

# IMPACT OF INSTITUTIONAL CREDIT ON THE DEVELOPMENT OF WOMEN THROUGH SELF-HELP GROUP- A STUDY IN KANYAKUMARI DISTRICT

<sup>1</sup>Dr. R. KRISHNAVENI & <sup>2</sup>Dr. S. ARUMUGAM

<sup>1</sup>Associate Professor, Department of Commerce, Balagan Saraswathi Arts and Science College for Women, Mukkudal, Tirunelveli, Tamilnadu, India. rkvabi@gmail.com.

<sup>2</sup>Assistant Professor, Department of Physical Education and Sports, Manonmaniam Sundaranar University, Tirunelveli, Tamilnadu, India. draru1975@gmail.com.

## Abstract

Self-help Groups plays a very imperative role in rural women upliftment in India. Institutional credit through micro finance has now emerged as a financial strategy to reach the urban and rural poor and is emerging as a movement at the global level. Over the past two decades, institutional credit through micro finance has acquired greater dimension and recognition as an instrument for meeting the credit needs of the poor for their income generating activities. The institutional credit support extended to the self-help groups together with other extension support such as skill upgradation, enhancing entrepreneurial abilities along with providing necessary infrastructures and marketing support helps the self-help groups to cross the barriers that keep them below the poverty line. This research study attempt to examine the impact of institutional credit on the development of rural women through self-help groups.

**Key words:** Institutional Credit, Self-Help Groups, Impact, Development, Rural Women

## **Introduction**

Human development has been a serious concern of both Government and Non – Governmental organizations. A series of strategies ranging from assistance to partnership to self-reliance and sustainability have been intensively adopted. Development has social, economic and political dimensions. Without developing the women development is incomplete, who constitute about 50 % of the population. Economic development is one of the important factors that have changed the scenario of social and cultural environment within the country especially for the women. The rural women are involved in small-scale entrepreneurship programme with the help of self-help groups and through that they were economically empowered.

## **Review of Literature**

Manimekalai and Rajeswari, (2001) studied the impact of SHG in creating women entrepreneurship in rural areas of Tamil Nadu by taking 150 SHG members. They highlight that the SHGs have helped to initiate micro enterprises including farm and non-farm activities, trading and service units. It reported that there was significant difference in the mean performance of the entrepreneurs based on their age, education and experience. The micro finance has facilitated the women to have economic and social empowerment; it has developed a

sense of leadership skill, organizational skill and management of business activities, right from acquiring finance, identifying raw materials, marketing etc., by themselves.

Ganapathi and Sannasi, (2008) highlighted the factors influencing the women entrepreneurs. The study highlighted the common features of women entrepreneurs, challenges faced by them while undertaking the entrepreneurial activities and the necessary strategies to overcome the challenges. The study concluded that women must be motivated to establish business in the interest of the family income in particular and national income in general.

### **Statement of the Problem**

The role of institutional credit through micro-credit is to improve the socio-economic development of women and improve the status of women in households and communities. The micro credits are strengthening the women empowerment and remove the gender inequalities. Self-help group's micro credit mechanism makes the members to engage in other community development activities. Micro credit is promoting the small scale business enterprises and its major aim is to alleviate poverty by income generating activities among women and the poor.

Now-a-days economic development is one of the factors to change the scenario of social and cultural environment of the country especially for the women. With the help of SHG the rural women are involved in small-scale entrepreneurship programme. Government has taken different measures to develop and promote skill among women so as to integrate them in economic and social development. It helps women to take up self-employment by providing institutional finance, subsidy, training, raw materials and marketing facilities. Hence, the study attempts to find out the impact of institutional credit on the development of self-help group women entrepreneurs.

### **Objectives of the Study**

- To study the socio- economic background of the women entrepreneurs in self-help groups in Kanyakumari District.
- To study the impact of institutional credit on the development of self-help group women entrepreneurs in the study area.

### **Hypotheses**

- There is no significant difference between income before and after joining of self-help group.
- There is no significant difference between expenditure before and after joining of self-help group.
- There is no significant difference between savings before and after joining of self-help group

### **Sampling Design**

For the present study, the researcher has adopted multi – stage random sampling method for selecting 350 respondents.

