CHAPTER-VII

SUMMARY, FINDINGS AND SUGGESTIONS
7.1 Introduction

Expanding access to financial services for the poor is a goal that has frustrated development practitioners for decades. The distressing legacy of subsidized and directed credit has created many sceptics. Most directed credit programmes targeting small farmers and other priority groups have had limited success. Such programmes have not been financially self-sufficient, have not often reached the poor and have distorted financial markets.

Microfinance programme is being recognized and promoted in many parts of the developing world as a strategy with the greatest potential for providing sustained financial services to poor people. The institutional frameworks of these programmes are seen as a landmark in rural finance. In a short span of time, the concept and practice of microfinance have spread from the remote villages of Bangladesh to all the developing economies. The objective of the programme is to evolve supplementary credit strategies for meeting the credit needs of the poor. This is sought to be achieved by combining the flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the formal credit institutions. The growth and interest in microfinance, across the continents, has been so spectacular that the UN declared the year 2005 as the “international year of microcredit.”

7.2 Summary

Microfinance programme was introduced all over India as a formal programme in the form of SHG-Bank Linkage Programme in the year 1992. The programme is still in initial stages and data regarding the yearly growth of SHGs and access of finance by them has not been properly, maintained by any of the
formal and informal institutions. So growth of SHGs in the district could not be adequately assessed to get a dear picture of the functioning of microfinance programme in the district. Microfinance programme through Self Help Groups (SHGs) has occupied an important position in the field of rural credit in the block. Women groups in the block have undertaken entrepreneurial activities at a smaller level with minimal capital requirements. Primary study was conducted in the block to assess the impact of microfinance programme on the rural poor.

In Chapter-I, we presented the motivation and importance of the study. Further, the method, hypothesis were explained in detail. The review of literature discussed in Chapter-II reveals that there is ample evidence to support the positive impact of microfinance on poverty alleviation as it relates to fully six out of seven of the Millennium Development Goals. In particular, there is overwhelming evidence substantiating a beneficial effect on income smoothing and increases to income. Microfinance is an instrument that, under the right conditions, fits the needs of a broad range of the population, including the poorest, those in the ‘bottom half’ of people living below the poverty line. While there will be people in this group who will not be suited for microfinance because of physical or mental illness, etc., the exclusion of this small percentage of the population will likely not be a limiting operational issue for MFIs.

Chapter-III presents an overview of Microfinance including presents trends, the origin and concept of micro finance, given explanation about Importance of Microfinance, in this chapter, provided information about Micro Finance approaches and Delivery models of Microfinance. Further, we also focused on Microfinance Programme in India, Microfinance Outreach in India and Progress of SHG-Bank Linkage Programme in India, and also discussed regarding problems and, Prospects of Microfinance and the various problems in the growth of microfinance in India were discussed in this chapter. The growth, structure and patterns of microfinance in Karnataka were discussed at length in Chapter-IV. The
SHG-Bank Linkage programme in Karnataka was analyzed. Furthermore, the role of stakeholders and issues regarding SHG-Bank linkage were deeply described. Analyses of promotion and linkage of joint liability groups, Stree Shakti and progress of microfinance in Karnataka were discussed in this chapter.

The profile of study area, Gulbarga District was given in Chapter-V. The General characteristics of Gulbarga District including its demographic features, economic profile and also Self Help Groups in Gulbarga district was discussed in detail in this chapter. The analysis carried out in this chapter shows that the district is the most backward in Karnataka. The agriculture sector is still largely dependent on rain and irrigation facilities are highly. The banking sector though has some presence but mainly limited to urban area and rural people are continued to depend on local moneylenders. Chapter-VI presented the empirical discussion of the present study. The study selected Gulbarga district, one of the largest but economically backward for the empirical analysis of impact of microfinance on poverty reduction. The most backward areas in the district of Gulbarga namely, Chincholi, Chittapur, Aland, Afzalpur and Jewargi as per the Dr. Nanjundappa Committee Report are considered for the sample collection and empirical investigation. Survey method is used to collect the data and statistical techniques are used to analyse the data.

