

CHAPTER 7

PRECEPTION OF MICROFINANCE INSTITUTIONS

Microfinance supporting institutions are also called MFIs. The policies, procedures and products offered by MFIs to the women beneficiaries have been discussed in this chapter. There are several legal forms of MFIs. Services of MFIs are defined as assistance to individual or an eligible client either directly or through a group. They can be categorized as NGOs, Commercial banks and private banks dealing with Micro finance and Self Help Groups.

A survey of 50 microfinance supporting institutions like NGOs, private banks commercially facilitating microfinance, Government banks following different schemes for self help groups, progressive youth forum working for microfinance, Additional Deputy Commissioner-Development and Child Development Program Offices working in the rural were conducted to know the policies and procedures they follow.

7.1 POLICIES OF MICRO FINANCE SUPPORTING INSTITUTIONS:

MFIs follow set policies for providing financial help to the beneficiaries like minimum number of members group size, regular meetings, record keeping nominations in the group, set pattern of authority and responsibility. A Survey was conducted for fifty microfinance supporting institutions located in Punjab and the results are as follows:

7.1.1 Organizational Management According to Change in Group Size

It was reported that the group size of all the 50 (100%) of organizations increased over the period (Table 7.1.1).

Table 7.1.1

Distribution of Organizations According to Change in Group Size

Change in Group Size	No.	%age
Stable	0	0.00
Increased	50	100.00
Decreased	0	0.00

7.1.2 Organization Management: According to Frequency of Meetings

A perusal of Table 7.1.2 showed that the highest proportion i.e. 48.00 percent of the organizations held fortnightly meetings, followed by 32.00 percent holding weekly meetings while the lowest proportion i.e. 28.00 percent of them held monthly meetings of the organization members. This showed that 48 percent of organizations used to hold fortnightly meetings.

Table 7.1.2

Distribution of Organisations According to Frequency of Meetings

Frequency of Meetings	No.	%age
Weekly	16	32.00
Fortnightly	20	40.00
Monthly	14	28.00

7.1.3 Organization Management : According to Members Present in the Meetings

According to the information given in Table 7.1.3, majority i.e. 60.00 percent of the organization reported that all the members of the organization were present in the last 5 meetings while 20 percent each reported that some members and office bearers attended only the last 5 meetings. Though the incidence of attending the meetings by all the members was quite high yet there is a broad scope of active

participation of members in the meetings. MFIs keep a complete record of the participation in meetings.

Table 7.1.3
Number of Members Present in the Last 5 Meetings

Number of Members	No.	%age
None	0	0.00
Some only	10	20.00
Members only	0	0.00
Office bearers only	10	20.00
All	50	100.00

7.1.4 Organization Management: According to the Persons Calling Meetings

A perusal of Table 7.1.4 showed that there was a mixed response of members regarding the person(s) calling meetings of the organizations. It was a multiple response.

Table 7.1.4
Distribution of Organisations According to the Person(s) Calling Meetings

Person(s) Calling Meetings	No.	%age
Group	0	0.00
NGO	49	98.00
Project Staff	45	90.00
Anganwari	46	92.00
Mixed	0	0.00

No single person or persons were responsible for calling meetings. In 98 percent of the organizations, NGOs called the meetings, while it was Project Staff who called the meetings of 90 percent of the organizations. As much as 92 percent of the organizations reported that their meetings were called by Anganwari Workers. This showed that NGOs, Project Staff and Anganwari workers were jointly responsible for calling the meetings of organizations.

7.1.5 Organisation Management : According to the Persons

Deciding Agenda of the Meetings

The information given in Table 7.1.5 indicated that the agenda of meetings of all the 50 i.e. 100.00 percent of the organizations was decided by the members and link workers.

Table 7.1.5

Distribution of Organisations According to the Person(s) Deciding Agenda of the Meetings

Person(s) Deciding Meetings	No.	%age
Majority of Members	0	0.00
Some Members	0	0.00
Group Representatives	0	0.00
Members & Link wokers	50	100.00
Link Workers	0	0.00

No other person(s) or group of persons were there to decide the agenda of the meetings. The person or combination of persons who were included in the questionnaire were majority of members, some members, group representatives, members & link workers and only link workers.

