

A Study on Utilization of Microfinance Scheme by Self Help Groups in Amravati City

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ABSTRACT

Microfinance means giving small loans and financial help to poor people who cannot get loans from normal banks. In India, many poor families do not have bank accounts, documents, or security. Because of this, they cannot take loans easily. Microfinance helps these people by giving small loans so that they can start small work and earn money.

Self Help Groups (SHGs) play a very important role in microfinance. SHGs are small groups of women who save money together and take loans from banks. These groups help women to become financially strong and independent. SHGs also help banks reach poor people easily.

This study is done to understand how Self Help Groups in Amravati City use microfinance loans. The study checks whether SHG members use loan money properly or not. It also studies how the use of microfinance affects income, savings, employment, and women empowerment.

The results of the study show that most SHGs in Amravati City use microfinance loans for income-generating activities such as tailoring work, dairy farming, small shops, food processing, and petty trade. Because of this, women's income has increased and their standard of living has improved. Women have also become more confident and are able to take decisions in their families. However, the study also finds some problems like lack of proper training, small loan amount, and weak market support. The study finally concludes that microfinance schemes have a positive impact on the socio-economic development of SHG

members in Amravati City. If proper training, guidance, and support are provided, microfinance can become even more effective.

Keywords: Microfinance, Self Help Groups Loan Utilization, Women Empowerment, Financial Inclusion, Socio-Economic Development, Income Generation, SHG-Bank Linkage Programme, Amravati City.

INTRODUCTION

In India, many people are poor and do not have access to banks. Banks usually ask for documents, regular income, and security to give loans. Poor people do not have these things, so they cannot get loans from banks. Because of this, they depend on moneylenders, who charge very high interest. This makes poor people poorer. Microfinance is a system that helps poor people by giving them small loans at low interest. These loans help people start small businesses and earn income. Microfinance also includes saving facilities, insurance, and other financial services.

Self Help Groups (SHGs) are an important part of microfinance. An SHG is a group of 10 to 20 women who come together to save small amounts of money every month. After saving for some time, the group becomes eligible to take loans from banks. The loan is shared among group members according to their needs. SHGs help women learn saving habits, manage money, and support each other.

In India, programs like NABARD's SHG-Bank Linkage Programme and National Rural Livelihood Mission (NRLM) support SHGs and promote microfinance.

These programs help women become self-employed and financially independent.

In Maharashtra, especially in cities like Amravati, many women face problems such as unemployment, low income, and financial insecurity. Microfinance through SHGs has helped many women start small businesses and earn money. In Amravati City, SHG members use loans for activities such as tailoring, dairy farming, grocery shops, papad making, vegetable selling, and handicrafts. These activities help women improve their family income, provide better education to children, and improve their living standards. Microfinance also reduces dependence on moneylenders and gives women confidence.

However, not all SHGs use loan money properly. Some groups face problems such as misuse of funds, lack of financial knowledge, no training, and weak group management. Because of these problems, the full benefit of microfinance is not achieved.

Therefore, it is very important to study how microfinance schemes are utilized by Self Help Groups in Amravati City and understand their impact on income, employment, and women empowerment. This study helps to identify both the benefits and problems of microfinance schemes and suggests ways to improve them.

OBJECTIVES

The major objectives are:

- 1) To study between the utilization of microfinance scheme and the economic improvement of SHG in Amravati city
- 2) To study the association between microfinance and women's empowerment in SHG
- 3) To study on see the impact of microfinance an income, saving and standard of living of SHG member.

REVIEW OF LITERATURE

Microfinance has been widely studied as a tool for poverty reduction and women empowerment.

Yunus (1999), the founder of Grameen Bank, explained that microfinance is a powerful tool for helping poor women become self-reliant. He showed that providing small loans without collateral helps women start small businesses and earn income. His study proved that even small amounts of credit can bring

big changes in income, confidence, and social status of poor women.

According to NABARD (2005), the Self Help Group-Bank Linkage Programme is one of the largest microfinance programs in the world. The report stated that this program has helped millions of women develop regular saving habits and gain access to bank credit. Through SHGs, women were able to start income-generating activities such as tailoring, dairy farming, petty shops, and food processing, which improved their family income and living standards.

Karmakar (2008) emphasized that proper utilization of microfinance loans is very important for the success and sustainability of SHGs. He pointed out that when loans are used for productive purposes, income increases and repayment becomes easier. However, misuse of funds for consumption purposes can reduce the benefits of microfinance and create repayment problems for SHG members.

Singh and Tandon (2010) studied the role of microfinance in women empowerment and found that it improves women's confidence, participation in social activities, and decision-making power within the family. Their study also highlighted that lack of financial literacy, training, and awareness limits the full benefits of microfinance program

Basu and Srivastava (2012) observed that the success of microfinance depends on factors such as regional conditions, institutional support, and monitoring systems. They explained that strong coordination between banks, NGOs, and SHGs helps in better loan utilization and improves the overall performance of microfinance schemes.

Patil (2018), in his study of SHGs in Maharashtra, concluded that microfinance has improved income stability and encouraged entrepreneurship among women, especially in semi-urban areas. The study showed that SHG members were able to run small businesses and reduce their dependence on moneylenders.

Rani and Deshmukh (2020) also found that microfinance positively affects women's income and empowerment. However, they stressed that skill development training and proper market access are

necessary to ensure long-term success. They suggested that coordination between banks, NGOs, and SHGs is essential for strengthening microfinance programs.

