Chapter 7

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This action research was intended to realize the core principle of one of the developmental agendas namely “Helping people to help themselves” and to empower women through economic emancipation. Accordingly, 20 self help groups (SHGs) in the Coimbatore corporation slums (urban) and Karamadai panchayat union (rural) were formed with 15-20 members in each SHG.

A total of 254 members initiated micro enterprises. There were 12 categories of micro enterprises spread under four sectors, namely agriculture and allied, manufacturing, trading and servicing. Petty trades predominated the income generation activities both in urban and rural settings.

The impact of micro credit utilisation by the SHG members was evaluated in quantitative and qualitative dimensions. The findings of the study are summarised hereunder.

7.1 PERFORMANCE OF THE SHGS

Profile of the members of the SHGs

- A total of 358 women from the urban and 357 women from the rural areas joined the SHGs.
- Hindu religion predominated both in the urban and rural areas under study.
Scheduled caste members were in the majority (65.65 per cent) in the case of urban areas and backward castes (53.78 per cent) were prominent in rural areas.

The families were mainly of the small sized nuclear type, (1-4 members) reflecting the national trend.

The majority of the group members belonged to the age group of 31-40 years both in the urban (52.79 per cent) and rural areas (58.82 per cent).

Regarding educational status, 30.16 per cent women from urban areas and 40.61 per cent from rural areas were illiterate.

Income wise, 92.46 per cent from the urban slum and 97.76 per cent from the rural areas were below the poverty line.

**Thrift and Credit Activities of the SHGs**

All the members stated that they formed as a group mainly to initiate income generation activities and asset creation efforts.

When interrogated on the reasons for joining the SHGs, urge to save and accumulate money, as well as, easy access to loans were highlighted.

The quantum saved was greater in the urban areas than in the rural areas. The monthly savings ranged from Rs.30 to Rs.50 per head.
• The majority of the groups both in urban and in rural (95 per cent) reached 100 per cent level of savings, which was highly remarkable.

• It was seen that income from own labour was the major source (78.74 per cent) towards their thrift contribution.

Credit flow realised

• Saving to the tune of Rs.3,15,300 had been mobilised by the 20 urban SHGs. In contrast Rs.2,03,820 was mobilised by the 20 rural groups. The amount saved by the individual SHGs was in proportion to the number of members and the duration of their functioning.

• A majority of the urban SHGs (45 per cent) had given above Rs.30,000 as credit to its members and the rural groups (60 per cent) had lent credit to its members ranging between Rs.10,000-20,000.

• The pattern of credit demanded showed that 43.21 per cent of urban SHG members and 44.18 per cent of rural SHG members availed loan for income generation activities and 56.79 per cent for urban and 55.82 per cent for rural availed loan for other consumption and domestic purposes.

• As many as 280 women from urban areas and 301 women from the rural areas had benefitted out of the internal lending, the loan amounts varying from Rs.500 to Rs.2000.
• Internal lending to the tune of Rs.6,12,650 was reported in the urban areas. In the rural areas the internal lending was proportionately Rs.3,36,400.

• Utilisation of credit had been of the order of 39.11 per cent of the internal lending utilised for income generation activities, 33.09 per cent for domestic consumption purposes and 12.17 per cent for family health.

• As for the thrift-credit ratio which is the crux of the SHGs, the urban SHGs had 1 : 1.94 while for the rural SHGs it was 1 : 1.65. The calculated 't' value showed that there was no significant difference between the areas in regarding percentage of mean credit to mean thrift in the SHGs.

• The loan repayment behaviour was satisfactory. In the urban areas, the recovery index was 100 per cent for 11 SHGs, 90-99 per cent for seven groups and 80-90 per cent for five groups; in the case of rural SHG groups the recovery index was 100 per cent for 19 groups and above 80 per cent for only one group.

• Statistical analysis revealed a high degree of correlation between the mean thrift mobilised, mean loan and the duration of the functioning of the SHGs.
- A majority of the SHGs (70 per cent) in the urban and (55 per cent) in the rural areas reported that they had 41-60 per cent of loans outstanding.

- The regression estimate of SHG net income per member both in the urban and rural areas on the plausible variables showed that increase in distance among members, higher education of the members, higher loan provided in the current year, lower SHG expenditure contributed to the higher SHG net income per month.

