CHAPTER IX

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The foregoing analysis indicated that micro-finance programmes are expected to make a significant contribution to poverty alleviation and empower the poor in social, economic and political spheres. These programmes are also expected to become increasingly self-reliant and independent of donor funds. The review of literature mentioned in chapter-II clearly argues that micro-finance has very beneficial social and economic impact. However, some studies argue that micro-finance does not assist the poorest. Thus, the ability of the programmes in targeting the poor, the sustainability of the services provided and the ability of the programmes to reduce poverty shows only limited data on the impact of NGO programmes and that NGOs’ comparative advantage over other service agencies needs to be investigated rather than assumed. With this background, the present study examined the functioning of micro-finance programmes, and analyses the economic and social benefits of beneficiaries in three sample districts of Karnataka State.

The chief objectives of the study are:-

1. To examine the existing institutional credits facilities and strategies in Karnataka.
2. To study the extent of influence and support of microfinance institutions in implementing microfinance programmes for uplifting the poor.
3. To study the employment activities of Self-Help Groups under micro credit programmes
4. To examine the Role of Self-Help Groups in socio-economic empowerment of poor.
5. To examine the problems faced by the NGOs and SHGs in implementing the micro credit programmes
6. To suggest measures to strengthen micro credit programmes in the state.
The above objectives have been tested through the following hypothesis.

1. Strategies and facilities are encouraging micro credit activities in Karnataka
2. Microfinance institutional facilities are promoting saving, credit, and income generating activities of the poor people.
3. Employment is increasing due to micro-finance activities.
4. Non-government Organizations and Government micro credit programmers are supporting to upliftment of the poor.
5. Self-Help Groups are an effective instrument for development initiative of the poor people.
6. Self-Help Groups are instrumental in encouraging thrift among its members is undisputedly correct.

METHODOLOGY:

Methodology of the study on Role of Microfinance and its impact on Socio-economic development in Karnataka has been broadly designed. Even though micro credit means launching of anti-poverty and other welfare programmes such as IRDP, 20 point programme Differential Rate of Interest scheme, PMR etc. It is observed that active involvement and dynamic participation of the rural poor was not fully ensured. As a result, NABARD pioneered the micro credit scheme with a difference and that is the formation of SHGs. SHG is basically a rural institution, which is a homogeneous group of individuals. It is an organization, where savings are mobilized, loans are lent to members out of borrowings from Banks through Bank linkage and from a common pool of funds repayment is ensured by constant meetings of the members. Social and educative programmes are also undertaken to achieve overall integrated development. The concept is well accepted in rural areas and remarkable progress is achieved through SHGs.

To study the quantum of Socio-economic impact on the members of Self-Help Group a sample of 300 beneficiaries, under stratified sampling method has been selected to cover whole of Karnataka state, the districts are classified in to 3 zones based on concentration of SHGs. The three zones are listed as highly concentrated,
moderately concentrated and least concentrated. The 27 districts are classified in to highly concentrated (10 districts); moderately concentrated (6 districts) and least concentrated (11 districts). Finally 3 districts representing each zone are selected. Kolar district representing the highly concentrated zone, Mandya district representing moderate zone and Bangalore Rural district representing least concentrated zone are chosen. For the study we selected two NGOs from each districts and 10 SHGs from each NGO. Five members are finally chosen as respondents from each SHG. In all 300 respondents were finalized. The purpose of the study was to study and measure the impact of micro finance on socio-economic life of the SHG members. So a beneficiary, SHG and NGOs questionnaire was canvassed containing questions relating to social parameters and economic parameters. The statistical tool adopted includes percentage correlation, etc.

India is the pioneer in recognizing micro finance initiatives as an effective as a tool to cater the credit needs of the poor through the core strategy of SHG-Bank linkage programme, which has completed 15 years of its implementations, has been successful in India and even today. The key milestone of rural credit system are Rural Credit Survey Committee Report(1954), nationalization of major commercial banks (1969 and 1980), establishment of RRBs(1975), establishment of NABARD(1982) and the on going financial sector reforms since 1991.

