

## Performance, Impact and Constraints of SHG in Namakkal District of Tamil Nadu

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### ABSTRACT

*Self help group (SHG) is a small, homogeneous, voluntarily formed group in order to advocate savings and collectively congruent to devote their common capital to be lent to its members based on their group and individual decisions. The current study has been focussed to evaluate the overall economics of self help groups such as performance, impact and constraints of it. The current study was carried out during November 2019 through January 2020 amidst self help group and its members in Tiruchengode and Paramathi block of Namakkal district. Performance, impact and constraints were analyzed using stability index, z test and garret ranking method respectively. The results of the study conclusively showed there is significant difference in the mean income of the beneficiaries before and after joining the self help group irrespective of the type of business they undergo. The financial assistance provided by the government has made the beneficiaries to undergo several income generating activities. Providing necessary marketing facilities and timely provision of loan will further enhance the efficiency of undergoing micro economic activities. The employment and income generated through SHG's had a positive effect on the subsistence of the members. In general the performance of SHG's found to be stable in primary activities and progressive, with a little revamps it will accomplish more merits.*

**Keywords:** Self help groups, Stability index, Significant difference, Income generating activities.

### INTRODUCTION

Self help group is a small, homogeneous, voluntarily formed group *per se* to advocate savings and collectively congruent to devote their common capital to be lent to its members

based on their group and individual decisions. In the current growth rate of population, most of the macroeconomic sectors were failed to finance the unorganized sector of workers.

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During off-season, most of the agricultural labourers are performing non-scheduled or unorganized form of works for their day-to-day income. Thus financing the unorganized section of workers is *sine quanon*, collaterally important for the development of agricultural sectors. Group-oriented microfinance intercessions have presented positive results all over the world with regard to social and institutional capital (Matin et al., 2007). Microfinance through self help groups have rooted itself as a stable and strong design for assuring various benefits for poor, with a focus on poor women (D.Nagayya & Balla Appa Rao, 2016).

Much systematic trainings are provided to self help group by National Bank for Agricultural and Rural Development (NABARD), Tamil Nadu Adi Dravidar Housing and Development Corporation (THADCO) and some other institutions, especially for the skill development of members to help themselves to begin their own micro-enterprises. Microfinance, *a fortiori* have becoming pivotal form of economy for much rural community. The dormant self help groups are aided *nitty-gritty* as a constituent of producer organizations for both farm and non-farm activities. The current study has been focussed to evaluate the overall economics of self help groups such as performance, impact and constraints of it.

#### Literature review

Rajivan, Anuradha (2005) comparatively studied the self help groups and empowerment of women in Andhra Pradesh. The study identifies that there is a colossal escalation in their self confidence and it made people independent from depending on the local moneylenders.

Joshi, Meenakshi (2006) assayed empowering rural women through watershed project in Uttaranchal. The study resulted that self help groups have created terrific responsibility among the members with regards to training and participation in programmes, thus ultimately led to improve their social esteem among other women.

Nirmala and Geetha (2009) assessed the socio-economic impact of micro credit in

Kerala. The study ensued that there is a positive impact of micro credit in economic welfare of individual households, stable growth of enterprise and achieving gender equality by empowering women.

Banerjee (2009) analysed the self help groups' economic impact in West Bengal. It is identified that many households has shifted from low income group to high income group after engaging in self help groups. Inequality in average monthly income dissemination has diminished.

Pillai and Nadarajan (2010) studied the impact of microfinance and attitude of self help group leaders in Kanyakumari district of Tamil Nadu. The study resulted that more than economic empowerment self help groups have acquired social and psychological empowerment.

Rajendran and Raya (2011) examine the impact of microfinance in empowering women in case of Tamil Nadu. The study concludes that micro financing has achieved higher degree in political empowerment than the economical empowerment. On the other hand, it has achieved only a minimal amount in social empowerment.

Sathiyabama and Meenakshi Saratha (2011) analysed the women empowerment and self help groups in Mayiladuthurai block in Nagapattinam district of Tamil Nadu. It was identified that various traits like team work and spirit, self esteem, self confidence, decision making process democratically, leadership qualities and mutual help have augmented to a better level.

Barua (2012) figured out the impact of microfinance on poverty in Assam. The study reports that self help groups failed to eradicate poverty in Assam, because, amount of loan sanctioned to each self help groups is in negligible value by which members cannot meet their own basic needs. It is recommended to lend more amount of money in order to annihilate poverty.

