

# Innovations

## Determinants of SHG Borrowings (A Case study of Paderu and Kasimkota Mandals in Andhra Pradesh)

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### Abstract

*It is evident in the study area i.e.(Paderu and Kasimkota Mandals), that the rural credit delivery system has been strengthened with the inclusion of Self Help Groups (SHG) as one of the providers of rural credit. The data collected from the selected sample households makes it clear that the sample SHG members have borrowed considerable amount of money from the banks through SHG membership. An endeavour is made in this paper to break down the borrowings of the sample SHG individuals in the review region. The purpose for which the loan is taken is studied in relationship with the borrowings is examined in this paper.*

*Key words: Self Help Groups, rural credit.*

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### Introduction:

The SHG have become an important link in the Rural Credit Delivery System, there by adding one more provider of rural credit to the existing formal and informal sources. Since the sample SHG members under study have borrowed bank credit as SHG members and used it for different purposes, an attempt is made to identify the relative impact of the purpose of the loan amount utilized on borrowings with the assistance of Log straight Multiple Regression Analysis. The different reason for which bank credit was used by SHG individuals were grouped into three classes and are displayed in table -1.1. The Present paper is an analysis of the determinants of borrowings of the sample households in Paderu and Kasimkota Mandals.

### Objective of the Study:

1. To identify the Determinants of the Borrowings of the SHG women in the selected Paderu and Kasimkota mandals.

### Source of Data and Methodology of the Study :

The paper consists of primary data. Two mandals were selected for the study. One is Alluri Sita Rama Raju i.e,Paderu mandal and another Kasimkota mandali i.e, Anakapali district. The fundamental data were accumulated by canvassing the "pre-designed schedule" among the sample SHG members. A designed schedule was organized to solicit among the SHG members and meeting procedure was scheduled to record their responses on the impact of the SHGs on pay and credit, purpose of utilization of borrowings. In the next stage, using random sampling method, a sample of 400 SHG members i.e, 200 from paderu mandal and 200 from kasimkota mandal were selected for the collection of essential information. The essential data was collected during 2023.

The determinants of borrowings of the sample households were analyzed using the log linear multiple regression technique.

**Table -1.1**

**Classification of borrowings by the purpose of loan utilization**

<b>Production Expenditure</b>	<b>Investment Expenditure</b>	<b>Consumption Expenditure</b>
1. For agriculture (crop expenditure)	1. Purchase of house, assets and household durables	1. Regular day-to-day household expenditure
2. For allied activity (purchase of animals including poultry)	2. House repairs	2. Expenditure on health & medical treatment of self and family members
3. Purchase of irrigation equipment	3. Redemption of old debts	3. Expenditure on festivals and family functions
	4. Expenditure on business and activities include in services and self-employment	
	5. Children's education	

In order to identify the determinants with the help of Log Linear Multiple Regression, two things are required, (i) Determination of dependent variable and explanatory variables (ii) The circumstances and logical results connection among reliant and free factors.

The bank credit received by the SHG member is the reliant variable in the current review and the illustrative variables are (i) Production Expenditure, (ii) Investment Expenditure (iii) Consumption Expenditure.

The purpose for which credit is borrowed and utilized were grouped into three broad categories as shown in table. The cause and effect relationship is given in table. The equation is

$$\text{Log } Y = a + b_1(\log x_1) + b_2(\log x_2) + b_3(\log x_3) + u_i$$

Where

Y= Total Expenditure

X1= Production Expenditure

X2= Investment Expenditure

X3= Consumption Expenditure

and  $u_i$  is error term.

The nature of the relationship expected between the dependent variable and each of the independent variable is to be presented is to be before conducting the regression analysis.

Further, a review of the findings of earlier studies is considered. Recent studies show that entrance for helpless families to advance under SHG-Bank linkage has advanced the resource position, moved the acquiring design and expanded utilization use and emphatically affected the pay, diminished destitution and had a gainful social impact.<sup>1</sup> In a review directed in Kerala by Mohindra and others, it is seen that the miniature - acknowledge is considered as a successful danger-alleviation technique that keeps women from being prohibited to medical care or falling into obligation trap or impoverishment because of the monetary weight of medical services. This hitting result is harmonious with the finding of a review led in Indonesia which presumed that family with better admittance to life partner were better ready to a smooth their utilization against wellbeing shocks<sup>2</sup>.