The microfinance agencies still have a long way to go in reaching the ultimate potential. The credit gap in the demand and supply is even more glaring. The actual annual loan disbursement of these agencies, then the bigger if we were to take the potential demand and not one based on the actual credit use. As many as 10.79 lakh SHGs have financed by various financial institutions as at the end of 31 March 2004. Nearly 90 percent of the SHGs financed were exclusively women groups. The size of an average loan sizes are Rs.22, 240 per SHG and 1,300 per member. All the 196 RRBs in the country are participated in the SHG-Bank linkage programme.
Karnataka is a pioneer in SHG-Bank linkage programme and a recognized laboratory for microfinance innovations continues to maintain its leading status in promotion and credit linkage of SHGs. As many as 1,88,447 SHGs have been promoted by different SHPIs in the state. The Stree Shakti scheme covers villages spreading in 177 taluks in the state about 20 lakh women will be organized through one lakh groups. Microfinance has indeed the kind of impact it is assumed to have on poverty elimination and empowerment of poor. SHG –Banking in India is the ideal combination of the formal banking sectors “banking with the poor” and banking by the people through informal SHGs.

The distribution of credit by different sectors of Kolar District showed that the credit flowed rapidly to the crop production, milch-animal rearing and horticultural crops, and not to the non-agricultural activities as the bankers were concerned with profitability during the period of financial sector reforms since 1991. Thus, the poorer households (and women living in these households), comprising of landless and marginal farmers, did not significantly benefit from the recent improvements in the district on account of its proximity to Bangalore city, introduction of cash crops and alternative livelihood opportunities in the form of milch-animal rearing.

Hence, banks consider investment on crop production to be safe in the district of Mandya. However, the formal banks did not provide credit to improve occupational diversification among agricultural households both on account of profitability considerations and the perception that those who were unemployed and underemployed from the agricultural labourer households were lazy

Though illiteracy was high in Bangalore Rural district there is need to provide formal credit to households for both improving the land productivity and undertaking alternative occupations. However, the formal banks preferred those activities, which were land-based, profitable and offered collateral to the banks. Further, there was no adequate provision for consumption credit. It was because of these reasons that the micro-finance services delivered by the NGOs became very important for the poor.
THE EFFORTS OF NGOS ON MICROFINANCE:

Notable changes have been taken place in providing micro finances of the Non-Government Organisations (NGOs). As we observed during fieldwork the lending capacity of some the NGOs was relatively better. This was mainly because of the linkages with banks under NABARD’s Bank-SHG Linkage programme, which was started in early nineties. There are also differences between the NGOs in so far as the management of credit funds is concerned. The systems and procedures relating to the people’s management of credit operations are more developed in some NGOs. On the other hand, while people participated in the operation of revolving credit fund of SHGs at the village level, the NGO retained the decision-making power in the case of funds operated at the NGO level.

Another interesting feature is that, of late, the members have started showing interest in borrowing for land purchase, and house construction and repairs. Based on the discussion with the SHG members, one can suggest that the members had credit sources to meet their survival needs. While the members were able to access services relating to education and health with loans from savings fund they were able to stabilise or improve agricultural production or start income generation activities with loans from SHG federation and banks. After meeting the survival needs, they started to focus on reducing the vulnerability through loans obtained for land purchase and house construction/repairs. These trends were applicable to all the NGO areas.

ECONOMIC IMPACT OF MICRO FINANCE:

The present study, with limitations of small sample size, shows that the micro-finance programmes do provide economic benefits to the people for whom the programmes were initiated. These economic benefits were mostly confined to availability of savings and credit facility, access to credit for consumption and production and use of credit for undertaking income generation activities. The economic benefits of micro-finance programmes revealed improved condition of households. One of the indicators used to examine the economic benefits was the
purchase of productive assets. About half of the respondent households had acquired milch animals, poultry and sheep after they had become members in SHG. More importantly, one-fifth of the households purchased land after they had become members. This became possible as the respondent's household moved from the situation of vulnerability to security. Because a significant proportion of the households acquired productive assets after they had become the members. The proportion of households not owning productive assets was less among SHG member households.

Another indicator to assess economic benefits is the household income. Over one-fourt of the beneficiaries obtained income through traditional sources such as agriculture and agricultural wage labour. About one-third of the beneficiaries among SHG member group had access to more than one-livelihood sources. On the other hand, a bulk of the beneficiaries had access to just one source. A relatively large proportion of beneficiaries group was earning less than Rs. 3000. About two-third were obtaining more than Rs. 3, 000 per annum.

