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Research Paper

SAVINGS AND ACCESS TO MICRO CREDIT BY SHG MEMBERS AMONG SOCIAL GROUPS: EVIDENCE FROM FOUR NGOs IN SOUTH INDIA

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ABSTRACT

The study based on primary data collected from four NGOs in Karnataka and Tamil Nadu reveals that the NGOs have played an important role in mobilizing the poor women into plat form known as the SHG and brining them on mainstream development in the sample villages as against the controlled villages. The study showed that the average annual savings, micro credit accessed and its utilisation was quite large in the case of NGO working villages as compared to the controlled villages. Going by social groups, it has been found that the average annual savings and micro credit accessed was much higher in the case of SC/ST members of SHGs as compared to that of non-SC/ST members. Bulk of the micro credit accessed was used for consumption purpose followed by investment. The study suggests that as the NGOs are the source of changes in the life of the poor households, they can be encouraged to establish in the backward villages. The members of SHGs belonged to the SCs/STs should be given greater priority in access to adequate micro credit and its investment in self-employed non-farm business so that they can come out from the vicious circle of poverty. The scale of monthly savings with the SHGs is far less and hence, it should be increased. As the performance of SHG members of NGOs working in Karnataka state is relatively poor as compared to that of Tamil Nadu, it is quite important to ensure greater access to adequate micro credit and invest in rural non-farm activities of local importance.

KEY WORDS: Savings, Micro credit, Self-help Groups, Non-Government Organisation, Poverty, Scheduled Castes, Scheduled Tribes and Others,

JEL Codes: G21

1. INTRODUCTION

Micro credit is a small amount of loan given to the poor to improve their standard of living by investing in education, health and food and also undertaking various income generation activities suitable to their skills, knowledge and needs of the local people. Certainly, this small amount of credit can help people to come out the "vicious cycle of poverty" by generating income (Shukran and Rahman, 2011). Micro-credit is a financial service where small amounts of money are loaned to poor people for use as a capital to start or expand the existing small businesses activities (Shukran and Rahman, 2011). It is important to investigate how this little money gives strength to the poor to start a business and helping to break out the vicious cycle of poverty. This small amount of loan or financial supports to the needy people helps to encourage setting up self-businesses. It is incredible that without guarantee any bank can allocate or sanction loan to the rootless or vulnerable people (Shukran and Rahman, 2011).

Micro savings and credit management are the key activities of SHG members designed to alleviate poverty. Formation of SHGs is the entry point for savings and credit management of activities of NGOs. The formation of SHG makes it possible for the members to create credit fund by way of savings from which they can avail micro credit from the formal banking institutions. Micro credit as an alternative source of credit for the poor has received a greater importance in recent years (Rajasekhar, 2004; Biradar, 2005). SHG are formed on voluntary basis and perceived appropriately as people's institution, providing the poor with the space and support necessary to improve their standard of living. The SHGs provide the poor with means for "economic and social entitlement" (Bhuvanewari, Patil and Hunshal, 2011). The formation of SHGs is based on a growing institutional concept in terms of resources and management skills of its members that require their involvement in the public and private spheres (Fernandez, 1995). In fact, SHGs would provide the poor with a power and resource base to improve their economic and social status in the society.



The performance of SHG members in terms of savings, micro credit accessed and utilization may not be similar across social groups such as Scheduled Castes (SCs), Scheduled Tribes (STs) and others (non-SCs/STs). It is, therefore, important to estimate the average micro savings, micro credit and its utilization in NGO and non-NGO working villages. Against this background, the present study attempts to estimate the average amount of savings by different sources, identify the purposes, estimate the average micro credit accessed and its utilization by SHG and non-SHG members among social groups.

2. RESEARCH METHODOLOGY

The present study was based primary data collected from four NGOs; two from (GRAMA and GMO) Karnataka and two from (SHARE and GLOW) Tamil Nadu. From Tamil Nadu, Vellore in which SHARE is working and Tirupathur in which GLOW is working have been purposively selected. Similarly, from Karnataka, GMO from Mulbagal taluk in Kolar district and GRAMA, another NGO, from Challekere taluk in Chitradurga district have also been purposively chosen for the present study.

Further, from each NGO, 3 villages with NGO working and two villages without NGO working (controlled village) were selected. Following the stratified random sampling method, 510 SHG members from SC/ST community and non-SC/ST households from all the sample villages accounting for 10 per cent of SHGs and 200 non-SHG members from controlled villages were chosen.

