

ENTERPRISING JAMMU THROUGH MICROFINANCE

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Abstract: Microfinance schemes are known for their prospects to create income and employment to alleviate poverty in developing countries. It is considered as an important approach to alleviate poverty and enhancement of living standards, particularly of women. The study is based on both primary as well as secondary data. For finding the awareness of microfinance in the Jammu region, one questionnaire has been developed and a convenience sample of five hundred (500) people have been collected from non-SHG members. It has been collected from nine (9) different villages of Jammu region namely Marh, Akalpur, Golegujral, Ghou Manasa, Galami Chakk, Trilokpur, Gajansoo, Pouni Chakk and Sangrampur. The study pertains to the general characteristics of the non-SHG members viz. age of sample non-SHG members, educational level of the non-SHG members, housing position of non-SHG members, community of the non-SHG members, occupational pattern, land holding, family size, awareness of microfinance scheme, source of awareness of microfinance scheme, etc. Data has been collected from non-SHG members through structured questionnaire. For finding the role of SHPIs in promotion of micro enterprises in Jammu region, another questionnaire has been developed and the data have been collected from five (5) NGOs working for SHGs in the Jammu region. For studying the present status of microfinance and the viability of micro enterprises in Jammu region, secondary data has been collected from National Bank of Agriculture and Rural Development (NABARD), publication and some officials at NABARD have also been interviewed. The overall findings of the study suggest that there is a lack of awareness of microfinance programme in the Jammu region. Much more efforts are required from the NGOs, government, NABARD, Commercial Banks, Rural Banks, other cooperative banks, etc. in order to make people aware regarding the benefits of microfinance scheme. Majority of the SHGs in the state are formed by the NGOs. Most of the micro enterprises are running on a very low scale with limited funds, limited raw materials and with limited marketing opportunities.

Key Words: Microfinance, Self help group, awareness, micro enterprise

Introduction

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Microfinance is the provision of financial services to low-income clients or integrated lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers." Those who promote microfinance generally believe that such access will help poor people out of poverty.

Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact.

Traditionally, banks have not provided financial services, such as loans, to clients with little or no cash income. Banks incur substantial costs to manage a client account, regardless of how small the sums of money involved. For example, although the total gross revenue from delivering one hundred loans worth \$1,000 each will not differ greatly from the revenue that results from delivering one loan of \$100,000, it takes nearly a hundred times as much work and cost to manage a hundred loans as it does to manage one. The fixed cost of processing loans of any size is considerable as assessment of potential borrowers, their repayment prospects and security; administration of outstanding loans, collecting from delinquent borrowers, etc., has to be done in all cases. There is a break-even point in providing loans or deposits below which banks lose money on each transaction they make. Poor people usually fall below that breakeven point. A similar equation resists efforts to deliver other financial services to poor people.

In addition, most poor people have few assets that can be secured by a bank as collateral. As documented extensively by Soto and others, even if they happen to own land in the developing world, they may not have effective title to it. This means that the bank will have little recourse against defaulting borrowers.

Seen from a broader perspective, the development of a healthy national financial system has long been viewed as a catalyst for the broader goal of national economic development (see

for example Alexander Gerschenkron, Paul Rosenstein-Rodan, Joseph Schumpeter, Anne Krueger). However, the efforts of national planners and experts to develop financial services for most people have often failed in developing countries, for reasons summarized well by Adams, Graham & Von Pischke in their classic analysis 'Undermining Rural Development with Cheap Credit'.

Review of Literature

The key approach to bring microfinance from financial institutions for undertaking self-employment activities particularly among the rural poor are of two types. They are individual and group-oriented. The individual approach to microfinance self-employment activities could not yield the estimated results due to the relatively high transaction costs and procedural delays involved in it. Of late, it has been realized that delivery of micro credit to the poor can be made more effective and less costly if they are organized into SHGs. The launching of NABARD's pilot scheme in 1992 on microfinance by linking SHGs with banks, gave further boost in reaching the formal credit to the poor. The NABARD intervention also enabled the NGO to function as a financial intermediary by channelising credit from financial institutions to the SHG.

The SHG is considered as a feasible organization of the rural poor particularly women for delivering micro credit in order to undertake entrepreneurial activities. Some of the studies on SHGs of the rural poor particularly those managed by women, successfully demonstrated how to mobilize and manage thrift activities, appraise credit needs, enforce financial disciplines, maintain credit linkages with banks and effectively undertake income generating activities etc. These studies also showed that the poor as a group are quite creditworthy and repayment of loan is quite satisfactory. (**NABARD: 1989; Dinkar Rao: 1992; Myrada: 1995; and Manimekalai and Rajeshwari: 2000**).

Roy, J & Chowdhury, PR (2009), examined public-private partnerships in micro-finance, whereby NGOs can help in channelizing credit to the poor, both in borrower selection, as well as in project implementation. The authors argue that a distortion may arise out of the fact that the private partner, i.e. the NGO, is a motivated agent. The study concluded that whenever the project is neither too productive, nor too unproductive, reducing such distortion

requires unbundling borrower selection and project implementation, with the NGO being involved in borrower selection only.

Meher, S (2007), elucidate that micro-finance through self-help groups (SHG) has the potential to fight against poverty and can be an important weapon for poverty alleviation. The study concluded that in Orissa the SHG based micro-finance has better outreach and positive impact on poverty. However, the process of empowerment is found to be poor. The success of this programme depends on both better outreach and the ability to empower the poor, particularly women groups.

Banerjee, T (2009), made an effort to estimate the impact of Self-Help Groups created under SGSY programme of Government of India on the basis of primary survey undertaken in the district of North 24 Parganas of West Bengal during September 2005 to March 2006. Data were collected from group members as well as from non-group members. It has been observed that income generation through group activities has improved the average income of group members but the inequality of distribution of income is high among the group members than that of the non-group members. Secondly, there has been a significant decline in the medical expenditure and school dropout rate in the families of group members than that of non-group members.

