CHAPTER- 7

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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Chapter-7
Summary of Major Findings and Recommendations

7.1. Introduction

This chapter deals with the summary of major findings of the study and recommendations for future research study. The key major findings discussed in the previous chapters are briefly presented here again for easy reference and better understanding of the study. Chapter-wise summary of findings are given in the following section. In the end, major recommendations based on the finding of research work are also presented along with suggestions for future research work.

7.2. Chapter-wise Summary of Findings

7.2.1. Conceptual Review of Microfinance

- In a nutshell, microfinance basically refers to the provision of wide range of financial services to the rural poor. Originated in Bangladesh, it has now spread all over the world.
- Group dynamics, the concept behind Self Help Group (SHG) is regarded as the building block of microfinance. SHG is a group of 10-20 people belonging to the same social and economic background.
formed with the basic objective of mobilizing savings and credits. SHG-Bank linkage model, Grameen model, Individual banking Model, Hybrid or mixed model are some of the innovative and widely practised credit delivery models of microfinance in India.

- SHG-Bank linkage programme had witnessed an exponential growth from merely 32,995 SHGs in 1992-1999 to 43.54 lakh SHGs as on 31-March-2012. Around 83.98 per cent were exclusive women SHGs with over 90 per cent repayment record.

- SHG-Bank linkage programme is considered successful in reaching physical targets and its socio-economic impact on SHG members. However, programmes is faced with problems like uneven spread across and within different states, lack of commitment on part of implementing agencies, lack of good and viable NGOs, lack of co-ordination with banks and agencies, etc.

- Microfinance movement in North Eastern Region of late has started gaining momentum. As on 31st March 2012, total nos. of SHGs linked with banks is 1.59 lakh SHGs with the exponential growth rate over the last five years. In Manipur, the microfinance movement was comparatively new and was becoming increasingly popular. In the
absence of any big or well established NGO or NBFC, microfinance was at take off stage. As on 31-March-2009, 5807 nos. of SHGs had been provided credit link. There were about 75 NGOs in Manipur who were actively involved in microfinance activities.

7.2.2. Profile of Self-Help Group Members in Manipur

- Majority of the groups under Grameen and Mixed model had loan repayment period of 6-12 months whereas majority of groups under Mixed model had loan repayment period of 12-18 months. Therefore, the loan repayment period was comparatively longer for Mixed Model mainly because of bigger loan size. It was observed that about 86.67 per cent of the groups had internal lending within the members out of total group saving fund. It was observed that 56.7 per cent of groups distributed loan to group members based on preference or priority. About 38.3 per cent of sample groups distributed loan to members based on rotation whereas only 5 per cent of sample groups distributed loan on lottery basis.

- About 50 per cent of groups were not involved in any social activities. Low level of social participation was mainly because of inadequate experience and skills of most of the groups to handle various social
issues. Therefore, capacity building of SHGs to take up various social activities was needed for providing adequate training and support to these groups. About 81.70 per cent of sample groups had witnessed some improvement in social and economic status of group members.

- Most of groups were satisfied about timely availability of loan, loan amount, loan process, savings and insurance services, training programmes, attitude and behaviour, visits and supports, development and social activities. However, they were not satisfied with the support for marketing and social activities.

- Groups under Grameen Model were comparatively doing well than SHG and mixed model. Moreover, homogenous groups worked in more democratic ways. Groups in the valley areas were found performing relatively better than groups in hilly areas.

7.2.3. Economic impact on SHG members.

- It was found that there was significant economic impact on SHG members due to NGO-MFIs’ intervention as witnessed in significant improvement of personal income and household income, household savings, access to insurance products etc. The average monthly
personal income of SHG members increased from Rs.785.41 to Rs.1720.00 after joining MFI’s programme. The average monthly household income increased from Rs.2632.50 to Rs.3740.83. The average value of household assets increased from Rs.17,170 to Rs.24,800. The monthly household saving increased from Rs.196.25 to Rs.444.25. And the average amount of the credit increased from Rs.41.66 to Rs.4761.66.