Bauer, M., Chytilova, J., and Morduch, J. (2012) examined the problems in self control and constitutional gimmicks in micro financing by analyzing the behavioural

foundation of micro credit rural India. The study identified that more than one third of credit have been constantly investing in inconsistent returns and preferences by the members. In addition to this, many self help groups have recorded diminishing value in their savings and their instalments, every month. The study recommends that schedule should be strictly followed especially in micro credit contracts.

### Methodology & Tools of Analysis

The current study was carried out during November 2019 through January 2020 among self help group and its members in Tiruchengode and Paramathi blocks of Namakkal district. Out of 15 blocks in Namakkal district, Tiruchengode block and Paramathi block were selected randomly.

Indispensable numbers of respondents were selected using random sampling techniques. An Ex-post facto research design was used for this study. Performance, impact and constraints were analyzed using stability index, z test and garret ranking method.

### Stability index

A synthesized index to gauge the performance of self help group in heeding with the Group Performance Index (GPI) is flourished. The index consists of three indicators of self help group i.e., size of the group (number of members), M, duration of the group (time period of continuance), D and fund of the group (circulating capital), F. Each other variables were discretely normalised using the highest and lowest possible values of the variables as following:

$$M = \frac{M(\text{actual}) - M(\text{lowest})}{M(\text{highest}) - M(\text{lowest})}$$

Where,

M (actual) = the number of members in the particular group

M (lowest) = the lowest number of members in any group (the smallest group)

M (highest) = the highest number of members in any group (the biggest group)

Similarly,

$$D = \frac{D(\text{actual}) - D(\text{lowest})}{D(\text{highest}) - D(\text{lowest})}$$

D (actual) = the duration of the particular group

D (lowest) = the shortest duration of any group

D (highest) = the highest duration of any group

$$F = \frac{F(\text{actual}) - F(\text{lowest})}{F(\text{highest}) - F(\text{lowest})}$$

D (actual) = the fund of the particular group

D (lowest) = the lowest fund of any group (poorest group)

D (highest) = the highest fund of any group (richest group)

The duration of the group (D) and the total fund of the group (F) is accustomed a 40% weight age each, while the number of member of the group is accustomed with 20% weight age. This is because the total amount of money and the continuity of the group are more

important than the number of members in the group.

These three variables were then mingled additively in order to obtain the total index accordance with the following procedure.

$$GPI = \{(20\% * M) + (40\% * D) + (40\% * F)\}$$

The maximum value of GPI was 0.33 i.e., the most successful group having maximum number of members, the maximum duration and maximum funds (M=1, D=1, F=1). On the

other hand, the minimum value of GDP was almost zero i.e., for an unsuccessful group having lowest membership, lowest duration and lowest funds.

$$0 < GPI \leq 0.33$$

Less than 15% GPI are considered as the low stable groups, GPI 15% - 50 % are considered as the medium stable group while GPI greater than 50 % are considered as the high stable group.

**Z test**

Z test is used to calibrate the impact of self help group on their income before and after the self help period along with the percentage analysis.

$$Z = \frac{\bar{x}_1 - \bar{x}_2 - \Delta}{\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}}$$

Where,

$\bar{x}_1$  = average mean of income before self help group

$\bar{x}_2$  = average mean of income after self help group

$\Delta$  = difference between two average mean

$\sigma_1$  = standard deviation of income value before self help group

$\sigma_2$  = standard deviation of income value after self help group

$n_1, n_2$  = number of samples

**Garret ranking technique**

To identify the preference of the respondents on any particular blind spot, garret ranking technique is used. Garret ranking method is the

scoring procedure, in which ranks are converted into scores, based on the following formula.

$$100 (R_{ij}-0.5)$$

$$\text{Percent position} = \frac{\quad}{N_{ij}}$$

$N_{ij}$  –Number of items ranked by  $j^{th}$  individual

$R_{ij}$  – Ranked given for  $i^{th}$  item by  $j^{th}$  individual

For each individual factor, scores of each individual is summed up and their mean values are organised in the descending order. The factor which having the highest mean value is treated as the most important factor. The present study accomplished garret ranking technique to identify the major constraint associated with self help group.

**RESULT AND DISCUSSIONS**

**1) Group performance index of SHG**

The duration, revolving fund and the number of members in the each self help group were analysed in order to obtain the Group Performance Index (GPI) and ultimately measure the stability percentage.