7.2 ECONOMIC RETURNS FROM MICRO ENTERPRISES UNDERTAKEN BY THE SHG MEMBERS

The economic impact from the micro enterprises undertaken by the SHG members on income, asset position and employment were analysed. This was preceded by a brief description of socio-economic characteristics of the micro entrepreneurs in the urban and rural areas such as size of families, age, occupational distribution, educational status, income levels, etc.

- Loan borrowed from SHGs was the highest (76.52 per cent) in the case of rural areas and those from the banks was the highest (58.51 per cent) in the case of urban areas. Dependence on money lenders continued, in the case of 9.37 per cent of rural groups.

- A majority of the micro entrepreneurs, 31.40 per cent in urban areas and 34.58 per cent in rural areas, had made their investment in the
micro projects ranging from Rs.1,001-2,000. This shows that the amount of credit needed by them remained small.

**Income Generation**

The primary objective of micro credit programme is to raise the income of the SHG member households by handing over to them a productive asset. Incremental income may enable the households to cross the poverty line or to move to a higher income group. The study revealed that the average household income of the micro entrepreneurs had increased by 53.62 per cent, representing Rs.9,509.40.

- Area-wise analysis showed that the income generating effects of different areas were not the same. The incremental income of the SHG members in the urban area was relatively high (62.79 per cent) as compared to rural SHG members (46.19 per cent).

- Sector wise analysis showed that the incremental income was as high as Rs.5,085.27 (62.03 per cent) in the case of manufacturing sector. The servicing sector occupied the next place, recording an increase of Rs.4,591.24 (51.87 per cent), while the agricultural sector had yielded the lowest incremental income of Rs.3,872.61 (41.92 per cent). Cottage industry in the manufacturing sector yielded the highest incremental income of Rs.5,893.91 (81.45 per cent), compared to all the other enterprises in all the sectors.
Calculated 't' values, area wise, sector and enterprise-wise, showed that the incremental income was statistically significant at one per cent level.

The rate of return is referred to percentage of average income earned on average total investment made by the micro entrepreneurs. Area-wise analysis revealed that the rate of return was the highest (103.97) for urban entrepreneurs than for the rural entrepreneurs, as they could not maintain the asset to yield the maximum income.

The study revealed that taking all the enterprises together, the average income desired from micro credit programme was about Rs.4,191.46, which followed from an average investment of Rs.5,358.38. An analysis of enterprise-wise, investment income ratio showed that the rate of return was the highest (136.8 per cent) from cottage industries although the investment (Rs.4,321.74) was lower. The rate of return on investment in the detergent-making enterprise was the lowest though, the investment was the highest. Diversion of assistance for other purposes might have been responsible for such a low rate of return.

ANOVA test revealed that the groups did not differ significantly in their average return on investment.

The multiple regression analysis results (Model 1) showed that the average income of the entrepreneurs was influenced by the various sources of loan, such as SHGs, scheduled banks, corpus fund, friends and relatives,
and money lenders. The 't' value was 20.0792. This was taken area-wise and the sector-wise, the findings of the regression analysis showed that the estimated loan from SHGs led to an increase in the average income of the entrepreneurs. Therefore, to increase the income of the SHG members, it was necessary to increase the amount of loan for the members from their own SHGs for promoting micro enterprises by formulating appropriate credit policies for development.

The regression model II estimated results showed that the selected variables such as amount of loan, own funds, assets, employment, interest paid, household expenses, and the education of the members were relevant for explaining the variations in income of the member as the 't' value was 2.02361, which is significant at 5 per cent level. The co-efficient estimate showed that one rupee increase in the loan per member, own funds per member, value of assets per member and man days per member, positively influenced the average income of the member.

The area-wise and sector wise correlation analysis revealed that there was significant positive relationship between the investment and the income of the micro entrepreneurs. The enterprise - wise analysis showed that there was positive relationship between investment and the income of the entrepreneurs in the case of all the enterprises except petty shop and laundry business.
Shift of household above poverty line

The finding of the study was that out of 254 members, 25 members were above the poverty line in the base year. On the whole, out of 229 genuinely poor households, 39 households (15.36 per cent) crossed the poverty line. Among the sectors, manufacturing sector was more effective in alleviating poverty, followed by trading sector.

Shift of the entrepreneurs to higher incomes

Using poverty line alone may amount to under-estimating the impact of micro credit management because the crossing of poverty line by the assisted families depends much on the pre-micro credit assistance family income.

Another short coming of taking poverty line alone as the criterion to judge the impact of micro credit management is that the duration of operation of the programme is too short to produce the expected results. In view of these limitations, the income shifts of the members were considered as the more reasonable index for assessing the economic returns from micro enterprises undertaken by the SHG members.