7.1.6 Organisation Management : For the Methods of Taking Decisions in the Meetings

The data given in Table 7.1.6 showed that the method adopted for taking decisions in the meetings by all the 50 organisations was found to be the consensus.

Table 7.1.6

Methods of Taking Decisions in the Meetings of the Organisations

Methods of Decisions	No.	%age
Consensus	50	100.00
Voting	0	0.00
Group Representatives	0	0.00
Link Workers/Facilitator	0	0.00
Link Workers/Facilitator and representatives	0	0.00

Other methods included in the questionnaire were voting, group representatives, link workers/facilitator and link workers/facilitator & group representatives.

7.2 Procedure Of Microfinance Supporting Institutions

7.2.1 Financial Management Procedure

A perusal of Table 7.2.1 showed that there were two methods of collection of saving made by the members, which included deposited by members in group meeting on fixed date and collected by representative from members individually outside meeting. Both the methods were adopted by the organization. As many as 76.00 percent of the total organizations used to collect savings through depositing by members in group meetings on fixed date while 62 percent of organizations also used the method of collection saving by representatives from members individually outside the meeting.

The procedures followed for keeping group deposit money were identified as deposited in the bank account, distribution as loan among the group members, remains with group representatives or by keeping in the cash box of the group. The highest proportion, i.e. 42.00 percent of the organizations distributed the money as loan to the members, followed by 38.00 percent where money remained with the group representatives and 22.00 percent used to deposit the money in bank

account. The lowest proportion i.e. 18.00 percent of the organizations used to keep the money in cash box of the group.

Table 7.2.1
Procedure Followed for Financial Management

Methods of Financial Management	No.	%age
Saving Collection		
Money deposited by members in group meeting on fixed date	38	76.00
Collected by representatives from members individually outside meeting	31	62.00
Keeping Group Money		
Deposit In the bank account	11	22.00
Distributed As a loan among the members	21	42.00
Remains with Group representatives	19	38.00
Kept in the cash box of the group	9	18.00
Operating Bank Account		
President, Treasurer & secretary	5	10.00
President & Treasurer	4	8.00
President & secretary	50	100.00
Secretary & Cashier	4	8.00
Any two of above four	4	8.00
Visits to Bank for Operations		
Once a Month	0	0.00
More than once a month	50	100.00
Occasionally	0	0.00
As and when required Credit rotation	0	0.00

The organizations were asked about the person(s) who operated the bank account on behalf of group. There were multiple responses. The bank account of all the organizations was being operated jointly by president and treasurer. Some other combinations were also there, which were adopted by the organizations to operate the bank account of the group. As much as 10.00 of the organizations operated their

accounts jointly by president, treasurer and secretary, while 8 percent each of them used to operate their bank account jointly by president & secretary, any two of president, treasurer & secretary and other combinations. The representatives of all the 50 organisations used to visit the bank for deposit and withdrawal purposes more than once a month.

7.2.2 Main Purpose of Saving

The respondents were asked to express the extent of their opinion about purposes of saving in terms of 'Majority', 'Some' and 'None'. The attributes were given score in the order of 2, 1 and 0. The results are shown in Table 7.2.2. The highest average score came to be 1.84 in case of agriculture as a purpose of saving, followed by 1.82 in case of food security. This indicated that majority of the members were of the opinion that savings were made for agricultural activities and food security.

