

## **Rural Development Through Micro Finance with Special Reference to Self Help Groups at Karur District**

**R. Mohana**

*Ph.D., Research Scholar*

*P.G. Research department of Commerce*

*Kandaswami Kandar's College, P-Velur*

*Namakkal (D.T)*

**Dr.L.Kesavan**

*Assistant Professor and Research Supervisor*

*P.G. Research department of Commerce*

*Kandaswami Kandar's College, P-Velur*

*Namakkal (D.T)*

### **Abstract**

The aim of this paper was to examine the rural development through micro finance with special reference to self-help groups at Karur district. For this investigation primary data was collected from 500 respondents through a structured questionnaire. Karur district comprises of eight blocks, Proportionate Stratified Random Sampling procedure was adapted to select sample self-help groups and member respondents from all the eight blocks in Karur district. The present study has been undertaken with a view to evaluate the performance of SHGs and their impact on the rural development of members in Karur District, Tamil Nadu. The study is based on empirical evidences gathered from the selected respondents to study the progress of SHGs in Karur District. Further, attention has also been focused on evaluating the performance of sample SHGs and efforts have been made to examine how far SHGs help in the upliftment of rural development. Besides the impact of SHGs on entrepreneurial development, employment generation, earning capacity and asset creation of rural area were analysed in the study.

**Key words:** Self Help Groups, Rural Development and Micro Finance.

## **I.INTRODUCTION**

Microfinance interventions are well recognized world over as an effective tool for poverty alleviation and improving socio-economic status of rural poor. In India too, microfinance is making headway in its effort for reducing poverty and empowering rural area. Microfinance through the network of cooperative, commercial banks, regional rural banks, NABARD and NGOs has been largely a supply driven recent approach. Microfinance institutions are other than banks which are engaged in providing financial services to the poor. The SHG's became a regular component of the Indian financial system since 1996. The SHG's are small, informal and homogeneous groups. These groups have proved as cyclic agents of development in both the rural and urban areas. The SHGs after being formed starting collecting a fixed amount of thrift each member regularly. After accumulating a reasonable amount of resources, the group starts lending to its members for pretty 2 consumption needs. If the banks is satisfied with the group in terms of genuineness of demand for credit, (ii) credit handling capacity of the members; (iii) repayment behaviour within the groups; and (iv) the accounting system and maintenance of the records, it extends a term loan of smaller amount to the group.

### **Statement of the problem**

SHG consists of poor persons who do not have access to formal financial institution. It develops 'we' feeling among the members and helps to learn to co-operate and work in a group environment. Karur district is one among the front line districts in the promotion of SHGs, which are developed as a tool for the eradication of poverty. The district is coastal in nature and also surrounded by villages engaging in agriculture. But the district was consecutively worst hit by natural calamities such as Tsunami, flood and cyclone. Now the district proclaimed as drought prone area. In this situation, the role of SHG movement is all the more important for the promotion of economic interest of the inhabitants of the districts especially women. They were never been conducted the like this study, the present study is an attempt in this direction, which evaluates the performance of SHGs in Karur district and also to analyse the efficacy of SHGs approach to micro credit in improving the economic and social condition rural area people.

### **Objectives of the Study**

1. To study the growth of rural people to SHGs and bank linkage programme in Karur District.
2. To analyse the performance of sample SHGs in the study area.
3. To examine, how far SHGs help in promoting social condition of their members.

### **Scope of the Study**

The present study has been undertaken with a view to evaluate the performance of SHGs and their impact on the socio-economic conditions of members in Karur District, Tamil Nadu. The study is based on empirical evidences gathered from the selected respondents to study the progress of SHGs in Karur District. Further, attention has also been focused on evaluating the performance of sample SHGs and efforts have been made to examine how far SHGs help in the upliftment of social status of rural area.

### **Methodology of the study**

The study is descriptive in nature. Karur district is purposely selected as the study area. The study is based on both primary and secondary data.

