

## **Role of Micro Finance on Consumption and Savings: A Comparative Case Study**

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### **ABSTRACT**

The access to micro finance through the SHG movement act as a great boost to make the rural poor women self-sufficient. In the present study an attempt has been made to find out the improvement in income, consumption expenditure and savings of the poor women SHGs members after joining the group. Two blocks namely Tehatta-I and Tehatta-II of Nadia District of West Bengal have been taken as our study area. The study is mainly based on primary data. The data has been collected using well-structured interview scheduled. To analyse the data simple tools like average, percentage and 'Z' test have been used. The study concludes that the microfinance programme through SHG have been able to improve the economic well-being of the women in the study area. It is also found that in both the block, the income, the consumption and savings of the members of the SHGs have increased after joining the SHGs. Therefore, microfinance programme through the SHG plays an important role in economic development of the rural poor women in the area.

**Key Words :** Self-Help Group, Microfinance, Empowerment of women, Access to credit, Employment generating activities

### **INTRODUCTION**

As per Indian ancient belief, women are addressed with Laxmi (symbol of wealth), Durga (symbol of power) and Kali (symbol of destruction of wicked men). Women can do everything accordingly. They are not found to be engage in any economic activity without assistance from their male counterpart. This is due to social, cultural, traditional practices and conventions. It has been increasingly realized around the developing world the need of promoting women to engage in economic activities. This will empower the women by bringing them into the mainstream development policies and will provide them new employment opportunity (Raheem, 2006). Self Help Groups (SHGs) are the association of group of 10-20 members preferably women with similar socioeconomic background and objective to improve their living condition. SHGs are self-governed and peer controlled information group. The term Self Help Groups (SHGs) was coined by Nobel Laureate Muhammad Yunus of

Bangladesh to empower the poorest of the poor. The members of the group make small regular saving contribution for a few month until it is enough for lending. The SHGs are then linked to the bank for micro credit. SHGs acts as a great boost to make the poor self-sufficient and filled them with hope. It not only help in increasing income and improvement in the status in the society but it is the nation as a whole which ultimately reaps the benefits of socialism. Women's earnings from the SHGs have positive and direct impact on families' financial condition. The women in India do not have any financial independence in the society. In order to release the poor rural women from this deplorable conditions, microfinance through the GHGs plays an important role in providing them with a sustainable access to finances. This will significantly reduce their vulnerability to poverty. This will also leads to the empowerment of women if they become assertive to households and community affairs. Therefore, as women are helped to increase their income, it is not only the family benefited from it but it is the community as a whole is also empowered (Mayoux, 2001).

**Statement of the problem :**

In Nadia district of West Bengal no study has been conducted on the impact of microfinance on the economic empowerment of rural women. It is therefore, important to assess the impact of microfinance on economic empowerment of the rural poor women of this particular region of West Bengal.

**Objectives of the study :**

The main objective of the present study is to find out role of microfinance programme on (a) income, (b) consumption expenditure, and (c) saving of the members of Self Help Groups of two blocks Tehatta I and Tehatta II of Nadia district of West Bengal.

**Hypothesis of the study:**

***Null Hypothesis (H<sub>0</sub>) :***

There is no significance difference in average income, consumption expenditure and savings before and after the participation in the SHGs between the two blocks Tehatta 1 and Tehatta 2.

***Alternative Hypothesis (H<sub>1</sub>):***

There is significance difference in average income, consumption expenditure and savings before and after the participation in the SHGs between the two blocks Tehatta-I and Tehatta-II.

**METHODOLOGY**

**Sampling design:**

SHGs of Tehatta-I and Tehatta-II block of Nadia district were taken for the study. From each block 30 SHG members from each block were selected randomly.

**Area of the study:**

Two blocks Tehatta-I and Tehatta-II of Nadia district of West Bengal have been chosen

to conduct the study.

**Data collection:**

The study is mainly based on primary data and it is supplemented by secondary data wherever necessary. The primary data has been collected through a structured interview schedule from 30 women members of from each block . Therefore, 60 women SHG members were selected from two blocks of the district. The questions were based mainly on their household income, household expenditure and savings of the participants and their views towards microfinance

**Analysis of data:**

The collected data have been analyzed using simple statistical tools such as average, percentage, and ‘Z’ test.

**Sampling design:**

The study has been made purposively in two blocks of Nadia district of West Bengal. Nadia district is one of the backward and minority concentrated district. It is also one of the successful districts in terms SHGs movement. The Self Help Groups under Swarnajayanti Gram Swarojgar Yojana (SWSY) have been formed in all the seventeen blocks of the district. According to the District Rural Development report , there has been highest number of project linkage SHGs in Tehatta-I block and the lowest numbers of project linkage SHGs in Tehatta-II block. Therefore, to conduct a comparative analysis Tehatta-I and Tehatta-II block have been selected as our study area. We have randomly selected thirty women respondent from each block. The method of interview schedule has been used as the tool of data collection.