Table 7.2.2
Main Purposes of Saving as Perceived by the Respondents

Main Purposes	Majority		Some		None		Mean
	No.	%age	No.	%age	No.	%age	
Social Security	8	16.00	10	20.00	32	64.00	0.52
Food security	41	82.00	9	18.00	0	0.00	1.82
Education	0	0.00	12	24.00	38	76.00	0.24
Medical	6	12.00	12	24.00	32	64.00	0.48
Marriage/Festival	0	0.00	14	28.00	36	72.00	0.28
Emergencies	0	0.00	11	22.00	39	78.00	0.22
Agriculture	42	84.00	8	16.00	0	0.00	1.84
Asset Building	0	0.00	16	32.00	34	68.00	0.32
Self Respect	4	8.00	46	92.00	0	0.00	1.08
IGA	0	0.00	0	0.00	50	100.00	0.00
						F-ratio	5.13**

The average score on two purposes was found to be nearer to one. This revealed that some of the members were of the opinion that savings were made for social security and self-respect. The average score of all other purposes of saving was nearer to zero. This showed that none of the members was of the view that savings were made for education, medical aid, marriage/festivals, emergencies, assets building and IGA.

Therefore, there was the strong opinion of members that savings were made for agriculture and food security. There was a very weak opinion in favour that savings were made for social security, education, medical, social ceremonies, emergencies and IGA. This revealed that the SHGs have yet to fulfill the basic need of food through farming. The SHGs have to go a long way to fulfill the social needs also.

7.2.3 Methods of Utilisation of Earned Money

The microfinance supporting institutions representatives were asked about the utilization of money generated in a group through interest, fine or from any other sources. Results are as under

Table 7.2.3
Methods of Utilisation of Money Generated through Interest, Fine and Other Sources

Methods of Utilisation	No.	*Multiple Responses
		%age
Added to group Capital	50	100.00
Utilised for group activities	1	2.00
Shared as dividend among members	0	0.00
Others	0	0.00

It is clear from Table 7.2.3 that all the 50 organisations utilized the money earned through interest, fine and other sources by adding up to the group capital. There were only 2 percent of them where money earned was utilized for group activities also. None of the

organizations reported that the earned money was shared as dividend among members.

7.2.4 Frequency of Group Auditing

The respondents of microfinance supporting institutions were asked about the timing group audits.

Table 7.2.4
Frequency of Group Auditing

Frequency	No.	%age
Monthly	4	8.00
Quarterly	2	4.00
Six-Monthly	21	42.00
Annually	23	46.00
Not Done	0	0.00

The Table 7.2.4 showed that the major proportion i.e. 46.00 percent of the total organizations used to audit the group functions annually, followed by 42.00 percent where group auditing was done bi-annually. There were only 4.00 percent of the organisations where group auditing was done quarterly while 8.00 percent of them used to audit monthly. There was no such organization where auditing was never done.

7.2.5 Areas Audited by the Auditors

The organisation representatives were asked about the areas which the auditors were auditing. They were asked whether the auditors used to audit the group, group facilitator or NGOs or all of the them.

Table 7.2.5
The Items Being Audited by the Auditors

Items Being Audited	No.	%age
Group	50	100.00
Group Facilitator	0	0.00

NGO	0	0.00
Others	0	0.00

The data given in Table 7.2.5 showed that the auditors used to audit the group as a whole in all the 50 organisations. No organization reported that the auditors used to audit the group facilitators and NGOs.

7.3 PRODUCTS OFFERED BY MICRO FINANCE SUPPORTING INSTITUTES

MFI's not only offer the products like saving and loan facility to group members but offer basic services also. A survey has highlighted counseling services along with basic services.

7.3.1 Microfinance Supporting Institutes offers Access to basic Services

The respondents were asked to express the extent of availability of basic services to the members in terms of 'Majority', 'Some' and 'Never'. The attributes were given score in the order of 2, 1 and 0. The results are shown in Table 7.12.

**Table 7.3.1
Access to Basic Services to Group Members**

Areas of Services	Majority		Some		None		Mean
	No.	%age	No.	%age	No.	%age	
Maternity Services	5	10.00	45	90.00	0	0.00	1.10
Immunization of Child	46	92.00	4	8.00	0	0.00	1.92
Immunisation of Mother	7	14.00	43	86.00	0	0.00	1.14
Children going to School	39	78.00	6	12.00	5	10.00	1.68
Access to PDS	9	18.00	41	82.00	0	0.00	1.18
Sanitation facility	4	8.00	46	92.00	0	0.00	1.08
Safe Drinking Water	10	20.00	40	80.00	0	0.00	1.20
Family Planning	42	84.00	8	16.00	0	0.00	1.84
Pension Scheme	0	0.00	46	92.00	4	8.00	0.92

AIDS	4	8.00	26	52.00	21	42.00	0.68
						F-ratio	7.75**

The highest average score of awareness came to be 1.92 in case of immunization of child, followed by 1.84 in case of family planning and 1.68 in case of children going to school. This indicated that majority of the members were availing the facility of family planning methods and child school education.