The acquisition of consumer durable such as television, radio, wall clock, cycle, iron box, gas stove, etc., is concerned, quite a few of the members acquired these assets after they became members in the SHG group. Interestingly, slightly less than half of the households in the member group had acquired jewellery. One may expect that the households step up their expenditure on food, clothing, health and education, functions and entertainment with a raise in income. Interestingly, most of the beneficiaries reported that increase in their expenditure on these items. The proportion of expenditure was relatively higher in the case of childcare, health care and clothing while it was less for food, housing and travel. Only one-third of the beneficiaries of SHGs reported an increase in expenditure on education.
SOCIAL IMPACT OF MICRO FINANCE:

The social impact of micro-finance programmes in three sample districts seems to be marginal. The decision-making is mostly confined to small and large purchases for the household, self and children. A majority of the women, even after years of membership in the group, do not participate in the decision-making relating to house repair, purchase of land, productive assets, education of boys and girls, etc., as these areas are considered to be the domains of men in the household. Further, the women noted that there was no connection between micro-finance and social benefits. However, the membership in the micro-finance groups resulted in positive benefits to households in terms of expenditure on health and education. The qualitative evidence further supports this. This has been discussed in the chapter-8 of the thesis on case studies. In this chapter we discussed that how the SHG member households moved from a situation of vulnerability to security. Similarly, some of the case studies show that, prior to joining in the SHG group, how they were depending on the community and their household for living.

Microfinance programmes are expected to contribute to empowerment of poor. Women are encouraged to undertake income-generating activities enable them to have access to resources and income. This leads to enhanced decision-making within the household, and thereby, enables them to spend income on health, education, consumption, etc. The indicators chosen for this analysis are decision-making within the household, actual outcomes relating to education, knowledge relating to importance of education, importance of education for girl children and age at which girls should marry family planning etc. We have taken two types of decision-making into account. Women involves in decision-making on large purchases made for the household, for children and for herself and the other include productive activities such as education of children, house repair, purchase of milch animals, buying of land and other assets, family planning etc.
A significant proportion of women stated that girl should be married soon after they attained puberty. Most of the women expressed that they would give unlimited freedom for boys to pursue their education. It appears that societal expectations on the age at which girls are to be married and whether women can undertake salaried employment, determined the parental decision on whether girl should go to school or not. The obvious conclusion is that the SHG membership may not have any significant bearing on the value attached to children’s education especially for girls. In the study area, larger SHGs were divided into small SHGs consisting of about 10–15 members in accordance with the changes in the development perspective of the NGOs, and they need to link the SHGs with banks and government programmes such as DWCRA.

The lending programme of some NGOs was comparatively larger. This was mainly because of the linkages with banks under NABARD’s Bank-SHG linkage programme. The SHGs was developed by NGOs continues to function in the study area and has been participating in the administration of the savings and credit programme. This has contributed to the members accessing loans from banks under the Bank-SHG Linkage programme.

FINDINGS OF THE STUDY:

The findings of the study are summerised as under:

1. The popular size of the each SHG is around 15 to 20 and 80 per cent of SHGs are covered under this category. About 50 per cent of the SHGs out of 60 surveyed SHGs are borrowed loan from Banks. 63 per cent of the SHGs out of 60 surveyed are promoting income generating activities. About 37 per cent of the SHGs are supporting Dairy activities.

2. Out of the total sample respondent as many as 295 are belonging to women and only 5 members are male category in the study.

3. Nearly 77 per cent of the total numbers belongs to the age groups of 20-40 years. The age compositions represent very young women groups are participating in micro finance activities.
4. **Majority of the members** belongs to agriculture work 32 per cent of the members are agriculture land less labourers. 28 per cent of the members are doing business after availing credit facilities from SHG and Banks and 28 per cent members had their annual income ranging from Rs. 3000 to 5000. About 29 per cent of them earned income ranging above Rs. 5000/-. In Mandya District, at least 35 per cent belonged to the income group of above Rs. 5000/-. But this number is only 23 per cent in Kolar district and merely 29 per cent in Bangalore Rural district.

5. As many as 37 per cent members had their household annual income ranging up to Rs. 10,000/-. 36 per cent member household annual income ranging from Rs. 10,000 to Rs. 20,000. Only 16 per cent members household income ranging from Rs. 20,000 to Rs. 30,000. In Kolar about 55 per cent belongs to the income group of Rs. 10,000 to Rs. 20,000. But this number is only 29 per cent in Mandya and mere 24 per cent in Bangalore rural district.

6. Nearly 50 per cent of the total members belong to economically poor and belongs to backward communities. About 36 per cent of the total members belong to SC/ST, as many as 28 per cent OBC and only 16 per cent belongs to minority community.

7. In the sample districts as high as 96 per cent of the respondents belongs to nuclear family. In Kolar district this number is more of 97 per cent.

8. About 42 per cent of the members are illiterates, 22 per cent and 30 per cent of members completed primary education and secondary education 6 per cent had completed PUC. Because of literacy campaigned awareness programme conducted by SHG and sponsored NGOs about 26 per cent could able to sign and illiteracy came down and literacy to the extent of signing increased after SHG formation.

