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PATTERN OF ASSET HOLDING, INCOME, EXPENDITURE, SAVINGS, INDEBTEDNESS AND ROTATING OF SAVINGS THROUGH MICRO CREDIT IN SHG MEMBER FAMILIES IN RAMANATHAPURAM AND THOOTHUKUDI DISTRICTS OF TAMIL NADU

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Abstract

Self Help Groups (SHGs) are the predominant micro credit / micro finance model in India. It has been clearly established that SHGs act as an instrument for poverty alleviation. SHG formation is one of the many intervention strategies for income and employment generation, enhanced savings and capacity building. This research paper analyzes the extent of assets and net worth among various age categories of SHGs and it is revealed that the value of both movable and immovable assets has substantially increased for people after joining the self help groups. The study also concludes that income of the SHG member's family increased substantially with longer periods of association of the member with the SHG. Similarly there has been significant increase in total family expenditure among members of all age categories of SHGs. In respect of savings of members, with longer periods of association of a member with the SHG, propensity to save increased substantially. It is also revealed that senior SHG members borrowed move than late entrants and invested the credit in their income generation activities. Money lenders have been wiped out of the community's credit market as only less than two per cent of the credit requirements came from them during the post-SHG periods. The SHGs, by rotating their savings among members as micro credit, functioned as a village level bank by itself.

Introduction

SHG model implies a number of individuals, preferably from same gender – as mixed group is a rare one – come together to resolve various socio economic and other issues like livelihood portfolios, savings etc. SHG model works on the principle viz., self help is best, unity is strength, united will stand and divided will fall, and we can make our own bank.

SHG is a group of few individuals – usually poor and often women – who pool their savings into a fund from which they can borrow as and when necessary without any collateral. Such a group is linked with a bank or cooperative where they maintain a group account. Members save small amounts regularly and contribute it to a common fund. They take decisions collectively and solve conflicts through collective leadership and mutual discussion. Funds of SHGs – accrued to them through periodic and regular savings of members – grow at phenomenal rates and have a cascading effect on the lives of members as more money is available to them for investing in income generation activities. They need not depend wholly on external credit market. Internal lending enhances employment generation, augments family income, increases productive expenditure, increases family savings, all of which eventually reduce poverty levels of members in the post SHG period.

SHGs have thus been performing better as provider of financial services in terms of augmenting savings, lending and ensuring loan recovery.

Review of Literature

Duggal, Ananth and Sahoo (2002) stated that in India, micro finance programmes have a significant impact on risk mitigation, increase in income and asset positions, increase in productive assets and increase in social status of poor households.

Thelma Kay (2003) observed that micro credit programmes had played a valuable role in reducing the vulnerability of poor through asset creation, income and consumption smoothing, provision of emergency assistance and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge. The author also observed that women who generated income through self-help groups reported that they had gained greater respect within the household and women's decision making power had been enhanced.

A survey conducted by the Indian Institute of Public Opinion on performance of micro financing through SHGs (2004) has concluded that micro financing through SHG-Bank linkage programme of the NABARD is working very effectively and the credit needs of the rural poor are catered to by the rural financial institutions through SHGs. It instils the propensity to enhance the beneficiary's saving potential, credit handling capacity and access to financial institution, and also inculcates entrepreneurial skills. Micro finance combats poverty, unemployment and leads to the socio economic empowerment of women.

Christopher Dunford (2006) stated that when micro finance is provided to relatively poorer women, it increases incomes and savings, improves nutrition and health and empowers women. The positive impact of micro finance on the lives of substantial number of very poor people will very likely to grow and become more compelling in the next few years. It is evident that with cautious confidence, micro finance can and does contribute to achievement of Millennium Development Goals.

Sanyasini Pattnaik (2007) opined that appreciable benefits at individual and household levels were delivered to people with access to financial services. The impact is deeply felt by women. Majority of women, though illiterate, save, borrow, invest and repay and manage their own SHG affairs, deal with banks for financial transaction, contribute to the household economy and improve their standing in the family and for the first time in their lives take a positive view of the future.

Loganathan (2008) opined that micro credit has a greater positive effect on household welfare such as per capita household expenditure, schooling and non-land household assets. When women are capable of starting an enterprise, they can get economic empowerment, the first and foremost benefit of women self help groups. Women self help groups create self awareness and give a feeling of self confidence, solidarity and social security to them. Women who generated increased income through self help group schemes had gained greater respect within the household. They could decide in spending their own income. It has increased women's mobility which would result in the economic independence of poor rural women.