3. PATTERNS OF SAVINGS

3.1. Average Savings from all Sources

Savings are the important activities of SHG members without which they cannot come into existence. Micro savings are the entry point of micro credit activities. The members of SHGs by virtue of their membership, are suppose to save some amount of money as specified in the bye laws of SHG or NGO. As per the bye laws, the SHG members save can contribute a specified amount of their savings either fortnightly or monthly. In addition to the regular contribution to the SHG, they may also save in the Banks, Post office, insurance, chit funds etc. Those members who are relatively better off can save their earnings outside the SHG form of savings.

An effort has been made to estimate the average monthly savings of SHG members including all their sources. The data provided in Table 1 indicate that the average cumulative savings (as on date of survey) of SHG members was estimated at Rs.5501 as against the non-SHG village with Rs 2541. Further, the average amount of savings was estimated to be higher in the case SHG members belonged to non-SCs/STs with Rs 6656 as compared to that of SCs/STs with Rs 3783. It is evident that the average amount of savings was found to be higher in the case of NGO-villages as compared to that of non-NGO villages and it was quite higher .in respect of SHG members belonged to Other category as compared to that of SCs/STs.

Table 1: Distribution of Average Savings from all Sources (Rs.)

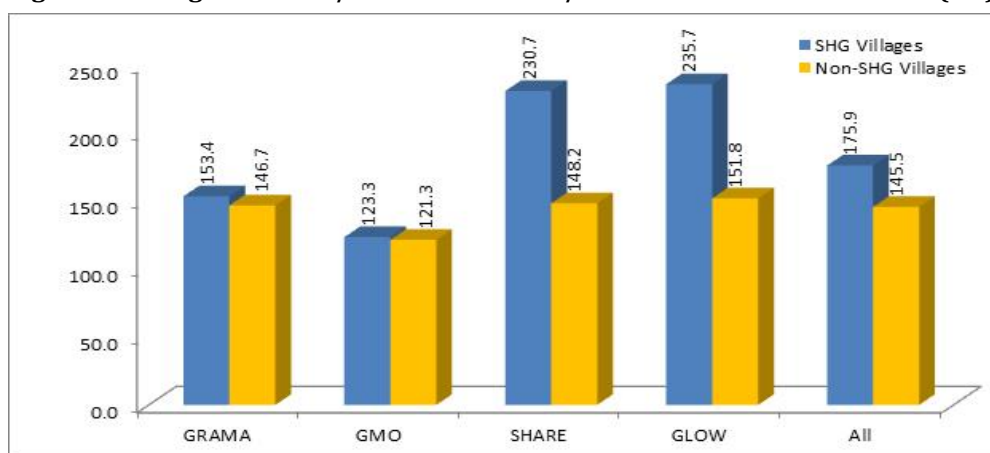
NGOs	NGO-Village			Non-NGO Villages			Difference in average Savings between NGO and Non-NGO Villages
	SC/ST	Non-SC/ST	Total	SC/ST	Non-SC/ST	Total	
GRAMA	4902	7518	6440	2860	4194	3634	2806
GMO	3455	4259	3929	2527	3067	2851	1078
SHARE	3501	8079	6706	1733	2569	2268	4438
GLOW	3040	7166	5246	1131	1717	1412	3834
All	3783	6656	5501	2014	2931	2541	2960

Source: Field Survey.

The higher amount of savings in the NGO-villages may be attributed to the intervention of NGOs. Going by NGOs, the data show that the average amount of savings was relatively higher in the case of NGOs working in Tamil Nadu as compared to those working Karnataka.

The data provided in Figure 1 indicate that the percentage of savings made by non-SC/ST to SC/ST members both in the NGO service area and non-NGO service area. The data show that percentage of savings by Others to SCs/STs was larger in the SHG-villages as compared to those of non-SHG villages both in Karnataka and Tamil Nadu.

Figure 1: Savings of Non-SC/ST Members to SC/ST Members from all Sources (Rs.)



Source: Estimated from Table 3.

The average amount of savings of SCs/STs as a percentage to non-SC/ST members was quite larger in NGO serviced areas of Tamil Nadu as compared to that of Karnataka. This implies that the members belonged to SCs/STs were not able save more as compared to non-SC/STs in the NGO working areas in Karnataka as compared to that of working in Tamil Nadu.

