CHAPTER 5
MAIN FINDINGS AND POLICY IMPLICATIONS

Microfinance has been recognized world over as one of the potent development paradigms for alleviating if not eliminating poverty. According to Kofi Annan, Former Secretary General UN, “Microcredit is a critical antipoverty tool, a wise investment in human capital. When the poorest, especially women receive credit, they become economic actors with power to improve not only their own lives, but in a widening circle of impact, the lives of their families, their communities and their relations”

With special emphasis on social as well as economic empowerment of the poorest especially women, microfinance initiative through Self Help Groups (SHGs) launched by NABARD during early 90s’ has been recognized as the largest microfinance program in the world. Experience of financing through SHGs conveys the message that the key to success lies in the evolution and participation of community based organizations at the grass root level. People’s participation in credit delivery and recovery and outreach of the formal credit institutions to borrowers through group approach, i.e., SHGs has become vehicles for the success in purveying credit to the rural poor. A close perusal of the 12th Five Year Plan reveals that ‘groups of people’ and ‘types of growth’ are very crucial for faster, more inclusive and sustainable growth of Indian economy. Inclusiveness means to include the excluded segments of Indian society meaning thereby care of the cared less (not careless) and use of the used less (not useless) man power.\(^1\)

A few impact assessment studies on SHG-Bank Linkage Program conducted by NABARD and other institutions reported many positive results in so far as transformation in the living standards and lives of the SHG members and income levels are concerned ranging from increase in the ownership of assets, increase in savings and borrowings, undertaking income-generating activities and in creation of entrepreneurship etc.
5.1 Main Findings of the Study

The main findings of our study are as follows:

a) On the Basis of Impact Assessment Analysis

1. It is revealed from the study that after joining SHG, the amount of loan taken has increased considerably as number of loan takers has increased and the members have moved to the higher category of loan amount which means more investment in the economic activity undertaken by the group. The number of assets owned has also increased in case of domestic animals and household goods whereas land ownership remains the same. Out of the increased income the beneficiaries have also invested in housing as number of members living in Katcha house has reduced from 206 (63.4 percent) to 97 (29.8 percent) and number of members living in Pucca house has increased from 52 (16.0 percent) to 145 (44.6 percent).

2. The level of annual income has increased as less members are now having annual income below Rs.20000 as it reduced from 252 (77.5 percent) to 121 (37.2 percent). 131 members from the sample have moved to the income level more than Rs.20000, 6 out of them to more than 40000 per annum and 10 to even above Rs.60000. Annual savings has also increased considerably as 255 (78.5 percent) of the members are now able to save as compared to 161 (49.5 percent) before joining the group. 48 (14.8 percent) members are now able to save between Rs.10001-20000 as compared to 4 (1.2 percent) before joining SHG. 3 members are now able to save more than Rs.20000 annually whereas no member was in this category before joining the SHG.

3. There has been found a moderate, positive and significant correlation between quality of Life and number of assets after availing microfinance. Overall impact has also moderately, positively and significantly correlated with overall satisfaction with the scheme, degree of achievement of objectives, quality of Life, number of assets, confidence level and women empowerment.
4. The quality of life has been found significantly and positively correlated with overall satisfaction with the scheme and degree of achievement of objectives of microfinance with low correlation. A low, positive and significant correlation between degree of achievement of objectives and confidence level has also been found. Group age has low, positive and significant correlation with degree of achievement of objectives and Overall impact.

5. There is also found a low, negative and significant correlation between education and women empowerment. It may be inferred that women empowerment is not going hand in hand with other objectives. The impact on asset creation has not been found related with any of the variables except quality of life. However this variable has been designed in such a way that for an individual member its maximum score can go up to 6 if a respondent is benefited in all asset categories taken in our study. The average score in our study is found to be 1.44 which implies that on an average in twenty five percent of assets, all members have been benefited.

6. It is revealed that in overall satisfaction all the districts are equally placed as the mean value of all the districts is close to the total mean value of the districts. In the achievement of the objectives of microfinance Kaithal district is on the top whereas Hisar district is at the bottom. Improvement in the quality of life and increase in the number of assets both comes out to be higher in Fatehabad district which means that increase in the number of assets and improvement in quality of life are closely related to each other. Esteem and women empowerment is higher in Kaithal district showing close relation between the two. Fatehabad district is ahead of the other districts in the overall impact of microfinance with a mean of 23.465 out of the total score of 33.
7. While analyzing overall impact due to different socio-economic variables, it is revealed from the study that caste and family type have overall impact significant at 1 percent significance level, age and education level have overall impact significant at 5 percent significance level and training and occupation have insignificant overall impact.