Sengupta, R & Aubuchon, CP (2008), presented a non-technical overview on the growth and development of microcredit and microfinance. The microfinance revolution has come a long way since Yunus first provided financing to the poor in Bangladesh. The Nobel Prize committee has recognized microfinance as “an important liberating force” and an “ever more important instrument in the struggle against poverty.” It has been concluded that for now, microfinance remains a viable solution to economic development and poverty alleviation, both in Bangladesh and around the world. With more transparency from institutions and better rating standards, the influx of investment capital from international markets will continue to drive microfinance towards Yunis’s goal of a poverty free world.

Satish, P (2001), lays stress on thrift as well as credit and also on the linkage between informal groups and formal financial institutions. An important outcome in this linkage is the institution that promotes the SHGs. In India, SHGs have been promoted by nongovernmental organizations (NGOs), banks and the government. This paper attempts to compare the role of

these three institutional variants in promoting the SHGs, their strengths and weaknesses, and the best practices that could be copied from them.

Fruttero, A & Gauri, V (2005), developed two stylized accounts of NGO strategies: one in which pragmatic and organizational concerns determine location decisions, and another in which charitable motivations are the principal determinants. Then they used the data from the 1995 and 2000 rounds of the Bangladesh Household and Income and Expenditure Survey to analyze location decisions of NGO programmes established between those two sample years. Whether disaggregated by sector of work or mother organization, the data show that the net change in NGO programmes in a community was not related to indicators of community need, that NGOs established new programmes where they themselves had no programmes previously, and that they did not avoid duplicating the efforts of other NGOs. Overall, the analysis is consistent with an account of NGO choices in which a concern for broad coverage significantly affects NGO choices.

The present study is primarily intended to document the present status of microfinance and to analyse the existing awareness of microfinance scheme among the people in the Jammu region. It also focuses on the role of Self Help Promoting Institutions (SHPIs) in promotion of micro enterprises and the viability of micro enterprises in the Jammu region.

Objectives

The present paper aims to study the following aspects of Microfinance in Jammu region:

1. To study the present status of microfinance in Jammu Region.
2. To study the awareness level of microfinance in Jammu Region.
3. To study the role of SHPIs in promotion of micro enterprises in Jammu Region.
4. To study the viability of micro enterprises in Jammu Region

Study Design & Methodology

The study is based on both primary as well as secondary data. For finding the awareness of microfinance in the Jammu region, one questionnaire has been developed and a convenience sample of five hundred (500) people have been collected from non-SHG members. It has

been collected from nine (9) different villages of Jammu region namely Marh, Akalpur, Golegujral, Ghou Manasa, Galami Chakk, Trilokpur, Gajansoo, Pouni Chakk and Sangrampur. The study pertains to the general characteristics of the non-SHG members viz. age of sample non-SHG members, educational level of the non-SHG members, housing position of non-SHG members, community of the non-SHG members, occupational pattern, land holding, family size, awareness of microfinance scheme, source of awareness of microfinance scheme, etc. Data collected from non-SHG members were through structured questionnaire. For finding the role of SHPIs in promotion of micro enterprises in Jammu region, another questionnaire has been developed and the data have been collected from five (5) NGOs working for promoting SHGs in the Jammu region. For studying the present status of microfinance and the viability of micro enterprises in Jammu region, secondary data has been collected from National Bank of Agriculture and Rural Development (NABARD) publication and some officials from NABARD have also been interviewed.

Microfinance in Jammu and Kashmir

The State of Jammu and Kashmir has its own economic and cultural ethos. Geographically as well as culturally, the state can be divided into three main regions. The Jammu Region being adjacent to Punjab is dominated by Punjabi culture, Kashmir Region is dominated by Muslim population and Ladakh Region has mainly Buddhists. The microfinance programme started in the state as early as it took its roots in other states, but the progress in SHG formation and linkages is far behind than in many other states, which could be mainly due to very low level of poverty. The state has also faced unrest due to militancy during last two decades, as a result of which the overall economic growth slowed down. Another reason could be poor publicity of the programme and low understanding of the concept. There could be some other factors/reasons for poor progress of SHG-Bank Linkage Programme. The outreach of formal credit delivery system to the rural poor is still in nascent stage in the state. A number of studies were conducted internally by NABARD as well as with the help of outside agencies to evaluate the impact of SHG in various states. NABARD, in 2006 conducted a study to see the impact of microfinance for micro enterprises in the state of Jammu and Kashmir. The study was conducted in two major districts namely Jammu and Kathua. The focus of study was on promotion of income generating activities and micro enterprises by Self Help Groups.

Table 1. Progress under SHGs Bank Linkage Programme in J&K State

S. No.	Particulars	Jammu & Kashmir
1	Number of SHGs provided with bank loan during 2009-10	675
2	Cumulative number of SHGs provided with bank loan upto 31.03.2010	3897
3	Number of NGOs functioning as SHPI (Self help Promoting Institution) with NABARD grant	19
4	Number of RRBs (Regional Rural Banks) functioning as SHPIs	0
5	Number of CCBs (Central Cooperative Banks) functioning as SHPIs	0

Table 2. List of Agencies associated with SHPI Programme for formation of SHGs

S.No.	Name of the NGO	Block/District
1	Gramudyog Hastkala Kendra, Hiranagar	Kathua
2	Sudhar Sabha Committee, Udampur	Udampur
3	National Institute of Education & Technical Arts, Jammu	Jammu
4	Priyadarshini Indira Mahila Block Society, Jammu	Jammu
5	Shiv Sadhana, 564, Subash Nagar, Jammu	Jammu
6	Shankar Rural Women Development Society, Kathua	Kathua
7	SAHARA, Satwari, Jammu	Jammu
8	Mahila Welfare Committee, Satwari, Jammu	Samba & Jammu
9	National Foundation, Bathindi	Rajouri
10	Yusuf Mehrally Centre, Jammu	Jammu
11	Escorts Organization, Srinagar	Srinagar
12	Modern Social and Rural Development Society	Samba & Jammu
13	Human Welfare Foundation, Anantnag	Anantnag
14	Gramin Pragati Sangathan	Udampur
15	Nazakat Mahila Mandal	Baramulla
16	Rural Artisan Welfare Society	Reasi
17	Jagriti Mahila Udyog Kendra	Jammu
18	Kristu Jyoti Social Welfare Society	Samba
19	Jamola Nehru Youth Club	Rajouri

Institutions eligible for Grant Assistance as SHPIs for formation and credit linkage of SHGs

NABARD provides capacity building assistance and financial support to its partners for promotion and broad basing of microfinance operations. NGOs, RRBs, DCCBs, Urban Coop. Banks and Farmers Clubs are eligible to avail financial assistance.

