

# Economic Development of SHG Members Financed by Regional Rural Banks in Bihar

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*Through Swarnajayanti Gram Swarajgar Yojana (SGSY) programme, Government of India has credit linked more than four crore rural households to the financial institutions for various income generating activities. As this programme is in implementation for the last ten years, and more than Rs 18,000 crore has been advanced as credit to the rural poor, it is expected that this programme might have benefitted poor people. In order to examine this assumption, the present study was conducted to know the economic development of Self Help Group (SHG) members credit linked under SGSY in the state of Bihar. One hundred SGSY-SHG members selected randomly from two Regional Rural Banks (RRBs) of the state were studied and the findings showed that there was significant increase in income generation activity, expansion and diversification of activity, personal savings, income level, mandays generation, economic independence and assets creation among the SHG members.*

**Key Words:** SGSY; SHG; RRB; Economic Development.

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The Government of India, in April 1999, by restructuring and combining the Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Supply of Improved Tools for Rural Artisans (SITRA), *Ganga Kalyan Yojana*, Million Well Schemes (MWS) and Development of Women and Children in Rural Areas (DWCRA), implemented a single self-employment programme known as *Swarnajayanti Gram Swarajgar Yojana* (SGSY) with emphasis on formation of organisation of poor. The basic objective of the SGSY is to bring the assisted poor families above the poverty line by providing them income generating assets through bank credit and government subsidy to acquire income generating assets. The approach of SGSY is based on the mobilization of rural poor to enable them to organise in to SHG which are expected to act as a financial intermediary for the economic empowerment of members. This programme has been conceived as a holistic self-governing

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programme covering all aspects of Self-employment of the rural poor such as organisation of poor in to SHGs, their capacity building, credit arrangement, technology and market support, etc. At present, the SGSY programme of India is the biggest antipoverty programme in the world in terms of linking the rural poor through SHGs to Commercial Banks, Regional Rural Banks (RRBs) and Cooperatives. From 1999 April till January 2010, 3.67 million SHGs have been formed and assisted more than 13.2 million *swarojgaris* (Annual Report of Ministry of Rural Development, 2009-10).

Provision of credit through micro credit programme has been made to more than 04 crore rural poor households. It is being also reported that there are more than 80% recovery of SHG loans given under SGSY scheme. The SGSY is running in its 10<sup>th</sup> year and more than Rs.18,000/- crore has been advanced so far as credit to the rural poor. Most of the SHGs under SGSY scheme are dependent upon rural branches of regional rural banks and cooperative banks for their credit needs. Previously access and availability of credit to the poor were considered as an impediment to progress. Now the credit is made available to large number of rural poor under SGSY programme through SHG-Bank linkage. But, it is not clear to what extent the intended goal is being accomplished in achieving the economic development of the SHG members through use of credit under SGSY programme.

In this background, the present study was undertaken to assess the economic development of SHG members financed by regional rural banks under SGSY.

## METHODOLOGY

The concentration of rural poor is more in the eastern region, and taking this into consideration, Bihar state was purposively selected for the study. From the state, two Regional Rural Banks (RRBs) having more than 25 branches were selected randomly for the study (Table 1). Then from each bank, 25 branches were selected randomly and from each branch, one SGSY-SHG financed for income generating activities prior to March 2007 was also selected randomly. The reason for such selection was that the groups those were financed at least two years before the data collection would have manifested some improvement on their livelihood. Similarly, from each SHG, two members other than office bearers were selected randomly to study the economic development of the member.

*Table 1: Sample Regional Rural Banks*

Sl.No	Name of the State	Name of the RRBs
1.	Bihar	Bihar Kshetriya Gramin Bank Uttar Bihar Gramin Bank

Thus in all, 100 SHG members of 50 SGSY-SHG's financed by 50 branches of 02 RRBs in the state of Bihar comprised the sample size and were interviewed for the study. The primary data were collected from SHG members, visiting their home, through structured interview schedule during October 2009 to January 2010. To measure the impact on economic development, before and after data were collected from the respondents. The data were tabulated and analysed to draw the conclusions. Indicators to assess the economic development of SHG members were finalized by through review of literature and discussions with practitioners and subject matter experts. The following seven indicators were finally selected to study the economic development of SHG members.

- i) Income Generating Activities (IGA)
- ii) Expansion and Diversification of enterprises
- iii) Income Generation
- iv) Personal Savings
- v) Mandays
- vi) Economic Independence
- vii) Assets Generation

Income Generating Activity (IGA) was operationalised as the activity on which the loan amount was invested by the SHG members to get income out of it. The data was collected through a structured schedule on the income generating activities of the respondents for three financial years before and after availing bank credit for IGA. The value one was assigned to each economic activity taken up by the respondents. For example, if a member was doing only one activity in a year, he was awarded one and if he was doing two activities, he was awarded two and like that the scores were awarded. The mean numbers of activities before 03 years and after 03 years was calculated for analysis. The significance of difference between two situations was computed by paired "t" test method.

