



## Motivational factors and utilization pattern of finance by self help groups

Geeta S. Chitagubbi<sup>1</sup>, Vinod.H.Naik<sup>2</sup> and D. Murhari Naik<sup>2</sup>

<sup>1</sup>Family Resource Management, AICRP Scheme, RHSc College, UAS Dharwad.

<sup>2</sup>Department of Anthropology, Karnatak University, Dharwad – 580 003.

### ARTICLE INFO

#### Article history:

Received: 25 December 2012;

Received in revised form:

2 February 2013;

Accepted: 4 February 2013;

#### Keywords

Motivation,  
Finance,  
Empirical survey,  
SHG.

### ABSTRACT

The present study is based on an empirical survey of 150 self help groups in the 4 districts of north Karnataka region covering 400 members (100 members from each district) with a focus on two major aspects of the (SHG) covered by the study viz., motivational factors and purpose for joining the SHG and the financial assistance to members by the SHG and their utilization. The major purposes for which the selected members joined their respective SHGs included financial security, enhancing their social status, increasing self esteem, attaining power and increasing family business/trade. Responses of the members are almost indicative of all these socio-economic purposes. Major motivational sources for joining the SHG included own decision, friends, relatives, caste leaders, panchayat chairman / members, Anganwadi teachers, NGOs, bank officials and others. The study revealed that 'own decision' and 'friends' were the major sources of motivation for joining the SHGs. The area of assistance needed by SHG members have been wide ranging including using own and bank finances for loan advancing to members, providing raw materials, ensuring supply of electricity through Karnataka Electricity Board (KEB), arranging training, providing marketing information, technical assistance etc. Large number of respondent members of SHGs have obtained bank loan through SHGs. Major Purposes of obtaining loan related to dairy business and agriculture. The overall results of the survey indicated a positive impact in membership of SHG on the respondents' socio economic status as a result of their membership and involvement in SHGs.

© 2013 Elixir All rights reserved.

### Introduction

Inaccessibility of formal finance and the seemingly extraordinary terms of the informal finance for the poor provided a strong need and ample space for innovative approaches to serve the financial needs of India's rural poor. Self Help Groups as an informal arrangement for credit supply to the poor is fast emerging as a promising tool for promoting income generating enterprises.

With over 11 million poor household accessing banking services including micro credit 700 thousand Self Help Groups, the SHG – Bank linkage programme is now the fastest growing micro-finance programme of the world in terms of its outreach. Today, over 2800 NGO's and 30000 branches of 500 banks are associated with the programme making it the most cost effective microfinance initiative as well. Access to poor household to loan under SHG- bank linkage has improved the asset position, increased savings; shifted borrowings pattern and activities financed, increase employment and consumption expenditure and had a positive impact on income, and beneficial social impact.

The present study was undertaken to examine two major aspects of the selected SHGs in the four districts of North Karnataka viz motivational factors and purpose of joining the SHG's by members and the financial assistance extended to members by the SHGs- bank linkage and the utilization of the same.

### Methodology

The study was conducted in four districts of Northern Karnataka namely Bider, Gadag, Raichur and Dharwad with a

sample size of 400 members of 100 self help groups. (100 SHG members were selected from each district). Simple random sampling method was used for the selection of districts and whole process is based on cluster sampling. The structured questionnaires were employed for the collection of data. Statistical tools like mean and standard deviation, chi square and frequency /percentages were used for analyzing data.

### Results and Discussion

#### Purpose of Joining the Self Help Groups

Both social and economic factors have influenced the respondent members to join their respective Self Help Groups. Social aspirations like enhancement of their social status have led the largest majority of respondents (97.05 %) to join their respective Self Help Groups. Increasing their self esteem in the society led most of them, (91.5%) to join SHGs. Economic factors like financial security also led most of them (95%) to join their SHGs. A substantial number of 271 members (67.8%) joined their SHGs for increasing their family business/trade. Political ambition to attain power compelled 316 members (79%) to join their SHGs (Table 1).

The trend of responses of members of SHGs covered by the study belonging to different socio-economic groups like age, marital status, religious affiliation, family size, type of house etc is largely similar to the general trend of responses indicated above.