**Table 1**  
**Sampling Design**

S. No	Name of the selected Blocks	No of SHGs*	No. of SHGs Selected	No. of Members Selected
1	Thovalai	1452	10	70
2	Kurunthancode	1680	10	70
3	Thiruvattar	1838	10	70
4	Munchirai	2081	10	70
5	Melpuram	2624	10	70
	<b>Total</b>	9675	50	350

Source: \*unpublished report of Mahalir thittam

### Tools Used for Analysis

Based on the nature of data and relevance of the information required the appropriate statistical tools were used for analysis. Percentage, Factor Analysis and Wilcoxon signed Ranks Test were used. The analyses were made with the help of Statistical Package for Social Sciences.

### Limitations of the Study

The following are the limitations of the present study:

1. The study is subject to memory bias of the respondents, as they had no records.
2. The marketing aspects of the self-help groups could not be included in the study.
3. Self-help groups formed under Mahalir Thittam and financed by banks alone are considered for the study.
4. The results and conclusion of the study is mainly based on the information provided by the member in the form of interview schedule.

### Socio Economic Profile of the Respondents

The dominant (34.57 %) age groups among the respondents were 35 - 45 years. The common level of education among the respondents (25.43 %) was primary, 80.86 % of the respondents were married and 43.14 % of the respondents have personal income between Rs.30000 - 45000 per annum and 47 % of the respondents' yearly savings ranges from Rs.2000 – 4000.

### Impact of Institutional Credit on the Development of Self-Help Group Women Entrepreneurs

The SHG is really a boon in the rural areas which gives financial autonomy to the rural women and makes them economically independent. They have developed abundant self-confidence and self-esteem through SHG movement. To know the impact the respondents were asked to state their opinion at five-point scale with options of strongly agree, agree, doubtful, disagree and strongly disagree with scores 5, 4, 3, 2, 1 respectively. Before applying the data for factor analysis, sampling adequacy was tested by KMO and Bartlett's Test. The result is shown in Table 3.

**Table 3**  
**Factor Analysis - KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.778	
Bartlett's Test of Sphericity	Approx. Chi-Square	2012.32
	df	105
	Sig.	.000

Source: Primary data

KMO and Bartlett's test of sphericity of produces the Kaiser – Meyer – Olkin Measure of sampling adequacy. The value of KMO should be greater than 0.5 if the sample is adequate. The KMO value was .778. So, the sample was adequate.

Factor analysis was applied to find out the dominant factors influencing the impact of institutional credit on the overall development of rural women self-help group members. The inter-correlations between 15 variables were analyzed using Principal Component Analysis and Varimax Rotation for factor analysis. The results of Rotated Component Matrix of the impact of institutional credit on the overall development of rural women are exhibited in Table 4. The factors with which the problems are identified are given in bold.

**Table 4**  
**Rotated Component Matrix for the Impact of Institutional Credit on the Development of Self-Help Group Women Entrepreneurs**

Variables	Personal	Social	Political	Environmental
Reduction in stress	<b>.786</b>	.180	.266	.195
Access to health care	<b>.763</b>	.438	.150	.149
Economic independence	<b>.738</b>	.357	.166	.314
Better communication skill	<b>.669</b>	.154	.311	.330
To meet house hold expenses	.187	<b>.818</b>	.179	.287
Increasing self confidence	.297	<b>.766</b>	.158	.186
Increasing decision making capacity	.317	<b>.689</b>	.184	.195
Better leadership skill	.238	.349	<b>.746</b>	.193
Understand the political environment	.320	.230	<b>.733</b>	.161
Social interaction	.203	.197	<b>.679</b>	.136
Participation in Panchayatraj institutions	.287	.152	<b>.632</b>	.288
Personality development	.151	.340	<b>.545</b>	.160
Utilizing free time	.154	.146	.161	<b>.748</b>
Better access to education	.235	.200	.309	<b>.616</b>
To pay off debts	.413	.406	.106	<b>.578</b>
<b>Initial Eigen values</b>	<b>4.896</b>	<b>1.923</b>	<b>1.257</b>	<b>1.162</b>
<b>% of variance</b>	<b>32.642</b>	<b>12.821</b>	<b>8.381</b>	<b>7.744</b>
<b>Cumulative %</b>	<b>32.642</b>	<b>45.463</b>	<b>53.844</b>	<b>61.588</b>

Extraction method: Principal component Analysis

Rotation method: Varimax with Kasier Normalization.

The factor analysis narrated the fifteen variables into four important factors namely “personal, social, political and environmental factors. All these four factors explained the impact of self-help group to the extent of 61.588 %. The most important factor was personal factor. It consists of four variables with the Eigen value of 4. 896 and the variance was 32.642 %.