Collins et.al. (2009) relied on empirical evidences which showed that households, rich and poor, often borrow and save simultaneously, an idea underscored by new works in behavioural economics. They argue that, in practice, borrowing and savings are often complementary activities, not substitutes. Because of powerlessness of poor borrowers, informal moneylenders are exploitative. If only they save a bit of money at regular intervals, eventually they would accumulate enough to get out from under the clutches of moneylenders. Their savings constraint is due to "liquidity traps". They further stated that by definition, the state of being poor means having less money than richer households. In practice, it also means having less reliable and less effective ways to hold onto the money you have. Households at all income levels actively save and borrow simultaneously. They found that savings devices are used actively by their study households in Bangladesh, India and South Africa. The devices are, nonetheless, imperfect in important ways and are often unreliable, inconvenient, inflexible and, inappropriately structured.

The Economist (2014) quoted a study conducted by Shadier Khandker and Hussain Samad, who disputed the pessimistic results, reported from many Randomized Controlled Trials (RCTs) and found, on the contrary, that micro credit increases personal expenditure, household assets, labour supply, and schooling of children. It is possible that micro credit can raise income and reduce poverty, but only in the long run. What works in Bangladesh does not work in Morocco, where reduction in wage income was noticed consequent upon people taking up small businesses using micro credit.

Mehrotra (1997) has made a comparative study of the State Bank of India's association with the self help groups. With the help of non-governmental organizations in the states of Tamil Nadu, Kerala, Karanataka and Andhra Pradesh, good progress has been made possible by the State Bank of India in the self help group schemes. The author observed that the self help groups have promptly repaid 80 per cent to 90 per cent of the loans given to the small scale units by the branches of State Bank. The self help groups might eventually become viable units on account of their low transaction costs, high percentage of recovery and mobilization of rural savings through the informal system of the association of the individuals.

Manimekalai (2000), conducted a study in rural Tamil Nadu, revealed that women in rural areas were really longing for supplementary income and the intervention through micro credit. After micro credit intervention, the education of their children had been better cared for and could manage their household budget without any deficit. The study concluded that micro credit would be instrumental in realizing the proposed objectives.

The National Bank for Agriculture and Rural Development (2000) conducted a study on the impact of micro finance on the living standards of SHG members spread over 11 states. The study showed that there were perceptible and wholesome changes in the living standards of the SHG members, in terms of ownership of assets, increase in savings and borrowing capacity, income generation activities and income levels. The study further revealed that almost all the members developed saving habits in the post-SHG situation as against 23 per cent of households who had saving habits earlier. The average borrowing per year also increased from Rs. 4,282 to Rs. 8,341. The study concluded that the involvement in the group significantly contributed in improving the self-confidence of the members. The feeling of self-worth and communication with others improved after association with the SHGs and the members were relatively more assertive in confronting social evils and problem situation. As a result, there was a fall in the incidence of family violence.

Das Gupta (2001) revealed that micro financing through informal group approach has effected quite a few benefits - savings mobilized by the poor, access to the required amount of appropriate credit by the poor, matching the demand and supply of credit structure and opening new market for financial institutions, reduction in transaction costs for both lenders and borrowers, tremendous improvement in recovery, heralding a new realization of subsidy loss and corruption less credit, and remarkable empowerment of poor women. The author suggested that SHGs should be considered as one of the best means to eradicate social and financial problems of women.

Sharma (2001) strongly advocated that women are empowered through self help group participation. This study revealed increasing participation by SHG members in the economic activities and decision making at the household and society level. SHGs make the process of development participatory, democratic, independent of subsidy and sustainable. Significant changes were realized in terms of increase in income, assets, savings, borrowing capacities, and income generation activities.

According to Jaya (2002), all the members, irrespective of the group, unanimously agreed that the most striking advantage of the SHGs was the thrift component which acted as an “informal bank at their doorstep”. Many of them had savings ranging from Rs. 275 to 4,850 in their bank accounts, which they could have never dreamt of earlier. The thrift component has provided a cushion to even out earnings during off-seasons to meet emergencies and even to promptly repay loans. One major impact of the SHGs on the women members has been the creation of awareness about newer economic opportunities available to women and the abilities needed to tap them.

Sudarsan Naik (2007) analysed the role played by promoting and nurturing SHG-Bank linkage programme. Based on a study conducted in Kalahandhi district of Orissa, the author inferred that SHG-Bank linkage programme has reduced the incidence of poverty and many families have come out of the “below poverty line” category. It enabled the poor to build assets for generating income, improved the rate of literacy, improvement in the school attendance and reduced school dropout, empowered women by enhancing the contribution to household income and better control in decision making process of the family, reduction in child mortality, improved maternal health, housing and nutrition, reduced dependence on village moneylenders and non-institutional sources. It has proved that the poor are bankable and can be partner with the mainstream financial institutions.