Joint Liability Groups

Despite the increasing credit flow to agricultural sector in the past four years at the aggregate level, serious concern has been expressed in various quarters that the number of agricultural loan accounts with the banking sector has not been keeping pace, but has actually stagnated and at times has even decreased in many states. This symptom coupled with the increasing average loan size per loan account, directly points to inadequate credit access/flow to small, marginal and tenant farmers, who constitute 82% of the farmers in the country. In order to contain the increasing transaction costs while dealing with larger number of small value accounts, the group mode of financing was suggested for financing joint liability groups (JLGs) of small, marginal, tenant and oral lessee farmers as well as sharecropper.

A JLG is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity in the Agriculture and Allied sector. The members would offer a joint undertaking to the bank that enables them to avail loans. JLG members are expected to provide support to each other in carrying out occupational and social activities. To facilitate promotion of JLGs, banks are eligible for grant assistance from NABARD.

Scheme for supporting Activity based groups

A large component of the labour force in the economy is engaged in very small scale production activities or on small and marginal farms. Due to demographic factors and wide changes in economy, the number of small, marginal and tenant farmers is increasing every year. In future, the production of food grains may get concentrated in small, marginal and unirrigated farms when the better endowed farms switch to more profitable commercial crops having a ready urban or export market. Some of these forces impacting agriculture may require that in future a significant part of the responsibility of ensuring national food security may fall on these small and tenant operated farms. Operators of the small farms also form a large proportion of those who do not have access to formal banking services. While the financial needs of the very poor are partially covered with the establishment of the

mechanism of Self-Help Group Bank Linkage Programme (SBLP), the small and marginal segment entities do not have an appropriate credit product addressing their needs. These small farms have the potential to increase their production, realize better incomes and contribute to the national economy to their full potential if they can develop better access to markets and credit.

Scheme for activity based groups has been formulated to help formation and nurturing of groups based in similar small scale economic activities engaged to improve the efficiency of their enterprises and for getting better terms from the market through economies of aggregation and scale.

Status of Self Help Groups in J&K State

The state of Jammu and Kashmir figured on the SHG map of India in the year 1998 with the formation of 2 SHGs. Thereafter, the SHG bank linkage programme has made consistent progress though on a moderate scale. As on 31 March 2010, 3371 SHGs have been linked with different banks in the state.

Table 3: District-wise status cumulative position of SHGs credit linked as on 31st march 2010

S.No.	District	Upto 31-03-2010	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Cumulative 31-03-2010
1	Jammu	122	147	63	112	118	85	25	13	23	708
2	Kathua	108	59	65	99	114	54	23	8	3	533
3	Kishtwar	0	0	0	0	0	0	2	0	0	2
4	Udhampur	74	69	59	68	134	119	104	8	5	640
5	Doda	45	27	50	41	49	17	6	10	1	246
6	Poonch	0	2	1	0	37	1	1	7	1	50
7	Rajouri	17	0	3	16	22	9	0	6	4	77
8	Ramban	0	0	0	0	0	0	1	9	2	12
9	Reasi	0	0	0	0	0	0	4	4	3	11
10	Samba	0	0	0	0	0	0	6	5	5	16
11	Srinagar	7	7	10	6	31	27	4	13	1	106
12	Budgam	21	44	61	19	39	21	11	24	22	262
13	Pulwama	4	3	4	4	37	21	9	5	4	91
14	Bandipore	0	0	0	0	0	0	18	6	2	26
15	Baramulla	8	12	4	7	43	11	11	21	44	161
16	Anantnag	25	68	27	23	59	26	7	23	2	260
17	Ganderbal	0	0	0	0	0	0	11	12	12	35
18	Kulgam	0	0	0	0	0	0	0	2	7	9

19	Kupwara	1	0	1	2	24	5	13	10	1	57
20	Shopian	0	0	0	0	0	0	1	3	3	7
21	Leh	5	8	0	5	0	5	2	4	3	32
22	Kargil	5	0	4	5	0	4	8	3	1	30
		442	446	352	407	707	405	267	196	149	3371

Awareness of Microfinance

For finding the awareness of microfinance in the Jammu region, one questionnaire has been developed and a convenience sample of five hundred (500) people have been collected who are Non-SHG members. The sample consists of 18 per cent male and 82 per cent female. It has been collected from different villages of Jammu region. The distribution of village wise sample is as follows:

Table 4: Sample distribution Village wise

S.No.	Village	No. of People	Female	Male
1	Marh	54	41	13
2	Akalpur	56	44	12
3	Golegujral	59	48	11
4	Ghou Manasa	53	45	8
5	Galami Chakk	55	47	8
6	Trilokpur	56	47	9
7	Gajansoo	45	33	12
8	Pouni Chakk	65	58	7
9	Sangrampur	57	47	10

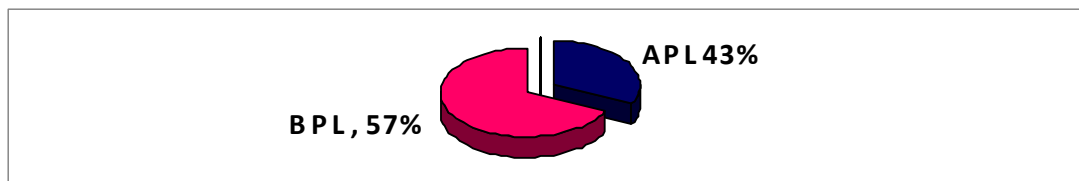


Fig. 1: Economic Status of SHG members

Fig 1 portrays the response of the non-SHG members on the basis of economic status. It is clearly discernible that 43 per cent of SHG members fall in Above Poverty Line (APL) category while 57 per cent members in Below Poverty Line (BPL) category. Therefore majority of the sample non-SHG members are low economically.