According to a study, it is empirically revealed that borrowings for Income Generating Activities (IGAs) increased from 50 per cent to 70 per cent when compared to other purposes. However, from data collected from six Mysore Resettlement and Development Agency (MYRADA) groups (Fernandez, 2000), it is observed that the members utilized the loans mainly for consumption purposes. Another major study of 72 SHGs undertaken in 1998 by Harper and others covering over 1000 SHG members in Orissa, Uttar Pradesh, and Karnataka revealed that three positive relationship between the borrowings and the member's expenditure on diet, assets and education.<sup>3</sup>

In a study covering six states (Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh, and Assam)<sup>4</sup> it is uncovered that the utilization of credits for useful purposes has expanded by 20 per cent from 42.6 per cent in the pre-SHG circumstances to 51.3 per cent in the post-SHG scenario. This positive

pattern was seen in every one of the states in the utilization of credits for creation - arranged purposes. Apparently family use advances to fulfil utilization needs when they first join an SHG. In any case, the part family diminished the utilization of such advances after their SHG were connected. They can get to higher credit sums after the bank-linkages; the advances utilized for Income Generating Activities have gone up from 57 per cent to 62 per cent. The discoveries of the current review are in accordance with the consequence of the observational investigations led before, which revealed an increment in the portion of acquired assets being utilized for useful purposes between pre-SHG and Post-SHG circumstances (NABARD and GTZ, 2005)<sup>4</sup>.

A review made in Uttarakhand, in the locale of Bhageshwar and Chamoli uncovered that the level of SHG individuals utilizing credit of social utilization needs expanded from 6 per cent to 26 percent between pre-SHG and Post-SHG situation.<sup>5</sup>

Lucie Gardenne and Veena Vasudevan have directed an in-profundity investigation of 69 mature SHGs oversaw by the NGOs and MYRADA in the regions of Chitradurga (Karnataka) and Kancheepuram (Tamil Nadu) to discover more with regards to credit utilization among the individuals from SHGs. The review has uncovered that there was no reasonable shift from utilizations to creation credits.<sup>6</sup>

In another study conducted by Project Director, Lucknow, it is observed that the consumption loans dominate over the miniature-financing. Crisis costs have represented second significant motivation behind advancing. The extent of utilization of advances have been recorded as most elevated in Sitapur, Dehradun, Banda and Udham Singh Nagar while that of crisis needs were higher in practically all areas. The useful motivation behind miniature financing has been accounted for higher in Allahabad, Aligarh, Sitapur, Dehradun.<sup>7</sup>

In one more review led in study led in the States of Himachal Pradesh, Rajasthan, Madhya Pradesh and Gujarat among 200 SHGs, it was seen that absence of suitable preparation offices unfavourably influenced women' pioneering limit. There is lack of assets for undertaking 'acknowledge in addition to exercises, for example, preparing in abilities and promoting and so forth, as either the conventional banks or subsidizing offices don't frequently give assets to these exercises. The subsidizing offices don't uphold limit working thus the advance got through SHG can meet for the most part either the family utilization needs or momentary creation exercises like financing crop creation. The fundamental motivations behind acquiring according to observational proof are, utilization (26 per cent) followed by ranch exercises (14.59 per cent), clinical exigencies (11.32 per cent), house repairs (10.74 per cent) and IGAs (9.92 per cent). At long last, utilization, gaining resources other than land, marriage, house fixes and development and schooling were primary motivations behind taking credits<sup>8</sup>.

An investigation of the motivations behind advances given to SHG individuals in MYRADA's undertaking shows that 42 per cent of the absolute number of advances were used for agri-related exercises (counting acquisition of sources of info, land improvement, reimbursements of significant expense credits taken from cash - loan specialists, reclamation of sold resources) and 20 percent non-ranch exercises like exchanging, bungalow enterprises and independent venture. The reaming advances were used for fundamental requirements like food, education, housing, health and sanitation<sup>9</sup>.