The National Council for Applied Economic Research (NCAER), in its report, “Impact and Sustainability of SHG – Bank Linkage Programme” submitted to the GTZ-NABARD (2008), mentioned that SHGs-Bank linked groups have organizational sustainability and that level of awareness of group members about the objectives is quite moderate. The study stated that the funds of SHGs were growing at 196 per cent per annum, which has had a cascading effect as credit facility meant more money for investing income generating schemes. More savings and timely repayment of loans has helped fetch more bank loans to the groups. Between pre-SHG and post-SHG stages, the net household income increased by 6.10 per cent, average annual growth rate of consumption expenditure on food items by 5.10 per cent and non food items by 5.40 per cent, and savings registered an annual growth rate of 14.20 per cent. Further, during post-SHG period, 92.80 per cent of household availed loans as compared with 46.50 per cent of households in pre-SHG stage. There has been a reduction of 25.30 per cent in poverty levels in the post SHG period, apart from remarkable progress in social empowerment parameters viz., self confidence, positive behavioural changes etc. So, SHGs have been performing better not only as provider of financial services in terms of augmenting savings, lending and ensuring loan recovery, but also in terms of awareness creation and empowerment.

In the light of findings cited above, the importance and need for an in-depth and comprehensive actionable research on micro finance and SHGs become highly relevant in to-days’ social and economic milieu. Especially, when contradictory results on impacts of micro finance have been arrived at in studies conducted world over, it becomes imperative to study what impacts – both economic and social – have taken place in the study area among fisher community members in Tamil Nadu, South India.

Statement of the Problem

This study aims to analyze the impact of micro credit on SHG members’ family income, expenditure, savings and indebtedness for productive purposes and also the impact of periodic and regular savings of SHG members to the SHG Corpus Fund on rotating of savings through micro lending among members in Ramanathapuram and Thoothukudi distircts in Tamil Nadu. For the purposes of the study, only coastal and semi coastal areas of both the districts involving fisher community SHG members have been taken into consideration.

The area of study is economically backward due to absence of productive agriculture and industrial development. Hence the local communities predominantly depend on fishery sector for their livelihood. Fishery in the area of study is highly unproductive due to poor availability of fish catch and due to seasonality factors. The fisher community also does not have adequate access to institutional credit for pursuing non-fishery business activities owing to lack of collateral and hence are mostly dependent on informal sources of credit like money lenders and traders, who charge usurious rates of interest leading to penury of the fisher folk. Formation of SHGs and launching of SHG-Bank linkage programmes have mitigated the financial problem of fisher folks. With SHGs playing a key role in the economy of the fisher community population, the economic scenario has changed for better and this study aims to study the impact of SHGs on income, expenditure, savings, indebtedness and micro lending among SHG members.

Objectives of the Study

The specific objectives of the study are

1. To find out the impact of micro credit programmes on income generations, expenditure, savings and borrowing behavior of SHG members.
2. To analyze the quantum of rotating of savings through micro lending among members and pattern of utilization of micro credit availed by members for various end uses, and
3. To study the quantum of dividend / profit earned by SHG members from Revolving Fund and the profit earned by SHGs through micro lending of the savings of members.

Hypotheses of the Study

In consonance with the above objectives, the following hypotheses are framed and tested with suitable tools.

1. There is perceptible increase in income, expenditure, savings and indebtedness for, productive purposes between pre-SHG period and at present on the SHG member's family.
2. SHG members utilize the micro credit for productive purposes to a larger extent and use very little credit for consumption and social needs.
3. SHGs accumulate huge savings through periodic and regular savings of members to the SHG Corpus Fund, which is revolved as micro credit among members to a very greater level, resulting in higher profits/dividend to the SHG members.

Methodology

2341 numbers of SHGs function in the area of study and out of this, 348 SHGs, that have availed micro credit between four and six times from a Trust called the "Gulf of Mannar Biosphere Reserve Trust" has been shortlisted and the entire population of 348 SHGs taken up for the study. For the purpose of this study, these SHGs have been grouped as per its' age viz., less than five years old, five to 10 years old and above 10 years and the parameters as outlined in the objectives of the study have been considered for analyses purposes. Either the Animator or the Treasurer or a senior most member was interviewed personally with the aid of a structured interview schedule. Simple tabular statements were prepared to work out percentages and averages. Both primary and secondary data, the latter collected from the Trust records, were utilized in this study and analyzes carried out.

