

## Socio-economic impact of micro financing through self-help groups in Kanchipuram town

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Accepted : May, 2010

### ABSTRACT

This paper presents an overview of evolution of micro-finance support for socio-economic development. A Self Help Group (SHG), is a group of rural poor who have volunteered to organise themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a Common Fund known as the Group corpus. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management. It has been observed, the programme of linking SHGs with NABARD. It has scaled enviable heights and has produced expected impact on the poor. The study is empirical in nurture and based on primary data collected from field survey. It is an attempt to study socio-economic impact of micro-finance covering the sample 90 selected members in Kanchipuram town of Tamil Nadu state. The SHGs and micro-finance made critical impact on socio-economic status of members.

**Key words :** Micro financing, Self-help groups, Socio-economic impact.

The rural India is the real India; therefore, rural development is pre-requisite for economic development of our country. The problems of poverty in rural and urban areas, more particularly amongst the backward classes, are due to lack of access for the poor to the basic services like education, health, sanitation, etc. The main reasons for the same are economic dependence, rapid increase in population after independence, disempowerment and lack of access to credit. Generally the credit facilities were not available to such poor sections of the society until the country attained independence except through the village moneylenders. After independence, the co-operatives were expected to help these classes and the Government also launched several subsidized wage and self-employment programmes for the benefit of the poor.

Micro-finance is being viewed as a very powerful tool for uplifting the economic conditions of the asset less poor through group approach that ensures active participation and involvement of the beneficiaries in effective implementation of the programme. In India, micro-finance programme has a crucial role to play in uplifting more than 30 crore people living below the poverty line (NABARD, 2005). Poverty means denial of access to the basic necessities *i.e.* food, shelter, health, education of human existence. Poverty is characterized by lower standard of living. As per the poverty line defined by the HDR *i.e.* earning of a person below \$ 1 a day. The

percentage of BPL population in India comes around 34.9% and if it is extended to \$2 a day, the percentage of BPL in India comes to 79.9%. (Human Development Report, 2004)

Micro-finance has emerged as a needful programme to cater the needs of the most underprivileged people *i.e.* tribal, dalits, and women. The major concern today is ever increasing poverty and there is urgent need of empowering, enabling the most neglected sections of the society through organized support to all poverty alleviation programmes. Considering the paucity of funds with poor people, the need of the hour is to provide adequate credit to the needy people to enable them to undertake entrepreneurial activity, however small, with the help of NGOs and GOs. Micro-finance is expected to play a pivotal role in poverty eradication and employment generation.

Micro-financing is a new method to meet the credit requirement in rural areas. Since the bank borrowing requires collateral and the deprived class do not have any type such collaterals, the success of Bangladesh Grameen Banks attracted the attention of Indian policy makers towards the micro-finance and micro-credit, which are the new entrants in realm of present rural financing. Micro-credit is based on 20 self help groups (SHGs), which will be technically supported by NGOs and sponsor bank. In other words, self help group is a small, economically homogeneous and cohesive group of rural poor voluntarily coming together to save small amount regularly, agree mutually to contribute to a common fund and have a collective decision making for providing

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