9. At least 14 SHG members are occupied positions in local bodies after SHG formation as against nil before SHG. About 38 members have become members of local School Development Management Committee.

10. As many as 70 per cent of the total respondents have developed the attitude of involving themselves in social and economic activities after SHG formation. There was remarkable improvement in social empowerment of SHG members in terms of self-confidence, involvement in decision making, better communication etc.
11. The SHG membership is a sense of social commitment that more than 80 per cent members are against habitual drinking and an average 80 per cent of members are inclined to protest against social evils after SHG membership.

12. The members were relatively assertive in confronting with problem situation. There was a fall in the incidence of family violence.

13. The gender consideration is the major factor that prompted people to join SHG.

14. About 56 per cent of members have been trained either through NGO or SHG federation or more so in Handi crafts, cottage industry, food processing, tailoring, Bee keeping, rather than in agriculture.

15. The real success of SHG can be attributed to attendance to meetings and about 92 per cent members attended all meetings, popularly conducted at weekly intervals.

16. The consumption expenditure has raised after joining SHG. The percentage of expenditure on food has increased by 98 per cent, on housing about 80 per cent, on clothing nearly 90 per cent, on health 77 per cent, on education it was 42 per cent, on social functions 41 per cent and 22 per cent for entertainment.

17. Saving mobilization of each SHG member and SHG as a group has increased from year to year. In Bangalore Rural District average saving is higher than other two sample districts.

18. The amount accumulated as savings along with amount borrowed are invested in income – generating activities such as acquiring capital assets, lands, animals, agricultural inputs, machinery and petty business. About 37 per cent of the respondents acquired the milch animals, 46 per cent on sheep rearing and 26 per cent on animals. In Bangalore Rural District 49 per cent of respondents are acquired milch animals after joining SHG. In Kolar district 57 per cent of the members are acquired sheep rearing after joining SHG.

19. Asset structure and consumables owned position of the members after joining SHG presents that members acquired vessels, transistors, television sets and domestic furniture’s are the major consumable items on which consumption expenditure is more after SHG formation.

20. The intensity of impact on social and economic conditions of SHG members and it is found that as much as 75 per cent of intensity improved.
21. Promoting and savings among SHG members and SHG Bank credit linkage, providing training for the members are the primary objectives achieved by NGOs through SHG formation.

22. NGOs have adopted the policy of identifying the women's in village and making awareness to form the SHGs, SHGs are promoted through NGO acting as facilitation year after year the number of SHG identified has constantly increased.

23. The normal term for which loans are given is one to two years and the rate of interest charged to SHGs is 12 per cent and the banks get refinancing facility from NABARD at 6.5 per cent for the loans provided to SHGs. SHGs are lending to their members at the rate of interest about 24 to 36 per cent with repayment period of one to two years.

24. So for the recovery percentage ranges between 95 per cent to 100 per cent and the recovery percentage is higher in case of women dominated SHGs rather than men dominated SHGs.

25. SHGs are working almost as banks to SHG members. Sustainability of SHGs was established through the better performance of older groups than the recently formed groups in terms of increased value of assets and saving rate, better access of institutional loans, higher rate of repayment of loans, elimination of informal sources and impressive social empowerment.

26. Microfinance has reduced the incidence of poverty through income generating activity, enabled the poor to build assets and thereby reduce their vulnerability. It has empowered women by enhancing their contribution to household income, increasing the value of their assets and generally by giving them better control over decisions that affect lives.
HYPOTHESIS:

1. Strategies such as formation and promotion of Self help Groups through thrift and bank linkage activities with credit facilities through group lending encouraged micro finance activities.

2. The micro finance instituitional facility is influenced saving, employment and income levels of households. The saving is positive and significant at 5 per cent level of significance, total income of the household is also positive and significant at 10 per cent level of significance and employment generation is also positive and significant at 1 per cent level of significance. The Null Hypothesis is rejected that employment, saving and income variables are influenced positively by micro finance.

3. Employment generation through micro finance activity has been influencing positively. The correlation between the two variables is 50 per cent. Analysis of variance is very high. The increasing level of micro finance is positive influence on employment generation. The coefficient value of credit is 0.00359, which is positive and significant at 1 per cent level of significance. The null hypothesis is rejected that employment is positive through the encouragement of micro finance activity.

4. Efforts of Non Government Organizations in Karnataka are actively supporting to formation of SHGs in rural areas, and their microcredit programmes are encouraging participation in self-employment and social awareness activities. Government also encouraged poor women through Stree Shakthi Scheme in rural areas.