Results and Discussion

Table 1: Average Value of Assets of Sample SHG Member Families: Age Category of SHG-Wise Pattern (in rupees)

SL. No	Particulars	SHG age category					
		Less than 5 years		5 - 10 years		Above 10 years	
		Pre-SHG	At present	Pre-SHG	At present	Pre-SHG	At present
1	Value of household assets	10902	14305 (131.22)	10536	16392 (155.58)	5864	15111 (257.69)
2	Value of business assets (member)	3682	16037 (435.55)	4160	15502 (372.64)	728	5648 (775.82)
3	Value of business assets (spouse)	2488	18829 (756.79)	22690	48387 (213.25)	14380	34445 (239.53)
4	Value of gold	270875	300183 (110.82)	287707	339152 (117.88)	288890	327468 (113.35)
5	**Total value of movable assets**	**287947**	**349354 (121.33)**	**325093**	**419433 (129.02)**	**309862**	**382672 (123.50)**
6	**Value of Immovable assets**	**201524**	**241829 (120.00)**	**233826**	**292119 (124.93)**	**222222**	**286481 (128.92)**
7	**Net worth of SHG members family**	**489471**	**591183 (120.78)**	**558919**	**711552 (127.31)**	**532084**	**669153 (125.76)**

Source: *Computed*

Note: *Figures in parentheses denote percentage increase post SHG*

Table 1 analyzes the value of assets and net worth among various age categories of SHGs. It is found that the average value of assets in respect of SHGs increased, between pre-SHG and post-SHG periods, almost in same scale in all age categories of SHGs. The total value of movable assets increased by 21.33 per cent in respect of SHGs aged less than five years, by 29.02 per cent for SHGs aged five to 10 years and by 23.50 per cent for SHGs aged above 10 years.

Similarly, the value of immovable assets also increased between 20 and 29 per cent in respect of different age categories of SHGs. The net worth of SHG members' family also increased by 20 per cent in the case of SHGs aged less than five years, by 27 per cent for SHGs aged five to 10 years and by 26 per cent in respect of SHGs aged above 10 years.

Thus, the percentage increase in value of movable assets, immovable assets and net worth was almost uniform among different age categories of SHGs.

Findings in several studies also have vouched the fact that value of assets of SHG members increased after joining SHGs.

Table 2 analyzes the pattern of average annual income of sample SHG members' family according to SHG age category. It is seen that the income of family increases with longer periods of association of the member with the SHG. The increase in income, during post SHG period, was the highest for SHGs aged beyond 10 years at 218.52 per cent, followed by 173 per cent for SHGs aged five to 10 years and 156.35 per cent for SHGs aged less than five years. However; all the age groups of SHGs had a significant increase in household income levels between pre-SHG and post-SHG periods. The same trend was observed in the total income of the members between the two corresponding period viz., pre-SHG and post-SHG. SHG members having more than 10 years of association with SHG experienced 343.47 per cent increase in their income levels; whereas SHG members who are five to 10 years old in SHG had an increase of 173 per cent followed by 156.35 per cent increase for those who had joined SHG just five years ago. This pattern clearly indicates that longer the association with SHG, higher is the increase in members' annual income as also the total family income. This finding is supported by study of David Roodman (2002) which concluded that micro credit has bigger benefits only in the long run.

In corroboration with earlier findings, it is seen that the MEA(Micro Enterprise Activity) income for SHG members who are members in SHG for more than 10 years, the increase in MEA income was very high at 457.15 per cent, indicating their longer duration of pursuing small businesses. This increase was moderate for SHGs having five to 10 years of association with SHGs (255.03 per cent) and the least for younger SHG members, at 154.55 per cent.

However, in absolute terms, SHG members with less than five years of association with SHG earned higher increase from MEA than their counterpart members having longer periods of association with SHG. None of the members belonged to 'below poverty line' category.

One interesting aspect is that the nature of all types of MEAs are not capital intensive, yet the rate of returns to capital is very high as is evident from the fact that the average monthly income from these MEAs varied between Rs. 1,470 and Rs 3,150. Armendariz and Jonathan Morduch's (2013) concluded that the least the economic ventures are capital intensive, the more is the returns and income to capital, due to law of diminishing returns to capital, which supports the findings of the study. Pandas' (2010) observation that majority of the poor, particularly women, are economically active and they have short period business cycles with high rates of return, vouches findings of this study.