The study revealed that the micro entrepreneurs had moved from lower income to higher income ranges in the post-credit period. The number of members in the two income ranges declined and consequently resulted in a rise in the higher income ranges.
Asset Position

The micro credit programme might have an inter-alia impact in creating additional assets as a result of reinvestment of surplus derived from micro enterprises undertaken by the SHG members. It was observed that the coverage value of assets had increased by 311.96 per cent. Among the areas, urban group members possessed more assets in the post-credit period compared to the rural group members. Regarding the asset creation in terms of percentages among the groups, it was high for the urban group members. Sector-wise / enterprise-wise analysis revealed variations in all the enterprises. The statistical ‘t’ value reveals that there is a positive impact of investment on assets. The regression analysis also showed that all the co-efficients of the investment on assets were positive. The correlation analysis showed that there was a positive relationship between the investment and asset position.

Employment Generation

The analysis on employment generation revealed that the average household employment had increased for members in all the schemes. Taking all the micro enterprises together, the average household employment had increased by 45.56 mandays, indicating 28.37 per cent increase in the post-credit year. Thus the study revealed that the majority of the micro enterprises had made some real impact in terms of increasing the employment significantly.
Repayment Performance

Repayment of loans availed from various sources according to the repayment schedules is absolutely essential for enabling the financial institutions to recycle their funds. The repayment performance is one of the indicators of sound micro credit management. It was observed that 4.33 per cent of the members were regular in repayment and had fully repaid the amount before the due dates. Further, the study revealed that only one per cent of the members had not started repayment even beyond three years. The micro entrepreneurs belonging to the agricultural sector, as a whole, had fared better in repayment (i.e.) 8.70 per cent had repaid in full and 78.26 per cent had repaid more than 50 per cent of the loan amount.

7.3 SOCIAL BENEFITS ACCRUED TO THE MEMBERS OF THE SHGs

Group Dynamics of SHGs

- All the 20 groups in the urban as well as rural areas were found to be homogenous; 13 groups from the urban areas and 14 groups from the rural areas had 16 to 20 members each; 15 groups from the urban areas and five groups from the rural areas had mixed castes.

- All the 20 groups in the urban and rural areas functioned in the most democratic manner with three leaders each. All the groups had over 90 per cent attendance in the meetings.
- In 10 rural groups, the bye laws of SHGs were known to all the member whereas in eight out of the 20 groups, awareness on the bye laws was limited.

- The degree of participation in decision making was high in the case of the urban areas compared to that in the rural areas, due to the time lag in the formation of SHGs.

- With regard to the collection of savings, 19 groups both in urban and rural areas, found it smooth sailing.

- All the groups in the urban and rural areas followed uniform criteria for internal lending which confirmed group cohesiveness.

- All the urban groups and 19 rural groups had agreed upon a high rate of interest in order to mobilise more monetary returns to help other members; the recovery index worked out to be 100 per cent in the case of 11 urban and 19 rural groups which is a positive trend indicating the integrity of the members.

- All the groups had learnt the correct procedure for documentation and reporting to a satisfactory level, owing to their exposure to the credit management training.

- The groups were given training on developmental inputs. As a consequence the members of all the groups in the urban areas and 15 groups in the rural areas were made aware of 5 to
10 developmental schemes, the SHGs required a lot of NGO intervention, particularly in maintaining and updating their records.

- All the groups both urban and rural had become aware of bank procedures and formalities, at least to a fairly satisfactory level, owing to the creed to open and operate bank accounts.

- As for overall rating, all the groups in the urban areas could be rated very high. Out of the 20 rural groups, only 13 obtained above 81 per cent scores.

- SHG members perceived several benefits through their membership in SHGs such as habit of saving, economic independence, social recognition, employment and freedom from debt.

**Extent of acquisition of traits leading to empowerment of women**

The qualitative gains as revealed by 254 women, indicated that women were in the process of attaining various attributes of empowerment, which would bear testimony to the positive outcomes of economic independence acquired by the women through undertaking micro enterprises and it is being proved that the women are really becoming “partners in development”.

**Problems encountered**

All the SHGs in the urban areas and 80 per cent of the SHGs in the rural areas stated that the members were irregular in attending the group meeting. Inadequate bank linkage programme, inadequate networking, lack of
training facilities and group conflict were some of the problems faced by the
majority of the SHGs.