This basically indicates that the average amount savings by non-SCs/STs was estimated to be relatively large in the case of NGO working in Tamil Nadu as compared to that of in Karnataka. The saving gap between the SC/ST and non-SC/ST in Tamil Nadu was quite large and perceptible as compared to that of Karnataka.

3.2. Average Savings by all Sources

The important sources of savings include SHG savings, Banks, post offices, insurance and chit funds both in the NGO working and non-working areas. The data provided

in Table 2 indicate that the average amount of savings was relatively higher in the case of SHG savings with Rs 2975 followed by insurance with Rs. 1229, banks with Rs 563 and with the post office it was quite lower with Rs. 196. It is clear that the important source of savings was with SHG savings. In the case of non-SHG villages, the important source of savings was insurance with Rs 1076 which was even more than in the SHG villages, followed by the banks with Rs 730. The source-wise saving amount was not uniform across different NGOs.

The average amount of savings, as on the date of survey, with SHG was estimated to be higher in the case of SHARE and GLOW as compared to GMO and GRAMA. The major source of savings for non-SHG members in the controlled villages was insurance followed by banks. This source of saving was quite predominant in the case of non-SHG members in controlled villages in Karnataka as compared to that of Tamil Nadu.

Table 2: Average Savings of SHG and Non-SHG Members by Sources (Rs.)

Source of Savings	GRAMA	GMO	SHARE	GLOW	All
SHG Villages					
SHG	2672	2438	4100	3067	2975
Banks	918	653	485	64	563
Post Office	281	152	349	11	196
Insurance	2253	582	1294	682	1229
Chit funds	316	103	560	1422	555
All Sources	6440	3929	6706	5246	5501
Non-SHG Villages					
SHG	--	--	--	--	--
Banks	648	670	882	720	730
Post Office	892	160	276	20	334
Insurance	2020	1581	390	312	1076
Chit funds	40	340	720	360	365
All Sources	3634	2851	2268	1412	2541

Source: Field Survey.

3.3. Average Savings with SHGs

By virtue of membership, the members of SHGs save some money for every month or every fortnight or weekly. A practice of monthly or weekly savings is the precondition of SHG functioning. Based on the bylaws of the SHGs, the members contribute some amount of money towards their saving account. The average monthly savings of SHGs was Rs. Rs 62 with varying degrees across social groups and NGOs.

It has been observed that the average amount of savings per annum was larger in the case of non-SC/ST SHG members with Rs.3290 as against the SC/ST SHG members with Rs. 2505 (Table 3). This is not uniform across different NGOs both in Karnataka and Tamil Nadu. The data indicate that the average amount of savings was relatively higher in the case of SHARE and GLO, the NGOs working in Tamil Nadu as compared to those NGOs working in Karnataka.

Table 3: Average Annual Savings of SHG Members (Rs.)

NGOs	Savings with SHGs			Total Savings of SHGs		
	SC/ST	Non-SC/ST	Total	SC/ST	Non-SC/ST	Total
GRAMA	2255	2964	2672	4902	7518	6440
GMO	2289	2542	2438	3455	4259	3929
SHARE	3231	4473	4100	3501	8079	6706
GLOW	2625	3451	3067	3040	7166	5246
All	2505	3290	2975	3783	6656	5501

Source: Field Survey.