Expansion and Diversification was operationalised as the capacity of the respondent to reinvest on the existing income generation activity so that to expand it by increasing existing unit or investment in new activity so that to diversify the business by taking up another activity in addition to

the existing one or both. A score of 0, 1, 2 were assigned to no expansion/ no diversification, either expansion or diversification and both expansion and diversification respectively. The categorization of the respondents was done on Mean and  $\frac{1}{2}$  SD.

Income variable was studied to assess the income generation of the respondents through various sources both before and after availing credit for IGA. The total income of the respondents per annum from different sources for 03 years before availing the credit and 03 years after availing credit was collected through structured schedule to assess the impact of credit on income of the member. Total income of the member was computed by taking income from sources like: a) Income from wage/occupation, b) Income from other sources like dairy, poultry, fishery, etc, c) Income from IGA and d) Income from other sources.

After calculating total income of each respondent, the repayment towards loan to her SHG and to other sources of loan was deducted and the balance was considered as total annual income.

$$\begin{array}{rcl} \text{Net Income of} & & \text{Income from various} & & \text{Amount of total} \\ \text{the respondents} & = & \text{Sources} & - & \text{repayment} \end{array}$$

Thereafter, the amount of net income was converted into units by assigning weightage of one unit for every one thousand rupees. The net income before and after was calculated by averaging the net incomes of 03 years before and 03 years after availing the bank credit for IGA. The mean scores of income before and after availing credit were compared by ‘t’ test to compute the significance of difference on income.

The savings of the SHG members from all sources for 03 years before and 03 years after availing the credit from IGA was calculated for the study to know any differences in savings of the member. For every one thousand rupees of saving, one unit was assigned and total units were averaged before 03 years and after 03 years of availing credit from SHG for IGA to arrive final score on personal saving. The before and after mean scores were compared by paired ‘t’ test to know the significance of difference on saving.

Mandays was operationalised as the number of days the respondents had 8 working hours per day for various income generating activities in a year. The data was obtained for before and after availing credit for IGA. The difference between mean scores of before and after situations was compared to investigate the significance of difference.

The freedom, the respondents achieved in financial matters of the family due to SHG members was considered as economic independence. After through search of literature and consultation of experienced experts on the field of women empowerment, a 10 statements schedule was structured on a 5 point

continuum scale to assess the economic independence of SHG members. The scale was constituted with 8 positive and 2 negative statements. Agreement of the respondent to the statement in terms of Strongly Agreed (SA), Agreed (A), Undecided (UD), Disagreed (DA) and Strongly Disagreed (SD) were assigned 5,4,3,2 and 1 for all positive statements and 1,2,3,4 and 5 for all negative statements.

Assets creation refers to the extent of assets created in terms of money value for farm land, livestock, housing, household and farm assets and other items. Structured schedule was developed to assess the possession in money value before and after availing credit from SHG for IGA. Thereafter, the value of assets was converted in to units by assigning weightage of one unit for every ten thousand rupees. The significance of difference between before and after mean scores was computed to investigate the increase in assets by using paired "t" test.

After computing the value of each economic development indicator, the total economic development attained by the members under a RRB was obtained by summing up the mean score on each indicator. Score thus arrived at each RRB level was subjected to arithmetic mean, which was the economic development score of each RRB.

## RESULTS AND DISCUSSIONS

### a) Income Generating Activity

The findings presented in Table 2 reveals that the differences in mean scores on IGA of the respondents before and after availing the bank credit under two different RRBs are significant at 0.01 level of probability. This indicates that there is increase in taking up number activities by the SHG members after getting credit from bank for IGA.

Table 2. Difference in Mean Scores on IGA of the respondents before and after availing bank credit from SHG

Sl.No	SHG members from different RRBs	Before Mean Score	After Mean Score	Mean Difference	% Increase	"t" value
1.	Bihar Kshetriya Gramin Bank	1.58	1.92	0.34	21.51	4.06**
	Uttar Bihar Gramin Bank	1.48	1.82	0.34	22.97	3.65**

\*\* Significance at 0.01 level of probability

### b) Expansion and Diversification of Activities

The findings presented in Table 3 related to expansion and diversification of activities reveals that the SHG members of Bihar are in low expansion and diversification of activities. Most of the members in Bihar reported that they have neither expanded nor diversified their activities after availing bank credit under IGA.

*Table 3: Distribution of the SHG members on the basis of Expansion and Diversification of Activities*

Sl.No	SHG members from different RRBs	Low	Medium	High	Total	Mean	½ SD
1	Bihar Kshetriya Gramin Bank	28	18	4	50	0.5	.32
	Uttar Bihar Gramin Bank	29	9	12	50	0.66	.42

### c) Income

The findings presented in Table 4 revealed that there is a significant increase of 34.78 per cent of income among the SHG members of Uttar Bihar Gramin Bank. However, the 't' values are found significant at 0.01 level of probability at all RRBs in Bihar. This indicates that there is significant difference in income before and after availing credit from SHG by the SHG members in all level of studied RRBs.

