

# Self-Help Groups: Importance of Credit and Training in creating opportunity to the members in Kanpur Dehat

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***Abstract---**The Self-Help Groups (SHGs) are voluntary associations of people formed to attain some common goals. These are groups that have similar social identity, heritage, caste or traditional occupations and come together for a common cause and manage resources for the benefit of the group members. In this paper, it is seen that how credit and skill can provide opportunity to the members of SHGs. Credit access is one of the major benefit to the members of SHGs which can be more useful if proper skill training for employability provided to them.*

***Keywords---** Self-Help Groups (SHGs), Microfinance Institution (MFI)*

## I INTRODUCTION

In India, poor is always in need of small credit for basic necessities. They are always short of credit and because of which they are not able to manage their daily affairs and enterprises. Organized financial institutions generally avoid providing loans to poor household and especially women headed households. Unorganized sector offers credit but at a very high interest rate because borrowers failed to make required payments. In this scenario, microfinance institutions helped poor and underprivileged households by offering broad range of services like deposits, loans and insurance etc. A lot of literature is available but still it is unsure that microfinance institution has given economic and social benefits to the poor households or not. (Sharma, 2007).

Grameen banks started their lending program in 1976. Lending program of Grameen bank was basically a credit driven model and it was based on a thinking that poor needs loan and credit is their human right. The manifesto of Micro Credit Summit Campaign was to ensure that at least 100 million of the world's poorest families out of which women are receiving credit for self employment and other services by 2005.

Micro finance institutions provide services to extreme, moderate and non poor households as per their needs. Their main objective is to increase income rather than seeing the impact of that increased income in reduction poverty. This correlation needs to be studied in detail because if increased income is spent on some non-productive activity, it will never considered increased income. Dreze and Sen said that increased income could be seen when poor households shifts from below poverty line to above poverty line. Microfinance institutions offer loan without knowing the reason of its use because borrowers had a better understanding of their social and economical conditions.

Microfinance institutions are found at places where employment opportunities are more and stable (Reeta, et al 2010). Employment opportunities create courage and stability to the under privileged people which could be

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supported by micro credit facilities. It is not very easy for the poor households to pull out themselves of poverty as functioning of loan in right earning asset is necessary.

## **II Review on Microfinance**

The big question globally is whether microfinance is a potent tool for poverty reduction/alleviation and other related outcomes. Various aspects of microfinance impacts have been studied in the recent past. Some of the aspects that have received significant attention are: women empowerment, (for example, see Arora and Meenu 2011; Chowdhury and Chowdhury 2011; Selome and Tshuma 2014), financial performance (Ngo et al.2014; Kar and Swain 2014), poverty alleviation, outreach (for example, see Hudak 2012; Abate et al., 2014).Each of the impacts mentioned above has been studied both through the use of case studies as well as empirical tests.

Another aspect of microfinance that has received significant attention is the ethics and crises associated with MFIs (Forex Schmidt 2010; Sama and Casselman 2013). Particularly, the case of SKS Microfinance has received significant academic attention with academics and practitioners questioning the sole focus of profitability displayed by some MFIs (Mohan and Potnis 2010; Grunewald and Baron 2011).

A comprehensive definition given by Robinson applies to microfinance in all countries in the world. "Microfinance refers to small-scale financial services for both credit and deposits. It is provided to people who farm or fish or herd; operate small or micro-enterprises where goods are produced, recycled, repaired or traded; provide services, work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas."

NABARD has defined microfinance as: "Microfinance is all about the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their standard of living."

## **III Objectives:**

- a. Evaluate and assess the positive correlation between the credit offered by SHGs with the opportunities given to the members.
- b. Examine the impact and the correlation of training offered by SHGs opportunities given to the members.

### **Alternate Hypothesis:**

H1: Credit offered by SHGs positively relates with opportunities to the members.

H2: Training offered by SHGs positively relates with opportunities to the members.

## **IV Research Methodology**

Primary data collection is done with 351 respondents in Kanpur Dehat. Minimum, acceptable sample size for descriptive research would be 10% of population (Gay and Diehl, 1992). Population is 2100, and accordingly, sample size should be 210 but I have taken a sample of 351 respondents and respondents are taken on the bases of Judgmental sampling.

### Factors affecting the performance of SHGs

Evaluate and assess the positive correlation between the Credit offered by SHGs with the opportunities given to the members.

#### Hypothesis 1:

H11: Credit offered by SHGs doesn't positively relate with opportunities to the members.

H11: Credit offered by SHGs positively relates with opportunities to the members.

To evaluate and assess the correlation between the factors like credit offered by SHGs and the opportunities given to the member's methodology like bivariate correlation and multiple correlations has been used at 95% confidence level. Here for the study purpose, dependent variable is opportunity and independent variable is credit.