4. WHY DO SHG MEMBERS SAVE?

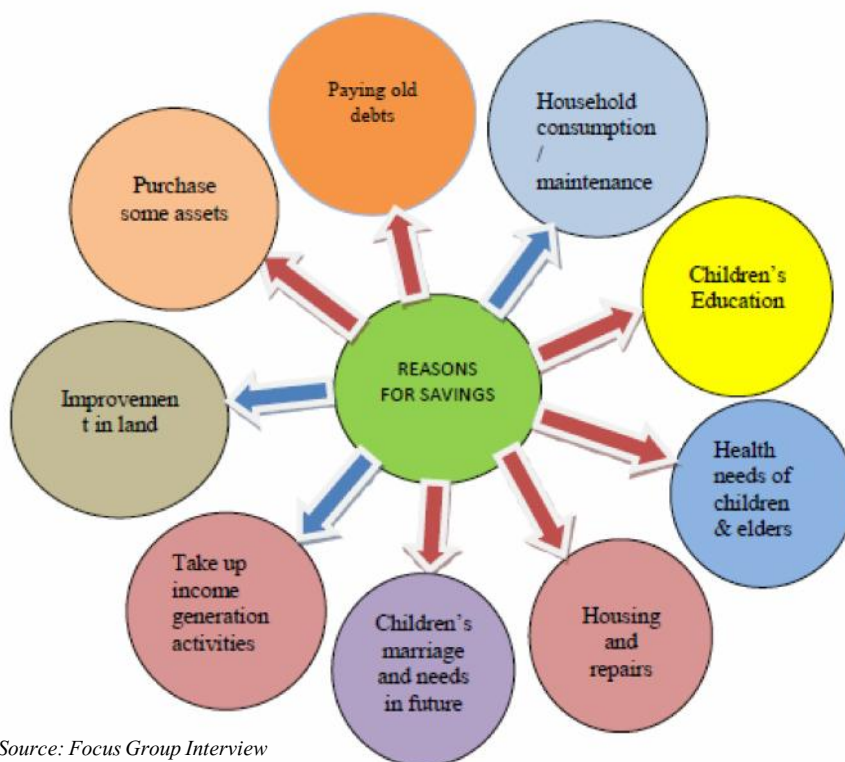
As mentioned earlier, the savings are important activities of the SHG members, without which the group cannot function or exist. An effort has been made to conduct the focus group interview to explore the purpose of savings and what factors determine the amount of savings. The SHG

members consisting of 30-35 members from each of the NGO areas have been interacted to elicit the reasons for savings. Some of the important purposes for savings have been illustrated in Chart 1.

As most of the members are poor, they save money according to the amount specified by the SHG. The important purposes of savings include household consumption like food, festivals expenditure, etc., children’s education, health needs of children and elders, housing and repair related activities, children’s marriage and their future needs, taking up income generation activities, improvement in land, purchase of ornaments and paying old debts. Among all these, the major purpose of savings made by the SHG members was household

consumption/family maintenance, followed by education and health, and investment in income generation related activities. This is evident that most of the SHG members do save some money to meet their consumption needs first and afterwards they save for purpose of taking up small business to derive bread and butter. This is due to the fact that consumption needs of a great majority of the SHG members do not have fulfilled, and hence the first priority is to meet their consumption needs.

Chart 1: Reasons for Savings by SHG Members



Source: Focus Group Interview

5. ACCESSIBILITY AND UTILIZATION OF MICROCREDIT

5.1. Demand for Micro Credit

Provision of micro credit plays an important role meeting several unmet needs of the SHG members. Against their monthly savings, the members are able to avail micro credit to meet their financial needs. Generally, most of the SHG members access micro credit to meet their basic consumption needs like house repair/renovation, education, health, marriages, purchase of assets and then they start availing loans to invest in agricultural and non-agricultural activities, which has direct impact on poverty reduction.

There are two types of credit that can be categorized into consumption and investment credit. The consumption credit further includes household consumption, health, education, marriage, house repair and purchase of assets like

jewelry, ornaments, agricultural equipment, animals, etc. The investment credit is classified into investment in agriculture and investment in non-agriculture. The micro credit was used to finance fully or partially. In this section, an effort has been made to estimate the average credit sanctioned to each individual SHG members.

The average amount of micro credit sanctioned was estimated to be at Rs. 18475 as against their credit demand for Rs 22035, accounting for 84 per cent of their demand (Table 4). Across social groups, the data indicate that the average amount of micro credit was relatively higher in the case of non-SCs/STs as compared to that of SCs/STs. It has been observed that the average micro credit sanctioned was much higher in the case of NGOs working Tamil Nadu as compared to those working in Karnataka.

Table 4: Average of amount of Micro Credit Required and Sanctioned (Rs./per HHs)

NGOs	Average Micro Credit Required			Average Micro Credit Sanctioned		
	SC/ST	Non-SC/ST	Total	SC/ST	Non-SC/ST	Total
GRAMA	17994	21824	20510	12459	15695	14361
GMO	18319	18152	18221	11826	12064	11966
SHARE	7633	33975	26783	7300	33245	25462
GMO	24743	27624	26143	24009	27536	25894
All	17997	24756	22035	14561	21106	18475

Source: Field Survey.

