

# Touching The Untouched: Micro Finance Institutions and Self Help Groups in Thane - A Study

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## Abstract

*This research paper is an attempt to study the role of Micro Finance Institutions and Self Help Groups for the socio-economic development of underprivileged people in Thane district of Maharashtra. Poverty is the root cause of many social problems of our country. Finance is the major requirement to fulfil the basic needs of human beings especially this poverty-stricken section of society. Micro Finance institutions help to improve the lives of many rural dwellers through Micro Credit, Micro Investments and Micro savings. SHGs also have helped to transform the lives of many poor women in rural areas which give them collective bargaining power. Many initiatives are taken by different governments to promote the welfare of poor by designing schemes according to their requirements. These initiatives will definitely create self-employment opportunities for villagers leading to improvement in physical health and improved economic status. This analysis is centered on the premise that the model of micro credit and self-help and mutual help is the best approach to take care of credit needs of people.*

**Keywords:** Micro Finance, SHGs, credit, government

**Paper Type:** Primary Sample Survey

## Introduction

Micro finance provides financial services such as credit, saving and insurance to low income people having the goal of creating social value. It ensures better standard of living by giving appropriate livelihood opportunities through provision of monetary resources to our talent pool, insurance for risk mitigation and saving and investment to even out consumption. Many players of microfinance deliver such products in various ways. This study will focus on the activities conducted by micro finance institutions and Self Help Groups to raise income levels of weaker sections of society.

## Micro Finance Institutions

These institutions offer financial services to low income population. They bridge the gap between the formal financial institutions and the rural poor. MFIs access financial resources from banks and other mainstream financial institutions. They try their level best by developing improved ways of providing services according to the requirement of people through automation of operations. They also try to create opportunities for self-employment for the deprived section of our society. Some Micro Finance Institutions in India are SKS Microfinance Ltd., Spandana Sphoorty Financial Ltd., Share Microfin Ltd. etc.

### Different Legal Forms of MFIs in India (Kamalanathan, 2016):

1. NGO MFIs – Society Registration Act, 1860 or Similar Provincial Acts / Indian Trust Act, 1882.
2. The Non – Profit Companies – Section 25 of Companies Act 1956.

3. Co-operative MFIs – Co-operative Societies Act of the State & Central Governments.
4. Non-Banking Financial Companies (NBFCs) – Indian Companies Act, 1956, Reserve Bank of India Act, 1934.

### Self Help Groups

A self-help group (SHG) is an informal association of 10 or 20 poor women belonging to the same village from the same socio-economic background. It is voluntarily formed to save and internally help each other in times of need. In India many SHGs are linked to bank for delivery of micro credit which is called SBLP (Self Help Group Bank Linkage Program). “Mumbai Haat” will be set up now for marketing products made by women self-help groups to make people from rural Maharashtra enable to get maximum remuneration. Following is the tabulated data of personal income Taluka Wise before the membership of SHG per month and after the membership of SHG in Thane district. It clearly indicates the improvement in the economic condition of the members of SHG in Thane District after joining SHG. (Kamalanathan, 2016)

**Table 1 : Taluka-wise Details of Personal Income before the membership of SHG (per Month)**

Taluka	Below 2000	Rs. 2001 - 3000	Rs. 3001 - 4000	Rs. 4001 - 5000	Above Rs. 5000	Total
Sahapur	52	34	14	8	5	113
Wada	38	20	14	3	2	77
Palghar	24	16	08	3	1	52
Vasai	56	27	16	9	2	110
Murbad	49	17	12	5	2	85
Kalyan	31	14	07	2	1	55
Bhiwandi	53	14	05	1	2	75
Ulhasnagar	28	16	06	3	2	55
<b>Total</b>	<b>331</b>	<b>158</b>	<b>82</b>	<b>84</b>	<b>17</b>	<b>622</b>

**Table 1 : Taluka-wise Details of Personal Income after the membership of SHG (per Month)**

Taluka	Below 2000	Rs. 2001 - 3000	Rs. 3001 - 4000	Rs. 4001 - 5000	Above Rs. 5000	Total
Sahapur	46	32	18	11	3	113
Wada	35	23	11	06	2	77
Palghar	27	14	07	04	0	52
Vasai	52	24	17	12	5	110
Murbad	45	18	12	06	4	85
Kalyan	28	14	07	04	2	55
Bhiwandi	43	18	08	05	1	75
Ulhasnagar	29	14	07	04	1	55
<b>Total</b>	<b>305</b>	<b>157</b>	<b>87</b>	<b>52</b>	<b>21</b>	<b>622</b>

## Review of Literature

Dr. V.S. Kannan (2016) stated that after the application of SHG model earning per month has increased in every Taluka in Thane district. He also found that SHG members have need of Micro Finance for the progress of its members. He stressed that proper savings and proper credit opportunities will help people from rural parts. RBI, NABARD and government have put their hands together to achieve the goal of financial inclusion which can easily be rooted through SHGs and MFIs. RBI has now acknowledged MFIs as an element of priority sector lending.

