CHAPTER V

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

The final chapter presents the findings of the study and listed down the impacts of SHG at the individual level, household level and enterprise level. It also includes the suggestions and the conclusion of the study.

The study has examined as explored the impact of micro finance on several variables such as income, consumption, financial services usage, asset ownership, intra-household and community decision making skills and opportunities. Broadly, the impact is assessed on the basis of Personality development, Economic Independence, Political Empowerment, Intellectual development, Household Empowerment and Social Empowerment. The Multivariate analytical and impact assessment study will be useful for Micro Finance industry analysts, Banks and other Non-Banking financial companies, various NGOs, private equity firms and governments. The impact evaluations will help practitioners to understand, what the best and most beneficial ways to provide financial services to the under-banked are. Understanding the areas in which micro-credit has an impact and the reasons why it has an impact will help focus on these areas and develop appropriate products to maximize the benefits to the clients.

Microfinance

Microfinance has a substantial impact on many dimensions of social and economic development. It enables borrowers to attain higher household incomes,
increase savings rates, smooth consumption pattern over their lifetime and finally be able to diversify their sources of income generation. Access to financial services also interprets into broader social benefits, including improved health, increased educational participation, and greater gender equality.

The role of microfinance is praiseworthy. The informal discussion with the members of SHGs reaffirms the fact that women are capable of successfully managing the business too, in addition to family responsibilities. The bankers too are very optimistic in lending to SHGs since the percentage of NPA to SHG advances are very low. Considering all these facts it can be stated that the empowerment and development are achieved.

**SHG – Bank Linkage Programme**

SHG-Bank Linkages is a bold and a creative initiative taken by the government and NABARD on the eve of new millennium for poverty eradicating in our country. Certain refinements in the SHG are imperative to augment its outreach and efficacy. The SHGis set to add a new dimension to micro-finance concept in India and has every potential to prove pragmatic weapon in fight against poverty. In this study, the researcher has presented evidences of the need in the first place, multivariate impacts and other possibilities for a microfinance industry including the major objective which is the eradication of poverty through the delivery of a range of micro financial services to the poor people. This research enables to demonstrate that the industry must rise to the challenge of expanding the boundaries of microfinance and innovating to develop more effective and more cost-effective services for the poorest. The results revealed that the impact of SHGs on socio-economic status of women was found to be significant in providing education to their heirs as learning many skills themselves, housing facilities, exposure to mass
media, occupation, size of land holding and material possessions etc. The association between the growth of SHGs and the increase in bank deposit accounts influence the SHGs in their account holding in formal banks. In the process, there is a positive relationship among SHG membership, bank deposits and account holding. It is mutually beneficial for all the parties involved.

It is no wonder that Self Help Group shows the right path to the lakh of young educated and uneducated both rural and urban women to lead their life. Self Help Group opened the eyes of the young rural women entrepreneur to start their business almost each and every field which they previously worried to undertake. Self Help Group registered a good record in the saving habits, Income generation, social status and standard of living. The problem related to women can be effectively tackled only by bringing about a social awakening. Self Help Groups were playing a vital role. Thus the formation of SHGs has led to a number of positive features.

Women Emancipation can be reflected with the promotion of large number of sustainable SHGs. It can ensure the increased participation of women in SHGs. It can provide conducive environment in groups where women demand knowledge and information, empowering themselves to change their lives. It can challenge the oppressive structure of the society. SHGs enhance not only the national conscience but also enable in achieving Millennium Development goals.

5.1 MULTIVARIATE IMPACTS OF MICROFINANCE

SHGs promoted by the bank are sound and maturing in a healthy manner. The Micro-Finance services lead to impact, or changes, at the social, household, and individual levels. The specific micro finance service being investigated in this study
is micro-credit, savings and Insurance. The use of micro-finance is hypothesized to lead to the impact listed below.