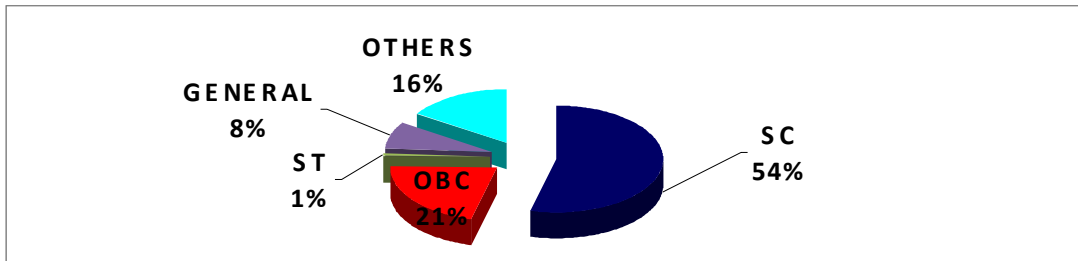


Fig. 2: Community-wise distribution of Non-SHG members

Fig 2 depicts the distribution of the sample on the basis of Community. It can be observed that 54 per cent of sample is from Schedule Caste (SC), 21 per cent from Other Backward Class (OBC), only 1 per cent from Schedule Tribe (ST), 8 per cent from general category and remaining 16 per cent from others category which consists of minorities (Sikhs and Muslims). So SCs constitute the major chunk of sample.

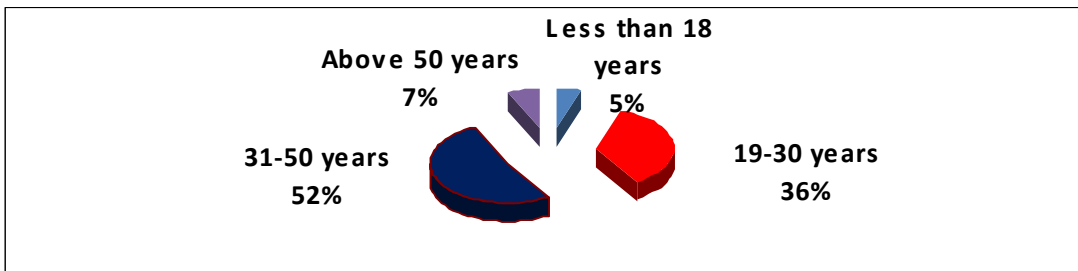


Fig. 3: Age of Non-SHG members

Fig 3 shows the distribution of the sample on the basis of age of non-SHG members. It can be seen that 5 per cent of sample is below 18 years of age, 36 per cent is between 19-30 years of age, 52 per cent is between 31-50 years of age and remaining 7 per cent is above 50 years of age. Therefore, it can be concluded that majority of the people in sample are above 30 years of age.

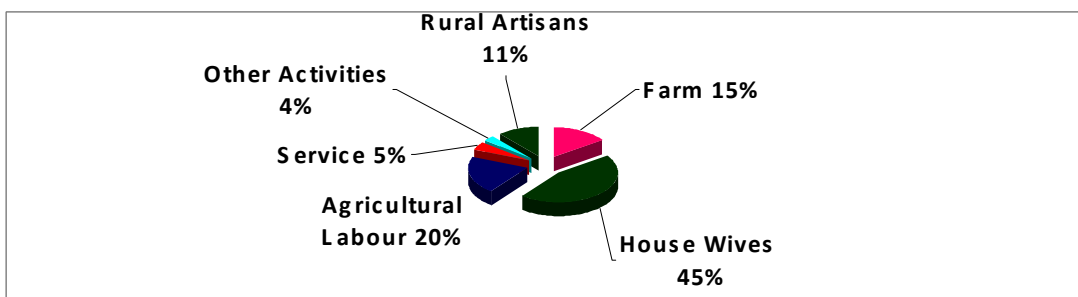


Fig. 4: Occupational pattern of Non-SHG members

Fig 4 presents the distribution of the sample non-SHG members on the basis of occupational pattern. It is found that 15 per cent of sample deals in farm activities, 20 per cent are Agricultural labourers, 45 per cent are housewives, 5 per cent deal in services which include anganwadi helper, school peon, etc, 11 per cent are rural artisans and remaining 4 per cent of sample deal in other activities which is mainly shawls manufacturing. So housewives form the largest proportion followed by agricultural labourers.

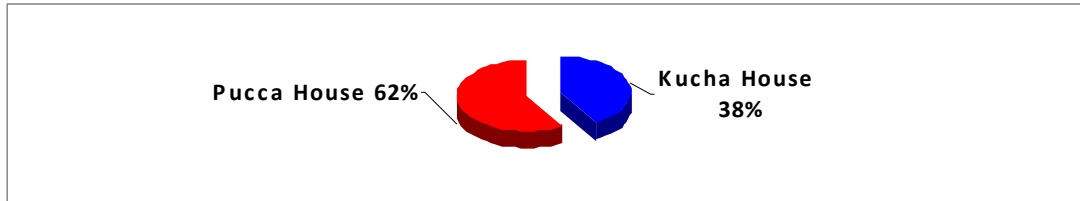


Fig. 5: Housing Position of Non-SHG members

Fig 5 portrays the response of the sample into two categories on the basis of owning Kuchcha house (Mud house) or Pucca house (Cemented house). It can be seen that 62 per cent of the members are having Pucca house while remaining 38 per cent are having Kuchcha house.

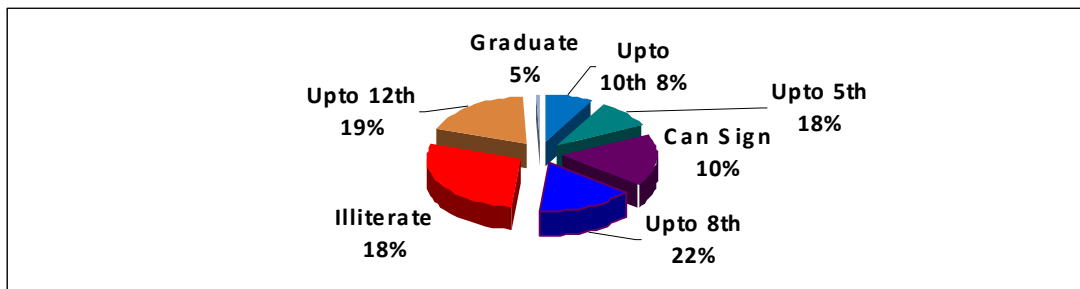


Fig. 6: Educational Status of Non-SHG members

Fig 6 shows the distribution of the sample on the basis of their Educational status. It can be seen that 18 per cent of non-SHG members are illiterate, 10 per cent can sign, 18 per cent have studied upto 5th standard, 22 per cent upto 8th standard, 8 per cent upto 10th standard, 19 per cent upto 12th standard and remaining 5 per cent are graduate.