### **Sampling of the study**

Karur district comprises of eight blocks viz., Karur, Thanthoni, Aravakurichi, Paramathi, Kulithalai, Krishnarayapuram, Kadavur, and Thogamalai. Each block is designated as stratum. Proportionate Stratified Random Sampling procedure was adapted to select sample self-help groups and member respondents from all the eight blocks in Karur district. Each block has selected 50 sample were chosen for this study.

### **Testing of Hypothesis**

- ❖ There is significant relationship between the amount of saving and the amount of internal loan extended to the members.
- ❖ There is no significant difference between the mean scores of possessions of the various assets value before and after joining SHG.

### **Limitations of study**

The data were collected from the oral communication of the sample respondents, since no respondent maintains authentic records. The objectivity of the data is limited. The findings of the study are based on these results have to cautiously viewed. However, care and diligence have been exercised to present meaningful conclusion.

### **Review of Literature**

The review of available literature and studies is the basis of further research. It is worthy to review the relevant literatures before doing a research study. It exhibits how much work has been already done in the area under research. A review of literature is further helpful to identify the research gap and lead the study to fill in such a gap. A brief outline of various study report is presented in this chapter.

**Dr.V. Rangarajan (1997)** in his paper of women's technological employment and sustainable development in rural area brought out various general economic impacts of SHGs beneficiaries organized by Tamil Nadu women Development Corporation Ltd.

**Liestte Brunson (2000):** Has conducted a study on promoting family – related self-help group in rural areas of Illinois. The study has been conducted in two phases. In Phase-I, ninety-three Self-Help groups serving in rural areas of Champaign and Vermilion countries were invited to participate in a need assessment survey. The surveys assessed the resources and needs of rural groups as well as the barriers faced by rural individual seeking groups. In Phase –II, thirteen interviews were conducted with professionals and facilitators working with self-help groups in rural areas. His findings provided information for the family service self-help centre on how to better serve rural Self-Help Groups.

**Rajarm (2000)** has made research on participatory monitoring for Self-Help groups as a tool for sustainability. He looks at how monitoring systems may be put in place for SHGs under a women's empowerment programme. He stresses the need to institutionalize the system of self-monitoring by building capacity within SHGs or federations and looks at Self or participative monitoring as a cornerstone for sustainability.

### **Growth of SHGS in Karur District**

The SHG scheme was introduced by Government of India in 1982, with the main objective of alleviating poverty. SHG is an unregistered voluntary association of people from same socio-economic condition and they are primarily involving themselves in savings and credit. SHG may be either women or men. Some of them are mixed type. But more than 90% of the groups are SHGs. SHGs have created socio-economic awareness among rural. The movement empowered economically and able to contribute to increase the level of their family income and thereby developed their family economically.

### **Formation of SHGS Block – Wise**

During last decade, India had a tremendous growth of SHGs in different forms in different regions. In southern region, the movement of SHGs has shown good results in Andhra Pradesh and Tamil Nadu. The poor status of Indian villages is slowly transformed with the help of SHGs. The dynamic SHGs movement in Tamil Nadu has created a revolution and has become their own movement leading to their social, economic and political empowerment. Today this programme covers almost all the blocks and Panchayats in Karur district. There are eight blocks in Karur District namely, Karur, Thanthoni, Aravakurichi, Paramathi, Kulithalai, Krishnarayapuram, Kadavur, and Thogamalai. The block wise formation

of Women SHGs during the study period has been analysed and results are presented in below table.