The average score on all other processes and activities was found to be nearer to one. This revealed that some of the members were availing the facilities maternity services, immunization of mothers, access to PAD, sanitation facility, safe drinking water, pension scheme and AIDS awareness.

Therefore, the availability of basic services to the members was considerably to a satisfactory extent, but there is still a broad scope of further increasing the availability and access to the basic services.

7.4 Impact Of Microfinance Supporting Institutions on the Women Beneficiaries

7.4.1 Impact on Decision-Making of beneficiaries

The respondents were asked to register their opinions about the decision making role in family affairs by different family members. They were asked whether there was any shift from male domination to female decision making capacities or not. Their opinions have been presented in Table 7.4.1.

Table 7.4.1
Impact of SHG Membership on Decision Making Power in the Family Affairs

Family affairs	Before Group Formation			After Group Formation			Z-test (Before vs After)		
	Male	Female	Joint	Male	Female	Joint	Male	Female	Joint
Marriage of girls	38	8	4	27	17	6	2.31*	2.08*	0.67
%age	76.00	16.00	8.00	54.00	34.00	12.00			

Marriage of boys	39	9	2	29	18	3	2.14*	2.03*	0.46
%age	78.00	18.00	4.00	58.00	36.00	6.00			
Education of Children	41	7	2	31	16	3	2.23*	2.14*	0.46
%age	82.00	14.00	4.00	62.00	32.00	6.00			
Loan arrangement	50	0	0	40	10	0	3.33**	3.33**	0
%age	100.00	0.00	0.00	80.00	20.00	0.00			
Purchasing	32	12	6	21	19	10	2.20*	1.51	1.09
%age	64.00	24.00	12.00	42.00	38.00	20.00			
Saving	33	10	7	23	16	11	2.02*	1.37	1.04
%age	66.00	20.00	14.00	46.00	32.00	22.00			

Expenditure on festival	47	0	7	32	8	10	3.68**	2.95**	0.80
%age	94.00	0.00	14.00	64.00	16.00	20.00			
Participation in meeting	39	4	7	28	11	11	2.34*	1.96*	1.04
%age	78.00	8.00	14.00	56.00	22.00	22.00			
Interaction with outsider	42	2	6	33	8	9	2.08*	2.00*	0.84
%age	84.00	4.00	12.00	66.00	16.00	18.00			
Asset building	40	5	5	30	13	7	2.18*	2.08*	0.62
%age	80.00	10.00	10.00	60.00	26.00	14.00			
IGAs	50	0	0	42	8	0	2.95**	2.95**	0
%age	100.00	0.00	0.00	84.00	16.00	0.00			
Income from SHGs initiated IGAs	34	10	6	22	19	9	2.42*	1.98*	0.84
%age	68.00	20.00	12.00	44.00	38.00	18.00			

In case of marriage of girls, there were 76.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 54.00 percent. On the other

hand, the proportion of females increased from 16.00 percent before formation of the group to 34.00 percent after the formation of the group. The shifts from males to females were found to be significant as indicated by the calculated Z-values i.e. 2.31 in case of males and 2.08 in case of females. The joint decision making though increased from 8.00 percent to 12.00 percent but the increase was insignificant.

As much as in 78.00 percent of families, males dominated the decision making regarding marriage of boys before the formation of the group which declined to 58.00 percent after the formation of the group. The decline was significant ($Z = 2.14$). There was a significant increase in the proportion of families where females dominated the decision making regarding the marriages of boys. It increased significantly from 18.00 percent to 36.00 percent as indicated by the Z-value of 2.14. The joint decision making power remained the same.