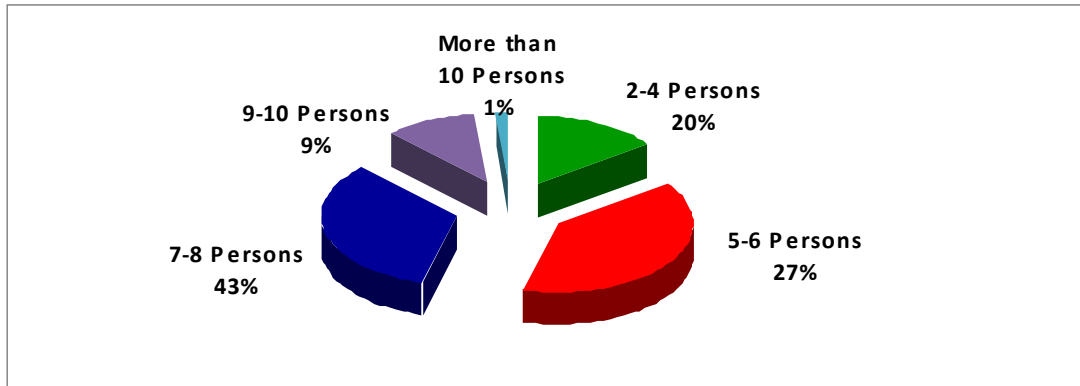
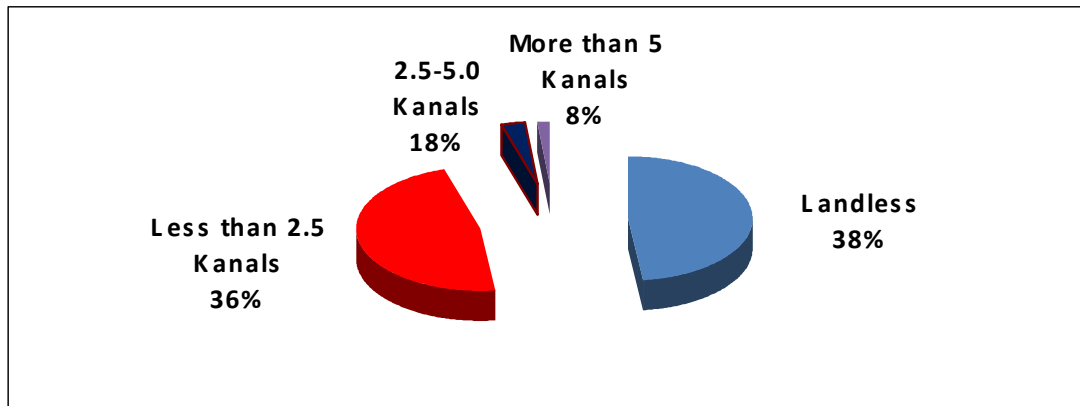


Fig. 7: Family Size of Non-SHG members

Fig 7 depicts the distribution of the sample on the basis of their family size. It can be observed that 20 per cent of non-SHG members have 2-4 persons in their family, 27 per cent have 5-6 persons in their family, 43 per cent have 7-8 persons in their family, 9 per cent have 9-10 persons in their family and remaining 1 per cent have more than 10 persons in their family. Therefore, it can be concluded that majority of the members are having more than 5 members in their respective families.



ig. 8: Land holding by the SHG members

Fig 8 presents the distribution of the sample non-SHG members on the basis of their Land holding. It can be clearly seen that 38 per cent of SHG members are landless, 36 per cent are having land less than 2.5 Kanals, 18 per cent are having land between 2.5 and 5 Kanals and only 8 per cent are having land more than 5 Kanals. So it can be concluded that the majority of sample non-SHG members are landless.

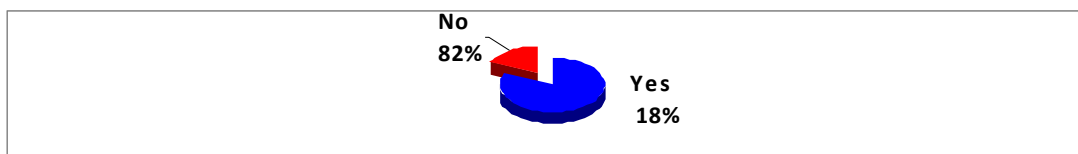


Fig. 9: Awareness of microfinance scheme

To make a clear picture of awareness of microfinance in the Jammu region, directly it was asked to the sample non-SHG members regarding their awareness of microfinance scheme. Fig 9 presents the distribution of sample on the basis of awareness of microfinance scheme. It can be clearly seen that only 18 per cent people are aware regarding microfinance scheme and rest 82 per cent are still not aware.

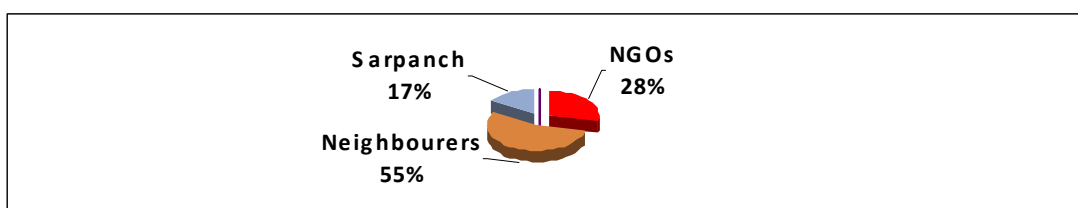


Fig. 10: Source of information regarding awareness of microfinance

It was further asked to the sample non-SHG members who were aware of the microfinance scheme regarding the source of information about the awareness of microfinance scheme. Fig 10 presents the distribution of sample according to the distribution of sample on the basis of source of information regarding the awareness of microfinance. It was observed during the survey that one NGO has approached the villagers and organized a camp regarding formation of SHGs in the area of Gole Gujral and Pouni Chakk, which has created awareness regarding microfinance in their minds. It can be clearly seen that 28 per cent awareness has been created by NGOs and then the information has been spread by the neighbourers which created the maximum awareness by 55 per cent and the sarpanch of the villages has also created awareness to 17 per cent of the aware sample.