#### Source of Motivation to Join Self Help Groups

Motivation to join the Self Help Groups came from 'friends' according to maximum of 310 respondent members, while 275 members indicated that motivation to join the SHG

was their 'own decision'. 'Bank officials' motivated 48 respondents to join their groups while 'relatives' motivated 45 members to join their SHGs. 'Anganwadi workers' motivated nine members to join their groups while another nine respondents were motivated by NGOs.

The responses of the members of the SHGs belonging to different socio-economic groups like age, marital status, religious affiliation, family type, house ownership etc were largely similar to the above general responses of the members. The following table (2) provides the details.

#### **Providing Assistance and Cooperation by SHGs in the Economic Activities of Members**

Large majority of SHGs have provided assistance and cooperation to members in their different economic activities. Such activities included:

- i) providing of small loans to their members from their own funds,
- ii) arranging loans to members from banks,
- iii) providing savings among members and keeping the same as deposits in banks,
- iv) helping members through providing raw materials,
- v) obtaining help from KEB for providing electricity to members in units,
- vi) arranging trainings in self employment,
- vii) Arranging meetings and lectures on organizing small units by experts, government officials and bankers.
- viii) SHGs help in employing members in their own (SHGs) units
- ix) Providing of information on marketing finance etc to members by the SHGs and
- x) Arranging technical assistance in production and marketing operations of members by the SHGs

The responses of SHG members of the selected districts belonging to different socio-economic groups like age, religion, marital status, family size and housing conditions are largely identical with the general trend of response detailed above.

#### **Availing Bank Loan through SHGs for Economic Activity**

Table 3 shows that the common practice of providing micro finance to members of the Self Help Groups is to arrange bank loan through SHGs. Banks provide loans to SHGs who in turn lend the money to their members. It may be recalled here that the banks do not directly provide loans to members. SHGs become the intermediaries to provide bank loan to members and take care of repayment of the loan.

Majority of the respondent members availed of bank loan through their respective SHGs (73.3%). However, a substantial percent of them (26.8 percent) did not avail bank loan for their economic activity through SHGs. It is clearly seen from the table (3) that there is significant difference between the members of the study area towards availing bank loan through SHG for economic activities. The responses of SHG members of selected districts belonging to different socioeconomic groups based on age, religion, marital status, family size and housing conditions are largely identical with the general trend of responses detailed above.

#### **Availing Bank Loan- Purpose- wise Analysis**

Table 4 indicates the purpose wise Analysis of bank loan availed by members through their SHGs indicates that majority of the respondents availed the loan for dairy business and agriculture. Other Purposes for which bank loans were availed through SHGs included small trade/business, crafts and village artisan business and tailoring shops etc. The purposes of availing

bank loan indicated that the areas relate to farm activities and rural oriented business.

Considerable percent of the respondent members of SHGs (57.3%) obtained loan for dairy business. A lesser percent of them (33.8%) obtained bank loan through SHG for agricultural purposes. Bank loan through SHGs for small business/trade was availed of by lesser percent of them (4.1%) while, 3.4% availed bank loan for crafts and village artisans.

#### **Adequacy of SHG Loan**

Self help groups (SHGs) provide micro credit (loan) to members after borrowing loan from the banks with which they have credit linkages. Members are provided loan after decisions are taken in the SHG meetings. However, the distribution of loan to individual members may not meet adequately the requirements of the loan seeking members. Responses obtained through personal interviews with members during field survey have divergent perceptions of the members of the Self Help Groups covered by the study.

It is revealed from the table (5) that majority of the SHG members (69%) felt that loan amount was adequate. However, 31.5% of them felt that it was inadequate. The responses indicated that there is need for further augmentation of the loan amount needed for the SHG members if their genuine credit needs are to be fully met. There was non-significant association among the respondents towards the adequacy of SHG loan.

#### **Loan Repayment Performance of SHG Members**

It was observed from the table (6) that the loan repayment performance of the members of the SHGs is broadly at a lower side. The district wise analysis indicates could repay their loans well below 50 percent of them only. The district wise repayment was 38.6%, 43.35%, 41.45% and 41.25% in Gadag, Dharwad, Bidar and Raichur districts respectively.

Age wise analysis the repayment was higher (46.02%) among SHG members in the older age group of 50-59 years, followed by 42.13 percent among those in the age group of 40-49 years. The repayment of loan was lower at 39.47% and 39.41% among the young age group members of 20-29 years and 30-39 years, respectively.

