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## Path analysis showing the effects of profile of SHGS members with overall impact of microfinance

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### Abstract

The present study was conducted purposively in Nanded and Parbhani districts of the Marathwada region of Maharashtra state during the year 2019-20 in jurisdiction of Mahila Arthik Vikas Mahamandal Organization (MAVIM) and District Rural Development Agency (DRDA) in Marathwada region of Maharashtra state as significant work done by both MAVIM and DRDA in the formation of SHGs. The main aim is to study the path analysis which shows the effects of profile of SHGs members with overall impact of microfinance. The objective of doing path analysis in the present study was to get a clear picture of the direct and indirect effects of selected independent variables on the dependent variable.

**Keywords:** Path analysis, self-help groups and independent and dependent variables

### Introduction

NABARD focused on supporting NGO initiatives to promote SHGs and on analyzing their potential and performance. In 1987 NABARD first put funds into the SHG/SAG movement (in response to a proposal from MYRADA submitted in 1986). In 1987 it provided MYRADA with a grant of 1 million Indian rupees to enable it to invest resources to identify affinity groups, build their capacity and match their savings after a period of 3-6 months. The grant was based on MYRADA's experience in promoting SHGs since 1985 and the initiative of the NABARD chairperson at that time. As a result of the feedback from this initiative, in 1989 NABARD launched an action research project in which similar grants were provided to other NGOs. After an analysis of this action research, and owing to the efforts of successive NABARD chairpersons and senior management, in 1990 RBI accepted the SHG strategy as an alternative credit model. NABARD (1992) issued guidelines to provide the framework for a strategy that would allow banks to lend directly to SHGs. Based on these initial experiences, the SHG Bank Linkage Programme was launched in 1992 (this second phase is described in Section III). Since then and on the basis of its extensive network of officers, NABARD has promoted and monitored the SHG programme, provided funds for capacity building and innovation, and helped change policy to create an enabling environment. (NABARD 2002)<sup>[1]</sup>. Path analysis is a technique that aims at determining the direct and indirect effects among number of variables and thereby helps to a quantitative interpretation to the interrelationships within a known or an assumed casual system that exist in some specific population. The basic theorem of path analysis states that the zero order correlation between any two variables is equal to the sum of the products of the path and correlations between all the variables in the system. In this technique the direct and indirect effects are measured by a quantity (standardized partial regression) called the path coefficient. A path coefficient is an absolute number without any physical unit, whatever the actual units of measurement for the variables. It indicates the extent to which the variance in a dependent variable is determined by the variance of the independent variable.

The objective of doing path analysis in the present study was to get a clear picture of the direct and indirect effects of selected independent variables on the dependent variable. Only those independent variables whose partial regression values were significant in the multiple regression analysis were included in the path analysis. Variables through which substantial indirect effects were channeled were also found out.

For various reasons, the credit flow to the poor for meeting all their requirements did not get institutionalized. Some of the major causes lie in the difficulties in dealing effectively with a large number of small borrowers, who require credit as said earlier, frequently and in small sums, and also the banks' perceptions of the risk and creditworthiness of these borrowers.

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To address these problems effectively the microfinance has been tried as a viable alternative in reaching the hitherto unreached and fills up the gap in the demand and supply. Microfinance is not financial intervention alone. It is a holistic approach covering social intermediation along with a provision of financial services needed by the poor such as thrift, credit and insurance.

### Methodology

For the present study out of eight districts of Marathwada region of Maharashtra state two districts were purposively selected i.e. Nanded and Parbhani based on maximum number of self-help groups during the years 2019-20 in jurisdiction of Mahila Arthik Vikas Mahamandal Organization (MAVIM) and District Rural Development Agency (DRDA) in Marathwada region of Maharashtra state as significant work done by both MAVIM and DRDA in the formation of SHGs. Three talukas were purposively selected from each district for the present study on the basis of maximum numbers of self-help groups. The selected talukas from Parbhani district were Parbhani, Purna and Gangakhed as well as from Nanded district the selected talukas were Kinwat, Nanded and Aardhapur these all talukas were selected on the basis of the maximum numbers of self-help groups. From each selected village 07 women members of self-help group were selected randomly to make a sample of 35 women members of self-help group from each selected talukas and the total 105 women members of self-help groups from each district. Thus, total to the tune of 210 women members of self-help group were selected for present study from both the districts. Ex-post facto research design was adopted in this study. The data were collected with the help of pretested interview schedule. The statistical methods and tests such as frequency, percentage, mean, standard deviation, co-efficient of correlation, multiple regressions, Z test and path analysis were used for the analysis of data.

### Objective

- To study the path analysis which shows the effects of profile of SHGs members with overall impact of microfinance.

## Results and Discussion

### Path analysis showing the effects of profile of SHGs members with overall impact of microfinance

The coefficient of correlation of the data presented earlier illustrated relationship between independent and dependent variables in presence of all other variables, which are normally operative in real life situation. The relationship exhibited by correlation study may undergo change in different situations, where some of the independent variables may not exist in the environment or they may be concealed. In order to know the influence of independent variables both directly, as well as, through other variables, the correlation coefficient values indicated earlier were attempted for path analysis.

#### 1. Total effect

It was observed from table 1 that, among the profile of SHGs members the highest positive total effect on socio-economic impact of microfinance on its members of SHGs was exerted by family type (0.3046), followed by information seeking behaviour (0.2015), annual income (0.196), age (0.1766), institutional training received (0.1644), occupation (0.1561), sources of motivation (0.151), experience in SHGs enterprise (0.1454), caste (0.1423) and land holding (0.1407) whereas education (0.1383) exerting low positive total effect on overall impact of microfinance on its members of SHGs. It means that total of the direct effect and indirect effect exerted by all independent variables on overall impact of microfinance.