Tab. 5: Extent of knowledge regarding microfinance

PARTICULARS	Non-SHG Members	
	Number	Percentage
Meetings	90	100
SHGs	90	100
Savings	90	100
Loan Sources	62	68.9
Loan Amount	29	32.2
Interest Rates	69	76.6

NGOs	90	100
MFIs	0	0
Micro insurance	18	20
SGSY	23	25.6
Average	56.1	62.33

It was further asked to the sample non-SHG members who were aware of the microfinance scheme regarding the extent of information about the awareness of microfinance scheme. Table 5 presents the distribution of sample according to the distribution of sample on the basis of extent of knowledge regarding the microfinance scheme. As the awareness of microfinance is quite low in the sample villages, which comes out to be only 90 (18 per cent) from the total sample of 500. It can be clearly seen from the above table that there is good level of awareness among the already aware people regarding microfinance in terms of conduction of meetings, SHGs, savings, and NGOs. There is average awareness in the sample non-SHG members in loan sources and interest rates and there is very low level of awareness regarding microfinance in loan amount, MFIs, micro insurance and SGSY.

Overall, it can be summarized that there is a lack of awareness of microfinance in the Jammu region. Much more efforts are required from the NGOs, government, NABARD, Commercial Banks, Rural Banks, other cooperative banks, etc. in order to make people aware regarding the benefits of microfinance scheme.

Role of SHPIs in Promotion of Micro Enterprises

Graduation of SHG members into entrepreneurs of micro enterprise requires intensive training on various aspects like technology transfer, production technology, market information/assistance in marketing etc. This type of support is provided by SHPIs. This section presents an overview of the SHPIs with particular reference to the study district, details of the methodology adopted by SHPIs in formation of groups, number of SHGs promoted, capacity building initiatives, etc.

Role of SHPIs

The SHPIs are agencies which help the poor people to organize themselves into groups, help them in their organizational, managerial and financial matters and in upgrading their skills and in some cases, in countering pressures from vested interests. There have been a wide variety of SHPIs in the SHG movement in the country ranging from government agencies to the Non Governmental Organizations, Farmers Clubs, Banks and Individual Rural

Volunteers. The SHPIs have played significant role in organizing the poor into SHGs, ensuring their proper functioning and sustaining them and helping them move to income generating activities and micro enterprises.

SHPIs in Jammu & Kashmir

In the state of Jammu & Kashmir, Self help Group movement has been mainly driven by the Non Governmental Organizations (NGOs). Majority of the groups formed in the State are formed by the NGOs. The District Rural development Agency (DRDA), Government of Jammu and Kashmir has also been promoting self help groups under Swarnjayanti Gramin Swarajgar Yojana (SGSY). The DRDA takes help of NGOs for formation of groups. The banks, especially Commercial Banks have promoted some groups.

Non-Governmental Organizations as SHPIs

NGOs have played a supporting role in formation, nurturing of groups in the state. These NGOs are taking care of SHGs through a network of Village Book Keepers, animators, field organizers, Coordinators, etc. A brief description of NGOs identified for the study is given as under:

1) Gramudyog Hastkala Kendra

Gramudyog Hastkala Kendra (GHK) is a society registered with the Registrar of societies, Government of Jammu & Kashmir under the Societies Registration Act VI of 1998 (1941 AD). The GHK, since its inception, has been playing an important role in inducing people living below poverty line to improve, forward and accept social-economic changes, particularly relating to agricultural and rural industrial activities. The NGO is involved in promoting the production of various items from Sisal fiber such as mats, hand bags, purses, coasters, wall hangings, jhulas, dining table mat, carpet sleepers, etc. About 400 poor rural women are engaged by the NGO on full or part-time basis in the Sisal Fiber Craft. GHK is also popularizing use of other locally available fibers, thus creating “wealth from waste”. Presently it has four training cum production centers. More than 40 rural women workers are engaged on full time basis at these production centers, which produce fancy, decorative and utility articles. These products are marketed by the NGO through its own sale outlets, exhibitions and fairs, local market etc. The NGO is involved actively in promotion and linkage of SHGs in state. Presently, the NGO has 15 Development Facilitators (all women)

who have undergone extensive training in SHG Programme at Chinmaya Tapovan Trust, Sidhbari, near Dharamshala (H.P.). GHK has promoted 510 SHGs, of which various banks like State bank of India, Jammu and Kashmir Bank Ltd., Punjab National Bank and Jammu Grameen Bank upto March 2011 have financed 428 SHGs. The DRDA has also selected GHK for promotion of SHGs under SGSY. GHK has promoted 61 SHGs of Below Poverty Line (BPL) families. GHK has established 11 (Eleven) Farmer's Clubs in coordination with local banks – SBI, J&K Bank Ltd., Jammu Grameen Bank and Central Cooperative Bank Ltd. Now a days, GHK has also started working as an MFI too and it is being funded by Rashtriya Mahila Kosh, New delhi, which is providing loan @ 8 per cent to GHK and under its guide lines an MFI can provide loan @ 18 per cent max. to the SHGs, but GHK charges loan @ 15 per cent from the SHGs.

2) Priyadarshini Indira Mahila Block Society

Priyadarshini Indira Mahila Block Society (PIMBS) is a society registered with the Registrar of societies, Government of Jammu & Kashmir under the Societies Registration Act VI of 1998 (1941 AD). PIMBS has promoted 157 SHGs, of which various banks like State bank of India, Jammu and Kashmir Bank Ltd., Punjab National Bank and Jammu Grameen Bank upto March 2011 have financed 112 SHGs. The DRDA has also selected PIMBS for promotion of SHGs under SGSY. PIMBS has promoted 32 SHGs of Below Poverty Line (BPL) families. PIMBS has been working as a Business Correspondent of Punjab National Bank. They have also initiated the concept of micro insurance in Jammu.