8. It is revealed that income of the members has increased significantly after availing microfinance. The mean value of INCJOIN comes out to be 1.246 and the mean value of INCLOAN comes out to be 1.725. The difference of means is -0.479 and t-value is -13.79.

9. The high value of R² (0.973) shows that the list of selected variables are able to explain 97.3 percent variation in the dependent variable. The maximum contribution is from the size of the Self Help Group represented by NUMBER. The performance of the group improves with the AGE of the group and it is second most important contributor to the impact. The amount of the BANK loan availed by SHG has proved to be a significant contributor to overall impact. Education level of members has also found to be contributing significantly.

b) On the Basis of Data Analysis

On the basis of the analysis of the primary as well as secondary data, the following findings have emerged out of the study:

1. The share of microfinance in Haryana is not even 1 percent of entire India including 28 States and 07 Union Territories (UT) in respect of number of SHGs, savings balance, loan disbursed and outstanding loan amount.

2. 26135 SHGs are formed in Haryana as on March 31, 2012 under SGSY since inception of the scheme, of which 21202 have been passed in Grade I and 15620 in Grade II. 14700 SHGs have taken up economic activities. 16109 SHGs formed are of women which comes out to be 62 percent. Kaithal district with 2047 has formed maximum and Palwal with
425 has formed minimum SHGs in the State. The percentage of women SHGs formed is only 62 percent in the State which is less than national figure of 68.

3. It is revealed that 96.04 percent of the funds available have been utilized for the program in the State. Very small amount has been spent on marketing, NGOs/Facilitators, revolving fund and risk fund where as no amount has been spent on formation of federations which are vital for the success of the microfinance program. It has been provided in the SGSY guidelines that at least 10 percent of the funds should be utilized for training and skill development and 10 percent for revolving fund but the same has not been adhered to in the State. A huge amount of Rs.2356.34 Lakhs (67 percent) has been given as subsidy as on March, 2012.

4. Credit to the tune of 55 percent has been disbursed to the SCs and 93 percent to the women members which shows that women are the main beneficiaries under the scheme. Per family investment under the scheme comes out to be Rs. 45614.

5. Commercial banks are the major providers of credit to SHGs under SGSY in the State as their contribution is 70 percent of the total credit given during the year 2011-12. RRBs have contributed 22 percent and cooperative banks 7 percent only. Maximum credit of 1033.61 lakh has been given in the Sonipat district and minimum of 6.45 lakh in the Gurgaon district.

6. Maximum financing has been made in the primary sector. In the primary sector maximum members has been financed for the live stock with exception of 20 members for irrigation and 421 for other allied activities. In secondary sector maximum members has been financed for other secondary sector activities such as kariyana and maniari shop etc. with very limited finance for handicraft, handloom and village industry. 1690 members have been financed in the tertiary sector. It is observed that there is no diversification of economic activities for financing under the program.
7. Eighty percent of the total investment under the scheme has been made in the primary sector. The share of the secondary and tertiary sectors together constitute only twenty percent of the total investment which means that these sectors are not getting due share in the total investment under the scheme in the State.

8. In the survey sample taken for the study, maximum number of members (45 percent) are in the age group of 31-40, 272 (84 percent) are women members, 189 (58 percent) belong to scheduled caste, 271 (84 percent) are Hindu, 177 (55 percent) are engaged in the allied activities, 204 (63 percent) are illiterate, 234 (72 percent) are from nuclear families and 304 (94 percent) are from BPL families.

9. It is evident from the survey data that in the allied activities the members of the SHGs have undertaken only two activities i.e., dairy and sheep rearing with a majority of dairying where as in the business/manufacturing, ten different activities such as Kariyana Shop, Maniari Shop, Tailoring/Embroidery, Fan Making, Soft toy making, Dari making, Cloth Selling, Sabun/Surf making, Papad and Badian making and Mushroom selling have been undertaken by the members with a maximum of Maniari/General store.

10. There are in total 1158 family members belonging to 325 members of sample SHGs. 55 percent family members are adult and 45 percent are children, 54 percent are working and 46 percent are dependent. The ratio of male/female comes out to be nearly fifty percent in the total of adults, children, dependent and working. It is also revealed that 101 (31.1 percent) members are having five family members, 73 (22.5 percent) four family members and 66 (20.3 percent) are having six family members in their families. The average size of the family comes out to be 3.56.