5.2. Purpose-wise Distribution of Micro Credit

As mentioned earlier, there are two important types of credit: consumption and investment credits. Consumption credit includes household consumption- daily maintenance, education, health, housing and repair, purchase of assets like, ornaments, jewelry, agricultural small equipments, animals, etc. At the aggregate level, the average micro credit for consumption purpose was much higher with Rs.14371 per SHG members as compared to the investment credit with Rs. 4104 (Table 5). It has been established fact that at the beginning, the members of SHG demand credit to meet their consumption needs and thereafter, they demand credit

for investment. This is quite explicit in the case of newly started NGOs as compared to those started long ago.

It has been observed that the share of consumption credit was much higher, as expected (Table 5). The share of micro credit for consumption purpose was relatively lower in the case of GRAMA and GMO as compared to SHARE and GLOW. The average investment credit per SHG members was higher in the case of SHARE and GLOW as compared to GRAMA and GMO. It was quite higher in the case of SHARE and GLOW as compared to GRAMA and GMO. As the GMO is quite older NGO and the basic needs of the SHG members have been fulfilled and, hence they seemed to have gone in for investment credit.

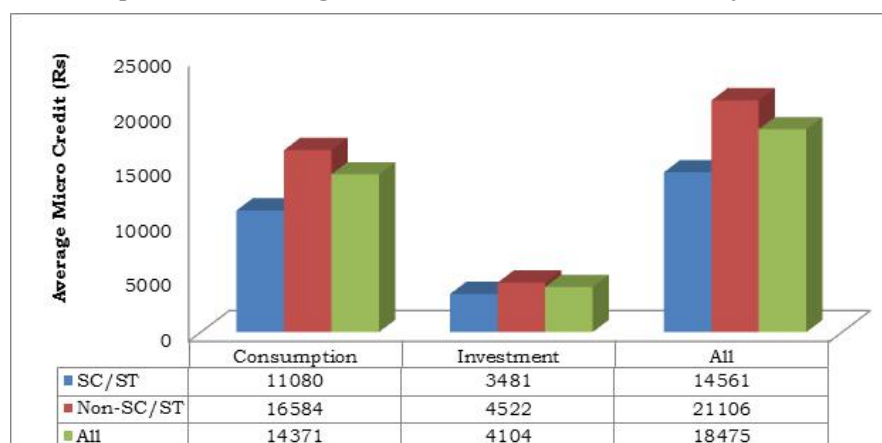
Table 5: Purpose-wise Distribution of Average Micro Credit Availed by SHG Members (Rs.)

NGOs	Consumption credit	Investment credit	All	Share of investment credit in total credit (%)
GRAMA	7284	7077	14361	49.28
GMO	10119	1847	11966	15.44
SHARE	23456	2006	25462	7.88
GLOW	20935	4958	25894	19.15
All	14371	4104	18475	22.21

Source: Field Survey.

The data provided in Figure 2 illustrate that the average micro credit per SHG members for consumption was estimated to be much higher with Rs. 14371 as compared to the investment credit with Rs. 4104. Going by social groups,

the average micro credit for consumption was relatively lower in respect of SCs/STs as compared to that of non-SCs/STs. As regards the investment credit, it estimated to be relatively lower in the case of SCs/STs as against the non-SCs/STs.

Figure 2: Purpose-wise Average Micro Credit Per SHG Member by Social Groups (Rs.)

Source: Field Survey.

5.3. Consumption Credit

Consumption credit includes household consumption or family maintenance, educational expenditure, health, housing and repair, marriage and purchase of attests like animals, ornaments, land, and agricultural equipments. A

large share of sample households tends to demand more credit for this purpose as they are basic requirements and then demand credit for investment purpose.

The data provided in Table 6 show that the average micro credit availed for household consumption or family

maintenance was estimated to be at Rs. 5408 with varying degree across different NGOs; the SHG members of NGOs working in Tamil Nadu had large amount of micro credit spent for household maintenance purpose as compared to those SHG members of NGOs working in Karnataka.

Table 6: Source-wise Average Micro Credit Utilised by NGOs (Rs.)

NGOs	Household Consumption	Education	Health	Housing	Marriage	Assets	All
GRAMA	1923	657	505	618	768	2812	7284
GMO	524	308	154	1435	427	7271	10119
SHARE	13364	3734	1770	2455	1840	293	23456
GLOW	9145	4833	2084	1591	902	2378	20935
All	5408	2111	1012	1434	911	3496	14371

Source: Field Survey.