Microfinance has created considerable trust and expectations among the academics, policy makers of the government, NGO leaders, donors, investors and other development practitioners in all over the world. Microfinance has produced positive impact on two vital areas of national development; alleviation of poverty and women’s empowerment. Products and services of microfinance are targeted to the poor who make up nearly half of the total population. Focusing especially on women is another important characteristic of these programs. Women represent approximately 90 per cent of the total participants enrolled in microfinance programs.

Access to institutional credit provides an array of un-quantifiable benefits to the borrowers. Improvement in the status of the borrower in the society, relief from the unscrupulous recovery practices of the private money lenders, secured and assured loans, etc., are a few to mention. Further, fixed term for repayment stipulated for institutional loans facilitate long term investment enabling capital formation and thereby enhancing productivity of agriculture and other sectors in rural areas SHG-Bank Linkages is a bold and a creative initiative taken by the government and NABARD on the eve of new millennium for poverty eradicating in our country. Certain refinements in the SHG are imperative to augment its outreach and efficacy. The SHG is set to add a new dimension to micro-finance concept in India and has every potential to prove pragmatic weapon in fight against poverty.

The study indicates that the SHG programme has a favourable impact on the living standards of its beneficiaries. It holds better promises for poverty alleviation and employment generation than the earlier programme due to its structure of easy
credit, savings and peer monitoring. The empirical findings of this study would pave the way for taking certain policy decisions for strengthening the SHGs and their Microfinance institutional functions. Indian Micro Finance market is dominated by SHG bank linkage, Post office linkage and other Micro Finance Institutional Linkages.

5.1.1 Impact at the Individual level

- Increased self-esteem
- Greater self-confidence
- Increases in the control over resources
- Increases in the household economic portfolio;
- Increased role in decision-making
- A better position for future through more proactive behavior
- Increased incidence of personal savings;
- Increased ability to negotiate with others
- Strong women organizations;

5.1.2 Impact at the Household level

- More assertive role in domestic sphere
- Greater diversification in the sources of household income;
- An increase in household assets, including
  - improvements in housing,
  - increases in major household appliances, and
  - increases in micro-enterprise fixed assets;
- An increase in expenditures on children's education;
- An increase in expenditures on food, especially among the very poor;
An increase in the household's effectiveness in coping with shocks; and

A higher level of income-generational launching within client households.

Greater respect within family

Reduction in domestic violence

More assertive role in children’s care

This household-level refers to the total (aggregate) value of fixed assets of their houses and their related position in the household activities.

5.1.3 Impact at the Social level

An increase in Social status

An increase in Relationship and networking skills

An increase in Problem solving skills

An increase in Decision making skills/public

Greater participation in community affairs

Strengthening Strong women Organizations

Increased self-reliance

Gained new skills

Better prices for their products

Better buying and selling skills

Increased employment opportunities;

Government, Banking and related office Staff Support and regular contact with Field Workers is mostly valued and appreciated by SHG members and is important to provide moral support as advice and skills.
5.2 MAJOR FINDINGS OF THE STUDY

- The percentage of female SHGs in SHG Bank Linkage programme in Tirunelveli district is marginally over 90%.

- It reveals that the younger population is more inclined and willing to embrace Micro finance for their benefits. Micro Finance promises sustainable development given the greater participation of younger population. Perhaps, it takes 194s some more time and evidence for the older population to become the beneficiaries of Micro Finance in same proportion as younger population in Tirunelveli district.

- The majority of the SHG members have little or no education. It reflects the hard reality of literacy level in the area under study. The literacy rate certainly needs improvement. The lack of education could be one of the important reasons for being hit by the poverty.

- The majority of the respondents are Hindus in Tirunelveli district is Hindu dominated region. The other religions which have their presence are Christians and Muslims.

- The economic activities and lifestyle vary to an extent based on the religion and the community they belong to.

- Majority of the SHG members in Tirunelveli district belong to backward section of the society. They are the ones who look up to the government desperately for some help in comparison to others.