**Table1: GPI and Stability percentage of the self help groups**

Groups	No. of members	Duration (in years)	Revolving Fund in group	GPI scores	Stability/success percentage
1	10	1.5	16,000	0.02	7
2	18	05	18,000	0.10	33
3	15	11	45,000	0.20	61
4	12	1.5	6,000	0.01	9
5	14	09	35,000	0.15	47
6	09	04	18,000	0.04	13
7	10	03	6,000	0.016	5
8	10	2.5	12,000	0.052	16
9	11	1.5	16,000	0.020	7
10	15	5.5	80,000	0.08	63
11	18	3.5	15,000	0.12	26
12	13	07	30,000	0.29	36
13	21	14	60,000	0.07	90
14	16	02	24,000	0.03	22

15	12	02	16,000	0.06	11
16	17	1.5	18,000	0.06	19
17	15	02	12,000	0.57	17
18	11	06	65,000	0.16	49
19	10	1.5	12,000	0.02	7
20	14	2.5	30,000	0.07	24
21	13	03	55,000	0.12	37
22	18	10	24,000	0.17	52
23	15	02	16,000	0.05	16
24	20	20	48,000	0.33	69
25	14	14	60,000	0.25	77
26	12	12	45,000	0.19	59
27	11	11	12,000	0.11	36
28	12	12	36,000	0.17	54
29	14	14	45,000	0.22	69
30	16	16	19,000	0.21	65

It is easily distinguished from the exceeding Table 1 that the groups 3, 10, 13, 24, 25, 29 and 30 were the most successful groups. Group 13 was remarkably stable in its 14 years of duration, while group 24, 25, 29 and 30 were comparatively low in their index though the duration of the group was equal and above

the group 14. Groups having lesser funds of some thousands and a few years old had a low performing index.

According to the result obtained from the above table, numbers of groups are codified under low, medium and high stability group in the consecutive Table 2.

**Table 2: Classification of the groups based on the stability level**

Stability Level	No. of groups
Low	07
Medium	12
High	11
<b>Total</b>	<b>30</b>

Most of the groups are knocked under medium scoring range, while number of groups in high scoring range doesn't differ much from the medium scoring range. These points out that greater number of the groups are well stable and achieved their maximum performance in their activities.

## 2) Impact of SHG on the individual respondent's income

The financial assistance provided by the government has made the respondents to

undergo several income generating activities. The various income generating activities undertaken by the individual respondents were categorized under four major categories i.e., petty business, processing units, production units and services. The number of members involved in the each income generating activities and their income are compared in the following table 3.

**Table 3: Income level and business of beneficiaries-before and after SHG**

Category of business	Before joining the SHG				After joining the SHG			
	Income level of individual women respondent				Income level of individual women respondent			
	Up to Rs.4800	Rs.4800-9600	Above Rs.9600	Total	Up to Rs.4800	Rs.4800-9600	Above Rs.9600	Total
Petty business	6 (60%)	4 (40%)	-	10 (100%)	10 (33.33%)	7 (23.34%)	13 (43.33%)	30 (100%)
Processing units	4 (57.15%)	2 (28.57%)	1 (14.28%)	7 (100%)	2 (22.22%)	3 (33.33%)	4 (44.45%)	09 (100%)
Production units	1 (14.28%)	4 (25%)	2 (28.57%)	7 (100%)	3 (30.00%)	4 (40%)	3 (30.00%)	10 (100%)
Service units	2 (50%)	1 (25%)	1 (25%)	4 (100%)	2 (18.18%)	6 (54.55%)	3 (27.27%)	11 (100%)
<b>Over all</b>	<b>13 (46.42%)</b>	<b>11 (39.29)</b>	<b>4 (14.29%)</b>	<b>28 (100%)</b>	<b>17 (28.33%)</b>	<b>20 (33.3%)</b>	<b>23 (38.34%)</b>	<b>60 (100%)</b>

Before associate with self help group ten members were involved in petty business and that has expanded to 30 after joining. Seven beneficiaries of self help group involved in the processing units exalted to nine in numbers. The beneficiaries engaged in production units were seven in numbers before joining the group, which has been elevated to ten in numbers. The beneficiaries engaged in service units have expanded from four to eleven in before and after associating self help groups. Similarly, the number of beneficiaries earning up to Rs.4800 was 13 and was raised to 17 after their membership. Similarly the number of beneficiaries in the income level from

Rs.4800 to Rs.9600 has been raised up from 11 to 20 and there was a quantum jump to 23 from four in the income level above Rs.9600. The total number of beneficiaries earning income has been increased from 28 to 60. Out of the total self-employed nearly 50 per cent engaged in petty business more than other, this could be easy access to markets and concomitant transporting facilities. The higher earnings had been ascribing the volume of business.