The second important factor was the “social” factor which consists of three variables with the Eigen value of 1. 923 and the variance was 12.821 %. The third important factor was the “political” factor which consists of five variables with the Eigen value of 1.257 and the variance was 8.381 %. The fourth important factor was “frequency” factor which consists of three variables with of the Eigen value 1.162 and the variance was 7.744 %.

The factor analysis results in four important factors (impact) among the members namely personal, social, political and environmental. The scores of the above said four factors were drawn from the mean scores of the variables in each factor. The important variables in the four factors were reduction in stress, to meet house hold expenses, better leadership skill and utilizing free time.

### Impact of Micro Credit on Income of the Respondents

The income of the respondents represents the annual income received by the respondent before and after joining the self-help group. The following table shows that the distribution of sample respondents on the basis of income before and after joining of SHG.

**Table 5**  
**Distribution of the respondents on the basis of income before and after joining of SHG**

S. No	Income of the respondents (Per Annum)	Before	Percentage	After	Percentage
1	Non-earning members	154	44	23	6.57
2	Below Rs.15000	15	4.29	31	8.86
3	Rs.15000 – 30000	42	12	125	35.71
4	Rs.30000 – 45000	130	37.14	151	43.14
5	Rs.45000 – 60000	5	1.43	11	3.14
6	Above Rs.60000	4	1.14	9	2.58
Total		350	100	350	100

Source: Primary data

From the above table exhibited that the income of sample respondents has been increased after joining the self-help groups. Many housewives (44 %), who did not earn anything before joining self-help groups, started earning reasonably after being a member of the self-help groups. It was understood that they were now economically independent and contribute to increase their household income.

### Wilcoxon Signed Ranks Test on the basis of income

Wilcoxon signed ranks test is used to compare two sets of scores that come from the same participants. This can occur to investigate any change in scores from one time point to another or individuals are subjected to more than one condition.

The following table shows that there was any improvement in incomes of the respondents after joining of self-help group. For this purpose, Wilcoxon signed rank test have been applied.

H<sub>0</sub>: There is no significant difference between income before and after joining of self-help group.

**Table 6**  
**Wilcoxon Signed Ranks Test on the basis of income before and after joining of SHG**

S. No	Ranks	N	Mean Rank	Sum of Ranks
1	Negative Ranks	0	.00	.00
2	Positive Ranks	233	117	27261
3	Ties	117	Z = -14.412 Sig. ( 2 tailed) = .000	
Total		350		

The above table understood that the comparison of incomes of the respondents before and after joining self-help group. Every respondent had an opinion that, there were no negative changes in income after joining self-help group. But 233 respondents had an opinion that, there was a positive change in income after joining of self-help group. However, 117 respondents had an opinion that, there were no changes in income after joining of self-help group. It led overall to a statistically significant difference in joining of self-help group. The sig. (2 tailed) value which in case was .000. This was the p value for test (z value is -14.412). This was less than 0.05. So the incomes of the respondents were improved due to joining of self-help group.

**Impact of Micro Credit on Expenditure Pattern of the Respondents**

Expenditure indicates the socio – economic status of people. As the income increases, the proportions of money spend on consumption pattern increases. The following table indicates the expenditure pattern of sample respondents before and after joining SHG.

**Table 7**  
**Distribution of the respondents on the basis of expenditure before and after joining of SHG.**

S. No	Expenditures of the respondents (per annum)		Below Rs. 2000	Rs. 2000 – 4000	Rs. 4000 – 6000	Rs. 6000 - 8000	Rs. 8000 - 10000	Above Rs. 10000
1	Food	Before	4 (1.14)	32 (9.14)	221 (63.14)	51 (14.57)	33 (9.42)	9 (2.57)
		After	4 (1.14)	2 (0.57)	104 (29.71)	119 (34)	73 (20.86)	48 (13.71)
2	Clothing	Before	76 (21.71)	212 (60.57)	58 (16.57)	- -	4 (1.42)	- -
		After	46	150	125	20	9	-