- Agriculture is the primary economic activity in Tirunelveli district. The Micro Finance has been a catalyst so far to help people to provide alternate means of employment with capital, training and making them
less vulnerable to monsoon. The members have taken up small business, manufacturing and other income generation activities besides agriculture. The members now have multiple sources of income and achieved diversification in sources of income.

- The poor are looking for an opportunity to deploy one’s talent i.e. venture out on their own. All they need is capital and some guidance and assistance. It is one of the important Factors to join part of SHG.

- The majority of members have been part of SHG for 3-4 years which shows the positive aspects of the Micro Finance and its sustenance. The members are willing to continue with the membership realizing its benefits and potential.

- The loans are given for reasons like medical expense and education of child which are turned down by moneylenders as these expenses are not secured (no collateral). Although it is important to provide loans for income generation activity, it is equally important to lend for personal or consumption reasons at times.

- Micro Finance encourages savings among members. More importantly, the numbers shows that the poor too can save very frequently and regularly provided there is a means for them. It has brought a sea change towards savings habit of the members.

- The earning potential and opportunities have improved significantly. The members did mention that they have more than one source of income after joining SHG. It provides them the diversification of income.
The increase in food expenditure reveals that the members’ family could eat 3 times a day or one more time than the usual (1 or 2 times) after joining SHG. The increase in food expenditure is mainly on account of increase in average income per day. Again, the increase in average income is due to more employment opportunities and income generation avenues provided by SHG.

The increase in Non-food expenditure shows that there is an improvement in other essentialities of daily life like clothing, children education, housing and sanitation facilities, repayment of interest and principals of past debts (servicing debts). It is an indication of the improvement in the standard of living.

The significant increase in the percentage of loans at short intervals signifies the necessity of financial services at short, regular and frequent intervals. There has been a huge demand with negligible supply, that too from unscrupulous moneylenders who charge exorbitant rates of interest on unfavorable terms and conditions.

The size of the loans availed has become smaller after joining SHG. The members did mention the fact that they were forced to borrow more than what they need in case the size happens to be small. It is because the moneylenders insist on minimum size of the transaction. It made the members to borrow more and spend more.

The size of the transaction (financial services) of the members which the formal banking/financial institutions may not be in a position to provide on account of higher costs, geographic locations, widely dispersed customers, the timings of these transaction etc and the micro
finance fits very well to the needs and constraints of the members in comparison to the formal financial institutions with added advantages like technical assistance, monitoring, loan size, lower interest, convenient repayment schedule, and access to new markets, marketing support, and bonding as collateral.

- Considering the limited mobility of women in comparison to men, SHG provides greater opportunities for women in particular, to engage in income generation activities by providing financial services at their door step to their convenience. On the other hand, men can move from one place to another for finance and business. Thus, the economic benefits for men are not as much as women.

- Micro finance can benefit all age groups. It encourages all its members regardless of their age to come and work together to alleviate poverty and become self-reliant and self-sufficient. The impact is widely felt across all age groups indiscriminately.

- The educational qualifications are highly regarded in the eyes of society regardless of dominance in other aspects. It is a key parameter which empowers on societal front like due recognition, provides opportunity to engage and involve more in community activities. In other words, it is perceived as kind of license to take part and lead from front.

- Micro finance gives benefits to members of all religions. It encourages members belong to all religion to come and work together for mutual interest and collective benefit. In a way, it promotes communal harmony which eventually aid trade and services.
The members of certain communities are hesitant to take up income generation activities although they are lucrative. They are very conservative. The reasons could be a) deemed as against the principles of community (activities related to tobacco, animal fat, leather, borrowing money) b) some activities are confined to certain communities. It is clearly reflected on the economic front.

Micro Finance supports all occupations and helps to improve its efficiency and prospects. The impact is positive and tangible reflected in the numbers of all occupations. All the occupations have grown and improved significantly on all Factors of Multivariate impact.