Table 2: Pattern of Average Annual Income of Sample SHG Member Families - SHG Age Category-Wise (Value in rupees)

SL. No	Particulars	Less than 5 years		5 - 10 years		Above 10 years	
		Pre-SHG	At present	Pre-SHG	At present	Pre-SHG	At present
1	Income from Agriculture	732	976 (133.33)	240	362 (150.83)	1377	2895 (210.24)
2	Income of spouse	39159	48978 (125.08)	52967	70730 (133.54)	41198	57711 (140.08)
3	Income of other members	4512	22199 (492.00)	1696	12611 (743.57)	889	24556 (2762.20)
4	Income of member from MEA	24465	37810 (154.55)	10441	26836 (257.03)	3858	17637 (457.15)
5	**Total income of member**	**29380**	**43204 (147.05)**	**13991**	**35484 (253.62)**	**7854**	**26976 (343.47)**
6	**Total income of family**	**73783**	**115357 (156.35)**	**68894**	**119187 (173.00)**	**51318**	**112138 (218.52)**

Source: *Computed*

Note: *Figures in parentheses denote percentage increase in income post SHG*

Table 3: Pattern of Average Monthly Family Expenditure of Sample SHG Member Families: SHG Age Category-Wise (Value in rupees)

SL. No	Particular	Less than 5 years		5 - 10 years		Above 10 years	
		Pre- SHG	At present	Pre-SHG	At present	Pre-SHG	At present
1	Food	3759 (66.68)	4915 (61.13)	3331 (65.84)	4956 (61.19)	2822 (65.97)	4469 (55.30)
2	Clothing	635 (11.27)	853 (10.61)	603 (11.92)	885 (10.93)	529 (12.36)	904 (11.18)
3	Rent	73 (1.30)	126 (1.57)	23 (0.46)	32 (0.40)	15 (0.35)	32 (0.40)
4	Education	504 (8.94)	1010 (12.56)	464 (9.17)	984 (12.15)	379 (8.86)	1432 (17.72)
5	Health	335 (5.94)	534 (6.64)	323 (6.39)	591 (7.30)	283 (6.62)	571 (7.06)
6	Functions / Festivals	331 (5.87)	602 (7.49)	315 (6.22)	651 (8.03)	250 (5.84)	674 (8.34)
7	**Total**	**5637 (100.00)**	**8040 (100.00)**	**5059 (100.00)**	**8099 (100.00)**	**4278 (100.00)**	**8082 (100.00)**

Source: *Computed*

Note: *Figures in parentheses denote percentages to the total*

Table 3 indicates pattern of monthly family expenditure for various age category of SHGs. Per cent of total expenditure on food items and clothing to total expenditure was found to decrease in all the categories, more with higher SHG age category. The expenditure on rent was almost comparable for all SHG age categories. Expenditure on education increased significantly with age of SHG, with a higher increase for older SHGs, perhaps with children pursuing higher levels of education for senior members. Similarly, there was a marginal increase in expenditure on health needs. Expenditure incurred on social needs such as family functions and festivals also increased substantially between the pre-SHG and post-SHG periods, in respect of all age categories of SHGs. These findings are in conformity with research findings that people, with increased income, spend less on consumption and more on education, health and social needs. These has been a significant increase in family expenditure indicative of the fact that all the SHG families received higher income during the post SHG period, irrespective of their longevity in association with SHGs. It is again confirmed-viewing the average monthly family expenditure pattern-that none of the SHG families belonged to 'below poverty line' category.

Table 4: Pattern of Average Annual Savings of Sample SHG Members – SHG Age Category-wise (in rupees)

SL. No	Particulars	Less than 5 years		5 - 10 years		Above 10 years	
		Pre-SHG	At present	Pre-SHG	At present	Pre-SHG	At present
1	Chits	0	2749	3	1622	0	2452
2	Banks	0	783	116	759	56	589
3	Post office	98	353	143	1113	30	1604
4	Fixed deposits	0	3659	138	7467	62	15061
5	SHG	0	650	0	1090	0	1293
6	LIC	146	2024	393	2780	165	3143
7	**Total**	**244**	**10218**	**793**	**14831**	**313**	**24142**

Source: *Computed*

Table 4 shows the pattern of average annual savings of sample SHG members according to the SHG age category wise. It is seen that members who were in SHG for more than 10 years, saved about two and a half times higher than members who were in SHGs only for lesser than five years. SHG members, with a membership of five to 10 years in SHG, saved about one and a half times higher than members with less than five years standing. Similarly, members with more than 10 years association with SHG saved over one and a half times higher than members who had association with SHG for five to 10 years only. This indicates that with longer periods of association of a member with SHG, propensity to save also increased significantly.