**Table No-1**  
**Total Number of Self-Help Groups Formed - Block Wise**

Year/Block	Karur		Thanthoni		Aravakurichi		Paramathi,		Kulithalai		Thogamalai.	
	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%
2013-14	22		35		38		63		31		48	
2014-15	31	41	51	46	28	-36	85	35	32	3	66	38
2015-16	114	418	86	146	69	82	96	52	57	84	82	71
2016-17	76	245	114	226	86	134	122	94	72	132	58	21
2017-18	171	677	108	209	87	129	198	214	201	548	112	133
2018-19	112	409	130	271	125	229	150	138	180	481	118	146
2019-20	102	363	57	63	50	32	35	-44	76	145	87	81
2020-21	62	189	20	-43	11	-71	28	-56	20	-35	52	8
2021-22	145	559	6	-83	8	-79	69	10	6	-81	116	142
2022-23	146	564	3	-91	7	-82	102	62	3	-90	235	390
2023-24	136	518	19	-46	5	-87	84	33	19	-39	306	538
2024-25	132	-	161	-	57	-	391	-	53	-	935	-
<b>Mean</b>	101.55		57.18		47.00		93.82		63.36		116.36	
<b>SD</b>	48.64		45.68		40.70		49.40		67.55		81.77	
<b>CV</b>	47.90		79.89		86.59		52.66		106.61		70.27	
<b>AAGR</b>	44.54		45.43		-1.58		19.29		55.83		32.03	
<b>LGR</b>	9.19		-11.94		-12.09		-2.51		-8.01		15.87	
<b>CGR</b>	14.72		-21.41		-21.68		-3.13		-18.28		14.52	

**Source:** Tamilnadu Women Development Corporation Ltd. Karur

**Table No-2**  
**Total Number of Self-Help Groups Formed - Block Wise**

Year/Block	Karur		Thanthoni		Aravakurichi		Paramathi,		Kulithalai		Total	
	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%	SHGs (No)	%
2013-14	142		105		46		96		32		658	
2014-15	201	42	188	79	20	-57	102	6	35	9	839	26
2015-16	209	47	156	49	151	228	24	-75	50	56	1094	66
2016-17	50	-65	153	46	163	254	51	-47	64	100	1012	54
2017-18	68	-52	208	98	279	507	82	-15	589	1740	2103	220
2018-19	77	-46	190	81	275	498	90	-6	350	994	1797	173
2019-20	104	-27	84	-20	51	11	65	-32	66	106	777	18
2020-21	97	-32	52	-50	30	-35	79	-18	49	53	500	-24
2021-22	112	-21	290	176	312	578	20	-79	136	325	500	-24
2022-23	106	-25	273	160	230	400	18	-81	209	553	1332	102
2023-24	163	15	291	177	219	376	22	-77	208	550	1472	124
2024-25	397	-	880	-	644	-	-171	-	231	-	4332	-
Mean	120.82		180.91		161.45		59.00		162.55		1164.00	
SD	52.25		81.57		109.69		33.17		173.16		488.77	
CV	43.25		45.09		67.94		56.22		106.53		41.99	
AAGR	11.09		45.19		146.25		4.41		98.38		21.49	
LGR	-3.28		6.76		9.54		-10.46		7.16		3.18	
CGR	-1.79		5.02		14.26		-12.12		16.49		3.51	

**Source:** Tamilnadu Women Development Corporation Ltd. Karur.

The average groups formed in the sample district over the period of study was 106. The analysis highlights that Karur block (181), Thanthoni block (163), Aravakurichi block (161), Paramathi block (121) and Thogamalai block (116) were kept their levels of formation higher than the district average. On the other hand, Karur block (102), Thanthoni block (57), Aravakurichi block (47), Paramathi block (94), Kulithalai (63) and Thogamalai block (59) were kept their level of formation below the district average.

**Table - 3**  
**Age of the Sample SHGs**

Year of Experience	Area				Total	
	Rural		Urban			
	F	%	F	%	F	%
Up to 2 years	52	13.76	10	2.65	62	16.40
2 to 4 years	105	27.78	30	7.914	135	35.71
4 to 6 years	75	20.63	14	3.70	92	24.34
Above 6 years	71	18.78	18	4.76	89	23.54
Total	306	80.95	72	19.05	378	100