S. Parkodi and Dr. D. Aravazhi (2013) have mentioned that many poor people were financially excluded which comprise of marginal farmers, migrants, urban slum dwellers etc. The initiative of RBI of 'No Frills' saving bank account is a major step in financial inclusion. Reduction of poverty and ensuring basic minimum standard of living is the basic idea of financial inclusion. Access to reasonable financial services – especially credit and insurance through Micro Finance Institutions increases employment prospects and also assist underprivileged to save and deal with their income safely. The authors stressed that SGH bank linkage program has been very effective in linking unbanked rural dwellers to banking infrastructure. The model of financial literacy and credit counselling should be executed along with value research on major policy decisions.

## Framework of Study

### Objectives

The present study is conducted to achieve the following objectives:

To study the role of Micro Finance Institutions and Self Help Groups in the development of Thane District;

To examine the opportunities and challenges involved in the study area;

To put forward structured and suitable alternatives based on the findings of the study.

### Research Methodology

The research design and methodology applied in this article is both descriptive and analytical in nature. The respondents have been carefully selected by applying convenience sampling method. The respondents comprise members of Self Help Groups and people who have obtained benefits from Micro Finance Institutions for their revenue generation. These are well-thought-out the appropriate representative of population to meet with the goal and objective of the study. The sample size consists of 93 respondents from Thane district. The study is based on both primary and secondary data. A questionnaire has been framed suitably for studying the impact of such micro finance activities in the district for primary research. The secondary data is collected from various articles in journals, newspaper articles and websites.

### Hypothesis

The guiding hypothesis for the study is

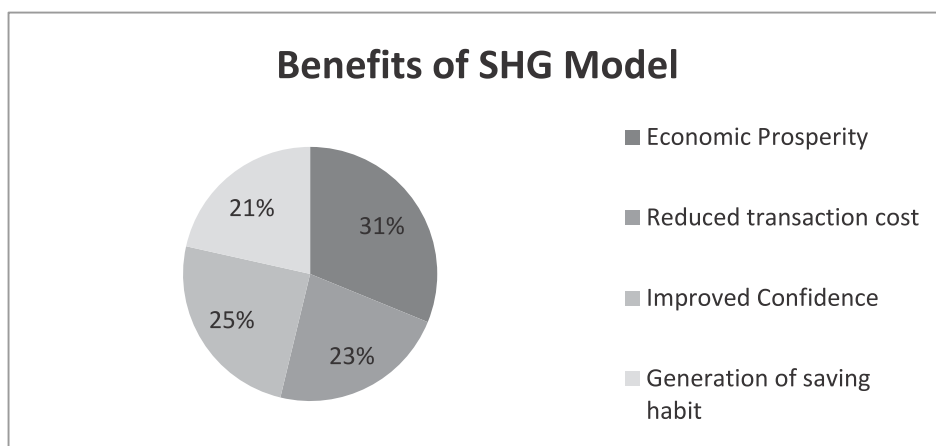
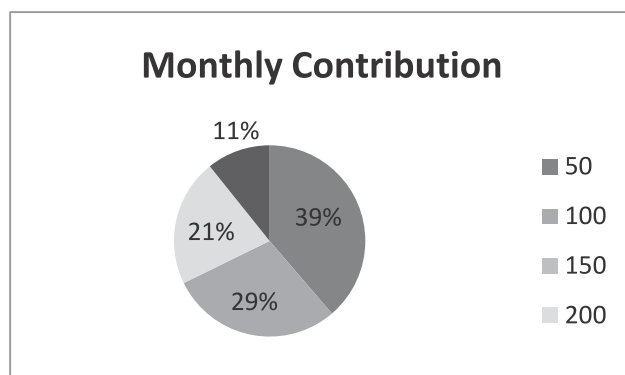
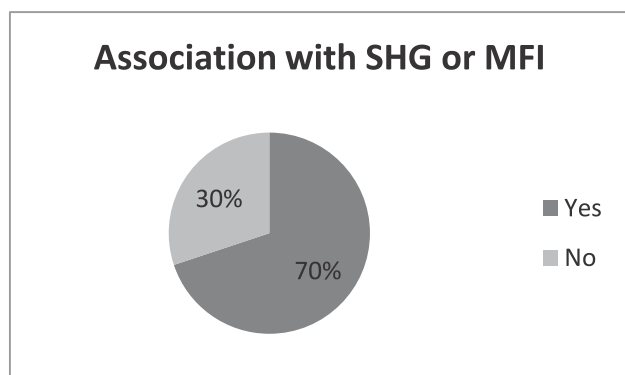
**H0:** SHGs and Micro Finance Institutions do not have considerable effect in improving the socio economic status of people in Thane District.