Further, it is seen that low frequency savings are higher for SHG members who were associated with SHG for more than 10 years, with 87 per cent of their total savings in their long term saving instruments, followed by SHG members with five to 10 years of SHG membership at 84 per cent and those below five years at 65 per cent. This reveals the fact that senior SHG members have a higher inclination to save for their future and long term needs, and certainly this economic empowerment has been experienced by them with longer years of association with SHGs.

Between 13 and 20 per cent of the saving of members was invested in Life Insurance Corporation of India's insurance policies, which indicated that SHG members in rural areas do insure for their future. Between five and seven per cent was invested in SHG Revolving Fund and as expected, between 36 and 62 per cent of their savings was in the form of bank fixed deposits, with members over 10 years of membership saving the maximum in this instrument, followed by members with five to 10 years of association and members with less than five years of membership. However, the saving with Post office showed between three and seven per cent of total savings only.

It is thus evident that senior SHG members saved more on long term investments, taking into consideration their future needs. Short term or liquid investment was least for senior members at 13 per cent of total savings, followed by 16 per cent of total savings, for members with five to 10 years of membership in SHG and 35 per cent for there who were associated with SHG only for a period less than five years. This pattern indicates that as members' age in SHG increased, the proportion of savings for future needs, rather than for consumption purposes, also increased significantly. The fact that members have a positive view of future, as observed by Sanyasini Pattnaik (2007), is proved by the fact that members prefer saving for future needs, rather than for immediate consumption needs.

It is ascertained that banks and Life Insurance Corporation of India have better outreach, while post office has not attracted the SHG members into saving schemes of it, despite the fact that post offices have a stronger network in villages and also they offer attractive rates of interest on deposits.

Overall, it can be concluded that the longer the membership with SHG, the propensity to invest in long term saving schemes was also higher.

Table 5: Annual average indebtedness of sample SHG members – SHG age category-wise (in rupees)

SL. No	Particulars	Less than 5 years		5 - 10 years		Above 10 years	
		Pre-SHG	At present	Pre-SHG	At present	Pre-SHG	At present
1	Bank loan	0 (0.00)	0 (0.00)	0 (0.00)	884 (0.94)	0 (0.00)	0 (0.00)
2	Jewel loan	7256 (34.71)	66195 (75.34)	4890 (28.47)	78580 (83.09)	3765 (26.91)	100395 (85.21)
3	Loan from moneylenders	9902 (47.38)	2134 (2.43)	8232 (47.92)	685 (0.72)	8914 (63.73)	62 (0.05)
4	Loan from friends and relatives	3743 (17.91)	13056 (14.86)	4055 (23.61)	4271 (4.51)	1309 (9.36)	3444 (2.92)
5	GOMBRT micro credit	0 (0.00)	2757 (3.14)	0 (0.00)	2448 (2.59)	0 (0.00)	2352 (2.00)
6	SHG micro credit	0 (0.00)	3720 (4.23)	0 (0.00)	7707 (8.15)	0 (0.00)	11568 (9.82)
7	**Total loan amount**	**20901 (100.00)**	**87862 (100.00)**	**17177 (100.00)**	**94575 (100.00)**	**13988 (100.00)**	**117821 (100.00)**

Source: *Computed*

Note: *Figures in parentheses denote percentages to the total*

As revealed in table 5, jewel loans from banks constituted between 75 and 85 per cent of total credit requirement. As explained earlier, most of these loans have been productively used, rather than for consumption and other social needs. The share of loan from friends and relatives was also insignificant. SHG Revolving Fund micro credit constituted between four and 10 per cent of credit supply, while micro credit from the Trust, was to the tune of two to four per cent.

The quantum of annual borrowing increased with longer years of association with SHG. Senior members borrowed on much higher scale than junior members, perhaps due to longer years of running micro enterprise activities and for other productive uses. Late entrants to SHGs borrowed relatively lesser amounts than their senior counterparts, as their micro enterprise activities were in nascent stages. Thus, the credit worthiness of senior members was higher than younger members.

As explained earlier, increased indebtedness not necessarily lead to a “debt trap”, as in evident from increased incomes, family expenditure and savings for all age categories of SHGs.

From the results derived from Table 1 to 5 on annual average income, expenditure, savings and indebtedness for productive purposes between pre-SHG period and at present on the SHG members family, it is evident that perceptible improvement has taken place on income, expenditure, savings and productive indebtedness levels of the SHG members between pre-SHG period and at present, which validates the first hypotheses of the study.