11. It is evident that 74 percent of the members of SHG had taken loan up to Rs.10000 only and 94 percent had taken it from village money lenders.
Only 26 percent members found the loan amount sufficient to meet their credit needs whereas 74 percent found it insufficient which means that even moneylenders are not fulfilling the required credit needs of the rural masses.

12. It is revealed that 32 (57 percent) of the SHGs are in the age group of 3-6 years (since formation) whereas 21 (38 percent) are up to 3 years old. 3 (5 percent) are in the age group of 6-9 years. No SHG of the study sample is more than 9 years old which gives an apprehension that as the SHG become older and older, the chances of its survival becomes less. 39 groups (70 percent) are having 6-10 members whereas 17 groups (30 percent) are having 11-15 members. No group is having less than six members and more than 15 members.

13. Out of the 325 sample members 257 were helped/ encouraged to form/join the group by the government agencies like DRDA and 45 by the bank officials. NGOs and others have played a very limited role in formation of SHGs in the State. All the members have expressed their purpose of joining the SHG was for savings but 315 members have also expressed that employment / income generation along with savings was the purpose of joining. A few members have expressed social security also as the purpose of joining the SHG.

14. The corpus amount and the balance in the saving account of the SHG depend upon the number of members, monthly collection amount and the age of the group (since formation). It is evident that 26 groups (46 percent) are having corpus amount between 40001-60000 and 22 (39 percent) are having balance in the saving account between 10001- 20000. It is also revealed that balances in the saving account are in the lower range which shows that the members are getting credit facility from the group corpus and thus the amount is in circulation.
15. It is revealed from the survey that 187 (58 percent) members were provided training to undertake an economic activity whereas 138 (42 percent) were not provided any training which amounts to be the major lapse under the scheme.

16. It is revealed that 175 (54 percent) members availed loan amount between Rs. 20001-40000. Only 10 members have availed loan more than 60000. Commercial Banks have advanced loan to 94 percent of members which means that these banks still dominate rural financing in Haryana as RRBs have a very limited role and cooperatives have not advanced to any member from the study sample. 95 percent of the borrowers have admitted that loan was provided to them in time. 315 out of the total of 325 beneficiaries have admitted that they are repaying the bank loan regularly. The main reason for the good repayment is given to be the adequate income earning. Some beneficiaries have also mentioned group pressure as the main cause of the good repayment. Only a few has cited availing of further loan as the reason for good repayment.

17. A majority of the members (90 percent) have expressed that they are having no problem in selling their products in the market. Only a few members (particularly sheep rearing SHG members) have faced problems in selling of their products because of excess charging by the middle man. 91 percent of the members are selling their products in the local market whereas rest are selling in urban areas or in the local exhibition and melas. 25 percent of the members (particularly dairy SHG) are selling their products to the middle man. It is also revealed that microfinance has not resulted in any collective enterprise in the village/ area except diary in few cases.

5.2 Policy Implications of the Study

To improve the performance of the microfinance scheme with SHGs under SGSY, the following policy implications are flowing from the study –
1. Microfinance has resulted in considerable increase in the number of loan takers and amount of loan taken. It is evident from the study that improvement in the housing position has taken place in rural areas after availing microfinance. There is a strong case of financing for Group Housing for the members of SHGs in the rural areas. It will help in solving the problem of housing.

2. As there is a considerable increase in income and saving of SHG members after availing microfinance, there is an urgent need for introducing saving and investment schemes at higher interest rates to motivate the members for saving and investment. It will help in increasing Marginal Propensity to Save (MPS) and Marginal Propensity to Invest (MPI) of the members and will contribute significantly in their economic development.

3. Insurance services are crucial for security and sustainability of these groups. There is a need to introduce micro insurance products and bring together various players in the insurance sector for supporting composite insurance products which could cater for life, health, crop, assets and accidents. Such a product which could be subsidized as a welfare measure by the government for SHG members would be ideal for poor segments of the rural population who cannot invest in multiple insurance policies. Further the scheme of Micro Pension can also be introduced for SHG members.

4. Group age has found to be having low, positive and significant correlation with degree of achievement of objectives of microfinance and overall impact. It is recommended that older SHGs should be given more support in the form of training, marketing and infrastructure development so as to make them stand successful. Further younger age members should be given more opportunities while forming SHGs.
5. As the less educated members particularly the women feel more empowered after availing microfinance, they need to be taken on priority so that the objective of empowerment and social justice can be achieved.