As per the bivariate correlation there is a significant positive relationship with p-value of 0.00 for 351 respondents. Correlation between the factors is closure to 0.465, which infers that there is a 46.5% correlation between the factors like credit access through SHG and its utilization and the opportunity provided to the borrows in Kanpur Dehat.

Correlations			
		Credit Access Through SHGs And Its Utilization	Opportunity Provided To Borrowers
Credit Access Through SHGs And Its Utilization	Pearson Correlation	1	.465**
	Sig. (2-tailed)		0.000
	N	351	351
Opportunity Provided To Borrowers	Pearson Correlation	.465**	1
	Sig. (2-tailed)	0.000	
	N	351	351
**. Correlation is significant at the 0.01 level (2-tailed).			

To evaluate impact of credit access through SHG and its utilization on opportunity provided to the borrowers in Kanpur Dehat, multiple regression analysis has been done at 95% confidence level. Below table depicts the values of R and R2 for credit access through SHG at over-all level. Here R and R2is (0.594, 0.352). This R value explains correlation between credit access through SHG and opportunity provided to the borrows in Kanpur Dehat and R2 demonstrate the variation in the dependent variable

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594 <sup>a</sup>	0.352	0.341	0.803
a. Predictors: (Constant), credit access through SHGs and its utilization, Loan is provided as per my need, Interest rate is adequate for me, Process of taking loan from SHGs is easy, Time for repayment is adequate for me, Usage of loan is for the intended purpose				

Below tables tells how well the regression equation fits the data (prediction of dependent variable). Here, result suggested that regression model predicts the dependent variables (opportunity provided to borrowers) significantly well. P-value for independent value is 0.000, which indicates that over all regression models are significant. Hence, null hypothesis is rejected and alternate hypothesis is accepted “Credit offered by SHGs positively relates with opportunities to the members”.

ANOVA <sup>a</sup>							
Model		Sum of Squares	df	Mean Square	F	Sig.	Result Null Hypothesis
1	Regression	120.858	6	20.143	31.210	.000 <sup>b</sup>	not Significant
	Residual	222.020	344	0.645			
	Total	342.877	350				
a. Dependent Variable: opportunity provided to borrowers							
b. Predictors: (Constant), credit access through SHGs and its utilization, Loan is provided as per my need, Interest rate is adequate for me, Process of taking loan from SHGs is easy, Time for repayment is adequate for me, Usage of loan is for the intended purpose							

Coefficient table, illustrate an information about the predictors whether they are statistically significant to the model or not. Here, Beta ( $\beta$ ) and p-value for Credit at over-all level and at statement level is as follows Process of taking loan from SHGs is easy (  $\beta$ = 0.051, p-value=0.03), Time for repayment is adequate for me ( $\beta$  = 0.042, p-value= 0.044), Interest rate is adequate for me ( $\beta$ = 0.055, p-value= 0.605), Loan is provided as per my need ( $\beta$ = 0.334, p-value= 0.00), Usage of loan is for the intended purpose ( $\beta$ = 0.035, p-value= 0.755), credit access through SHGs and its utilization ( $\beta$ =0.197, p-value=0.007). This indicates that, at overall level there is an impact

of credit access through SHGs and its utilization on the opportunity provided to borrowers at 95% confidence level.

**Regression Equation:**

Opportunity provided to borrowers = 1.983 + 0.051 (Process of taking loan from SHGs is easy) + 0.042 (Time for repayment is adequate for me) + 0.334 (Loan is provided as per my need) + 0.197 (credit access through SHGs and its utilization)

Coefficients <sup>a</sup>							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Result Null Hypothesis
		B	Std. Error	Beta			
1	(Constant)	1.983	0.192		10.353	0.000	Not Significant
	Process of taking loan from SHGs is easy	0.051	0.050	0.068	1.028	0.030	Not Significant
	Time for repayment is adequate for me	0.042	0.054	0.053	0.775	0.044	Not Significant
	Interest rate is adequate for me	-0.055	0.106	-0.068	-0.518	0.605	Significant
	Loan is provided as per my need	0.334	0.041	0.449	8.162	0.000	Not Significant
	Usage of loan is for the intended purpose	-0.035	0.111	-0.042	-0.313	0.755	Significant
	credit access through SHGs and its utilization	0.197	0.108	0.199	1.816	0.007	Not Significant
	a. Dependent Variable: opportunity provided to borrowers						

**Examine the impact and the correlation of training offered by SHGs opportunities given to the members.**

**Hypothesis 2:**

H12: Training offered by SHGs doesn't positively relate with opportunities to the members.

H12: Training offered by SHGs positively relates with opportunities to the members.

To examine the impact of correlation between the factors like training offered by SHGs and the opportunities given to the members, methodology like bivariate correlation and multiple correlations has been used at 95% confidence level. Here for the study purpose, dependent variable is opportunity and independent variable is training offered by SHGs.