Table 6 analyzes the relationship between total revolving fund accumulation with SHGs and total micro credit extended to its members from out of Revolving Fund since inception, purpose of micro lending, per cent of revolving etc.

348 SHGs were considered for the study, whose age varied between three years to 22 years. These SHGs mostly finalize their account once in five years and reconstitute the SHGs thereafter. Most of the SHGs share the dividend and principal savings amount once in five years among their members and only a few SHGs, reinvest their savings into the corpus fund during the successive tenures of the SHGs.

Table 6 Rotating of Savings through Micro Lending among Sample SHGs since their Inception (As on 30.6.2012)

SL. No	Particulars	Value in rupees	Percentage of total
1.	Total number of SHGs studied	348	
2.	Total number of SHG members	5,299 nos.	
3.	Total accumulation of corpus fund with 348 SHGs since inception	3,77,91,560	
4.	Average accumulation of corpus fund per SHG	1,08,596	
5.	Total loan amount given to SHG members since inception	19,52,72,600	
6.	Percent of revolving of corpus fund to total corpus fund accumulation	516.70	
7.	Average amount of micro credit lent by each SHG since inception	5,61,128	
8.	**Utilization of micro credit availed by members**		
8.1	For consumption needs	99,69,300	(5.11)
8.2	For redemption of old loans	44,51,000	(2.28)
8.3	For economic activities (both for member and spouse)	6,08,62,300	(31.17)
8.4	For education purpose	4,12,98,000	(21.15)
8.5	For health needs	2,68,76,500	(13.76)
8.6	For housing purpose	95,92,000	(4.91)
8.7	For marriages and family functions'	4,22,23,500	(21.62)
8.8	**Total amount of micro credit extended to members**	**19,52,72,600**	**(100.00)**

Source: *Computed*

Note: *Figures in parentheses denote percentages to the total*

As on 30th June 2012, the total accumulation of corpus fund of all the 348 SHGs worked out to Rs. 3.78 crores, averaging to Rs. 1.09 lakhs per group. Above Rs. 19.53 crores has been extended as micro credit from the Revolving Fund to the members of these 348 groups, comprising 5,299 members. Each member, on an average has availed of a micro credit of Rs. 36,850 during their membership. The corpus fund has been revolved up to 517 per cent level between inception and as on 30th June, 2012.

These SHGs have, since inception extended micro credit to the tune of Rs. 19.53 crores, out of the corpus fund of Rs. 3.78 crores. Maximum loans have been given for pursuing economic activities which worked out to Rs. 6.09 crores (31.17 per cent of total micro credit), followed by requirement for social needs such as marriages, family functions and festivals at Rs. 4.22 crores, which is 21.62 per cent of the total lending. Micro lending for meeting expenditure on education ranked third with Rs. 4.13 crores (21.15% lent) being extended as loans, Rs. 2.69 crores has been extended for meeting health needs (13.76%); whereas Rs. 99.69 lakhs for consumption purposes (5.11%). Housing loans assumed sixth position with Rs. 95.92 lakhs (4.91%) being extended. Least priority was given for redemption of old loans, for which a sum of Rs. 44.51 lakhs (2.28%) has been extended.

It is amazing to observe that just 348 SHGs could generate such huge amount of savings themselves to lend internally a sum of Rs. 19.53 crores. These SHGs had, thus, performed the role of banks by themselves in mobilizing such huge sums of deposits and lending the same to its members. This phenomenon of fast revolving of credit, at very low transaction and monitoring costs, is not possible even for formal financial institutions to perform. There has been little dependence on external sources of credit by these SHGs, which explained how moneylenders have been completely driven out of their economy. The SHGs have been banks by themselves, catering to the credit needs of their members, with profits and with least costs, resulting in a 'Win-Win' situation for all the stakeholders.

Table 7 Average dividend earned by members from SHG Revolving Fund

SL. No	Particulars	Value in rupees
1.	Total accumulation of revolving fund in all the 348 SHGs since their inception (5,299 members)	3,77,91,560
2.	Average revolving fund accumulation per SHG	1,08,596
3.	Total contribution as savings by 348 interviewees to the SHG revolving fund	23,28,270
4.	Average revolving fund accumulation per interviewee	6,690
5.	Total profit earned by all the 348 interviewees as on 30.6.2012	20,50,977
6.	Average dividend earned by each interviewee	5,894
7.	Ratio of average profit to investment (savings) made by member	1 : 0.881
8.	Percent of dividend earned per member to total savings made as on 30.6.2012	88.10