Repayment of SHG loans was quite good at 55 percent among the unmarried SHG members. It was 40.24% among married members of the SHGs and lowest at 29.16% among widows. Religion wise repayment was 41.93% among Hindu SHG members, while it was 38.58% among Muslim members of SHGs and percentage was still low among other religious groups.

Repayment performance was better among members belonging to nuclear family.

Repayment performance of the SHG members living in huts surprisingly was highest at 57.18, while those living in kuchcha and pukka houses had a lower loan repayment performance at 29.55% and 49.44%, respectively. Repayment of loan by those members of SHG living in rented houses was higher at 45.97% compared to 40.10% by those living in their own houses.

#### **Reduction in Dependence on Money Lenders due to SHG Loan**

Table (7) reveals that the rural and urban poor have been depending on private money lenders for money for many of their personal and occupational requirements. The high cost of interest on their borrowings from the money lenders has put them in a perennial debt trap.

**Table 1 Purpose of Members for Joining the Self Help Groups (N 400)**

Responses	1	%	2	%	3	%	4	%	5	%	Total	%
Districts												
Bidar	95	95.0	96	96.0	91	91.0	79	79.0	71	71.0	100	25.0
Dharwad	100	100.0	96	96.0	97	97.0	83	83.0	83	83.0	100	25.0
Gadag	94	94.0	98	98.0	90	90.0	74	74.0	54	54.0	100	25.0
Raichur	91	91.0	100	100.0	88	88.0	80	80.0	63	63.0	100	25.0
Age groups												
20-29	85	89.5	95	100.0	85	89.5	78	82.1	47	49.5	95	23.8
30-39	118	98.3	113	94.2	113	94.2	89	74.2	84	70.0	120	30.0
40-49	128	94.1	133	97.8	119	87.5	111	81.6	104	76.5	136	34.0
50-59	49	100.0	49	100.0	49	100.0	38	77.6	36	73.5	49	12.3
Marital status												
Married	336	94.9	344	97.2	322	91.0	281	79.4	243	68.6	354	88.5
Unmarried	32	94.1	34	100.0	32	94.1	23	67.6	17	50.0	34	8.5
Widowed	12	100.0	12	100.0	12	100.0	12	100.0	11	91.7	12	3.0
Religion												
Hindu	274	93.2	286	97.3	266	90.5	229	77.9	183	62.2	294	73.5
Muslim	92	100.0	92	100.0	92	100.0	85	92.4	80	87.0	92	23.0
Christian	8	100.0	6	75.0	6	75.0	0	0.0	2	25.0	8	2.0
Jain	6	100.0	6	100.0	2	33.3	2	33.3	6	100.0	6	1.5
Family type												
Nuclear	226	92.6	241	98.8	219	89.8	180	73.8	146	59.8	244	61.0
Joint	154	98.7	149	95.5	147	94.2	136	87.2	125	80.1	156	39.0
Ownership house												
Own	308	93.9	318	97.0	300	91.5	273	83.2	246	75.0	328	82.0
Rented	72	100.0	72	100.0	66	91.7	43	59.7	25	34.7	72	18.0
House type												
Hut	32	100.0	32	100.0	32	100.0	25	78.1	15	46.9	32	8.0
Kachcha	167	93.3	179	100.0	167	93.3	161	89.9	141	78.8	179	44.8
Pucca	181	95.8	179	94.7	167	88.4	130	68.8	115	60.8	189	47.3
Total	380	95.0	390	97.5	366	91.5	316	79.0	271	67.8	400	100.0

Note: 1 for financial security 2 for enhancing social status 3 for increasing self esteem 4 for attaining power 5 for increasing family business/trade