6. The impact of microfinance has found to be almost equal in all the Districts under study. To remove the stagnancy in terms of number of SHGs, amount outstanding and amount advanced in the scheme, Government through NABARD and RBI should introduce such policy measures so as to attract the poor people to come forward for making SHGs and avail loans. A number of concessions such as low or zero rate of interest, providing basic infrastructure, inclusion of non-target groups, providing marketing facilities etc. should be provided to the members. The number of women SHGs must be increased in the State. There is a strong case for delinking the program from the BPL list and the selection of the poor must be made by people friendly Participatory Rural Appraisal (PRA) Technique.

7. Though the size of the SHG is contributing positively in the overall impact of the microfinance but members believed that small groups are easy to handle and help in better understanding among them. It is found that number of members in a Self Help Group was 10-12 in majority of the groups whereas the ideal number is found to be 5. At least one member in the group should be from middle class/educated family who knows systems and procedures better. It will help in more effective organization of the group. This fact has also been advocated by Mohammad Yunus while explaining the experiences of microfinance in Bangladesh.²

8. Although Commercial Banks are playing a crucial role in the implementation of the microfinance scheme under SGSY in the State but these banks have certain limitations being more urban oriented. RRBs should come forward in formation and advancing loans to SHGs in a big
way so as to increase the number of SHGs in the state. There is an urgent need to open separate departments in the banks which deals in microfinance exclusively.³

9. The major portion of the funds allocated for the scheme has been spent on subsidy and no amount has been spent on Basic Orientation Program, Infrastructure Development and Marketing. Funds must be allocated for these activities which will help in making the scheme more effective. Further instead of providing subsidies, loans at zero rate of interest should be provided to the beneficiaries on the basis of “Islamic Banking Model” and the financing bank may be compensated with this subsidy amount. This will help to reduce the risk of mis-utilization of loan and will subsequently help in reducing NPAs in the banks.⁴

10. Majority of the group formed in the State has undertaken dairy as economic activity which is found to be unviable and there is vast mis-utilization of funds. There is an urgent need for diversification of economic activities from primary to secondary/ tertiary sectors particularly the manufacturing sector. Economic activities such as waste management, bio-gas, distribution of electricity, recycling the garbage and transport of products particularly milk/vegetables from rural to urban areas under the ‘Periphery Model’ can also be undertaken⁵. Loans can also be provided for social obligations including marriage and education at low rates of interest. Further there is also need for strengthening vocational educational programs.

11. It is being emphasized that members of the older SHGs whose basic financial needs have generally been met would now be in a position to take up microenterprises for poor households in rural areas. Though microfinance is not a panacea for the complex problem of unemployment and poverty, yet microenterprise is a viable and effective strategy for achieving significant gain in incomes/assets of poor and marginalized
people. NABARD therefore should undertake pilot project in selected districts particularly for members of matured SHGs for promotion to the stage of microenterprise.

12. The rural poor have irregular/volatile income stream and expenditure needs and prefer to borrow frequently and repay in small installments. An immediate challenge for banks and other formal institutions is to introduce products and services that are better tailored to the needs of the poor. Here, there are lessons to be learnt from Grameen Bank in Bangladesh which created a loan product that allowed borrowers to repay in small weekly installments. This suited poor households well, since they could repay out of the regular bits of income coming in daily or on weekly basis.

13. It has been observed that some members of the SHGs distribute the amount of bank loan among themselves especially in the case of dairy. Each group member is thus engaged in their own economic activity like purchasing of cattle and selling of milk by performing the task individually. Thus the very concept of ‘Group Approach’ is defeated. DRDA’s should take effective steps in this regard.

14. Our approach in micro financing is ‘target oriented’ in terms of expenditure allocated which requires ‘result oriented’. Instead of distributing funds on March 31st, uniform utilization of the funds during the year must be ensured. There is also scope of monitoring and evaluation by academicians rather than professionals and officials to make it unbiased.

To conclude, we have observed that microfinance has been successful with significant progress to reduce if not remove poverty. The impact of microfinance on poverty reduction has been significant through increase in income, building assets and thereby reducing vulnerability. The households having access to microfinance spend more on education than non-client
households. They send their children to school and there is reduction in the drop-out rate. The housing conditions generally improved from Kacha to Pucca house, share of consumption loans declined and employment increased. The involvement in the group activities significantly contributed in improving the self-confidence of the members. The feeling of self worth and communication with others improved after associations with SHGs. The members were relatively more assertive in confronting social evils and problems. As a result there was a fall in the incidences of family violence. There have been considerable gains in the socio-economic development. There is a strong case for credit under rural group housing scheme and loans for education and non-farm activities at low rates of interest instead of subsidies for achieving better results in making microfinance under SHGs a success story for achieving Sustainable Development. There is always a scope for improvement which calls for concrete action plan based on the policy implications of the present study.