Then purchase of assets, followed by education, housing, health and marriage were found to be the important requirements of the SHG members. Across NGOs, it has been observed that in the case of assets, the average of micro credit was estimated to be relatively higher for NGOs working in Karnataka as compared to that of in Tamil Nadu. In respect

of other items of micro credit, the NGOs in Tamil Nadu have had a greater amount as compared to that of Karnataka.

The data presented in Table 7 show that the average micro credit used was found to be relatively higher in the case of SCs/STs in most of the purposes, except for purchase of assets. The average micro credit utilized was found to be much higher for maintenance of family and purchase of assets.

Table 7: Source-wise Average Micro Credit Utilised by Social Groups (Rs.)

Heads of expenditure	SC/ST	Non-SC/ST	Total
Household Consumption	3882	6435	5408
Education	1316	2644	2111
Health	486	1366	1012
Housing	1232	1569	1434
Marriage	474	1205	911
Assets	3690	3365	3496

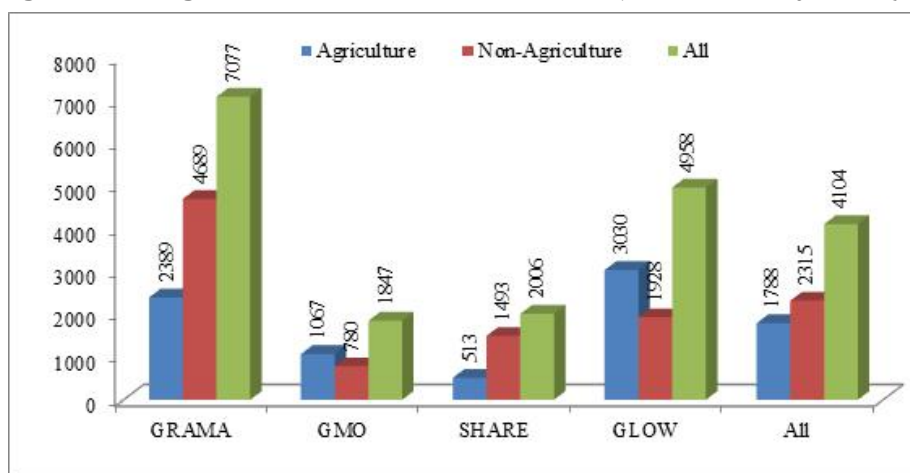
Source: Field Survey.

5.4. Investment Credit

Investment credit can broadly be classified into agriculture and non-agriculture. The data provided in Figure 3 indicate that the average micro credit invested was found to be relatively higher in non-agricultural activities such as setting

up of grocery shop, petty shop, hotel business, flour mill, cycle repair shop, vegetable business, tailoring activities and so on, especially in the case of GRAMA in Karnataka and SHARE in Karnataka.

Figure 3: Average Micro Credit for Investment in Major Activities by NGOs (Rs.)



Source: Field Survey.

The average micro credit invested in agricultural activities such as purchase of seeds, fertilizers, hires labour and bullock labour, etc., was found to be in higher in the case of GMO in Karnataka and GLOW in Tamil Nadu.

Across social groups, the data presented in Figure 4 indicate that the average micro credit invested by non-SCs/STs was estimated to be higher both in agriculture and non-

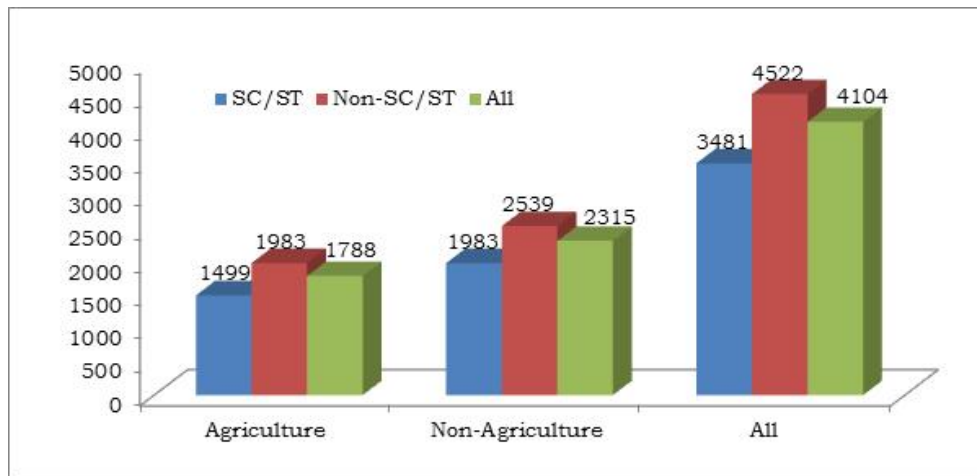
agricultural activities. In non-agricultural activities, the members of SHG invested more as compared to agricultural activities. The average micro credit invested by SCs/STs was higher in non-agriculture vis-à-vis agriculture and so also in the case of non-SCs/STs.