Source: *Computed*

Table 7 demonstrates the dividend earned by each SHG member from micro lending extended by SHGs from their Revolving Fund. All the 348 members interviewed had contributed a total savings amount of Rs. 23.28 lakhs to their respective SHGs, averaging Rs. 6,690 per member. On an average, each member had received a dividend of Rs. 5,894 for the investment made of Rs. 6,690, which worked out to Rs. 0.88 for every rupee invested. Thus, a member who contributed Rs. 100 as savings to the SHG revolving fund received Rs. 88 as dividend, which rate of returns to scale cannot be expected even in capital intensive and mega enterprises. It is, hence, evident that participation in SHG, not only secures its members loans in times of need, but also earns them huge profits almost on a 1:1 scale. Besides above advantages, they are totally extricated from the clutches of moneylenders. In reality, the SHG members run a bank at their doorsteps.

Hence for SHG members, micro credit as well as micro savings assumes great significance in their exit from poverty and for enhanced standards of living.

Summary of findings

Over 85 per cent of the sample SHGs were women groups. Hence the finding of the study is more apt for women SHGs. None of the sample members belonged to "below poverty levels" of living (annual income of less than Rs. 12,000). The net worth of the members varied between Rs. 6.28 lakhs and Rs. 6.91 lakhs. Nearly 40 and 43 per cent of the net worth constituted as immovable assets.

Member's contribution to total family income varied between 24 per cent and 35 per cent. There has been perceptible rise in the contribution of member's income to total family income after the members joined the SHG, who pursued small businesses. The overall income of member rose between 212 per cent and 223 per cent between the pre-SHG and post-SHG periods.

Between pre-SHG and post-SHG periods, there has been a rise in the total monthly family expenditure, which rose between 60 and 64 per cent. The increase in family expenditure was mainly due to increased expenditure on education, health and social needs. These has been a reduction in the expenditure on food items, which indicated that people had reached the saturation level in food consumption and hence additional incomes were utilized for educational and health needs rather than for consumption needs.

Member's savings during pre-SHG periods was almost insignificant, whereas in the post-SHG period, they saved between Rs. 885 and Rs. 1650 per month, which indicated a strong propensity to save on the part of the members after joining SHG. SHGs have inculcated the habit of savings among members. About 80 per cent of the savings of members were of long term in nature (low frequency savings), which indicated that members cared for their future needs rather than for immediate needs. Higher investment in insurance products (between 14 and 21 per cent) indicated that members cared for their future and were willing to accept all financial products.

As regards nature and type of indebtedness of members, it is evident that money lenders have been almost wiped out of the rural credit market in the study area during post-SHG period. While nearly between one-third and two-third of the credit supply was from money lenders during pre-SHG period, it got reduced to less than two per cent during post-SHG period, which was a welcome development from the sociological perspective. During post-SHG period, more than 80 per cent of indebtedness was against pledge of jewelling. The purpose of these loans was mainly for productive purposes viz., education, health and housing needs and of course, to some extent, for social needs such as for functions and festivals. The rate of indebtedness between pre-SHG and post-SHG period had risen four to six times, which did not, necessarily, imply that members were in debt trap; People saved and borrowed simultaneously, as typical of a developing economy. People chiefly borrowed only from formal sources of credit market, that too, for investment on education, health and housing.

SHG functioned as banks by it-self. They had mobilized huge sums of savings and revolved these savings over 520 per cent as loans. It has been a silent revolution. 348 numbers of SHG have mobilized Rs. 3.98 crores from members as savings (deposits) and lent Rs. 19.53 crores (advances) to its members, at almost nil transaction / monitoring costs with cent per cent recovery. This has been the power of self help groups entering financial markets, which, no other formal financial institution can have, due to costs involved. It is noteworthy to observe that less than 10 per cent of the micro lending has been utilized for unproductive purposes such as consumption and repayment of old loans. Nearly 70 per cent of the SHG micro credit was used for productive purposes while about 20 per cent of loan was spent on social needs.

In terms of profit earned by SHGs and dividend given to members, they have earned profits in the ratio of 1:0.88 i.e., for every 100 rupees saved members have earned a dividend of Rs. 88. Since the rates of interest charged on members was nominal at 12 to 24 per cent, it can be decisively stated that higher profits earned by SHGs was not because of higher rates of interest charged on members, but due to higher revolving of savings.

Conclusion

The SHGs have created a “Win-Win” situation for all stakeholders. Members could manage cheaper credit with their own savings and have totally eliminated money lenders. Their income, expenditure and propensity to save have increased manifold during the post-SHG period. Thus, they run their own financial institution and have been least dependent on both the informal and formal credit market for their needs.

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