The number of years associated with SHG is very critical to the sustainable success of the members. It improves by leaps and bounds over a period of time.

The members have moved from ‘No Savings’ category to savings frequency categories like Monthly, Bimonthly and weekly after joining SHG.

The members have moved from ‘No Savings’ category to size of savings categories like Below 100, 101-250 and Above 250 after joining SHG.

The members have improved their Average income categories like Below 40, 41-80, 81-120 and Above 120 to the subsequent levels.

The members have moved ahead to the subsequent categories of food expenditure. In other words, the food expenditure per month has increased significantly after joining SHG.
The members have started availing loans at shorter intervals and durations in comparison to the loans availed before joining SHG i.e. the members are availing Loans from monthly basis to Bimonthly and weekly basis.

The loan size has decreased after joining SHG i.e. from Above 1000 to 501-1000 category, 501-1000 to 201-500 category and 201-500 to Below 200 category. The numbers did show the compulsion on the part of members to borrow more than what they need in case the size happens to be small. It is because the moneylenders insist on minimum size of the transaction.

Factor I – Economic Independence is a linear combination of 8 variables, namely, more employment opportunities, increased household assets, less dependency on money lenders, Easy access to savings and credit, multiple sources of income, Regular income, Lower interest rates and convenient repayment schedule and covered by insurance. These eight variables have high loadings on Factor I. The variable ‘More Employment opportunities’ has the highest loading on the Factor Economic Independence. The Factor has Eigen value 5.31623 which explains 15.6% of the variance.

Factor II- Personality Development comprises five variables, namely Increased-Awareness, Fundamental rights, Policies and procedures, increased selfconfidence and self-worth, Attended vocational trainings, hones communication skills and more self reliance. These variables have high loadings on Factor II which can be called ‘Personality Development’ to represent the theme of these five variables. Its Eigen value is 4.59603 and it explains 13.5% of the total variance.
The third Factor ‘Intellectual Development’ captured the core of these four variables namely, Improved literacy, Adoption of Budgeting and book keeping skills, More investment in education and reduced student dropout rates. These variables have Factor loadings 0.72384, 0.69202, 0.60067 and 0.53083 respectively. Its Eigen value is 3.60650 and it explains 10.6% of the total variance.

The fourth Factor ‘Social Empowerment’ captured the heart of these five variables namely, Improvement in Social recognition, Development of relationship and networking skills, More participation in family and community activities, Organizing and driving social events and upgraded community infrastructure. These variables have Factor loadings 0.87273, 0.86149, 0.85687, 0.80857 and 0.77593 respectively. Its Eigen value is 3.51967 and it explains 10.4% of the total variance.

The fifth Factor Political Empowerment’ is a linear combination of four variables namely, more participation in political activities and local governance, Political parties and leaders listen to SHG closely, increased exercise of franchise and articulate community issues to political parties and leaders. These variables have loadings of 0.74254, 0.65236, 0.62864 and 0.57222 respectively. Its Eigen value is 1.80644 and it explains 5.3% of the total variance.

The last Factor ‘Household Empowerment’ captured the essence of the following variables; Reduction in domestic violence, Increased access to medical activities and health services, Higher intake of nutritious food (consumption), Moderates malnutrition, Standard of living
improved, More confident and assertive role in domestic sphere, Greater respect and consideration within family, better housing, sanitation and drinking water facilities. These variables have loadings of 0.77078, 0.76889, 0.74187, 0.74107, 0.73719, 0.72326, 0.68407 and 0.66369 respectively. The Eigen value is 1.60487 which is slightly above 1.5. The Factor explains 4.7% of the total variance.

- There is significant relationship between the factors of multivariate impact of SHG membership which is revealed by the high correlation coefficients amongst them.

- Bank looks at the SHG Linkage Project as a business opportunity and uses it as leverage for expanding its good clientele base in rural areas [100% repayment of loans under SHG Linkage as against 50-60% under other individual loans issued].