7.2.4. Social impact on SHG members.

- There was significant improvement in self confidence level, decision making ability, social awareness, skill development, access to better health and other facilities after joining the MFI’s programme.

7.2.5. Socio–Economic Empowerment Index.

- There was significant improvement in overall socio-economic empowerment index of sample SHG members after joining the microfinance.
7.3. Recommendations

7.3.1. System and procedure

One of the key weak points was the poor systems and process of the MFIs. Almost none of them had a loan monitoring mechanism, which can detect default as per best practice. The sector, therefore, carried a high risk. A massive and comprehensive training programme on loan portfolio analysis for all the MFIs were to be initiated on an urgent basis. Repayment pattern of SHGs also needed to be changed in most cases. It was also observed that most of the NGOs did not have any standard loan policy, credit manual, SHG rating mechanism, cash flow planning, etc. Therefore, there was a need to improve the existing system and procedure as per the industry standards to enable them to scale up their operation in the future.

7.3.2. Products and services

As the MFIs scale up their operations, product and services have to be diversified and made flexible to suit the various client profiles. It was found that most of the NGO-MFIs have only single or two loan products. More loan products need to be rolled out to meet the various needs of the clients.
7.3.3. Capacity building of SHGs

Although most of the NGOs gave some training to SHGs, it was found not adequate as most of the SHGs were not able to maintain the records properly. Therefore, it is suggested that continuous training and capacity building of the SHG members be given at different stages.

7.3.4. Micro enterprise support

It was found that most the SHG members were facing marketing and raw material problems in running their microenterprises. Therefore, it is suggested that NGOs also extend help for the marketing linkages as well as raw materials supply. NGO may also look for cluster approach of financing where focus is on same product or enterprise.

7.3.5. Micro-insurance and other services

Although some NGOs started providing micro insurance products to their clients with the help of insurance companies like LIC, Birla Sunlife, ICICI prudential etc, there was a need for more active participation from the NGOs as well as Insurance Companies.
7.4. Suggestion for Future Research

Research study was limited to the study of NGO-MFIs and its impact on SHG members. However, there were many players or stakeholders in microfinance sector such as Banks, Govt. agencies, profit oriented institutions, NBFC, traditional institutions, etc. They had also directly or indirectly contributed to the overall movement and growth of this sector. Moreover, similar programmes like SGSY, NREGA, and other developmental schemes targeted SHGs may also directly or indirectly affect this sector. The study accordingly makes the following recommendations for future research.

a) Due to extension of grant and subsidies to SHG members under various Govt. schemes such SGSY scheme and politicization of SHGs for short term gain, the social objective of microfinance has been diluted to some extent. Therefore, a study on the impact of various Govt. schemes on SHG members will be useful for MFIs as well as for policy makers.

b) Recently, many insurance companies have started giving micro insurance products through NGO-MFIs. A study of various micro insurance products and insurance companies-MFIs
partnership will be beneficial for taking forward microfinance to another level.

c) With the initiative of RBI and Govt. of India, Banking correspondent (BC) model and Banking Facilitators (BF) model are becoming more popular for financial inclusion. Many private and public banks like SBI, ICICI bank, etc have started BC and BF model by partnering with NGOs for greater financial inclusion in many parts of the country. The study of BC and BF model in the context of Manipur is recommended for better understanding and its linkage with NGO-MFIs operating in the state.

7.5. Conclusion

The microfinance sector in the state of Manipur specifically needs to take a broad and expanded view of microfinance, where emphasis is not just on horizontal expansion but also on vertical expansion. Although there was significant improvement in socio-economic status of SHG members after joining the microfinance programme, more capacity training and skills development of SHG members for taking up micro enterprises of bigger scale were the next challenges to be faced by many NGO-MFIs in the
coming years. For remote areas, where the number of financial transactions is less, traditional institutions should be co-opted. IT based solutions hold a lot of promise for future micro finance programmes and should also be looked into with concern. The active involvement of Govt. funding institutions, MFIs and other stake holders should also be encouraged for the healthy and orderly growth of the microfinance sector in the state of Manipur.