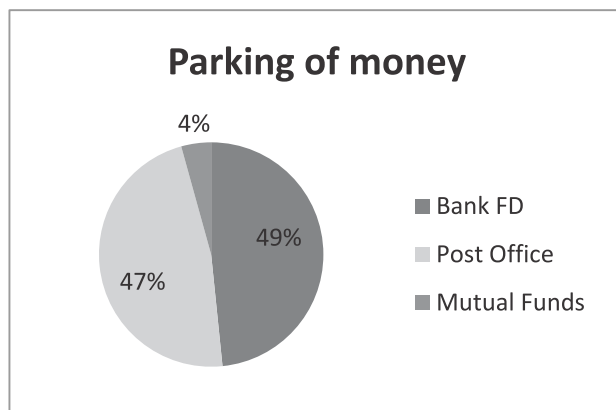
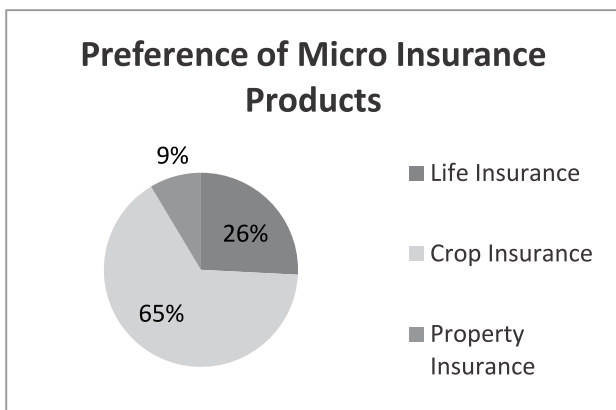
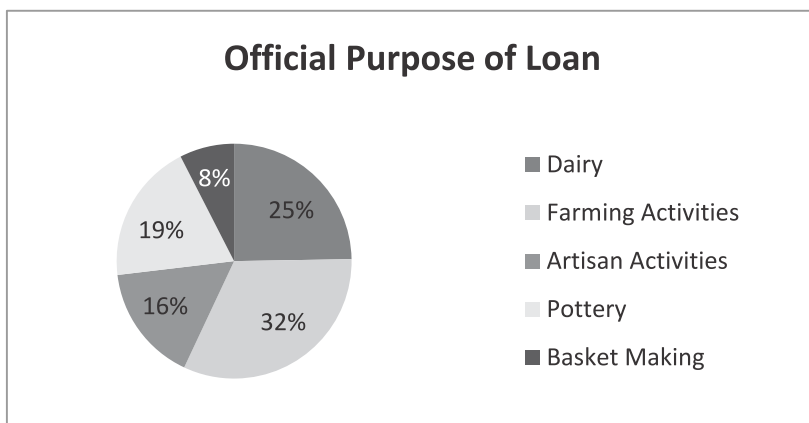
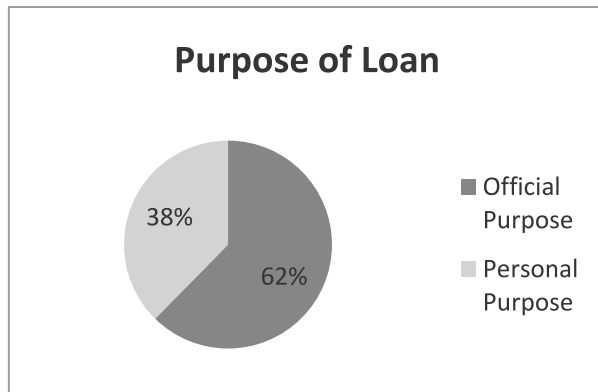
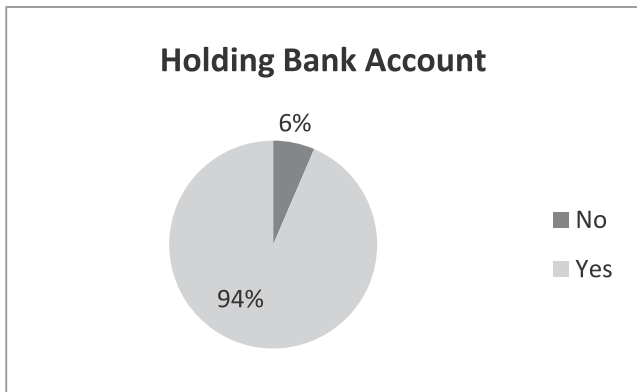
**H1:** SHGs and Micro Finance Institutions have considerable effect in improving the socio economic status of people in Thane District.