- Presence of a good and reputed NGO in the neighborhood has been one of the positive Factors for promotion of SHGs by the bank.

- SHG approach has helped in rehabilitating some of the hardcore defaulters.

- SHGs also became the rescue of uneducated, poor farm workers.

- The study effectively created awareness and solutions to some extent, among the SHG members especially women about their social, communal and economic problems as its solutions.

- It carries out the common interest in the most efficient and economic way. It is confirmed in this study that SHG members cross all social, communal and economic barriers with the effective micro finance
system to a greater extent. SHG members get equality of status in
democratic, economic, social cultural spheres of life. SHG activities
empower every member to work together with equal dignity and
respect. SHG economic and social activities promoted and ensured the
life of each and every member in a well placed manner.

➢ As member come together to form groups, their output in terms of
productivity and remuneration has increased substantially. It becomes
easy for them to voice their grievances if any. Also, it becomes easier
for banks to extend financial aid to such group than to a single
individual.

➢ These groups are also good stress-busters. In terms of crop failures or
other unknown reason, the groups help the members to unwind and
relive their mental stress.

➢ SHGs provided effective coping mechanisms and peer pressure acts as
the best collateral.

➢ It strengthens significantly the socio-economic status of poor by
providing technical and financial services on a continued basis for
establishing their identity and self-image.

➢ SHGs promoted by the bank are sound and maturing in a healthy
manner.

➢ It has adopted a joint liability model to deliver micro financial services.
In addition to their joint liability products, the external linkage also
offers consumption loans and recently started offering individual loans
with daily repayment.
Microfinance improves housing; provide access to safe drinking water and better sanitation facilities.

Access to financial services enabled clients to reduce their vulnerability through smooth consumption, building assets, and receiving services, self reliance and no dependency on money lenders.

5.3 SUGGESTIONS

- Income generating activities should be introduced.
- Training regarding the market activities should be improved.
- Communication and leadership skills should be given much importance to improve the personality development and Group discussion skill.
- Groups are to be formed with concrete objectives.
- SHG members are properly trained and informed before their venture.
- They lack marketing know-how, and thus finding it difficult to compete with established market leaders. Government and Self Help Promoting Institutions (SHPI) should take more steps to market their product. It can help to improve their earnings that may result in better economic position.
- Proper guidance and counseling programmes to be arranged in selecting the micro enterprise. The members can be encouraged to invest in profitable enterprises.
Uniform pricing may be fixed for their products.

The banks could help the members to prepare certain statements like interim profitability; it will help them understand the progress of their enterprises. Such documentary support will encourage the entrepreneurs towards the corrective steps to control the expenses thereby increasing the profitability.

The Government shall take products and services of SHG in order to encourage and promote the trade and services of SHG. Moreover, the pricing shall be on better terms and conditions.

Good monitoring of loan utilization, loan utilization checks and loan supervision visits must be taken seriously.

Gestation period of six months for any group to be linked with bank for credit is quite a long period.

SHG Bank Linkages provides for only short term loans of 20 months to 30 months. There is no provision for medium term credit.

Not give higher credit limit before the borrower’s family background is adequately investigated, such as: {i}. size of family {ii} number of dependents in the family {iii} earning members in the family {iv} details of family business/profession if any {v} how long they have been residing in the area {vi} standard of living etc., It could have avoided the less default rates in SHGs.

Monitoring should be to make sure that people are on the path charted out and the members have the capacity to take the next step.
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.

**Borrower’s Education**: The SHPIs should have an elaborate system of training the borrowers on a regular basis. However, banks in India do not have any such system. Whenever banks in India have introduced such systems, they have been limited to a few areas and branches. Such systems have to be installed as a part of the regular functioning of banks if they have to have widespread impact.

No financial incentives to SHGs borrowers for prompt repayment of bank credit i.e. loans at better interest rates should be given to encourage prompt repayment.