7.3 Findings of the Study

- The age of the majority of the respondents (51 per cent) lies between 26 and 35 followed by 38 per cent of respondents in age group of 36 and 45. Besides, 8 per cent of the respondents were below the age of 25 and 3 per cent were above the age of 46. Further, out of the total respondents, 88 per cent belongs Hindu religion, and 8 per cent to the Islam. It is be noted that a small percentage (3 per cent) practice Christianity.
- In the study group SCs and STs constitute 22 and 7.5 per cent of total respondents. The majority of the respondents belong to OBCs and general (upper caste) constitute 11.36 per cent of total respondents interviewed.
- In the total respondents, 51 per cent attained education up to primary level and followed by 20 per cent who were able to finish High school education. It is welcoming that at least 8 per cent finished pre university education and 3 per cent were able finish the Graduation.
- It is disheartening to note that still 17 per cent of respondents are illiterate.
- 82 per cent of the respondents were having their own houses while 15 per cent live in rented houses and rest of the respondents live with their relatives and friends.
- Only 55 per cent of respondents are having land.
- Most of the respondents (that is 53.64 per cent) learnt about SHGs from the Anganawadi workers while 11.36 per cent know about the SHGs from NGO’s.
- It is interesting to note that 15 per cent of the respondent considers SHGs as vehicles, which make individuals economically independent. Besides, facilitating other financial institutions (5 per cent) and creating awareness (8 per cent) were the functions of SHGs as reported by respondents.
- 54.09 per cent reported that it is Anganwadi worker, who encouraged them to join the programme. In case of 14.9 per cent respondents, it was husband, which is a welcoming feature. The officials and Gram Panchayat failed to motivate women folk to join the SHGs programme.
- It is to be noted that 52 per cent of the respondent joined only after one year of SHG programme introduced in particular village.
- Only 28 per cent of the respondents joined when the programme was started while majority of them (52 per cent) joined SHGs only after a year and 15 per cent after two years of its set up.
• The NGOs were in forefront in providing training as they account for 63 per cent of trainees followed by Gram Panchayat (19 per cent).

• While 61 percent stated that need for credit and future savings, 15 per cent started participation for the need of credit and 10 per cent of the respondents looking it as an opportunity to save.

• It is significant to note that 57 per cent of the groups consists 10-15 members while size of 22 per cent of groups is 7-10. It is interested to note 4 per cent of groups consists 4-6 members while 5 per cent groups are of more than 20 members’ size.

• It is welcoming fact that 93 per cent of respondents know each other. Although only 7 per cent of the respondents reported that they do not know other members of the group, but it is still discouraging because it defeat the founding principle of SHGs.

• It is welcoming to note that 88 per cent of respondents feel that they are responsible towards members of the group and group as a whole and rest 12 per cent do not feel themselves responsible towards members of the group or the group as a unit.

• It is important to note that 82 per cent of the respondents participate in the meetings.

• It is sad to note that only 15 per cent of the respondents monitor the utilization of the loan while rest said they were not monitoring loan utilization.

• The 66 per cent respondents opined that the loan provided by SHG is inadequate and that is reason for approaching other institutions for the loan. Further, 23 per cent held that immediate repayment of loan is the reason for exploring other sources.

• 79 per cent of sample SHGs have monthly repayments, while 11 per cent follow fortnightly method of repayment. In addition, there is also weekly
payment in 5 per cent of the SHGs while 2 per cent have more than a month
repayment facility.

• Family problem is cited as the most important reason for the delayed
payment/default for 40 per cent of the respondents.

• Out of the total, 13 per cent respondents made payments personally and 2
per cent respondents made payments to the door-to-door loan recovery
personnel.

• Further, 78 per cent of the respondents replied that the borrowed loan from
SHGs was sufficient to meet the expenses for which they borrowed while 22
per cent borrowed from other sources also since the loan amount provided
by SHGs was inadequate.

• 55 per cent brought from private financial institutions followed by 24 per
cent from Traders/Money Lenders, 13 per cent from commission agents and
only 8 per cent from Banks / Friend and relatives.

• 72 per cent of the respondent frequently supervises loan utilization.
However, only 27 per cent either occasionally or rarely supervise loan
utilization. In other words, 28 per cent of the respondents were not active in
supervising.

• 81 per cent of the members frequently supervise on this count. This point
draws further empirical support where 86 per cent of the respondents opined
that supervision is important among other supervisory function to ensure
repayment of loan.

• 8 per cent of the members were undertaking dairy activity before joining
SHGs and this number increased to 18 per cent thanks to the financial
support provided by the SHGs. Similarly, Sheep raring as an economic
activity increased from 10 per cent to 14 per cent after the SHG programme.
In other words, the members who were undertaking some less income / no
income generating activities moved to dairy, poultry and sheep raring. The
respondents moved from other petty business to Non-Firm Sectors (NFS’s), dairy and sheep rearing.

