Chapter 6

Findings and Suggestions

The following findings are based on analysis and interpretation of the data made in the previous chapter:

1. Normal range of micro-credit amount was between 20, 001-30, 000 (29%) and 30, 001-40, 000 (30%).

2. Majority of the beneficiaries had taken micro-credit for business purpose like poultry farming, tailoring, bamboo article making etc.

3. An alarming fact found was that most of the MFIs were charging interest rate above 24% which is quite taxing for the poor.

4. Majority of the beneficiaries had repaid their micro-credit amount in 26-38 weeks and in some cases in 39-51 weeks and the repayment rate was around 90%, as MFIs included in the sample were practicing the Joint Liability Group Model which has greater monitoring and stringent rule, so a high repayment rate was observed in the selected sample.

5. A large no. of the MFIs provide only micro-credit but few MFIs provide financial literacy and business development service also.

6. Before taking micro-credit most of the beneficiaries had annual income below 10, 000 whereas after taking micro-credit annual income increased to 40, 001-50,
7. Micro-credit availability had a positive impact on the housing style of the sample population, before taking micro-credit housing style of most of the beneficiaries was kachha whereas it became semi-pucca and pucca after taking micro-credit.

8. Level of livestock and quality of it had improved after availing micro-credit.

9. Level of agricultural tools and implements increased and the quality of agricultural tools and implements also improved post micro-credit.

10. The level of other household assets had also altered in a positive manner and the quality of other household assets got improved.

11. A large no. of the beneficiary children very often visit schools after they had received micro-credit.

12. Majority of the beneficiaries use sanitary facilities after they had received micro-credit.

13. A large no. of the beneficiaries had access to Government hospitals after they had received micro-credit.

14. Majority of the beneficiaries insured after they had received micro-credit.

15. Majority of the beneficiaries standard of living improved with purchase of assets (stove, mobile, bicycle, Radio/T. V. etc.) after they had received micro-credit.

16. A large no. of the beneficiaries made expenditure on family functions (mundan
ceremony (Tonsure) baby shower, naming ceremony, marriage, participating in religns rites).

17. Majority of the beneficiaries become aware of their social and political rights post micro-credit.

18. Majority of the beneficiaries condition improved regarding level of managing risk: health related (availing medical advice for minor health related problems, awareness about health related problems) after they had received micro-credit.

19. Majority of the beneficiaries condition improved regarding level of managing risk: emerging domestic problem (Fire outbreak, Medical emergency, Family disputes) after they had received micro-credit.

20. Majority of the beneficiaries condition improved regarding level of managing risk: agricultural related (Drought, pest problems, low productivity) improved to a great extent after they had received micro-credit.

21. Microfinance had met the expectation of most of their beneficiaries.

22. Majority of the beneficiaries strongly agree that microfinance had reduced poverty levels. Thus microfinance had played a constructive role in reducing the poverty of their beneficiaries.
SUGGESTIONS:

Following suggestions are given to augment the role of microfinance in eradicating poverty:

1. Awareness towards literacy should be enhanced through various educative programs, so that they understand the things (agenda, minutes etc) in a proper way.

2. Education should be provided in such a manner that could create employment opportunities.

3. The procedure regarding diminishing interest rate calculation should be eased. This will enable the MFI beneficiaries and staff to understand and calculate it properly.

4. The MFI should provide an insurance cover to their beneficiaries to protect them from the risks like weather, crop etc.

5. Microfinance Institutions (Regulation and Development) Bill 2012 which has been introduced should be strictly implemented to curtail the malpractices inherent in MFI sector.

6. There should be a written code of conduct of do’s and dont’s for MFIs, they should know what are their permissible range.

7. Microfinance providers must collaborate with one another to limit multiple borrowing. MFIs might be better off by reducing their loans outstanding by letting the other MFI share some of the risk by offering a complementing loan.
Monitoring could be shared to improve repayment resulting in an optimal amount of joint monitoring that reduces costs to both parties.

8. MFIs should follow stricter policies for understanding beneficiaries perspectives, their need and urgency for loans.

9. MFIs should maintain transparent and fair pricing.

10. Before providing loan to beneficiaries a proper orientation schedule should be conducted so that the beneficiaries perceive peer pressure in a positive manner.

11. MFIs should improve their technology, which will significantly lower their operational costs and efficiencies may be gained during automated loan processing. This will make them cost efficient and their by they can charge lesser rate of interest.

12. Microfinance providers need to serve the varied needs of individuals in each micro market segments, therefore they need a customized marketing system in place.

13. Microfinance providers need special training to ensure that they avoid problems such as intimidating or under-serving beneficiaries. Developing a good human resource environment in Microfinance Institutions would be great help.

14. Better coordination among MFIs should be developed regarding pricing, monitoring, repayment conditions, market share, interest rate etc in order to avoid chaos in the sector.

15. Emphasis on Corporate Governance. There should be a fair and transparent corporate governance policy in place.
16. Conducive repayment policy. There should be a flexible repayment policy so that MFI beneficiaries should not feel stressed.

17. Innovations in microinsurance is required from MFI side so that they can protect beneficiaries from various sorts of risks like weather risk, monsoon risk etc.

18. Govt. need to infuse more funds for infrastructure development so that MFIs find it cost effective to serve in the rural areas.

19. Interest rates can be reduced, by using following two options:

   1. Reduce the premium (also referred to as the ‘spread’) – this is dependent on transport costs, administrative costs, profit, salary expense, risk, etc., which means it can only be reduced if operations become more efficient.

   2. Reduce the cost of funds – this can be reduced by obtaining subsidized loans (through development agencies), non-interest loans (e.g. through Kiva), and public deposits.

20. Poor people, particularly agricultural labour and marginal farmers have to move from one place to another for employment. Majority of agricultural labour and small farmers migrate from least developed regions to well developed regions for livelihood. A proper counseling can be a great help in this regard.

21. Joint liability groups are based on mutual trust, cooperation and coordination. One can easily find differences among members on the ground of caste, creed or religion. Again a proper counseling can be a great help in this regard.