**Table 2 Source of Motivation for Members to Join Self Help Groups (N= 400)**

Responses	1	2	3	4	5	6	7	8	9	Total
District										
Bidar	65	80	9	0	0	4	0	13	0	100
Dharwad	55	68	10	1	0	1	4	21	0	100
Gadag	86	84	16	0	0	4	0	4	2	100
Raichur	69	78	10	0	0	0	5	10	2	100
Age groups										
20-29	66	78	4	0	0	0	6	9	0	95
30-39	90	92	20	0	0	6	0	13	4	120
40-49	87	103	15	1	0	2	0	26	0	136
50-59	32	37	6	0	0	1	3	0	0	49
Marital status										
Married	241	276	39	1	0	9	9	40	4	354
Unmarried	22	22	6	0	0	0	0	8	0	34
Widowed	12	12	0	0	0	0	0	0	0	12
Religion										
Hindu	217	245	38	0	0	1	9	26	4	294
Muslim	47	54	4	0	0	8	0	20	0	92
Christian	7	7	3	1	0	0	0	0	0	8
Jain	4	4	0	0	0	0	0	2	0	6
Family type										
Nuclear	154	181	30	1	0	8	7	37	0	244
Joint	121	129	15	0	0	1	2	11	4	156
Ownership house										
Own	212	248	27	1	0	9	8	48	4	328
Rented	63	62	18	0	0	0	1	0	0	72
House type										
Hut	26	19	6	1	0	0	0	0	0	32
Kachcha	146	175	10	0	0	0	0	0	0	179
Pucca	103	116	29	0	0	9	9	48	4	189
Total	275	310	45	1	0	9	9	48	4	400

Note: 1 own decision 2 friends 3 relatives 4 caste leader 5 Panchayat chairman/ member 6 Anganwadi teacher 7 NGOs 8 bank officials 9 others

**Table 3: Availing Bank Loan through SHG for Economic activity (N=400)**

Factors	Yes	%	No	%	Total	%
District						
Bidar	71	71.0	29	29.0	100	25.0
Dharwad	83	83.0	17	17.0	100	25.0
Gadag	66	66.0	34	34.0	100	25.0
Raichur	73	73.0	27	27.0	100	25.0
Ch-square=8.1390 df=3 p=0.04325, S						
Age groups						
20-29	72	75.8	23	24.2	95	23.8
30-39	85	70.8	35	29.2	120	30.0
40-49	106	77.9	30	22.1	136	34.0
50-59	30	61.2	19	38.8	49	12.3
Marital status						
Married	250	70.6	104	29.4	354	88.5
Unmarried	31	91.2	3	8.8	34	8.5
Widowed	12	100.0	0	0.0	12	3.0
Religion						
Hindu	221	75.2	73	24.8	294	73.5
Muslim	58	63.0	34	37.0	92	23.0
Christian	8	100.0	0	0.0	8	2.0
Jain	6	100.0	0	0.0	6	1.5
Family type						
Nuclear	204	83.6	40	16.4	244	61.0
Joint	89	57.1	67	42.9	156	39.0
Ownership house						
Own	237	72.3	91	27.7	328	82.0
Rented	56	77.8	16	22.2	72	18.0
House type						
Hut	29	90.6	3	9.4	32	8.0
Kachcha	103	57.5	76	42.5	179	44.8
Pucca	161	85.2	28	14.8	189	47.3
Total	293	73.3	107	26.8	400	100.0

**Table 4 Availing Bank Loan- Purpose- wise Analysis (N=400)**

Factors	1	%	2	%	3	%	4	%	5	%	Total	%
District												
Bidar	25	35.2	39	54.9	3	4.2	2	2.8	2	2.8	71	24.2
Dharwad	22	26.5	55	66.3	3	3.6	0	0.0	3	3.6	83	28.3
Gadag	27	40.9	29	43.9	6	9.1	2	3.0	2	3.0	66	22.5
Raichur	25	34.2	45	61.6	0	0.0	0	0.0	3	4.1	73	24.9
Total	99	33.8	168	57.3	12	4.1	4	1.4	10	3.4	293	100

Note: 1 agriculture 2 dairy units 3 small trade / business 4 tailoring shops 5 crops & village artisan business

**Table 5 Adequacy of SHG Loans (N=400)**

Factors	Yes	%	No	%	Total	%
District						
Bidar	69	69.0	31	31.0	100	25.0
Dharwad	64	64.0	36	36.0	100	25.0
Gadag	66	66.0	34	34.0	100	25.0
Raichur	77	77.0	23	23.0	100	25.0
Ch-square=4.5820 df=3 p=0.20515, NS						
Total	276	69.0	124	31.0	400	100.0