3) Yusuf Meherally Centre

Yusuf Meherally Centre is a voluntary organization, which is registered under the Societies Registration Act, 1860 and the Bombay Public Trust Act, 1950. The Centre was started in 1961 in memory of Yusuf Meherally, and was formally inaugurated in 1965, by Dr. Zakir Husain, the then Vice-President of India. The various activities undertaken by Yusuf Meherally Centre are Rural Development Health Care, Education, Empowering Women and Adivasis, Youth Mobilization, Employment Generation, Organic Farming and Vermiculture and Relief and Rehabilitation. It has one branch office in Jammu and formed near about 45 SHGs in Jammu region of which various banks like State bank of India, Punjab National Bank and Jammu Grameen Bank upto March 2011 have financed 30 SHGs.

4) Kristu Jyoti Social Welfare society

Kristu Jyoti Social Welfare society (KJSWS) is a society registered with the Registrar of societies, Government of Jammu & Kashmir under the Societies Registration Act VI of 1998 (1941 AD). The aim of the society is welfare of women, children, orphans, handicapped, poor and destitute, etc. The society since its inception is involved in projects on health and hygiene, school health programmes, awareness about AIDs and promotion of Self Help Groups, etc. The NGO has so far formed 353 SHGs of which 206 have been linked with various banks. The NGO helps the groups to start income generating activities like handloom, dairy, poultry, grocery shops, etc.

5) Catholic Social Service Society, Jammu and Kashmir (CSSS) – Nirmal Mata Health Centre, Akalpur, Jammu

The CSSS is a society registered under the Societies Registration Act VI of 1998, which is promoted by a Catholic religious group. The objectives of the society are to promote, supervise and carry out any charitable work in the state of Jammu and Kashmir. The society has ten units functioning in the state. The SHGs formed by Nirmal Mata Health Centre, Akalpur, Jammu unit were covered in the present study. The center is mainly engaged in SHG Awareness programmes. The NGO motivates rural women to begin any activity which improve their economic condition. The NGO also provides raw materials for production and marketing support by organizing exhibitions with in the state and in other states also. The NGO also imparts training to SHGs. The training is mainly provided for cutting, tailoring and fashion designing, vegetable cultivation (mushroom), animal rearing etc. The NGO has so far formed 242 SHGs of which 187 have been linked with various banks.

Farmer's Clubs as SHPIs

The Farmer's Clubs supported by NABARD have also functioned as promotional agencies in formation of Self Help Groups in other state. The volunteers of the Farmers clubs have encouraged women in organizing themselves into Self Help Groups and providing linkage with the banks. But the scheme has not yet picked up in the state and farmers clubs have formed no SHG in the state so far.

Initiatives by NABARD in the State for promotion of SHGs

In order to build capacity of NGOs, Bankers, State Govt. Officials in the state, NABARD has made arrangements with the Chinmaya Tapovan Trust (CTT), Dharamshala, H.P. for

imparting training to the bankers and representatives of NGOs of J&K state. So far more than 1000 partners have been deputed to CTT, Dharamshala in which representatives of various NGOs and bankers have been provided SHG training. All expenditure is being borne by NABARD. NABARD organizes various orientation meets for NGOs and bankers at the district/state level from time to time. Grant assistance is provided to the eligible NGOs on a selective basis for taking up promotion and nurturing of SHGs and facilitating their linking. SHGs promotion and linkage is to be taken by these NGOs as add on activity, complementary to their core function. With a view to give boost to the concept of SHGs, NABARD has also been providing grant assistance to Regional Rural Banks (RRBs) for promoting SHGs. With an objective to strengthen credit delivery system to women, NABARD has been providing financial support to banks for setting up Women Development Cells in their respective Head Offices. The support provided by NABARD is in the form of grant assistance towards meeting part of salary of the key personnel to be appointed to the cell for a period of 3 years. Women Development Cells (WDCs) of J&K State Cooperative Bank, Jammu Central Cooperative Bank, Anantnag Central Cooperative Bank and Jammu Grameen Bank are doing the job of promotion and linkage of SHGs apart from its other functions. NABARD is working in close coordination with the State Govt. agencies, which are promoting SHGs under SGSY scheme.

Viability of Micro Enterprises in Jammu Region

The backward and forward linkages play a vital role in the viability of the micro enterprises (ME) promoted by the SHG members. The viability of the MEs also depends on the marketing arrangements and technological support system available to the enterprises. Some of the issues concerning the viability aspect of micro enterprises are addressed under this head.

Backward Linkages

Availability of Raw Materials

The raw material is a crucial input for any enterprise to sustain. It's quality and timely availability at a reasonable price determines the economic viability of the unit. It was observed that the raw materials and other inputs for the micro enterprises were easily available locally. In case of dairy animals shortage of fodder during lean seasons was

reported by some of the members. For bee-keeping the beehives were supplied by the Department of Agriculture but there was problem in control of pest in colonies. The members engaged in tailoring activity did not report any difficulty in procuring raw material and were getting cloth for dress materials locally. The NGO supplied the raw material to the member of some groups involved in the manufacture of various articles from sisal fiber.

Technology

Technology or process plays an important role in success and failure of a venture. Field observations pointed towards the need for technology upgradation. Most of the units were running on a very low scale with limited funds, limited raw materials as also with limited marketing opportunities. The production technology for mushroom was very crude and low-cost. As a result the scale of operation and yield was low. Such units needed higher capital investment to upgrade their technology.

Infrastructure Facilities

Availability of good infrastructure like better communication facilities with markets and adequate availability and nearness to all public utilities gives enough scope for viability of SHGs as also micro enterprises. It is being observed from the survey that some of the SHGs say that the Bank is quite far from the village. Similarly, some say that the market is very far from the village. But, interestingly majority of the SHGs reported that they had access to public utilities like good roads, water supply, medical and other public infrastructure facilities near to their homes. The shortage of power was one of the major bottlenecks in setting up of a micro enterprise. Some of the members also reported poor road connectivity to their village.

