



Does the Members of SHG Utilize their Credit Productively: A Case Study

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1. Introduction

The formation of SHGs is important to improve the socioeconomic status of the rural people and thus it will help to reduce poverty of the rural people (Abed, 2000, Shiralashetti and Hugar, 2008) in rural areas in India. Again, the objectives of rural development can be achieved through the formation of SHGs and thus it is treated as an alternative way to achieve the objectives of rural development (Dodkey, 1999; Gurumoorthy, 2000, Kousal.et al., 2007). However, unfavourable socio-cultural environments, lack of infrastructural facilities are often standing a way of constraint for the progress of SHGs (Sau, 2005).

The performance of a SHG is evaluated through their grading process by fulfilling some criteria provided by the government. After forming a group, they collect a small amount of money as savings that can help them to free from the clutches of the exploitation of moneylender (Shivakumar, 1995). They can borrow money from this accumulated deposit at low rate of interest. After six months they apply for Grade-I maintaining some rules and regulations. They get revolving fund along with cash credit. The members can develop skill and acquire knowledge which helps them to maintain the credit money. Thus the members of SHGs would contribute to a healthy progress of the groups. Generally they utilize this money for productive purposes. After qualifying for Grading –I, they work jointly through this microcredit and thus they would involve in credit linkage scheme by fulfilling some other important criteria. In this credit linkage scheme they get credit for a large amount for individual member.

2. Objectives of the study

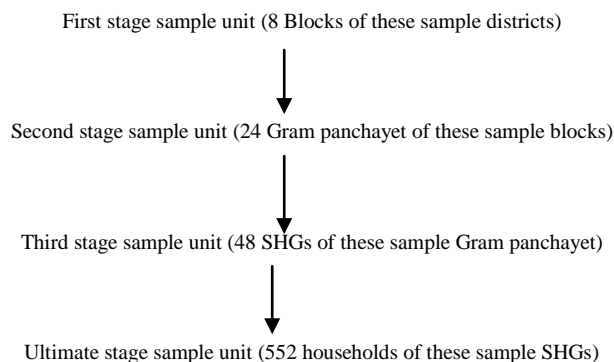
The prime objective of the study is to analyse the utilization of credit after qualifying for Grade-I and Grade-II. This will be shown through poverty level of the members of SHGs. In this study the poverty level is measured through the ration cards hold by the members. The members those who have antodaya ration card are called very much poor. Therefore, how APL, BPL and very much poor members are utilizing credit, this is our focus area. Secondly we show how the members are engaged in economic enterprises after passing Grade-I and Grade-II.

The performance of SHGs is assessed through various performance indicators. Utilization of credit is another important factor for the performance of SHGs. This is the fact that the microfinance plays as an alternative mechanism to meet the urgent credit needs of poor through thrift (Rao, 2002). If the members utilize credit for investment purposes in some production activities then they can generate surplus which is required to be repaid their loans. However, if they use it for the sphere of non-commodity production they will not be able to repay their loan amount. Again, more number of members of SHGs are utilized it then the SHGs will be performed better. Members of SHGs were taking loan and utilizing it for consumption purposes before the group formation. However, they utilized it for income generating activities after group formation (Sing (2001)).

3. Methodology:

A multistage random sampling method is used to collect primary data from the two districts; Paschim Medinipur and Bankura.

The selection procedure of sample members has shown below.



The blocks of these sample districts are Binpur II, Gopibhallavpur II, Jhargram, Jambani, Chhatna, Khatra, Indpur and Saltora.

4. Result and Discussion

Utilization of credit

The members of SHG received credit after qualifying for Grade-I and Grade-II. Now the question is whether they use the credit for productive or non-productive ways. Out of 552 members, 92 members could not pass Grade-I. Thus total number of members who have qualified for Grade-I are 460 (83.3%). Again, out of 393 BPL members (71.2% of the total members), 65 members could not receive any credit as they have not qualified for Grade-I and out of 328 qualified members, 69.2 per cent members used their cent percent credit as productive purpose and 17.1 per cent of members utilized their credit as unproductive purposes. Further, out of 108 APL members, about 13 per cent APL members could not receive credit and about 72.3 per cent members used their cent percent credit as productive purpose and about 13 per cent of members used credit as unproductive means. Again, out of 51 very much poor members, 21.6 members could not receive credit and 55 percent members used their cent percent credit as productive purpose and 30 percent members used their credit exclusively for non-productive purpose. Thus from the table 1, it is clear that very much poor members are utilized a larger portion of their credit as unproductive purposes. The members of SHGs utilized the loan for purchasing cows, rams, goats and for meeting personal needs (Kamaraju, 2005).