- 46 per cent of the members spend between ₹ 20,001 and ₹ 30,000; while 34 per cent spend between ₹ 30,001 and ₹ 40,000 on the food. Further, 67 per cent of the members incur ₹ 5,000 to ₹ 7,500 on clothing and 12 per cent spend below ₹ 5,000 on clothing. In other words, the expenditure on clothing majority ranged from ₹ 5 to 10 thousand for 80 per cent of the members.
- Similarly, 32 per cent members spend below ₹ 5,000 on Children’s education while 47 per cent spend between ₹ 5,000 and ₹ 7,500. Medical expenditure also constitutes the major part of expenditure of the members. The members after joining SHG also understood the importance of children’s education and spending a sizeable portion of their income on the same. After joining SHGs, members stated to spend on durable goods also which is an indicator of upward mobility of SHG members.
- The study found that the sample villages are lacking in many basic infrastructural facilities like road and bank branches which hampers the proper functioning of these groups (SHGs).
- All the SHGs are found to maintain a good record of their activities like date of individual borrowings, repayment of loan, sanction of group loans, meetings conducted by group members, subject matter of discussion in each meeting etc.

7.4 Operational constraints in implementation of the programme

Based on the result of the study and from the discussions with the bankers, NGOs and SHGs the following operational constraints have been observed.

- The loan amounts are small and it does not help the poor households sufficiently to put it into the income generating activities and to take risks.
• As the bank credit/loan is given in a bulk amount to the groups, it does not adequately address the diverse credit needs of the members.

• Repeat loans are not given more importance by the banks, since the programme concentrates on outreach expansion. However, credit-linking of new groups by the banks has been increasing as revealed in discussions with bankers. The banks prefer to credit link new groups than to provide credit to the old groups who are already linked to achieve the targets.

• There are no specific instructions to the banks which can make the lending to the SHGs a compulsory item even though it is included in the priority sector category of lending.

7.5 Conclusion

The empirical results based on analysis of data collected from the study area, Gulbarga district show that there is sizable increase in the number of SHGs working in the study area and they successful penetrated in the rural area. This study finds considerable awareness among the participants and they understand the importance of participation which gives them sense of belongingness. The empirical results further show that the poor households too started saving small amount of money. This study finds that there is an increase dependency on SHGs for loan after their formation, which indicates that formal banking sector was failed to meet their needs. The study finds a striking improvement in the income of the respondents after joining SHGs. The activities like dairy, poultry, sheep raring and other petty business increased after joining SHGs as they borrowed from these groups. This has increased their income and poverty level came down which is evident from the pattern of expenditure.

The study shows that microfinance market in the block is still a suppliers’ market and the demand aspects are not so strong till now to influence the lenders preferences and credit limits. Nevertheless, the programme in the form of SHG-Bank Linkage Programme has given hope to increase some income and
employment, and for the poorer sections of the rural masses to have an easy access to credit for consumption purposes. In a typical agrarian economy, characterized by lack of capital, uncertain livelihood patterns and inadequate skills, the programme offers enough justifications as an important paradigm of rural finance to augment income and employment in the hands of the poor.

Two disheartening points emerging from discussion on results need to be mentioned. One, still respondents approach informal channels to meet their demands of credit due to inadequate amount of credit given by SHGs. Second, the interest rates on loan in SHGs though marginally lesser than local money lenders, but they are still exorbitant. The interest rates ranges sometime between 25-36 per cent annually. There are no economic activities which generate returns greater than 36 per cent annually and hence even members of SHGs are vulnerable to debt trap. This calls for regulation of SHGs.

The study concludes with a few suggestions for further research:

a) Comparative case studies between two regions differing in socio-political environment.

b) Comparative study between different models of the SHG-Bank linkage programme to study which model is more fit to a particular region.

c) As the majority of SHGs are facing lot of inconvenience regarding accommodation, the Government has to initiate to construct Community Halls in the villages.

d) Sufficient training has to be imparted to the SHGs members and to group leaders taking into account their interest and educational standards.

e) Awards should be instituted by the implementing authority for the best functioning SHG to motivate other SHGs to improve their performance. The criteria for awards can be based on a point system, giving one point each for attendance in meetings, proactive ideas for the betterment of group,
participation in skill training seminars, camps, transparency in accounts, and repayment rate of loans and taking up a social cause such as adult education etc.

f) Effective implementation requires thorough understanding of the scheme. It can be done by providing appropriate orientation and training to the staff to conduct field surveys. It would be apt to allot minimum two days of the week for field work. The staff should be provided with transport facilities to do field surveys and they should be appropriately compensated for the fieldwork and should be given incentives for good work.