**RESULTS AND DISCUSSION**

We analysed the collected data to cover the major aspects e.g income, expenditure and savings. The results have been discussed as under.

**Income:**

Change in the level of income as a result of joining the SHGs is one of the important variables that is to be studied in the present study. The response of the members of the SHGs relating to their income is summarized hereunder in Table 1.

Table 1 shows that the income of SHG member has increased in both Tehatta-I and Tehatta-II blocks after joining the SHGs. However, Tehatta-I block experienced higher increase in income as compared to Tehatta-II block. In Tehatta-I block 40 per cent of the members of SHGs belong to the income level of Rs. 1000- 2000 before joining the SHGs. But after joining the SHGs , highest per cent (43.33%) belongs to the income level of Rs. 4000-5000.

Moreover, in Tehatta-II block highest percentage (50%) of the members of SHGs before joining the SHGs belong to the income level of Rs. 2000-3000. But after joining the SHGs , highest percentage of members of SHGs belong to income level of Rs. 4000-5000.

<b>Table 1 : Monthly average household income of the members before and after joining SHGs</b>								
Monthly income	Before joining SHGs				After joining SHGs			
	Tehatta-I	%	Tehatta-II	%	Tehatta-I	%	Tehatta-II	%
1000-2000	12	40	10	33.34	2	6.67	5	16.67
2000-3000	8	26.67	15	50	6	20	6	20
3000-4000	7	23.33	3	10	3	10	7	23.33
4000-5000	2	6.67	1	3.33	13	43.33	9	30
5000 and above	1	3.33	1	3.33	6	20	3	10
Total	30	100	30	100	30	100	30	100

Source: Primary data collected in 2015

Therefore, after joining the SHG, the women members of the SHGs in both Tehatta-I and Tehatta-II block contributed to their household income.

### **Expenditure :**

Change in the household's average monthly expenditure resulting out of their involvement in SHG is one of the variables that is to be examined in this study. Based on the response of the members of the SHGs under the study area, data relating to their average monthly expenditure has been summarized here in Table 2.

<b>Table 2 : Monthly household expenditure of the members before and after joining SHGs</b>								
Monthly expenditure	Before joining SHGs				After joining SHGs			
	Tehatta-I	%	Tehatta-II	%	Tehatta-I	%	Tehatta-II	%
Below1500	7	23.33	12	40	4	13.33	6	20
1500-2000	9	30	9	30	6	20	7	23.33
2000-2500	11	36.67	5	16.67	13	43.34	12	40
2500-3000	2	6.67	3	10	4	13.33	3	10
3000 and above	1	3.33	1	3.33	3	10	2	6.67
Total	30	100	30	100	30	100	30	100

Source Primary: data collected in 2015

Table 2 shows that average monthly expenditure of the members SHGs has increased in both the block. This is due to positive change in their income. Before joining the SHGs, the highest percentage of members of SHGs lies in expenditure category of Rs. 2000 -2500 in Tehatta I block and below 1500 category in Tehatta-II block.

But after joining the SHG, the highest percentage lies Rs. 2000-2500 category in both Tehatta-I and Tehatta-II block. Table also reveals some improvement in the expenditure category of Rs. 3000 and above.

### **Savings :**

Improvement in savings of the members of the SHG are one of the important factors that tell us the status of their economic wellbeing. The response of the respondent regarding their savings have been summarized here in Table 3.

**Table 3 : Average monthly saving of the members before and after joining SHGs**

Monthly saving	Before joining SHGs				After joining SHGs			
	Tehatta-I	%	Tehatta-II	%	Tehatta-I	%	Tehatta-II	%
Below 500	13	43.33	15	50	3	10	8	26.67
500-600	11	36.67	10	33.33	6	20	8	26.67
600-700	4	13.33	3	10	12	40	11	36.67
700-800	1	3.33	1	3.33	8	26.67	2	6.67
800 and above	1	3.33	1	3.33	1	3.33	1	3.33
Total	30	100	30	100	30	100	30	100

Source Primary : data collected in 2015

$$Z = \frac{\bar{X} - \bar{Y}}{\sqrt{SD_x^2/n_1 + SD_y^2/n_2}}$$

Where

$\bar{X}$  = Average monthly income of SHGs members in Tehatta-I block

$\bar{Y}$  = Average monthly income of SHGs members in Tehatta-II block

$n_1$  = Number of members in Tehatta-I block

$n_2$  = Number of members in Tehatta-II block

$SD_x$  = Standard deviation of income in Tehatta-I block

$SD_y$  = Standard deviation of income in Tehatta-II block, and

It is clear from the Table 4 that after joining to the SHG, savings of the members of SHG have increased in both the block Tehatta-I and Tehatta-II. Before joining the SHG, 43.33 per cent of the members of the Tehatta-I block and 50 per cent of the members of Tehatta-II block belonged to the saving level of below Rs. 500 per month.