5. Self Help Groups in Karnataka are effectively participated in saving mobilization, internal lending, and borrowing from the Banks through Bank Linkages.

6. The level of micro finance is predominantly influenced by saving activity. The F value is 4.91 which a significant at 2.8 per cent significant. The coefficient of saving is 0.593 which is at 5 per cent level of significance. There is a strong influence of saving over micro finance that 1 unit increase in saving
influencing to increase at 59 per cent of micro finance. Therefore, the null hypothesis is rejected that there is strong relation between saving and micro finance.

SUGGESTIONS:

Some valuable suggestions are drawn from the experience of the present study. Primarily, the poor people are ready to repay their loans and willing to pay for higher interest rate to SHGs than commercial banks if credit is provided. Secondly, the poor are able to save and hence microfinance of SHG should provide both saving and loan facilities.

1. The attaining financial viability and sustainability is the major institutional challenge for micro finance institutions. Deposit mobilization is the major means for microfinance institutions to expand outreach by leveraging equity. In order to be sustainable, microfinance lending should be based on market principles, because large scale lending cannot be accomplished through subsidies. The microfinance can contribute to solving the problem of inadequate housing and urban services as an integral part of poverty alleviation programmes.

2. Separate National Bank for Women Self Help Groups is required to promote and protect the financial interest of the members.

3. SHGs may be permitted to issue fixed deposits certificates, Cash certificates and other savings oriented instruments may be under the authorizing of the concerned lead bank in the respective district.

4. The Banks may encourage SHGs to open Saving Bank accounts for different purpose say for education, marriage, capital asset purchase etc so that the amounts accumulated in the respective account be utilized for the said purpose only. This ensures the SHG members to fulfill their social commitments much better.
5. SHGs to become more meaningful and purposeful should be constantly guided by NGOs with regard to their activities, especially the purposes for which the loans are sanctioned.

6. Literacy programmes including awareness programmes may be taken up seriously by NGOs, Banks, SHG Federation’s and Voluntary Organizations as this component alone can bring success for any socio-economic welfare in the State.

7. Banks and NGOs should provide training to the members of the SHGs in different filed especially in income generating activities.

8. The Banks in the rural areas may be asked to liberal to SHGs with regard to amount of loan with lower interest that can be lent to SHGs.

9. We also need to identify ways and means of improving and sustaining the quality of SHGs consistent with rapid growth and balancing sustainability with access.

10. The problem of promoting livelihood among SHG member is becoming increasingly important because of the need to create livelihood and employment opportunities for higher incomes in the rural areas. We believe that the problem of rural migration, which is a cause of concern, could among others be addressed through this intervention.

11. Under the SHG-Bank linkage programme there is an urgent need for evolving a method for bringing about a convergence between government sponsored programmes and the SHG – Bank Linkage programme to ensure uniform quality and cost effectiveness.

12. Given the effectiveness of SHGs in reducing poverty and building capacity of members, this strategy must now move into areas such as the development of the scheduled castes, the scheduled tribes and Minorities.
13. Given the low levels of community and political participation by members, this aspect must be strengthened, since SHG members usually are people who are voiceless in the community.

14. Training programmes for Panchayat members should also build Capacity in Community Service Organizations such as SHGs. This process will enable the emergence of a more vibrant civil society.

15. For greater acceleration of rate of economic empowerment, further strategy must focus more and more on training and capacity building of members besides ensuring adequate linkage supports.

16. SHGs role should be enhanced through its involvement in developmental programmes implemented in the backward areas. While expanding the programme for wider coverage, efforts also need to be focused on strengthening the existing groups and institutional building such as federal structures.

17. Though the implementation of SHG-Bank linkage programme, the SHGs continue to face difficulties to access savings and credit smoothly. There is also the problem of ensuring the quality of SHGs. Moreover, a large number of NGOs that have played a major role so far are faced with difficulties in taking forward their involvement in microfinance in an organised way. Lack of conducive legal and regulatory framework is coming in the way of NGOs to mature into microfinance institutions capable of providing full-fledged services to the poor. At the same time, there is also the constraint of mobilising adequate funds both for developing the institutions as well as for meeting the huge credit needs of the poor. Despite the changing developmental paradigm the responsibility of the state for ending poverty continues to be recognised. Hence, in the upscaling of initiatives like microfinance capable of contributing for poverty alleviation, the state must continue to play a key and proactive role.

The poor need opportunity, not charity. – Prof. Mohd Yunus.