### Data Analysis

Based on the interviews of 93 respondents the following outcomes emerged and the same has been interpreted in graphical form:

- 1) Approximately 70 per cent respondents are associated with SHG or Micro Finance Institution.
- 2) From them nearly 39 per cent respondents contribute Rs. 50 monthly followed by 29 per cent Rs. 100, 22per cent Rs. 150 and 11 per cent Rs. 200.
- 3) Around 31 per cent respondents mentioned that SHG model leads to economic prosperity and 25 per cent stated that it improves confidence.
- 4) Almost 87 per cent respondents have a bank account.
- 5) Nearly 62 per cent respondents use loan amount for official purpose and 35per cent for personal use.
- 6) About 32 per cent respondents use loan amount for farming activities followed by 25 per cent for dairy and 19 per cent for pottery.
- 7) Roughly 66 per cent respondents prefer crop insurance and 26 per cent life insurance.
- 8) Round about 48 per cent respondents park their savings in Bank FD followed by 47 per cent in post office. Respondents are not comfortable parking their money in Mutual Fund as they are not very well aware of the products so they don't have confidence in putting money in that.





## Recommendations

- Multiple lendings to the same borrower should be checked for, as it poses risk of rising NPA. This happens because of competition amongst MFIs and presence of more number of MFIs in same area.
- MFIS should try to reduce interest rates through operational and technical efficiency. Presently their cost is high leading to higher interest rates to the customers.
- Nowadays SHGs are more concentrated on women leading to gender discrimination. Men should also be given opportunity to take maximum advantage of SHG Bank Linkage Program.
- There should be some investigation tool which reveals the application of loan amount. This money should not be used for dowry and betting or any other wrong purpose.

- There should be some strong regulatory body to monitor and control the working of these institutions.
- Training should be provided to the members to use the loan amount for different productive purposes more efficiently.
- Workshops should be organized where the members can exchange their views and give different useful suggestions to other groups members also according to their own experience.

## Conclusion

Gaining access to financial services is a crucial constituent in the process of socio-economic empowerment of the economically underprivileged segments of the society. Micro Finance activities stand up for the initiatives to improve gain access to financial services by bridging disparity wherever there are missing markets, to enhance employment prospects realising India's huge untouched market.

MFIs and SHG –BLP are playing a major role in improving the levels of financial inclusion in our country by connect with the poorest of the poor and the real benefits will definitely accrue over a period of time.

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## Questionnaire

- 1) Are you associated with SHG or any Micro - Finance Institution?
  - a) Yes
  - b) No
- 2) How much do you contribute monthly if you are a member of SHG?
  - a) Rs. 50
  - b) Rs. 100
  - c) Rs. 150
  - d) Rs. 200
- 3) What benefits do you get from SHG model?
  - a) Economic Prosperity
  - b) Reduced transaction cost
  - c) Improved Confidence having
  - d) Generation of saving habit
- 4) Do you have a bank account?
  - a) No
  - b) Yes
- 5) What is the purpose of the loan?
  - a) Official Purpose
  - b) Personal Purpose
- 6) What are the official purposes for which you use the loan?
  - a) Dairy
  - b) Farming Activities
  - c) Artisan Activities
  - d) Pottery
  - e) Basket Making
- 7) Which type of Micro Insurance products do you prefer?
  - a) Life Insurance
  - b) Life Insurance
  - c) Crop Insurance
  - d) Property Insurance
- 8) Where else do you park your money?
  - a) Bank FD
  - b) Post Office
  - c) Mutual Funds