**Source: Primary data**

Table 3 depicts the existence of SHGs. It is clear that 306 SHGs are from rural areas and 72 SHGs are from urban centres. In regard to existence of groups in terms of period, it is observed that 62 SHGs are functioning for a period up to 2 years, of which 52 are from rural and 10 from urban. On the other hand, 89 SHGs are in existence for a period more than 6 years, 71 and 18 are from rural and urban respectively. It has been ascertained from the above analysis that nearly one-fourth of the SHGs have more than half a decade existence. Further more than one-third of the SHGs have two to four years of existence. While analysing the formation and existence of SHGs, it is observed that the formation of SHGs in urban area is very slow and which are below ten per cent in all categories. Further it is heartening to note that the formation and existence of SHGs are more in members as the rural women have more interest in forming and taking part in the activities of their groups and thereby they indent to develop economically and socially.

### **Size of SHGs**

SHGs are formed under the principle of Self-Help to promote individuals through collective activities in areas of augmenting income gaining easier access to credit and increasing their bargaining power. SHGs consisting of 10-20 members in which they participate fully and take decisions on all issues concerning poverty eradication. Size of SHG envisages better Understanding and mutual knowledge of members. The details relating to size of sample SHGs are given in the table 4.

**Table No: 4**  
**Sizes of Sample SHGs**

Total number of members	Area				Total	
	Rural		Urban			
	F	%	F	%	F	%
Upto 15 members	199	52.65	46	12.17	245	64.81
16 to 17 members	57	15.08	17	4.50	74	19.58
18 to 19 members	38	10.05	9	2.38	47	12.43
20 members	12	3.17	-	-	12	3.17
Total	306	80.95	72	19.05	378	100

**Source: Primary data**

The Table 4 reveals the area wise number of SHGs and members distribution in the study area. It is obvious to note that out of 378 sample SHGs, nearly one- fifth consisting of 16 to 17 members, of which 57 from rural and 17 from urban, whereas the members' strength laid between 18 and 19 for 47 SHGs consisting of 38 and 9 from rural and urban respectively. Further, 199 rural SHGs and 46 urban SHGs are consisting of less than 15 members. It has been ascertained from the above analysis that more than three-fifth of them having membership size up to 15 members. Further, nearly 3 per cent of them having 20 members in their groups. It is probed that an optimum number of members needed for every SHGs to manage themselves is up to 15. It is considered as compact size of SHGs. A constant growth in saving satisfies internal lending and external borrowing, group cohesiveness, understanding the personal and social problems and decision making are achieved by SHGs through the optimum size of membership in Karur district. In order to find the relationship between the Amount of Saving (per Meeting) and the Amount of loan extended to the members from savings in a meeting, a Chi-square test was used and result of the test is shown in the following Table 5.

**Table - 5**  
**Association between savings and loans**

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Amount of Saving (per Meeting)	58.528	6	< 0.001	Highly Significant

It is noted from the above table that the 'p' value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly



significant association found between the Amount of Saving (per Meeting) and the Amount of loan extended to the members from savings in a meeting. In order to find the relationship between the amount of loan extended to the members from their savings in a meeting and the Period of interval for the loan availed by the members, a Chi-square test was used and result of the test is shown in the following table - 6.

**Table 6**  
**Association between amount of loan and period of loan**

<b>Factor</b>	<b>Calculated Chi-square value</b>	<b>Degrees of freedom</b>	<b>'p' Value</b>	<b>Remarks</b>
Amount of loan extended	36.39	9	< 0.001	Highly Significant

**Source: Computed data**

It is noted from the above table that the 'p' value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association is found between the amount of loan extended to the members from their savings in a meeting and the Period of interval for the loan availed by the members. In order to find the relationship between the Amount of loan extended to the members from the savings in a meeting and the Rate of interest on internal loan, a Chi-square test was used and result of the test is shown in the following Table 7

**Table 7**  
**Association between amount of loan and rate of interest**

<b>Factor</b>	<b>Calculated Chi-square value</b>	<b>Degrees of freedom</b>	<b>'p' Value</b>	<b>Remarks</b>
Amount of loan extended	135.16	9	< 0.001	Highly Significant

**Source: Computed data**

It is noted from the above table that the 'p' value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association found between the amount of loan extended to the members from savings in a meeting and the rate of interest on internal loan.