			(13.14)	(42.86)	(35.71)	(5.71)	(2.57)	-
3	Education	Before	201 (57.43)	64 (18.29)	43 (12.28)	20 (5.71)	14 (4)	8 (2.29)
		After	154 (44)	97 (27.71)	42 (12)	26 (7.43)	23 (6.57)	8 (2.29)
4	Medical	Before	267 (76.29)	59 (16.86)	20 (5.71)	4 (1.14)	- -	- -
		After	241 (68.86)	69 (19.71)	20 (5.71)	20 (5.71)	-	-
5	Housing	Before	285 (81.43)	17 (4.86)	16 (4.57)	14 (4)	18 (5.14)	- -
		After	262 (74.85)	30 (8.57)	10 (2.86)	18 (5.14)	30 (8.57)	- -
6	Fuel / lighting	Before	39 (11.14)	130 (37.14)	134 (38.29)	26 (7.43)	16 (4.57)	5 (1.43)
		After	42 (12)	32 (9.14)	166 (47.43)	74 (21.14)	23 (6.57)	13 (3.71)
7	Transportation	Before	257 (73.43)	62 (17.71)	27 (7.71)	- -	4 (1.14)	- -
		After	210 (60)	87 (24.86)	45 (12.86)	4 (1.14)	4 (1.14)	- -
8	Entertainment	Before	277 (79.14)	55 (15.71)	13 (3.71)	5 (1.43)	- -	- -
		After	217 (62)	99 (28.29)	17 (4.86)	9 (2.57)	8 (2.29)	- -
9	Social ceremony	Before	106 (30.29)	189 (54)	47 (13.43)	- -	8 (2.29)	- -
		After	60 (17.14)	166 (47.43)	100 (28.57)	12 (3.43)	8 (2.29)	4 (1.14)
10	Others	Before	326 (93.14)	24 (6.86)	- -	- -	- -	- -
		After	318 (90.86)	28 (8)	4 (1.14)	- -	- -	- -

Source: Primary data

Note: Figures in parentheses indicate percentage to total

It is evident from the above table that the annual expenditure of food, clothing, education, medical, housing, fuel / lighting, transportation, entertainment and other expenditure were increased after joining of self-help group. The expenditure has been increased due to positive change in the SHGs members' income.

#### Wilcoxon Signed Ranks Test on the basis of expenditure before and after joining of SHG.

The following table shows that there was any improvement in expenditure of the respondents after joining of self-help group. For this purpose, Wilcoxon signed rank test have been applied.

H<sub>0</sub>: There is no significant difference between expenditure before and after joining of self-help group.

**Table 8**  
**Wilcoxon Signed Ranks Test on the basis of expenditure before and after joining of SHG.**

S. No	Items	Ranks	N	Mean Rank	Sum of Ranks
1	Food	Negative Ranks	0	.00	.00
		Positive Ranks	235	118	27730.00
		Ties	115	Z = -14.119 Sig. = .000*	
		Total	350		
2	Clothing	Negative Ranks	6	72.50	435.00
		Positive Ranks	148	77.70	11500.00
		Ties	196	Z = - 11.175 Sig. = .000*	
		Total	350		
3	Education	Negative Ranks	12	84.33	1012.00
		Positive Ranks	96	50.77	4874.00
		Ties	242	Z = - 6.343 Sig. = .000*	
		Total	350		
4	Medical	Negative Ranks	11	50.50	555.50
		Positive Ranks	69	38.91	2684.50
		Ties	270	Z = - 5.541 Sig. = .000*	
		Total	350		
5	Housing	Negative Ranks	13	22.00	286.00
		Positive Ranks	44	31.07	1367.00
		Ties	293	Z = - 4.540 Sig. = .000*	
		Total	350		
6	Fuel / lighting	Negative Ranks	26	113.73	2957.00
		Positive Ranks	184	104.34	19198.00
		Ties	140	Z = - 10.002 Sig. = .000*	
		Total	350		
7	Transportation	Negative Ranks	4	87.50	350.00
		Positive Ranks	85	43.00	3655.00
		Ties	261	Z = - 7.491 Sig. = .000*	
		Total	350		
8	Entertainment	Negative Ranks	8	39.50	316.00
		Positive Ranks	87	48.78	4244.00
		Ties	255	Z = - 7.850 Sig. = .000*	
		Total	350		
9	Social ceremony	Negative Ranks	20	78.00	1560.00
		Positive Ranks	143	82.56	11806.00
		Ties	187	Z = -9.569 Sig. = .000*	
		Total	350		
10	Others	Negative Ranks	8	10.50	84.00
		Positive Ranks	16	13.50	216.00



	Ties	326	Z = - 2.030 Sig. = .042*
	Total	350	

Source: Primary data \* significant at 5% level

From the above table understood that the comparison of expenditure of the respondents before and after joining of self-help group. Most of respondents had an opinion that, there was a positive change in expenditure after joining of self-help group. However, some respondents were having an opinion that, there were no changes in expenditure after joining of self-help group. It led overall to a statistically significant difference in joining of self-help group. The sig. (2 tailed) value which in case was .000. This was the p value for test. This was less than 0.05. So, the expenditures of the respondents were improved due to joining of self-help group.