Joshi (2023) studied urban Self Help Groups in Maharashtra and found that microfinance helps women start small businesses such as tailoring, food stalls, and retail shops. The study showed improvement in income, financial stability, and confidence among women, but also highlighted challenges like market competition and lack of business guidance.

The Government of India (2022) reported that the SHG–Bank Linkage Programme has greatly improved financial inclusion in India by connecting women-led SHGs with banks. The report emphasized better savings habits, access to credit, and livelihood opportunities, and highlighted the need for training and coordination among banks and government agencies.

Overall, the literature shows that microfinance has a positive impact on income, employment, and empowerment, but its success depends on proper utilization, training, and institutional support. Researchers also found that proper use of microfinance loans is very important. When SHG members use loan money correctly for business activities, they are able to earn regular income and repay loans on time. This makes the SHG strong and sustainable.

RESEARCH METHODOLOGY

Research methodology refers to the method used to carry out the research. In this study, it explains how data was collected from SHG members in Amravati City and how it was analyzed to understand the utilization of microfinance schemes and their impact on women empowerment.

Research Design :

Types Of Research: Descriptive and Analytical Research

The **descriptive part** of the study explains the **present situation** of SHGs in Amravati City. It focuses on collecting detailed information about how SHGs function and operate.

The **analytical part** of the study goes one step further. It does not only describe the situation but also **analyzes the relationship** between different factors.

Source Of Data:

- 1) Primary Data: Primary data was collected directly from Self Help Group (SHG) members in Amravati City using a structured questionnaire. This data helped to understand how SHG members use microfinance loans, their income activities, and their empowerment.
- 2) Secondary Data: Secondary data was collected from books, research journals, government publications, NABARD reports, Amravati reports, and other published sources. This data was used to understand background information and support the primary data findings.

Sample Size: 100 Self Help Groups (SHGs) in Amravati City.

Sampling Technique: convenience sampling SHG members in Amravati City who were easily available and willing to respond were selected for data collection. This method helped in saving time and collecting data quickly.

HYPOTHESIS OF THE STUDY

Hypothesis are framed to test the research objective scientifically. Both H_0 (Null Hypothesis) and H_1 (Alternative Hypothesis) are stated:

H_0 : There is no significant relationship between the utilization of microfinance schemes and the socio-economic development of Self Help Group members in Amravati City.

H_1 : There is a significant relationship between the utilization of microfinance schemes and the socio-economic development of Self Help Group members in Amravati City

HYPOTHESIS TESTING

(H_0) : There is no significant relationship between the utilization of microfinance schemes and the socio-economic development of Self Help Group members in Amravati City.

(H₁): There is a significant relationship between the utilization of microfinance schemes and the socio-economic development of Self Help Group members in Amravati City.

The hypothesis was tested using responses on loan utilization and repayment difficulty, based on the study objectives. The Chi-square test was applied to examine whether proper utilization of microfinance schemes has a significant relationship with economic improvement and women empowerment of SHG members.

Observed Frequency Table

Chi-square test result (assumed at 5% significance level) show at 5% significance level.

$\chi^2 = 3.84$. Since $11.83 > 3.84$ we reject H₀.

Hence the study accepts H₁ confirming that there is a **significant relationship** between utilization of microfinance schemes and socio-economic development of SHG members in Amravati City

FINDINGS

1. Most SHGs used loans for small businesses like dairy, tailoring, and farming, which increased income.
2. Members reported higher family income, stable businesses, and improved living standards, with women feeling more confident.
3. SHGs showed good repayment behavior, indicating proper loan management.
4. Challenges included lack of training and small loan amounts, but over 80% of members were satisfied with microfinance benefits.

CONCLUSION

The study concludes that microfinance plays a significant role in improving the socio-economic conditions of SHG members in Amravati City. Proper utilization of microfinance loans has led to increased income, better savings habits, and improved standards of living. The study also highlights that microfinance has contributed positively to women empowerment by increasing confidence and participation in decision-making. With adequate training and institutional support, the effectiveness of microfinance schemes can be further enhanced.

SUGGESTIONS

Banks, NGOs, and government agencies should provide regular financial literacy and skill development training to SHG members. Loan amounts should be decided based on the actual needs and capacity of SHGs to ensure better utilization. SHGs should maintain transparency in record-keeping and encourage group participation in decision-making. Improved market access and continuous government support can further strengthen the impact of microfinance schemes.

Limitations of the Study

Loan Utilization	Socio-economic Improved	Not Improved	Total
Proper	54	16	70
Not Proper	10	20	30
Total	64	36	100

The study was conducted within a limited time period and was restricted to selected Self Help Groups in Amravati City, which may limit the generalization of the findings. The sample size was small and the study relied on self-reported data collected through questionnaires, which may involve personal bias. The research mainly focused on loan utilization, income improvement, repayment behavior, and women empowerment, while other socio-economic factors such as education and health were not included. Due to time and resource constraints, the long-term impact of microfinance schemes and the effectiveness of training and support programs could not be examined in detail.

Scope for Future Research

1. Future studies can include a larger sample size and cover rural areas to make the findings more generalizable.
2. Research can explore the long-term impact of microfinance on income, savings, education, and health of SHG members.
3. Studies can focus on other dimensions of women empowerment, such as social

participation, leadership roles, and decision-making in the community.

4. Future research can analyze the effectiveness of training programs and market support in improving loan utilization and business outcomes.

5. Comparative studies can be conducted to examine differences between urban and **rural** SHGs or between different states in India.

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