In case of education of children, there were 82.000 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 62.00 percent. On the other hand, the proportion of females increased from 14.00 percent before formation of the group to 32.00 percent after the formation of the group. The shifts from males to females were found to be significant as indicated by the calculated Z-values i.e. 2.23 in case of males and 2.14 in case of females. The joint decision making though increased from 4.00 percent to 6.00 percent but the increase was insignificant.

In all the 100 percent families, males dominated the decision making regarding arrangement of loan before the formation of the group which declined to 80.00 percent after the formation of the group. The decline was significant ($Z = 3.33$). There was a significant increase in the proportion of families where females dominated the decision making regarding the arrangement of loan. It increased significantly from zero percent to 20.00 percent as indicated by the Z-value of 3.33. The joint decision remained at zero level before and after the formation of the group.

In case of making different purchases, there were 64.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 42.00 percent. The decline was significant ($Z = 2.20$). On the other hand, the proportion of females increased from 24.00 percent before formation of the group to 38.00 percent after the formation of the group, but the increase was statistically non-significant ($Z = 1.51$). This was due to the fact that the joint decision making also increased from 12.00 percent to 20.00 percent, though insignificant.

As much as in 66.00 percent of the families, males dominated the decision making regarding making saving before the formation of the group which declined to 46.00 percent after the formation of the group. The decline was significant ($Z = 2.02$). There were insignificant increases in the proportions of families where females and joint decision making regarding making savings dominated. It increased

from 20.00 percent to 32.00 percent in case of females and 14.00 to 22.00 percent in case of joint decision making.

In case of making expenditure on festivals, there were 94.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 64.00 percent. The decline was highly significant ($Z = 3.68$). On the other hand, the proportion of females increased significantly from zero percent before formation of the group to 16.00 percent after the formation of the group ($Z = 2.95$). The joint decision making also increased from 14.00 percent to 20.00 percent, though insignificant.

As much as in 78.00 percent of the families, males dominated the decision making regarding participation in meeting before the formation of the group which declined to 56.00 percent after the formation of the group. The decline was significant ($Z = 2.34$). There were significant increases in the proportions of families where females dominated regarding participation in meetings. It increased from 8.00 percent to 22.00 percent ($Z = 1.96$). The joint decision making also increased from 14.00 percent to 20.00 percent, though insignificant.

In case of interaction with outsiders, there were 84.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 66.00 percent. The decline was significant ($Z = 2.08$). On the other hand, the proportion of females increased significantly from 4.00 percent before formation of the group to 16.00 percent after the formation of the group

($Z = 2.00$). The joint decision making also increased from 12.00 percent to 18.00 percent, though insignificant.

As much as in 80.00 percent of the families, males dominated the decision making regarding assets building before the formation of the group which declined to 60.00 percent after the formation of the group. The decline was significant ($Z = 2.18$). There was significant increase in the proportion of families where females dominated regarding assets building. It increased from 10.00 percent to 26.00 percent ($Z = 2.08$). The joint decision making also increased from 10.00 percent to 14.00 percent, though insignificant.

In case of IGAs, there were 100.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 84.00 percent. The decline was significant ($Z = 2.95$). On the other hand, the proportion of females increased significantly from zero percent before formation of the group to 16.00 percent after the formation of the group ($Z = 2.95$). No joint decision making was found in this regard.

As much as in 68.00 percent of the families, males dominated the decision making regarding income from SHG initiated IGAs before the formation of the group which declined to 44.00 percent after the formation of the group. The decline was significant ($Z = 2.42$). There was significant increase in the proportion of families where females dominated regarding income from SHG initiated IGAs. It increased from 20.00 percent to 38.00 percent ($Z = 1.98$). The joint decision making

also increased from 12.00 percent to 18.00 percent, though insignificant.

7.4.2 Awareness of Respondents as a Member of Microfinance Supporting Institutes

The respondents were asked to give their opinion about different activities and functions of the MFI/SHG in terms of 'Majority', 'Some' and 'None'. The attributes were given score in the order of 2, 1 and 0. The results are shown in Table 7.14.