#### 2. Direct effect

It was noticed from table 1 that, the highest direct positive influence on socio-economic impact of microfinance on its members of SHGs was exerted by family type (0.255) followed by institutional training received (0.1562), education (0.1381), occupation (0.1232), age (0.1229), sources of motivation (0.1215), caste (0.1211) and land holding (0.1018). A considerable direct positive effect was also exerted by annual income (0.0899), information seeking behaviour (0.0538) and experience in SHGs enterprise (0.0357) on socio-economic impact of microfinance on its members of SHGs. It means that association of independent variables i.e. family type with other independent variables of the indirect paths specified in the model.

**Table 1:** Path analysis showing the effects of profile of SHGs members with overall impact of microfinance

Sr. No.	Independent variables	TE	DE	TIE	SIE	
					1	2
X1	Age	0.1766	0.1229	0.0537	0.0193 (X8)	0.019 (X6)
X2	Education	0.1383	0.1381	0.0002	0.0221 (X9)	0.0216 (X7)
X3	Family type	0.3046	0.255	0.0496	0.0271 (X9)	0.0209 (X11)
X4	Caste	0.1423	0.1211	0.0212	0.0128 (X1)	0.0112 (X9)
X5	Annual Income	0.196	0.0899	0.1061	0.026 (X7)	0.0218 (X8)
X6	Occupation	0.1561	0.1232	0.0329	0.0191 (X1)	0.013 (X9)
X7	Land holding	0.1407	0.1018	0.0389	0.0294 (X5)	0.0194 (X8)
X8	Experience in SHGs Enterprise	0.1454	0.0357	0.1097	0.0087 (X5)	0.0076 (X9)
X9	Information seeking behaviour	0.2015	0.0538	0.1477	0.0122 (X5)	0.0114 (X8)
X10	Institutional Training Received	0.1644	0.1562	0.0082	0.0272 (X9)	0.0193 (X8)
X11	Sources of Motivation	0.151	0.1215	0.0295	0.0099 (X3)	0.0089 (X6)

#### 3. Total indirect effect

It was observed from table 1 that, the highest positive total indirect effect on socio-economic impact of microfinance on its members of SHGs was exerted by information seeking behaviour (0.1477), experience in SHGs enterprise (0.1097), annual income (0.1061), followed by age (0.0537), family type (0.0496), land holding (0.0389) followed by occupation (0.0329). Other variables exercising total indirect positive

effect on socio-economic impact of microfinance on its members of SHGs were in the following order: sources of motivation (0.0295), caste (0.0212), institutional training received (0.0082) and education (0.0002). Total indirect effect means association of one independent variable i.e. information seeking behaviour with other mediated through other variable in the model. It computed as the product of paths linking variables.

#### 4. Substantial indirect effect

As regards the substantial indirect effect table 1 shows that, the first substantial indirect effect on socio-economic impact of microfinance on its members of SHGs were exerted by land holding (0.0294) through annual income, institutional training received (0.0272) through information seeking behaviour, family type (0.0271) through information seeking behaviour, annual income (0.026) through land holding, education (0.0221) through information seeking behaviour, age (0.0193) through experience in SHGs enterprise, occupation (0.0191) through age. The other first substantial indirect effect was exerted by caste (0.0128) through age, information seeking behaviour (0.0122) through annual income, sources of motivation (0.0099) through family type and experience in SHGs enterprise (0.0087) through annual income on socio-economic impact of microfinance on its member of SHGs.

The data in the table 1 further showed that highest second substantial indirect effect on socio-economic impact of microfinance on its members of SHGs were exerted by annual income (0.0218) through experience in SHGs enterprise, followed by education (0.0216) through land holding, family type (0.0209) through sources of motivation, land holding (0.0194) through experience in SHGs enterprise, institutional training received (0.0193) through experience in SHGs enterprise, age (0.0190) through occupation, occupation (0.0130) through information seeking behaviour. The other second substantial indirect effect was exerted by information seeking behaviour (0.0144) through experience in SHGs enterprise, caste (0.0112) through information seeking behaviour, sources of motivation (0.0089) through occupation and experience in SHGs enterprise (0.0076) through information seeking behaviour on socio-economic impact of microfinance on its members of SHGs.

Thus, it was observed that information seeking behaviour, experience in SHGs enterprise, occupation, land holding and annual income were the important variables in absence of which, independent variables are not able to influence the overall impact of microfinance on its members of SHGs.

#### Conclusion

It was concluded that among the profile of SHGs members the highest positive total effect on socio-economic impact of microfinance on its members of SHGs was exerted by family type also the highest direct positive influence on socio-economic impact of microfinance on its members of SHGs was exerted by family type itself. The highest positive total indirect effect on socio-economic impact of microfinance on its members of SHGs was exerted by information seeking behaviour. Substantial indirect effect the results showed that the first substantial indirect effect on socio-economic impact of microfinance on its members of SHGs was exerted by land holding through annual income. Thus, it was observed that information seeking behaviour, experience in SHGs enterprise, occupation, land holding and annual income were the important variables in absence of which, independent variables are not able to influence the overall impact of microfinance on its members of SHGs.

#### References

1. Nabard. Annual Report- 2001-02, Mumbai 2002.