**Table 6: Loan Repayment Performance of SHG Members**

Factors	Total	Average	SD
District			
Bidar	4145	41.45	27.269
Dharwad	4335	43.35	35.191
Gadag	3860	38.6	20.672
Raichur	4125	41.25	24.488
Age groups			
20-29	3750	39.474	21.106
30-39	4730	39.417	30.7
40-49	5730	42.132	20.309
50-59	2255	46.02	42.671
Marital status			
Married	14245	40.24	27.572
Unmarried	1870	55	21.213
Widowed	350	29.167	25.746
Religion			
Hindu	12330	41.939	27.173
Muslim	3550	38.587	29.745
Christian	285	35.625	9.797
Jain	300	50	0
Family type			
Nuclear	11380	46.639	24.101
Joint	5085	32.596	29.959
Ownership house			
Own	13155	40.107	27.365
Rented	3310	45.972	27.097
House type			
Hut	1830	57.188	36.477
Kachcha	5290	29.553	29.525
Pucca	9345	49.444	17.461
Total	16465	136.19	83.462

**Table 7: Reduction in Dependence on Money Lenders due to SHG Loans**

(N=400)

Responses	Yes	%	No	%	Total	%
District						
Bidar	54	54.0	46	46.0	100	25.0
Dharwad	62	62.0	38	38.0	100	25.0
Gadag	59	59.0	41	41.0	100	25.0
Raichur	67	67.0	33	33.0	100	25.0
Ch-square=3.7240 df=3 p=0.29284, NS						
Total	242	60.5	158	39.5	400	100.0

**Table 8 Utilization of SHG Loan by Members (N=400)**

Responses	Yes	%	No	%	Total	%
District						
Bidar	59	59.0	41	41.0	100	25.0
Dharwad	66	66.0	34	34.0	100	25.0
Gadag	65	65.0	35	35.0	100	25.0
Raichur	70	70.0	30	30.0	100	25.0
Total	260	65.0	140	35.0	400	100

Despite the efforts made by cooperative institutions and the various schemes of priority sector lending by banks as stipulated by the RBI and the Government the dependence of the poor and small businessmen on money lenders has not yet reduced considerably. However, the micro credit through SHG loans to members has provided a good relief and there is good progress in the reduction of dependence on money lenders by the vulnerable sections of the society.

The dependence on money lenders due to SHG loans has been reduced as felt by majority of them (60.5%), while considerable 39.5 percent of them indicated that their felt dependence on money lenders still continues. Association was found to be non significant among the members of the study area towards reduction of dependency on money lenders.

#### **Utilization of SHG Loan by Members**

Loan utilization by the member loanee of the SHGs needs a proper plan and necessary arrangements and information about the markets etc if the loan is intended to be used for business purposes. In the absence of well devised plan, the loan amount may remain unutilized partly or fully. Such situations may result in incurring avoidable interest cost or the loanee may divert the money for unproductive purposes.

The responses of the SHG members covered in the study indicated a mixed position relating to utilization of the SHG loans by the member borrowers.

Majority of the respondents (65%) mentioned that the loan amount was used fully. However, a substantial percent of them (35%) indicated that they did not use the entire loan amount obtained through SHGs. The following table (8) provides the details.

#### **Conclusion**

The study has revealed some significant trends regarding the purpose of joining the SHGs by the members. Both the social and economic factors have influenced the members in joining their SHGs. Social aspirations like enhancing social status have led maximum number of members to join SHGs. Among the economic factors financial security compelled maximum number of members to join SHGs. The trend of responses of members belonging to different socio economic groups is similar to the general trend of responses.

Friends motivated maximum number of members to join SHGs followed by 'own decision' as the source of motivation. Here too, the responses of members belonging to different socio-economic groups are similar to the general trend of responses.

Financial assistance was extended for varied purposes by SHGs to members viz., for obtaining raw materials, for obtaining electricity from KEB, for getting marketing, other information etc.

SHG/ Bank loans are largely used for dairy business and agriculture as expressed by the majority of respondent members'. The impact of membership of SHG's has been largely positive.

#### **Reference**

- Anjugam, M. and Alagumani, 2001, Impact of microfinance through SHGs A case study. *Indian Journal of Agricultural Economics* 56 (3):458-459.
- Das M. R. 2004, Micro-finance through SHGs *Kurukshetra*, 52 (4):43-45.
- Ganesamurthy, V. S. Radhakrishnan, M. K., Bhuvanawari, S. and Ganeshan, A. 2004, A Study on thrift and credit utilization pattern of self help groups SHG In Lakshmi Vilas Bank Suriyampalyam Branch, Erode. *Indian Journal of Marketing*, 34 (1):12-14.