Table-1: Percentage distribution of members of SHGs used their credit in productive and unproductive activities after passing in Grade-I

% share of credit utilization	BPL		APL		Very much poor	
	productive	Unproductive	productive	Unproductive	productive	Unproductive
20		6		1	1	
25				2		
30		1			2	
35	1	1				
40	17	7	3		1	2
45		2	1			
50	10	10	3	3		
55	2			1		
60	7	15	2	1	2	
65	1	1	1			
70	1					3
75			2			
80	6		1			1
100	227	13	68	5	22	6
Total	272	56	81	13	28	12

Source: Field Survey (2013-14)

The members of SHGs used their credit in productive and non-productive activities after passing Grade-II. Out of 78 BPL members, 78.2 percent members used their cent percent credit as productive purpose and 11.53 percent members used their credit for non-productive purpose exclusively. Further, out of 21 APL members, 76.2 percent members used their cent percent credit as productive purpose and 1 member used their credit exclusively for non-productive purpose and out of 10 very much poor members, 6 members used their cent percent credit as productive purpose, 3 members used their credit for non-productive purpose exclusively after passing Grade-II. Thus most of the members used their credit as productive purposes.

Table-2: Percentage distribution of members of SHGs used their credit in productive and unproductive activities after passing in Grade-II

% share of credit utilization	BPL		APL		Very much poor	
	productive	Unproductive	productive	Unproductive	productive	Unproductive
20	2.9			33.33		
25	2.9					
30	1.45					
35	2.9	11.11				
40	0	0		33.33		

45	0	0			14.29	
55	0	0				33.33
60	0	0	5.55			
65	1.45	11.11				
70	0	22.22				
75	0	0	5.55			
80	0	22.22				
100	88.4	33.34	88.9	33.34	85.71	66.67
Total	100	100	100	100	100	3

Source: Field Survey (2013-14)

Therefore, a big share of total fund was utilized for unproductive purposes after qualifying for Grade-I and Grade-II. Most of the members of SHGs are poor. Therefore, many members utilized the credit for unproductive purposes. This is the fact that the members of Fulberia Birangana SHG of Nota gram panchayet in Gopiballabhpur –II Block of Paschim Medinipur District are using their credit (percent) for household consumption and house repairing activities after passing Grade-II. They know that if they form any SHG, they will get some credit and they will get engaged in mid-day-meal scheme also. Therefore, their primary aim is to earn something. The 57 per cent of the total credit received by the members of Dubra Sri Maa Sitala SHG is utilizing that for household consumption and for educational purpose. Most of the members of SHGs are belonged to ST categories and they are much poor so they can not take one meal even a day then how they can lead their subsistence level. Therefore, they use a larger share for unproductive purposes.

Engagement in Economic Enterprises

In this study a large number of members utilized their credit for productive purposes. However, a sizeable number of members utilize their credit for unproductive one after passing Grade-1 and Grade-11. Now the purpose of credit given to the members of SHGs is categorized as directly income generating activities and Consumption related activities. Income generating activities are those initiatives that shape the economic aspect of peoples' lives through the use of economic tools such as credit. **Directly income generating activities** include A) agriculture, B) livestock, C) business/Shop and D) household manufacturing. **Agriculture** includes paddy production, mushroom production, plantation, **livestock** includes goatery, diary, poultry, piggery, **household manufacturing** includes Tailoring, Netting, Tip (bindi) making, leaf stitching, mini rice mill, chira preparation, rope making with babui grass, bamboo preparation, handloom, preparation of Vermicompost. Again, the expenditure on education and health is taken into account as productive purposes because it creates human capital. On the other hand, Consumption related activities include A) household consumption, B) house construction/Repairs, C) ceremonial expenditure, D) repayment of loan, motorcycle purchase etc. There are some members of SHGs who utilized the credit for both productive and unproductive purposes. We denote this number of members by star (*).

Out of 552 members of SHGs in DPA, 92 members could not receive credit. Out of these, 97.4 percent of members of SHGs utilized their credit only for productive (income generating activities + educational expenditure, + health treatment) purposes. Out of these, 11.4 percent of members engaged themselves in agricultural activities, 43.3 percent of members engaged themselves in livestock and 21.9 percent of members engaged themselves in household manufacturing after passing Grade-I.

Table-3: Distribution of members of SHGs by purpose of loan in DPAs.

Directly income generating activities	Number of members of groups	
	G I	GII
A)Agriculture	51	18
B)Livestock	194+50*	52+8*
C)Busin./Shop	38	7
D)HH manuf.	98	20
E)Money lend.	10	
Total	441	105
F) Education	5+7*	2
G) Health	2+9*	

Total	448	2
Consumption Related Activity		
A)HH. Consu	3+19*	2+8*
B)House construct/Repair	5+15*	
E)Ceremonial expenditure	3	
F)repayment of loan,motorcycle purchase etc.	1	
Total	12+34*	2+8*
Group Total	460	109

Source: Field Survey (2013-14)

Further, out of 460 members, 12 members of SHGs utilized loan exclusively for their consumption related after passing Grade-I. Again, out of 109 members who received credit, 96.3 percent of members of SHGs utilized their credit only for income generating activities, 2 members of SHGs utilized their credit for health and education expenditure and 3 members utilized loan for their household consumption after passing Grade-II. Further, 8 members engaged themselves both income generating activities, health treatment and educational purpose (these are treated as productive activities) and consumption related activities which is unproductive activities.

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