The above empirical studies establish the fact that there was a positive connection between the borrowings of SHG individuals and their consumptions on production, investment and consumption purposes. The present study tries to examine whether these findings hold good for the sample households considered in the study.

Based on the above investigations and based on a priori thinking, the idea of relationship expected between the reliant variable and the free factors is demonstrated in **Table 1.2**

**Table -1.2**

**Expected Relationship between Dependent and Independent Variables**

S. No	Name of the variable	Symbol	Expected relationship
1.	Total amount of Bank loan in rupees. (Dependent Variable)	Y	
2.	Production Expenditure in rupees. (Explanatory Variable)	X1	Positive
3.	Investment Expenditure in rupees. (Explanatory Variable)	X2	Positive
4.	Consumption Expenditure in rupees (Explanatory Variable)	X3	Positive

As far as the study is concerned, three equations were estimated i.e., one for the total sample households in the study area and one each for the sample households in Paderu and Kasimkota Mandal. Regarding both the Mandals, the result shows that all the independent variables have expected relationship with the dependent variable. Further, it is observed that all the independent variables are positively related though their values differ. The Table 1.3 represents the result of Log Linear Multiple Regression Analysis related to total Bank credit of the total sample SHG members in the entire study area.

**Table –1.3**

**Influence of the Purposes of Loan Utilization on Borrowings of Total Sample Households**

Independent Variable	Co-efficient	Standard Error	t-value
Constant	19489.91	963.472	20.228
X <sub>1</sub>	0.218*	0.043	13.844
X <sub>2</sub>	0.292*	0.047	12.020
X <sub>3</sub>	0.270*	0.20	10.663

$$\bar{R}^2 = 0.899$$

**Source:** Sample Household data

**Significant one percent level**

In the present study, three equations are estimated i.e. one for the total sample households in the study area and one each for the sample households in Paderu Mandal and Kasimkota Mandal. Table 1.3 represents the result of Log Linear Multiple Regression Analysis related to total bank credit of the total sample SHG members in the entire study area.

It can be seen that the explanatory variables considered together explain 8.99 per cent of variation in the borrowings. The three independent variables considered for the analysis, i.e. Production Expenditure (X1), Investment Expenditure (X2) and The coefficient of the t Consumption Expenditure (X3) positively influence the borrowings.

The three variables considered were positive and measurably significant. The coefficient of variable, Production Expenditure (X1) was huge at one per cent level with a normal positive sign. The size of coefficient of this variable demonstrates that a one per cent expansions underway consumption prompts 0.218 per cent increment in borrowings. The coefficient of variable Investment Expenditure(X2) was critical at one per cent level with a normal positive sign. The size of coefficient of this variable shows that a one percent expansions in venture use prompts 0.292 per cent increment borrowings. The coefficient of variable, Consumption Expenditure (X3) is additionally huge at one percent level with a normal positive sign. The size of coefficient of this variable demonstrates that a one per cent expansion in Consumption

Expenditure prompts 0.270 per cent increment in borrowings. Thus Investment Expenditure appears to be major determining factors of borrowings followed by Consumption Expenditure in the entire study area.

**Table -1.4**

**Influence of the Purposes of Loan Utilization on Borrowings of Paderu Mandal Sample Households**

Independent Variable	Co-efficient	Standard Error	t-value
Constant	2.075	0.219	9.473
X <sub>1</sub>	0.80*	0.026	3.106
X <sub>2</sub>	0.290*	0.034	8.433
X <sub>3</sub>	0.226*	0.029	7.827

$$\bar{R}^2 = 0.744$$

Source: Sample Household data

**Significant one percent level**

The result of log liner multiple regression analysis related to borrowings of the sample households of Paderu mandal were given table-1.4. The Explanatory variable considered together explains 7.44 percent of variation in the borrowings. The three independent variables are selected to carry out the analysis, i.e., Production Expenditure (X1), Investment Expenditure (X2) and Consumption Expenditure (X3) positively influence the borrowings.