**Table 7.4.2
Awareness of SHG Members about Group Process and Activities**

Activities	Majority		Some		None		Mean
	No.	%age	No.	%age	No.	%age	
Meeting calendar	5	10.00	45	90.00	0	0.00	1.10
Rules & Regulations	4	8.00	1	2.00	45	90.00	0.18
Cash in hand	7	14.00	43	86.00	0	0.00	1.14
Outstanding loan	6	12.00	39	78.00	5	10.00	1.02
Total capital of the group	8	16.00	38	76.00	4	8.00	1.08
Total loaning of the group	4	8.00	46	92.00	0	0.00	1.08
No. of members who have taken loans	41	82.00	9	18.00	0	0.00	1.82
Name of the bank	5	10.00	45	90.00	0	0.00	1.10
Income of the group through interest & fine	10	20.00	40	80.00	0	0.00	1.20
Objectives of the groups	9	18.00	37	74.00	4	8.00	1.10
Achievement of the group	32	64.00	18	36.00	0	0.00	1.64
Cumulative individual saving amount	36	72.00	9	18.00	5	10.00	1.62
Bank transactions	7	14.00	43	86.00	0	0.00	1.14
Constraints of the groups	11	22.00	39	78.00	0	0.00	1.22

						F- ratio	4.57**
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The highest average score of awareness came to be 1.82 in case of number of members who have taken loan, followed by 1.64 in case of achievements of the groups and 1.62 in case of cumulative individuals saving amount. This indicated that majority of the members were aware about the number of members who have taken loan, achievements of the group and cumulative individuals saving amount.

The average score on all other processes and activities was found to be nearer to one, except rules and regulations. This revealed that some of the members were aware about meeting calendar, cash in hand, outstanding loan, total capital of the group, total loaning of the group, name of the bank, and income of the group through interest & fine, objectives of the group, bank transactions and constraints of the group. The average score of awareness about rules and regulations came to be 0.18 which was nearer to zero, indicating that none of the members was aware about the rules and regulations of the group.

Therefore, the awareness of the members about different processes and activities was considerably to a satisfactory extent, but there is still a broad scope of further increasing the awareness of members.

Overall, it may be concluded that MFIs are playing a significant role in facilitating, as they are reaching out to the rural poor. Many of them operate in a limited geographical area, have a greater understanding of the issues specific to the rural poor and enjoy greater acceptability amongst the rural poor and have flexibility in operations providing a level of comfort to their customers.

Strong evidence that micro finance supporting institutions contribute to women's empowerment was observed. One consistent finding was increased self-confidence and increase self-esteem. Another was women's increased participation in decision-making at home and at work place. Women's increase in their decision making has improved

her position and they are able to take decision in the areas of family planning, children's marriage and sending their children to school. World Education, also found that the combination of education and credit put women in stronger position to ensure equal access for female children to food, schooling and medical care (UNDP, 2000). Some of the cases showcased increased ability to make purchasing choices, manage household funds, and manage enterprise funds as a cashier.

Women clients have also experienced improved status and gender relations in the home. Women's financial contributions helped them earn greater respect from their husband and children, negotiate husband's help in household work, and avoid family quarrels over money. The study also found increased respect and better relationship within extended family and in-laws. The results have shown that women starting playing greater roles in giving advice within the community, organizing activities for social change, and participating in community meetings as well because they are now able to contribute financially to community need and activities. A number of programmes also found increased political participation, including involvement in civic action and women clients being elected to office. In the study, their membership pattern, meetings pattern, procedures of financial management, products offered by microfinance supporting etc. are highlighted in this chapter.

Microfinance supporting institutes i.e. MFIs/SHGs have played a significant role in the empowerment of female members in all the fields. But still major decision making is still done by males in the matter concerning large sum of money e.g property decisions, work to be started with the loan amount and marital issues within the family. This showed that MFIs/SHGs have to revolutionize the mindset of the rural conservative society.