The significance of change in income is analyzed using z test and the consequent results are furnished in Table.4 with test values.

**Table 4: Z test for mean income of the beneficiaries before and after situation**

Category of business	Before joining the SHG			After joining the SHG			Z- Value
	N	Mean	SD	N	Mean	SD	
Petty business	10	6548.02	2650.008	30	10446.75	4358.962	7.068 <sup>*</sup>
Processing units	07	7644.161	3726.503	09	11098.64	4007.172	3.437 <sup>*</sup>
Production units	07	9234.293	2967.844	10	10724.04	3598.151	1.576 <sup>*</sup>
Service units	04	8265.205	38449.837	11	10370.19	3586.287	1.887 <sup>*</sup>
Over all	28	7922.919	3298.548	60	10659.905	3894.658	7.045 <sup>*</sup>

It could be seen from the table, the average income of the members rose from Rs.6548.02 to Rs.10446.75 displaying the increase of 59.54 percent from the petty business. In processing units, the average income was increased from Rs.7644.16 to Rs.11098.64 (increase of 45.19 percent) and in the production unit the raise from Rs.9234.29 to Rs.10724.04. Through service business members could raise their income from Rs.8265.20 to Rs.10370.19 amounting to 25.46 percent increase and all the Z test values

are significant at five percent. This implies that there is a significant difference in the mean income of the beneficiaries before and after joining the self help group irrespective of the type of business they undergo.

### 3) Major constraint in self help groups:

Cataloguing constraints would project the practical difficulty of respondents of self help groups. The various constraints experienced by the respondents were evaluated and ranked based on the Garrett ranking technique in the following Table.5.

**Table 5: Major constraints in self help group**

S.No	Factors	Score	Ranking
1	Delay in receiving loan	86.95	I
2	Marketing of products	83.30	II
3	Non availability of raw materials	81.70	III
4	Inadequate loan amount	79.52	IV
5	Lack of training	78.25	V
6	Inadequate time	75.60	VI
7	Absence of rotation of group leaders	70.95	VII
8	Criticism by non members of SHG	69.35	VIII
9	Lack of co-operation among members	64.28	IX
10	Outsiders interference	58.30	X
11	Lack of training	52.45	XI
12	Criticism by bank employee	48.20	XII
13	Criticism by members in family	35.95	XIII

It is evident from the table that the most crucial constraint of the beneficiaries is delay in receiving loan (86.95 per cent) followed by difficulty in marketing the products (83.30 per cent), non availability of raw materials for their businesses (81.70 per cent), lack of training (78.25 per cent) followed by inadequate time for their activities (75.60 per cent), absence of rotation of group leaders (70.95 per cent), criticism by non members (69.35 per cent) followed by lack of co-operation among members (64.28 per cent), outsiders interference in the group activities and decisions (58.30 per cent), lack of training (52.45 per cent), criticism by bank employee (48.20 per cent) and the criticism by members in family (35.95 per cent). However the result indicated that the self help group's beneficiaries acclaimed their maximum support from the family and their major constraint is from the marketing and banking side.

#### CONCLUSION & RECOMMENDATIONS

As an extensive approach, self help groups play a progressive role in both social and economic transformation of rural women through various income generation and enriching activities. It is defined in the study that SHG's *ipso facto* stable and success in their activities uplifting the members. Providing necessary marketing facilities and timely provision of loan will further enhance the efficiency of undergoing micro economic activities. Simplification of the banking procedures will also boost up the progressive rate of number of beneficiaries. It is also noted that beneficiaries of self help groups are empowered but not up to the anticipated level due to the limitation of various schemes and training programmes. Governmental or Non-governmental organisations involved in micro financing activities should monitor the usage of credit and guide them to invest in more productive aspects which will stimulate more the entrepreneurial temperament more among the socially weaker sections. On the overall prospects, performance of self help groups and its members are stable and progressive, but

with the little revamps it will accomplish more merits.

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