Forward Linkage

Marketing Arrangements

No micro enterprise can sustain if its product does not find a proper market. There was no institutional arrangement for marketing of product in the area. There was no organized procurement of milk in the area hence the units faced difficulty in marketing of their product. Mushroom a highly perishable good finds its markets only in towns and cities. The members had to sell their produce to the middlemen many a times. Bee keeping also faced difficulty in processing of honey and the members were forced to sell crude honey thereby fetching comparatively low price for their product. One of the NGOs has been able to form forward

linkages with its members and was involved in the procurement of the products, especially articles manufactured from sisal fiber by its members for marketing the same outside.

Price spread and Margin

The pattern of cost and price spread of some income generating activities taken up by the SHG members are presented in Table 6. In case of sisal fibre unit, NGO provides raw material to the members and buy back bags at Rs. 40 per unit. The cost to the NGO works out to Rs. 80 per bag against the sale price of Rs. 125/- and NGO thus gets a margin of Rs. 45/- per bag sold. A tailoring unit gets a net margin of Rs. 50/- per unit. The SHG members get lower margin in almost all activities as compared to a trader.

Table 6 Price spread and margin

Major Activities	Margin to SHG Member (Rs./- unit)			Margin to Trader (Rs./- unit)		
	Cost	Price	Margin	Cost	Price	Margin
Sisal fiber bag	*	*	40	80	125	45
Tailoring unit (Stitching charge)	40	90	50	NA	NA	NA
Handloom Carpet	42.5	80	37.5	80	125	45
Blanket	180	350	170	350	525	175
Mushroom	26	50	24	50	75	25

* Raw material provided by the NGO

Issues on Viability of SHGs

Stability of SHGs

The viability of SHGs depends largely on the role played by different stakeholders like banks, SHPIs, NGOs, government, etc. NGOs and banks only are undertaking promotion of SHGs. In the second stage, viability of various economic activities through microfinance becomes the crucial issue in the success of SHG Bank Linkage (SBL) programme. The inherent strength of SHG rests on the stability of its members over a period of time. The average size of SHGs has declined over the period as some of the SHG members have left the group and a few new members joined it. The member's quitting the group in SHGs was more compared to joining of new members. The SHG members reported several reasons for

leaving the group, which includes conflict among members, marriage/migration of the members, defaulters, etc.

Repayment Performance of SHGs

Viability of an SHG largely depends upon its strength in repayment performance to bank and its members to SHGs. The SHGs have followed a flexible approach to collect its debt from the members and no fixed repayment schedule is drawn. However, the interest accrued is collected on monthly intervals. The main reason for the same is easy handling of internal loaning operation as well as earning more interest by keeping the funds with the members for longer time. It was observed that the members were themselves eager to repay the loan as early as possible so that the interest burden is reduced. There were delays done in repayment but as such no case of default by the members to SHG was reported.

Interest Rates and Repayment Periods

SHGs learnt financial management as they managed their own savings and credit operations, distributed bank loan and internal funds among members depending on their requirement. They decided the interest rates to be charged on bank loans as also internal loans. The inter-loans were provided at an interest rate ranging between 1.5-2 per cent per month. The banks fixed a repayment period of 36 months (equal installments) but most of the SHGs closed their loan accounts within 12 months. As a result, the recovery of loan was quite high. The banks charged different rates of interest ranging between 8.50 to 12.00 per cent per annum depending upon linkage. All these practices of managing their own fund gave sustenance to the SHGs as also to the self-managed economic ventures launched by SHG members.

Strategies to Promote Micro enterprises among SHG Members

The following strategies need to be adopted to promote MEs among SHG members.

- Microfinance plays a key role not only in promoting income generating activities/micro enterprises but also to meet household consumption needs. Some SHG members even availed loan to support their male counterparts in starting income generating activities/ availing high quantum of loan from the banks. The entrepreneurial faculty needs to be enhanced through training at the individual member level.

- A collective approach needs to be adopted to give a boost to certain activities like mushroom production, sisal fiber bag making, handloom, etc to improve marketing of their products.
- Rural Entrepreneurial Development Programme (REDP) approach may be adopted to give a boost to activities like bee keeping, mushroom, poultry, etc.
- Exposure visits for groups to new earning opportunities, visits to local markets and sharing of experiences with other members will be useful to the members to start income generating activities to ensure the viability of the group.
- Equal sharing of bank loans among the SHG members is always emphasized. However, it was observed that a few members had a larger share of the bank loan in order to initiate MEs. Such members need encouragement.

Conclusions

Though the microfinance programme has been started in the state as early as it took its roots in other states, but the progress in SHG formation and linkages is far behind than in many other states, which could be mainly due to very low level of poverty in the state. The state has also suffered from militancy since last two decades, as a result of which the overall economic growth slowed down. Another reason that has been concluded from the study relates to the lack of awareness of microfinance programme in the Jammu region. Much more efforts are required from the NGOs, government, NABARD, Commercial Banks, Rural Banks, other cooperative banks, etc. in order to make people aware regarding the benefits of microfinance scheme. In the state of Jammu & Kashmir, the SHG movement has been mainly driven by the NGOs. Majority of the groups formed in the state are formed by the NGOs. The District Rural Development Agency (DRDA), Government of Jammu & Kashmir has also been promoting SHGs under Swarnjyanti Gram Swarozgar Yojana (SGSY). The DRDA also takes help of NGOs for formation of groups. Most of the micro enterprises are running on a very low scale with limited funds, limited raw materials as also with limited marketing opportunities. There is no institutional arrangement for marketing of product in the area. There is no organized procurement of milk in the area. The members have to sell the mushroom produced by them to the middlemen quite often. Bee keeping also faced difficulty in processing of honey and the members were forced to sell crude honey thereby fetching comparatively low price for their product. One of the NGOs namely GHK has been able to

form forward linkages for its members and is involved in the procurement of the products, especially articles manufactured from sisal fiber by its members for marketing the same outside. The viability of SHGs depends largely on the role played by different stake holders like banks, SHPIs, NGOs, Government, etc. The SHPIs are almost absent in the state.

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