**Impact of Micro Credit on Savings of the Respondents**

Savings bring about growth in an individual’s life. Regularity of savings influences the future needs, loan size and procedures to get various kinds of economic and other benefits. This savings helps them to stretch themselves and experience the hidden potential in them.

**Table 9**  
**Distribution of the respondents on the basis of savings before and after joining of SHG.**

S. No	Savings of the respondents (per month)	Before	Percentage	After	Percentage
1	No savings	45	13	-	-
2	Below Rs.200	189	54	78	22
3	Rs. 200 - 400	87	25	163	47
4	Rs. 400 - 600	12	3	50	14
5	Rs. 600 - 800	7	2	29	8
6	Rs. 800 - 1000	6	2	17	5
7	Above Rs.1000	4	1	13	4
Total		350	100	350	100

Source: Primary data

From the above table exhibits that the savings of sample respondents has been increased after joining of self-help groups. About 13 % of the housewives did not save anything before joining of self-help groups, but started saving reasonably after being a member of self-help groups. 54 % of the respondents saved below Rs.200, but after joining of self-help group it had been decreased to 22 %. About 25 % of the respondents have their savings between Rs. 200 – 400. But after being a member of self-help group, the percentage increased to 47 %. Just 1 % of the respondents were saving above Rs. 1000 per month but after joining of self-help group it increased to 4 %.

**Wilcoxon Signed Ranks Test on the basis of savings**

The following table indicates that there was any improvement in savings of the respondents after joining self-help group. For this purpose, Wilcoxon signed rank test have been applied.

H<sub>0</sub>: There is no significant difference between savings before and after joining of self-help group.

**Table 10**  
**Wilcoxon Signed Ranks Test on the basis of savings before and after joining of SHG.**

S. No	Ranks	N	Mean Rank	Sum of Ranks
1	Negative Ranks	0	.00	.00
2	Positive Ranks	306	153.50	46971
3	Ties	44	Z = -16.495 Sig. ( 2 tailed) = .000	
Total		350		

The above table understood the comparison of savings of the respondents before and after joining self-help group. Every respondent had an opinion that, there were no negatives in savings after joining self-help group. But 306 respondents were having an opinion that, there was a positive change in savings after joining self-help group. However, 44 respondents were having an opinion that, there were no changes in savings after joining self-help group. It led overall to a statistically significant difference in joining of self-help group. The sig. (2 tailed) value which in case was .000. This was the p value for test (z value is -16.495). This was less than 0.05. So, the savings of the respondents were improved due to joining of self-help group.

### Suggestions

1. Institutional credit facilities must be extended to women to develop their managerial skill for prompt repayment consciousness. Old groups' strong members can be motivated to take up promotional and conflict resolution responsibilities in the new SHGs. They can visit problematic/sick groups to explain and resolve various issues for smooth functioning of new SHGs.

2. The financial institutions should give wider publicity on the availability of credit facilities that can be offered to the SHGs. Government should also play an important role in it and it can give information to the public through the District Development Authorities and lead bank. The bank officials can give more information on the procedures in getting the loan, utilization of loan amount repayment and other related information in securing the credit. Simple rules, regulations and the right encouragement from these bank officials may enable women to form more SHGs in their areas.

### Conclusion

Institutional credit through SHGs has now become a modern economical weapon for empowerment to fight against poverty. The formation of SHG can create more opportunities for the poor people to participate into the various income earning activities in the region. The present study is an attempt to analyze the socio-economic development of members and the impact of institutional credit on the development of self-help group women entrepreneurs in Kanyakumari district. SHG is having a good impact on growth of socio-economic conditions of the members. The field survey revealed that the SHGs generate positive impact on the rural economy through empowering women and enhancing the rural income. Thus, SHG requires support from the government to achieve success by effective implementation of institutional credit policy, which will certainly empower the rural women.

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