the researcher collected data through survey research. Primary data was collected through survey of literate, semi-literate and non-literate women in Nalgonda district. This was supplemented by secondary sources that include books, journals and web references.

In all 284 respondents from the age group of 20 to More than 50 years were administered structured questionnaire. The sample was selected using stratified random sampling - stratified on the basis of education, income, social background, employment / vocation and geographical area.

## **Perceptions of the sample respondents**

### **Introduction**

The study examined the impact of microfinance activities by SHGs in Nalgonda District of Karnataka State. As the topic chosen demanded both (i) Primary Data, Secondary data. The primary data is obtained by way of a detailed field study taken up in all the five mandals of Nalgonda district (Nalgonda, Munugodu, Narketpally, Chityala and Kattangur mandals). In the study area there are 23620 SHGs as on 31.03.2016, 237 no of respondents are chosen from 10 villages and 26 SHGs from all the five mandals. As majority of SHGs are women SHGs in Nalgonda District around 245 women members were interviewed in detail and information is collected in designed schedule. 39 men members available were also interviewed and data is collected. Suitable tools were used for data analysis such as descriptive statistics, crosstabs, Chi-square test and correlation methods have been applied to find out, the role of Self-Help Groups on the lives of poor rural people both in economic and social aspects, in the study area. Inference drawn thereon may be guiding principles to the Government and other stakeholders. The primary data collected from the field has been compiled and analyzed by using statistical method.

Whereas secondary data collected from the Office of DCC Bank, Nalgonda, Micro Credit Division, Nalgonda District at Glance Handbook, Primary Agriculture Credit Cooperatives Government Reports, etc.

### **1. Statistical tools used**

To fulfill the objectives of the study, Descriptive statistics, Percentage analysis, and Chi-square test were used (Qualitative Data Analysis). To test the above hypotheses, following analysis were carried out.



### 5.1. Demographic Information

- **Objective:** To find out demographic profile of the sample respondents

**Table No – 1, mandal wise respondents in Nalgonda district**

Sl. No.	mandals	Frequency	Percent
1	Kattangur	44	15.5
2	Chityala	87	30.6
3	Narketpally	26	9.15
4	Nalgonda	72	25.4
5	Munugodu	55	19.4
<b>Total</b>		<b>284</b>	<b>100.0</b>
<b>Gender composition</b>			
Sl. No.	Gender	Frequency	
1	female	245	
2	Male	39	
<b>Total</b>		<b>284</b>	<b>100.0</b>
<b>Religion</b>			
Sl. No.	Religion	Frequency	Percent
1	Hindu	200	70.4
2	Muslim	65	22.9
3	Christian	19	6.69
<b>Total</b>		<b>284</b>	<b>100.0</b>
<b>Caste of the respondents</b>			
1	SC	57	20.1
2	ST	37	13
3	OBC	101	35.6
4	Others	89	31.3
<b>Total</b>		<b>284</b>	<b>100.0</b>
<b>Economic status of the respondents</b>			
1	BPL	235	82.7
2	APL	49	17.3
<b>Total</b>		<b>284</b>	<b>100.0</b>

Source: primary data

The above table reveals that the mandal wise composition of respondents in Nalgonda district. Majority of the 77 (32.9%) respondents selected from the Chityal mandal. There are 62 (26.5%) respondents selected from the Nalgonda mandal. Around 45 (19.3%) respondents selected from the Munugodu mandal. There are 34 (14.5%) respondents selected from the Kattangur mandal. The remaining 16 (6.8%) respondents selected from the Narketpally mandal.

The table no 5.2 Shows the gender composition of respondents. Majority of the 245 (86.3%) respondents were female. The remaining 39 (13.7%) respondents were male.

The above table exposes that the religion wise composition of respondents in Nalgonda district. Majority of the 200 (70.4%) respondents were belongs to the Hindu. There are 65 (22.9%) respondents were belongs to the Muslim. Around 19 (6.69%) respondents were belonging to the Christian.



Table No - 5.6 presents the composition of economic status of the respondents. majority of 82.7% of the respondents were belongs to the category of below poverty line (BPL), the remaining of them were comes under Above Poverty Line (APL).

**1. Opinion of sample Regularity in attending meeting**

Chi-Square Test		
Chi-Square value	df	P-value
252.901	1	0.000 <0.05*S

- Calculated Chi-square value 252.901
- Table Chi-square value 3.841

Here calculated Chi-square value was greater than table value. Hence it is significant at 0.05 level of significance and concludes regularity in attending meeting of SHG Members.

**2. Opinion of sample SHGs on credit delivery to the group by NGOs**

Chi-Square Test		
Chi-Square value	df	P-value
180.556	2	0.000 <0.05*S

- Calculated Chi-square value 180.556
- Table Chi-square value 5.991

Here calculated Chi-square value was greater than table value. Hence it is significant at 0.05 level of significance and concludes that Collection of Savings by SHGs Is mostly deposited by the member in group meeting on fixed date of SHG Members.

**3. Utilization of Group Fund**

Chi-Square Test		
Chi-Square value	df	P-value
370.486	2	0.000 <0.05*S

- Calculated Chi-square value 370.486
- Table Chi-square value 5.991

Here calculated Chi-square value was greater than table value. Hence it is significant at 0.05 level of significance and concludes that Utilization of Group Fund is used mostly Less than 0.5 of SHG Members.

**4. Opinion of the SHGs on the Supportive Services of NGOs Regarding**

Chi-Square Test		
Chi-Square value	df	P-value
414.451	3	0.000 <0.05*S

- Calculated Chi-square value 414.451
- Table Chi-square value 7.815



Here calculated Chi-square value was greater than table value. Hence it is significant at 0.05 level of significance and concludes Opinion of the SHGs on the Supportive Services is highly helpful NGOs of SHG Members.

### 5. Source of Repayment of Loan

Chi-Square Test		
Chi-Square value	df	P-value
49.106	2	0.000 <0.05*S

- Calculated Chi-square value 49.106
- Table Chi-square value 5.991

The calculated Chi-square value was greater than table value. Hence it is significant at 0.05 level of significance and concludes Source of Repayment of Loan is significant of SHG Members.

### 6. Borrow to make Repayment

Chi-Square Test		
Chi-Square value	df	P-value
381.746	3	0.000 <0.05*S

- Calculated Chi-square value 381.746
- Table Chi-square value 7.815

Since calculated Chi-square value was greater than table value. Hence it is significant at 0.05 level of significance and concludes Borrow to make Repayment is significant of SHG Members.

### Summary

This article reveals that "respondent awareness sample", including the socio-economic status of respondents. Includes the group's formative age, number of SHG members, nature of SHG members, number of meetings attended that month, regularity of meeting attendance, Opinion of sample Regularity in attending meeting, credit delivery to the group by NGOs, Utilization of Group Fund, Opinion of the SHGs on the Supportive Services of NGOs, Regarding, Source of Repayment of Loan, borrow to make Repayment.

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