As per the bivatiate correlation there is a significant positive relationship with p-value of 0.00 for 351 respondents. Strong correlation between the factors is closure to 0.702, which infers that there is a 70.2% correlation between the factors like training offered by SHGs and the opportunity provided to the borrowers in Kanpur Dehat.

<b>Correlations</b>			
		Skill Development Through SHGs	Opportunity Provided To Borrowers
Skill Development Through SHGs	Pearson Correlation	1	.702**
	Sig. (2-tailed)		0.000
	N	351	351
Opportunity Provided To Borrowers	Pearson Correlation	.702**	1
	Sig. (2-tailed)	0.000	
	N	351	351
** . Correlation is significant at the 0.01 level (2-tailed).			

To evaluate the impact of training offered by SHGs on opportunity provided to the borrowers in Kanpur Dehat, multiple regression analysis has been done at 95% confidence level. Below table depicts the values of R and R2 for credit access through SHG at over-all level. Here R and R2is (0.777, 0.604). This R value explains correlation between training offered by SHGs and opportunity provided to the borrowers in Kanpur Dehat and R2 demonstrate the variation in the dependent variable.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777 <sup>a</sup>	0.604	0.599	0.627
a. Predictors: (Constant), skill development through SHGs, Helped in skill development, Provided lifelong learning and innovation, Helped in laying down the foundation for employability.				

Below tables tells how well the regression equation fits the data (prediction of dependent variable). Here, result suggested that regression model predicts the dependent variables (opportunity provided to borrowers) significantly well. P-value for independent value is 0.000, which indicates that over all regression models are significant. Hence, null hypothesis is rejected and alternate hypothesis is accepted “Training offered by SHGs is positively relate with opportunities to the members”.

ANOVA <sup>a</sup>							
Model		Sum of Squares	Df	Mean Square	F	Sig.	Result Null Hypothesis
1	Regression	206.982	4	51.745	131.748	.000 <sup>b</sup>	Not Significant
	Residual	135.896	346	0.393			
	Total	342.877	350				
a. Dependent Variable: opportunity provided to borrowers							
b. Predictors: (Constant), skill development through SHGs, Helped in skill development, Provided lifelong learning and innovation, Helped in laying down the foundation for employability.							

Coefficient table, illustrate an information about the predictors whether they are statistically significant to the model or not. Here, Beta ( $\beta$ ) and p-value for training offered by SHGs at over-all level and at statement level is as follows Helped In Skill Development ( $\beta = 0.028$ , p-value=0.047), Provided Lifelong Learning And Innovation ( $\beta = 0.132$ , p-value= 0.000), Helped In Laying Down The Foundation For Employability ( $\beta = 0.345$ , p-value= 0.000), Skill Development Through SHGs( $\beta = 0.261$ , p=value= 0.00). This indicates that, at overall level there is an impact of Skill Development through SHGs on the opportunity provided to borrowers at 95% confidence level.

**Regression Equation:**

Opportunity provided to borrowers = 1.039 + 0.028 (Helped In Skill Development) + 0.132 (Provided Lifelong Learning And Innovation) + 0.345 (Helped In Laying Down The Foundation For Employability) + 0.261 (Skill Development Through SHGs)

		Coefficients <sup>a</sup>					Result Null Hypothesis
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
Model		B	Std. Error	Beta			
1	(Constant)	1.039	0.148		7.038	0.000	Not Significant
	Helped In Skill Development	0.028	0.036	0.036	0.762	0.047	Not Significant
	Provided Lifelong Learning And Innovation	0.132	0.035	0.187	3.736	0.000	Not Significant
	Helped In Laying Down The Foundation For Employability.	0.345	0.044	0.399	7.830	0.000	Not Significant
	Skill Development Through SHGs	0.261	0.056	0.263	4.620	0.000	Not Significant
a. Dependent Variable: Opportunity Provided to Borrowers							

**V Conclusion**

According to the results credit access through SHGs and its utilization has shown significant impact on opportunity provided to borrowers in Kanpur Dehat. Value of R<sup>2</sup> is 0.352, which means regression model can explain 35.2% impact of credit access through SHGs and its utilization has shown significant impact on opportunity provided to borrowers in Kanpur Dehat, remaining percentage is explained by some other variables. ANOVA, F-value also shown significant relationship between credit access through SHGs and its utilization on opportunity provided to borrowers in Kanpur Dehat (p-value is <0.05). According to the results Skill Development through SHGs has shown significant impact on opportunity provided to borrowers in Kanpur Dehat. Value of R<sup>2</sup> is 0.604, which means regression model can explain 60.4% impact of Skill Development



Through SHGs has shown significant impact on opportunity provided to borrowers in Kanpur Dehat, remaining percentage is explained by some other variables. ANOVA, F-value also shown significant relationship between Skill Development Through SHGs and its utilization on opportunity provided to borrowers in Kanpur Dehat (p-value is <0.05). Hence, H12 is accepted “Skill Development through SHGs is positively (70.2%) relates with opportunities to the members”.

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