Solution is in Innovation. Technology can be a great enabler in the hands of government and Micro Finance Institutions to provide better service at low cost with much better controls to reduce fraud and loss of money. For eg: Web based solutions, PDAs and mobiles, Biometric cards, RFID (Radio Frequency Identification Device) tags for cattle etc.

Health problems were mentioned by SHGs as a major difficulty to cope with and also a frequent reason to take loans from moneylenders. Therefore, providing health insurance as of SHG programme could be considered.
The micro finance segment has to be integrated with the mainstream rural finance sector promoting more by appropriate linkages of banks/cooperatives with SHGs.

All the members in SHGs may not have the same calibre and expertise. The inefficient members of the groups should be identified and can impart proper training to them in order to make them competent.

Frequent awareness camps can be organized to create the awareness about the different schemes of assistance available to the participants in the SHGs.

The members should be advised to avoid too much sales on credit.

5.4 CONCLUSION

To conclude, banks have a large number of outlets, with enabling technology support, the delivery channels could be enhanced with reduced transaction costs. With the introduction of core banking solutions, in most of the major banks, there is a huge surplus of available manpower. This, surplus manpower, needs to be reoriented to take up the challenge of addressing the needs of the rural masses and bringing them into the banking fold. Banks have an important role to play and a stake in inclusive banking, as it would be a necessary intermediate step towards inclusive economic grow.

In addition, impact evaluations will help practitioners understand what the best and most beneficial ways to provide financial services to the under-banked are. Understanding the areas in which micro-credit has an impact and the reasons why it
has an impact will help focus on these areas and develop appropriate products to maximize the benefits to the clients.

Finally, it provides evidence to regulators as to Administrators, Politicians that microfinance has a strong impact in order to convince them to mainstream microfinance in the regulated system. Such evidence will also be of importance for "social investors" eager to invest in projects that have a high social impact.

This study is a call to the microfinance community to apply their expertise and explore the potential of microfinance in all its forms to impact on the lives of the poorest also. It is a call to give equal weight to the goals of poverty outreach and impact, rather than letting them be subsumed by the over arching goal of sustainability.

This study will enable a new understanding of the effects of micro credit programs at the individual level, household level and Social level and the usage of financial services in particular. This understanding could lead to better financial services product design and to the development of complementary non-financial services interventions at the household level with the final aim to maximize the impact of microfinance.

Microfinance first started as hype with Dr. Md Yunus’s Grameen bank model but with the passage of time most of the developing as underdeveloped economies have practiced the model and in specific India has adopted it in a larger scale managed to leave mark in the success of Microfinance as a tool for poverty alleviation. SHG has played a vital role in bringing micro finance a success in Indian context.
The transformation of microfinance from a movement directed against the subsidized agricultural credit delivery of the 1960s and 1970s to a ‘revolution’ that we know today has been accompanied by great stories of success all over the developing world. The use of qualitative and quantitative evaluation methods helps us pinpoint the extent of success and the part of outcome that is attributable to microfinance services.

After sixty years of independence, Nehru's dream of India as a nation free from inequities where the poor can also hope to live an economic life is still unredeemed. At this backdrop, micro finance is increasingly regarded as a viable alternative approach to poverty alleviation. However, not all is in place to facilitate and enhance the growth of the micro finance industry in India. India boasts of one of the largest micro finance programmes in the world today i.e. SHG -Bank linkage programme. NABARD has done a great job.

This study has shown, assessed and analysed the impact of micro finance on many fronts, say, social, economic, cultural, political, intellectual, community, personality, attitude etc. Apparently, the impacts on many fronts have been overwhelmingly positive and it is natural that the prospects of SHG-Bank linkage programme would continue to blossom further in the years to come.

It is believed that the Micro-Finance, if utilized properly, provides ample chances to SHG members to develop multifaceted skills, increases confidence and enthusiasm, hones personality and develops positive outlook towards life. The bottom line is that the ‘Micro Finance’ is the new mantra for any self-help group or member of the group.