### **Summary of Findings and Suggestions**

The Study titled as "Rural Development through Micro Finance with Special Reference to Self Help Groups at Karur District. The study is undertaken with the aims of identifying the growth of women SHGs and bank linkage programme in Karur district, to analyse the performance of sample women SHGs

in the study area, to examine the impact of SHGs on the economic conditions of members and to examine, how far women SHGs help in promoting social condition of members. Karur district comprises of eight blocks. Each block is designated as stratum. Proportionate stratified Random Sampling procedure was adapted to select sample self-help groups and member respondents from all the eight blocks in Karur district. The size of sample for SHGs is calculated with a margin of error at 1 per cent level and 99 per cent confidence level arrived as 378 SHGs and 665 members. Survey method has been adopted along with personal interview technique for the collection of primary data. Two interview schedules, well-structured and pretested were administered for gathering of information from sample SHGs and member respondents. Further, secondary data were pooled from the office records of TNWDC at Karur and books and journals.

### **Suggestions**

Based on the finding made during the course of study, the following suggestions are made for further improvement in the performance of SHGs and also for the upliftment of socially and economically. The TNWDC and NGOs will have to create awareness and motivate the women in the rural folk to form themselves as SHG. For this purpose, they have to design programmes so as to make women to understand the concept of SHG and infuse the minds of rural women folk and thereby won their confidence. The benefit of women SHGs like training, for self-development, inculcate the habit of saving, loan facility, opportunity for entrepreneurial development and increase the income earning capacity are exposed through conducting large number of awareness programmes at every Panchayat by the TNWDC.

The member's saving habit is a significant factor for determining the size of saving and internal lending among the members. Further the savings of the group is the borrowing power, which determines the external borrowing from bank. It is suggested that in order to increase the size of internal fund, the frequency of saving may be shifted to weekly. The weekly saving amount may be decided by the members based on their earning capacity.

It is suggested that in order to increase the size of saving, the amount of saving from members must be members choice based, which enable the members to deposit varied amount subject to a minimum amount fixed by the groups. It is suggested that SHG will have to be allowed to fix more than 3 instalments within the prescribed time. It will be easy for the borrower to make repayment without any difficulty, as equated instalment is small amount.

### **Findings**

The findings made during the course of study were given here under. Low Number of SHGs Formation, Enrolment of More Members, Meagre Saving Huge

fund allocated and low level of Participation, Rapid Growth of RF Loan, Tremendous Performance, Legible Internal Lending The study highlights the slow and steady growth of SHGs in the sample district. The performance of sample units deserves appreciation and encouragement.

## **II.CONCLUSION**

The present study examines the rural development through micro finance special reference to SHG's in Karur District. It provides scope for further researches in the following areas viz., Government support for SHGs, micro women entrepreneurs, development of socio prefers through SHGs, politics, SHGs and community development, contribution of SHGs to the growth of rural areas, etc.

## **III.REFERENCES**

1. Alagh, Y.K, Indian Development Planning and Policy, Vikas Publishing Press, New Delhi, 1991.
2. Aswathi Indira Rural Women of India – A Socio-economic Profile of Jammu Women, B.R. Publishing Corporation Delhi – 1982.
3. Baig, Tara Ali India's Women power, S. Chand & company, New Delhi.
4. Batra, S.L, Employment for Women, Har-Anand Publication, 1990.
5. Desai, Neera Women in Modern India, Vera and Company, Bombay, 1974.
6. Vijayakumari, M. Empowerment of Women and institutional credit, Sonali publications New Delhi.
7. Hall, C.M. Women and Empowerment: strategies for Increasing Autonomy, Hemisphere Publishing Corporation Washington, 1992.
8. Heredero, J.M.Rural development and social change, Manohar, Book Service, New Delhi 1971.