**Table 4 : Z-test on monthly income difference between the block before and after joining SHG**

Parameter	Value before	Value after
$\bar{X}$	2750	3950
$\bar{Y}$	2416.67	3283.33
$n_1$	30	30
$n_2$	30	30
S.DX	993.99	1279.62
S.DY	922.90	1208
Calculated value of Z	1.35	2.08
Table value of Z at 5% level of significance	±1.96	±1.96
Null hypothesis ( $H_0$ )	Accepted	Rejected

Source : Calculated by the author

But after joining the SHG the financial position of the group members increased. About 40 per cent of the members in Tehatta-I block and about 37 per cent of the members of Tehatta-II block belong to the saving level of Rs. 600-700 per month.

It is also clear from the table that before and after joining the SHG the amount of monthly savings of the group members of Tehatta-I block is comparatively higher than that

of Tehatta-II block. Furthermore, the women group members realized the importance of savings. They need not depend on money lenders.

We shall now conduct Z-test for the difference in three items like level of income, expenditure and savings among the SHG members of Tehatta-I and Tehatta-II block.

Z-test for the difference in income between the blocks before and after joining SHG:

**Null hypothesis (H<sub>0</sub>) :**

No significance difference in the average income between Tehatta-I and Tehatta-II block before and after joining SHGs participation.

**Alternative hypothesis (H<sub>1</sub>):**

There is significance difference in the average income between Tehatta-I and Tehatta-II block before and after joining SHG.

Table 4 gives the calculated value of ‘Z’ which is less than the table value at 5% level of significance before joining the SHGs. Thus the null hypothesis is accepted. This means that the observed difference in average income is not statistically significant. Therefore there is no difference in average income earned by the SHG members in both the blocks before joining the SHGs. Again the table shows that the calculated value of ‘Z’ is greater than the table value at 5% level of significance after joining the SHGs. This means that the null hypothesis is rejected. It implies the observed difference in average earned income is statistically significant. Therefore, there is difference in average income earned by the members of the SHGs in both the blocks after joining the SHGs.

Table 5 shows that before joining the SHGs the calculated value of ‘Z’ is less than the table value at 5% significance level. Thus the null hypothesis is accepted. This means that there no difference in average monthly consumption expenditure of the members of the SHG before joining the SHGs. It also evident from the table that after joining the SHGs the calculated value of ‘Z’ is greater than the table value at 5% level of significance. Thus the null hypothesis is rejected. It means that the observed difference in average monthly consumption is statistically significant. Therefore, there is difference in monthly consumption expenditure of the SHG members in Tehatta-I and Tehatta-II block after joining the SHGs.

Table 5 : Z-test on monthly expenditure difference between the block before and after joining the SHG		
Parameter	Value before	Value after
$\bar{X}$	1950	24 66.67
$\bar{Y}$	1816.67	2183.34
n1	30	30
n2	30	30
S.DX	577.78	634
S.DY	556	589
Calculated value of Z	0.91	2.00
Table value of Z at 5% level of significance	±1.96	±1.96
Null hypothesis (H0)	Accepted	Rejected

Source : Calculated by the author

$$Z = \frac{\bar{X} - \bar{Y}}{\sqrt{SD_x^2/n_1 + SD_y^2/n_2}}$$

Where

$\bar{X}$  = Average monthly income of SHGs members in Tehatta-I block

$\bar{Y}$  = Average monthly income of SHGs members in Tehatta-II block

$n_1$  = Number of members in Tehatta-I block

$n_2$  = Number of members in Tehatta-II block

$SD_x$  = Standard deviation of income in Tehatta-I block

$SD_y$  = Standard deviation of income in Tehatta-II block, and

It is evident from the Table 6 that before joining the SHGs, the calculated value of ‘Z’ is less than the table value at 5% level of significance. Therefore, the null hypothesis is accepted. It means there is no difference in average monthly savings of the members of the SHGs in both the block before joining the SHGs. On the other hand after joining the SHGs, the calculated value of ‘Z’ is greater than the corresponding table value at 5% level of significance. Thus the null hypothesis is rejected which implies that the observed difference in savings is statistically significant. Therefore, there is difference in average monthly savings of the members of the SHGs after joining the SHGs.

Parameter	Value before	Value after
$\bar{X}$	545	645
$\bar{Y}$	528.33	585
n1	30	30
n2	30	30
S.DX	99	96
S.DY	95	120
Calculated value of Z	0.67	2.12
Table value of Z at 5% level of significance	±1.96	±1.96
Null hypothesis (H0)	Accepted	Rejected

Source : Calculated by the author

**Conclusion:**

From the above, we can be conclude that the microfinance programme is successful in providing access to the finances to the rural women of Nadia District of West Bengal. This has been instrumental in improving the condition of households. The participation in the SHGs movement by the rural women of the district have brought about economic and social changes. The majority of the participants of the SHG reported that their family status has improved after joining the SHGs. This is because of their contribution in family income by participating in SHG. Therefore, microfinance through the SHG movement in rural India no doubt ensures the economic independence and higher social status.

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