Most of the entrepreneurs (81 per cent in urban area and 86 per cent in
rural area) expressed the view that the amount of assistance was inadequate.
A majority of the women in the rural area (82.71 per cent) stated that they
lacked the knowledge for identifying the appropriate product.

A majority of the entrepreneurs also reported that the males dominated
the selection and use of assets. It was observed that 51.24 per cent of the
women in urban area and 43.61 per cent in rural area had misused loans by
diverting them to other purposes. The other problems faced by the
entrepreneurs were lack of awareness of the programme, non-availability of
infrastructural facilities, lack of training in maintaining assets, inadequate
supply of raw materials and marketing facilities, lack of follow up and
monitoring, high rate of interest, social exclusion, gender viability and
inadequate training on credit management and maintenance of books and
registers.

Thus the problems stated are worthy of consideration, demanding
immediate attention. Only scientific acumen is built in the financial culture,
there will be sustainability in the group performance. There must be adequate
co-ordination between the various line departments in taking the programme
to rural and urban settings. There is not dearth in schemes / projects /
programme but they must be channelised to the right groups at right time sin
the right perspective. Follow up and feedback are imminently missing which must be rectified.

From the preceding sections it is clear that the micro entrepreneurs and SHGs are facing a number of problems. The micro entrepreneurs should be properly and regularly supervised to identify the defects and bottlenecks in promoting micro enterprises.

7.4 APPRAISAL OF THE STRENGTHS AND WEAKNESSES OF THE SHGs IN MICRO CREDIT MANAGEMENT

The prospects of the micro credit management in the SHGs could be broadly judged based on their strengths, weaknesses, opportunities and threats (SWOT).

- The basic strengths of SHGs in micro credit management were self sustainable system of community organisation, social cohesion in the group, credit portfolio covering both consumption and production purposes, minimized paperwork, loan repayment mechanism and quick return.

- One of the major weaknesses of the SHGs in managing micro credit was that they had a limited scope for future growth in membership. Secondly, the loan portfolio was dominated by consumption loan and so there was limited opportunity for income generating activities.
Since women's groups exclusively dominate the SHGs, their empowerment, both in the economic and the social fronts is one of the greatest opportunities to participate in the mainstream of development activities.

One of the major threats is that the SHGs do not have any legal status. Rapid expansion in the number of these groups without close monitoring by the NGO may lead to their poor functioning. This is more so, when they diversify their operations that need better management capabilities.

Thus this action research has brought to light perceptible changes in the working of the SHG. A large number of women had taken up income generation activities like manufacturing food items, running dairy and grocery shops and adopting agricultural activities. Consequently, family incomes had substantially increased. Apart from the economic changes, tremendous social changes were also evident in the project areas. Women began to command more respect, found due affection and a rightful place in the family. Their involvement in family decisions had been substantially enhanced. As a group, women had gained more confidence and power. All these factors established the empowerment of women.
7.5 SUGGESTIONS

On the basis of the findings of the study the following suggestions have been made that would help to improve the function of the micro credit management by the SHG members at the grassroot level:

• The process of SHG formation has to be systematic, whether it is formed by a bank or an NGO. Due to their closeness to the people and flexibility of operations, the NGOs seem to be better equipped to undertake SHG formation.

• The savings habit must be encouraged as a value in itself and not just as a means of increasing the fund position of the group. It encourages the thrift habit and controls unnecessary consumption.

• Every group needs a policy on how to manage the savings of members who leave the group voluntarily or are asked to leave for some reason.

• Income generating activity should be based on available local resources and a reasonably assured market with profits. Goods to be produced, should be either for local needs or to facilitate traditional manufacture.

• The NGOs should also provide some common services for procurement of raw materials, marketing / quality support.

• All groups should be helped to become autonomous in their working and should have their own systems and programmes.
• Institutional credit facilities must be extended to women to develop their managerial skill for prompt repayment consciousness.

• Micro credit should be used to meet the current demands of the poor women, whether these are for health, education or consumption purposes. This will lead to a gradual improvement in the quality of their life and will enable them to identify activities for economic betterment. In this process they will learn fiscal discipline and be ready to take on market oriented economic activities.

• To empower women, it is necessary to make women equal partners in the national development process and equip them to make choices in order to actualise their self worth.

• Tremendous efforts are required for women's resource development in the spheres of education, health care, sanitation, food security, population education and domestic resource mobilisation.

• Periodic training programmes should be conducted not only for group leaders but also for the group members. To enhance the participation of all the members, exclusive membership education programmes need to be conducted.