For the total study area, all the coefficients of the three variables considered were huge at one per cent level. The coefficient of variable, Production Expenditure (X1) was huge at one per cent level with a normal positive sign. The size of coefficient of this variable shows that a one percent expansions underway consumption prompts 0.80 per cent increment in borrowings.

The coefficient of variable Investment Expenditure(X2) was huge at one percent level with a normal positive sign. The size of coefficient of this variable shows that a one per cent expansions in venture consumption prompts 0.290 percent increment borrowings. The coefficient of variable, Consumption Expenditure (X3) was likewise critical at one per cent level with a normal positive sign. The size of coefficient of this variable demonstrates that a one percent expansion in Consumption Expenditure prompts 0.226 per cent increment in borrowings. Thus, Investment Expenditure gives off an impression of being the main impact factor on borrowings followed by utilization use in the whole review region.

**Table -1.5**

**Influence of the Purposes of Loan Utilization on Borrowings of Kasimkota Mandal Sample Households**

Independent Variable	Co-efficient	Standard Error	t-value
Constant	4482.954	779.242	5.753
X <sub>1</sub>	0.269*	0.024	36.667
X <sub>2</sub>	0.266*	0.029	30.089
X <sub>3</sub>	0.282*	0.024	37.381

$$\bar{R}^2 = 0.901$$

Source: Sample Household data

**Significant one percent level**

The result of log liner multiple regression analysis related to borrowings of the sample households of Kasimkota mandal were given table-1.5.

From the table, it tends to be seen that the informative factors considered, together clarify 9.01 per cent variety in the borrowings. The coefficient of variable, Production Expenditure (X1) was huge at one per

cent level with a normal positive sign. The size of coefficient of this variable shows that a one percent expansions underway use prompts 0.269 per cent increment in borrowings.

The coefficient of variable Investment Expenditure (X2) was huge at one per cent level with a normal positive sign. The size of coefficient of this variable shows that a one per cent expansions in speculation consumption prompts 0.266 percent increment borrowings. The coefficient of variable, Consumption Expenditure (X3) was additionally critical at one per cent level with a normal positive sign. The size of coefficient of this variable shows that a one per cent expansions in Consumption Expenditure prompts 0.282 per cent increment in borrowings. It was clear that Consumption Expenditure appears to be relatively more important factor and investment Expenditure appears to be least influencing factor, in case of Kasimota Mandal.

The above regression analysis reveals that a major proportion of the sample households utilized the bank loan for consumption purpose in Kasinkota Mandal while in Paderu Mandal the Maximum percentage of respondents utilized the loan for investment purpose.

The result of the regression analysis show a differences in the value of R between Paderu and Kasimkota mandals. As the composition of borrowers in the Paderu mandal was different, the Paderu mandal has shown less value pertaining to R. Lack of awareness, illiteracy, conservation and social stigma may be the reasons for this tendency.

To sum up, the determining factors of borrowings in the mandals differ in their relative importance. They were, if arranged rank-wise, Consumption Expenditure, Production Expenditure, and Investment Expenditure in Kasimkota Mandal while in case of Paderu Mandal they are Investment Expenditure, Consumption Expenditure, and Production Expenditure.

### Conclusion

The Credit needs of the people still present a mind-boggling monetary issue and the role of banks in providing loans through SHGs is still relevant for fulfilling such needs. The study reveals that the Self Help Groups have risen as a promising partner for the poor as a non-formal office of credit supply. It is also seen that the SHG-bank linkages have been executed bringing about explicit benefits to both the frameworks. For the common people, the benefits of SHGs were apparent. The road to bigger quantum of assets, opportunity to better innovation and ability up gradation through timely finance in the form of loans has been some important factors that came out of SHG participation. One more vital angle has been the accessibility of credit for addressing both household and business necessities. An attempt has been made in this paper to study relative influence of purpose of loan utilization on borrowing of sample SHG members. Consumption expenditure is found to be the most-influencing factor on borrowings in the entire study area. However, the consumption expenditure is relatively more influential factor in Paderu Mandal when compared to Kasimkota Mandal where the Production expenditure is found to be dominating. It may be concluded that the monetary exercises of the sample families in both the mandals were in accordance with the results of regression analysis.

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