*Table 4: Difference in Mean Scores on Income of the respondents before and after availing bank credit from SHG*

Sl.No	SHG members from different RRBs	Before Mean Score	After Mean Score	Mean Difference	% Increase	"t" value
1.	Bihar Kshetriya Gramin Bank	14.2	18.8	4.6	32.39	10.2**
	Uttar Bihar Gramin Bank	13.8	18.6	4.8	34.78	11.7**

\*\* Significance at 0.01 level of probability

### d) Personal Savings from all sources

There is substantial increase in savings of SHG members in the study area. The 't' values presented in Table 5 are found significant at 0.01 level of probability at all RRBs in Bihar. This indicates that there is significant difference in personal savings before and after availing credit from SHG by the SHG members.

*Table 5. Difference in Mean Scores on Savings of the respondents before and after availing bank credit from SHG*

Sl.No	SHG members from different RRBs	Before Mean Score	After Mean Score	Mean Difference	% Increase	"t" value
1.	Bihar Kshetriya Gramin Bank	2.39	6.36	3.97	166.10	13.0**
	Uttar Bihar Gramin Bank	2.56	6.32	3.76	146.87	9.43**

\*\* Significance at 0.01 level of probability

#### e) Mandays

The findings presented in Table 6 reveals that there is substantial increase in mandays of the respondents. The 't' values are found significant at 0.01 level of probability at all levels of RRBs. This indicates that there is significant difference in mandays generation before and after availing credit from SHG by the SHG members in all level of studied RRBs.

*Table 6. Difference in Mean Scores on Mandays of the respondents before and after availing bank credit from SHG*

Sl.No	SHG members from different RRBs	Before Mean Score	After Mean Score	Mean Difference	% Increase	"t" value
1.	Bihar Kshetriya Gramin Bank	155	194	39	25.16	13.1**
	Uttar Bihar Gramin Bank	154	197	43	27.92	10.3**

\*\* Significance at 0.01 level of probability

#### f) Economic Independence

The distribution of the respondents on the basis of economic independence is presented in Table 7 indicates that there is no variation between the means of economic independence of SHG members of financed by these two gramian banks in Bihar.

**Table 7. Distribution of the SHG members on the basis of Economic Independence**

Sl.No	SHG members from different RRBs	Low	Medium	High	Total	Mean	½ SD
1.	Bihar Kshetriya Gramin Bank	16	11	23	50	36.1	2.44
	Uttar Bihar Gramin Bank	17	10	23	50	36.06	2.46

#### g) Assets Creation

The findings presented in Table 8 reveal that there is increase in assets of the SHG members. The 't' values are found significant at 0.01 level of probability at all levels of RRBs. This indicates that there is significant difference in assets creation before and after availing credit from SHG by the SHG members in all level of studied RRBs.

**Table 8: Difference in Mean Scores on Assets Generation by the respondents before and after availing bank credit from SHG**

Sl.No	SHG members from different RRBs	Before Mean Score	After Mean Score	Mean Difference	% Increase	"t" value
1.	Bihar Kshetriya Gramin Bank	9.74	12.1	2.36	24.22	12.1**
	Uttar Bihar Gramin Bank	8.95	11.6	2.65	29.60	13.2**

\*\* Significance at 0.01 level of probability

#### h) Overall Economic Development of the SHG Members

The analysis of data presented in Table 9 reveals that there is not much difference in economic development of sampled SHG members between Bihar Kshetriya Gramin Bank and Uttar Bihar Gramin Bank in the state of Bihar. However, there is increase of overall economic development of SHG members after they are credit linked with banks.



**Table 9. Overall Economic Development of the SHG Members under different RRBs**

Sl. No	SHG members from different RRBs	Mean						Average of Means	
		Income Generating Activities	Expansion and Diversification	Income	Personal Savings	Man days	Economic Independence		Assets Creation
1.	Bihar Kshetriya Gramin Bank	1.92	0.5	18.8	6.36	194	36.1	12.1	38.54
	Uttar Bihar Gramin Bank	1.82	0.66	18.6	6.32	197	36.06	11.6	38.87

## CONCLUSION

On the basis of results obtained from the study, it can be concluded that the SHG members were found to be high on economic development. There was significant increase in income generation activity, expansion and diversification of activity, personal savings, income level, mandays generation, economic independence and assets creation among the SHG members after they were linked to credit. These findings are in agreement with the studies conducted by *Purushotham, P. (2009)*. The results of the study indicate that the *Swarnajayanti Gram Swarajgar Yojana (SGSY)* is benefitting the members of SHG.

## REFERENCES

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