• Potential members of old groups can be taken to visit the new groups to clarify various aspects of Self Help Group functioning.
• Able leaders from a few groups can be motivated to take up promotional and conflict resolution responsibilities. They can visit problematic / sick groups to explain and resolve various issues for smooth functioning.

• Training in book-keeping, accounts, fund management and other financial matters related to SHGs is essential to make the members competent enough to deal with the increasing volume of transaction.

• Annual Plans for SHG activities should be done by the group in consultation with the NGOs. The group leaders from different villages can meet once in a month and present the progress of their groups. Such review by all the groups will promote mutual learning.

• Exposure visits to relatively successful group ventures of other SHGs can be organised to share the knowledge, experience and expertise.

• Rapid expansion in the number of groups should be followed by a close and continuous monitoring of their health. This is very essential to prevent the groups losing their efficacy. An effective group monitoring system in the case of groups is a future challenge which should be met with by developing group structure like clusters and federations. With the expansion of groups and its multiplier effect upon common fund, constant monitoring becomes very crucial and leaders need to be trained.
• The vertical structures and their management require capacity-building and promotion of leadership from the grass-roots upwards within the SHG structure. But they should not be imposed from above.

7.6 IMPLICATION OF THE STUDY FOR FUTURE POLICY MAKING

The following are the recommendations which may be considered in future policy making:

To the Government

• Create a positive financial regulatory framework that enables micro credit programme to accept savings deposits.

• Create autonomous national and sub-regional micro credit funds, to help channel donors resources to micro credit NGOs with minimum Government intervention.

• Create favourable macro policies to reduce and eliminate obstacles that women face, in terms of property rights, inheritance laws and other discriminatory practices.

• It is desirable that Poverty Alleviation Programmes can be dovetailed with SHGs so that effective implementation of the schemes will be possible through group approach. The SHGs are operating on the basis of mutual benefit societies and there is a probability that the interest income may attract income tax. Necessary Amendment under the Income Tax Act completely exempting the interest income of SHGs
should be made. The Stamp Act of the state does not exempt SHG lending from payment of stamp duty. As the members of SHGs belong to poorest of the poor category, State Government may be requested for amending the Stamp Act.

- Micro enterprise development of the poor under SHG frame work underlines the need for a deliberate policy frame in favour of assurance in terms of technology back up, product market and human resource development. However, in the context of economic liberalisation, there are indications that the markets are turning out to be unfriendly to the poor. Hence there is an urgent need to provide insurance for the products of micro enterprise sector through a suitable institutional mechanism.

- Micro credit movement has to be viewed from a long term perspective. Its mission goes beyond development through credit for poverty reduction. Micro credit management by SHGs sows the seeds for a self-reliant economy incorporating certain business culture and social development action within the community as essential elements for economic and social mobility of the poor.

- Introduce special pension scheme for women by paying extra benefits to women to become independent in their old age.
To the practitioners of micro credit

- Increase the use of cost effective poverty measurements.
- Build more national, regional and global networks of micro finance institutions to increase the sharing of lessons learned and best practices.
- Ensure that women's empowerment is considered in all aspects of micro credit program operations.
- There is need for a regulatory frame work to standardise best practices and evolve rating norms for SHGs so that the SHG-Bank linkage programme could be firmly established.

To the private sector

- Create new and strategic partnerships between micro credit programmes and the private sector.
- Promote socially responsible investments that are pro-poor, pro-women and pro-environment.

To the NGOs

- Educate the public about the effectiveness of micro credits as an anti-poverty tool and about what individuals and orgnaisation can do to make a difference.
• Continue to advocate the elimination of poverty and the fulfilment of international commitments.

7.7 CONCLUSION

This action research project established, that properly designed and effectively implemented micro credit programme can not only alleviate poverty but also empower women at the grassroots. It proves that if development programmes are properly designed and sensitively implemented. The programme can become a key in unlocking the creative and productive potential of rural women. The SHGs which create a silent revolution must be viewed as 'change agents' in rural areas. As the illustrious Noeleen Heyzer, Co chair UN Council, Micro Credit Summit, rightly pointed out, "Micro credit is much more than access to money. It is about women gaining control over the means to make a living. It is about women lifting themselves out of poverty and vulnerability. It is about women achieving economic and political empowerment within their homes, their villages, their countries". Thus promotion of income generation activities through micro credit among Self Help Group women, no doubt ensures their economic independence and social status.