5.5. Repayment of Micro Credit

Repayment of micro credit is also one important component of re-cycling of micro financing activities of the SHG members. If the micro financing is to be sustained,

prompt and timely repayment of the SHG members is the precondition. If the repayment is made out of the income generation of micro credit, the sustainability of micro credit will be much broad based.

Figure 4: Average Micro Credit for Investment in Major Activities by Social Groups (Rs.)



Source: Field Survey.

The data presented in Table 8 indicate that the average amount of loan to be recovered was estimated to be at Rs 1426; it was relatively in the case of SCs/STs as compared to those of non-SCs/STs with Rs. 1366. Across NGOs, it was estimated to be relatively large in the case of GMO and

GRAMA in Karnataka as compared to SHARE and GLOW in Tamil Nadu. This implies that the members of SHGs in Tamil Nadu were able to repay the loan amount as compared to the SHG members in Karnataka.

Table 8: Average Amount of Micro Loan Outstanding (Rs.)

NGOs	SC/ST	Non-SC/ST	Total
GMO	2378	1834	2023
GRAMA	2567	2710	2651
SHARE	39	697	544
GLOW	963	743	839
All	1535	1366	1426

Source: Field Survey.

6. CONCLUSIONS AND POLICY IMPLICATIONS

It has been observed that the average amount of savings of the sample households from all the sources was higher in the case of NGO-villages as compared to that of non-NGO villages and it was quite bigger in respect of the SHG members belonged to the non-SCs/STs as compared to that of SCs/STs. The data on source-wise savings indicate that the average amount of savings was relatively higher in the case of SHG savings followed by insurance, banks and post office. While the savings with the SHG was major source in the NGO working villages, the insurance was the major source in the non-NGO working villages. The average amount of savings with SHG was higher in the case of SHARE and GLOW as compared to GMO and GRAMA. The average monthly savings of SHGs was Rs. 62 with varying degrees across social groups and NGOs.

Going by social groups, the average amount of savings was larger in the case of non-SC/ST SHG members as against the SC/ST SHG members. The average amount of micro credit sanctioned was lower than demand for micro credit, accounting for 84 per cent of their demand. The average amount of micro credit was relatively higher in the case of non-SCs/STs as compared to that of SCs/STs. The average micro credit sanctioned was higher in the case of NGOs

working Tamil Nadu as compared to those working in Karnataka.

The average credit availed for the purpose of consumption was much higher as compared to the investment purpose. It was quite higher in the case of non-SC/ST SHG members as against the SC/ST SHG members. The average amount of loan to be recovered was estimated to be at Rs. 1426; it was relatively higher in the case of SCs/STs as compared to those of non-SCs/STs with Rs. 1366. Across NGOs, it was large in the case of GMO and GRAMA in Karnataka as compared to SHARE and GLOW in Tamil Nadu.

It is evident from the study that the NGOs both in Karnataka and Tamil Nadu have played an important role in mobilizing the poor women into a platform known as the SHG and bringing them on mainstream development. As the NGOs are the source of changes in the life of the poor households, their scale of operation should be expanded and new NGOs committed to build the empowerment of women should be encouraged in the backward villages. The members of SHGs belonged to the SCs/STs should be given greater priority in access to more micro credit and its investment in self-employed non-farm business by providing greater awareness and skills. The scale of monthly savings with the SHGs is far less and hence, it should be increased. As the

performance of SHG members of NGOs working in Karnataka state is relatively poor as compared to that of Tamil Nadu, it is quite important to access more micro credit and invest in rural non-farm activities of local importance and thereby their annual income can be enhanced.

(Note: This paper is prepared out of the UGC major research project entitled “Poverty Alleviation through Micro Credit Programme of SHGs: A Comparative Study of Four NGOs in South India. The author is thankful to UGC, New Delhi for its generous financial support for conduct of major research project).

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