CHAPTER VI

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS
CHAPTEER-VI

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The analysis and discussion in the preceding chapters have led to the following major findings of the present research study. Based on the study a few suggestions have been offered for further improvement of the functioning of the self help groups.

FINDINGS AND CONCLUSIONS

1.1 The informal credit channel mainly comprising of private money lenders and their usurious and exploitative practices led to a policy frame work to count the evils of informal sector.

1.2 The policy frame work evolved by the government by way of institutionalization of bank credit, fixing credit targets, subsidised loans to poorer sections, long loan maturities etc did not achieve the goals of enhancing rural credit on a self sustained growth. The failure was due to poor credit discipline, high operating costs, non-viability of operations and poor recovery of loans.

1.3 Co-operatives as an alternative too failed to deliver the goods. These institutions are dominated by influential members who often corner the benefits at the cost of those who are poor co-operatives have weak resource base and therefore they depend on higher financing agencies. This has led to bureaucratic interference and political domination.
1.4 Self-Help Groups have emerged as the best alternative to informal credit institutions, Co-operatives and other credit institutions and government sponsored programmes. Self-Help Groups (SHGs) have the perceived benefits of (i) mutual help (ii) solidarity and (iii) joint responsibility. These benefits have resulted in (1) mobilization of savings (2) credit facilities and (3) pursuit of group enterprise activities.

1.5 SHGs can accumulate capital by way of small savings and they can access to formal credit facilities without collateral requirements. SHGs exhibit cohesiveness due to some inherent basis characteristics like small size of membership and homogeneity of composition.

1.6 SHG Bank Linkage was evolved by NABARD in 1992 with a pilot project of starting 500 SHGs. The banking system in the country accepted the idea and started SHG bank credit linkage. The R.B.I. encouraged the positive initiative and issued instructions in 1996 to cover SHG financing.

2.1 SHGs function on democratic principles. The office bearer are elected unanimously and by rotation. Members of the SHGs create a "Common Fund" by contributing their small savings on regular basis. They seek guidance from sponsoring agencies like NGOs etc. in their system of working. Loan requests are settled by consensus. There is minimum documentation and without any security Loan amount is small but loan is given frequently. Interest on loan is higher than that of banks but lower than that of money lenders.
2.2 SHGs are sponsored and prompted by any one of the agencies viz Gram Panchayat, NGOs, banks, Kisan Clubs, District Literary Committee, Women and Child Development Organisations etc.

SHGs are informal bodies while NGOs are formed on a broad societal basis and better organised with large resources. NGOs conduit between SHGs and other organizations and the government.

2.3 SHGs are small groups of 10-20 members who are poor and with little or no physical assets. Membership of SHGs is confined to only one member of a family. SHGs are generally of only men or of only women members of SHGs are having the same social and financial back ground.

2.4 SHGs meet regularly weekly or at least monthly. Accounts of the SHGs are maintained in a simple and clear books of all transactions. They keep books like, minutes books, savings and loan register, weekly fortnightly and monthly, register and members pass book.

SHGs conduct internal lending from their own resources. They take bank loans and on lend the same to their members.

2.5 The SHGs are formed and pass through three phases viz Phase I – Identification and formation of the group (0-5 months), Phase II – Group stabilization (6-10 months), Phase III with drawal of the intervenor (16 to 36 months).

2.6 The Common Fund of the SHGs consist of

- Membership fees
- Share Capital
• Savings
• Fines
• Donations
• Interest on Loan
• Bank interest
• Capital from Government and banks etc

2.7 Under the SHG dispensation a saver can himself be an investor. The credit of the SHGs leads to multiplier effect of investment for the rural poor through continuous expansion of their income base. Individually a poor person tends to be rather tentative. He is uncertain in his behaviour. But group membership smoothen the rough edges of his behaviour pattern making him more reliable as a borrower. Membership of a group gives him a feeling of protection. Thus the formation of an SHG would ensure the best participation of the poor in a credit programme.

2.8 SHGs suffer from small resources or capital base since their capacity to save is weak. The NGOs often supplement their resources by providing some seed capital in the form of greater interest free loans is to be used as revolving fund by SHGs. The VGOs resources are also inadequate to meet the financial requirements of SHGs. Hence the solution lies in SHGs Bank linkage by way of providing credit by the latter to the SHGs.

3.1 The study area covering Haveri district is located in the northern part of Karnataka State. The district has healthy and salubrious climate and
receives an average rainfall of 758.8mm. The district has 7 talukas and
the geographical area is 4848 Sq.Km and accounts for 2.53 percent of the
States total area.

3.2 The total population of the district as per 2001 census is 1439116 of
which male population is 698647 and the female population is 698647.
The population density in the district is 296 per Sq.Km. this is more than
the State’s density of 276 Rural population of the district is 1140096 and
urban population is 299020. Sex ratio in the district was 961 females for
1000 males.

3.3 Agriculture is the predominant occupation of people in the district. The
net sown area was 447237 hectares and net area under irrigation was
51002 hectares.

Major crops grown in Haveri district are Jowar, Cotton, Paddy,
Chillies, Groundnut, Sunflower, Sugarcane and Safflower.

The district has 57982 marginal farmers 71430 small farmers 46264
semimedium farmers, 16494 medium farmers and 1910 big farmers.

3.4 The district has 228 Agricultural Credit Societies, 198 dairy societies and
15 housing societies. There are 7 marketing co-operative societies and
289 other co-operative societies.

Haveri district has 18 regulated markets of which 7 are main markets
and 11 are sub markets.
3.5 The district is served by well developed transport and communication system. Large number of vehicles are being operated, viz motor cycles, cars, auto rickshaws, goods vehicles and other vehicles, the total number of vehicles in the district are 73303.

The district has 101 km of National Highways, 472.92 kms of State High Ways 772.90 kms of major district roads. There is other district road, village roads and Panchayat roads. The total road length is 3746.34 kms. The district is served by 99 kms of broad gauge railway line with 10 railway stations.

Communication facilities in the district consist of 259 post offices, 3 Mobile service center, 55 Telephone Exchanges, 34837 telephones and 33 Public Telephone Booths.

3.6 Haveri district has large number of primary and secondary schools. The district has centres of higher education like 18 degree colleges, 2 polytechnics, 1 engineering college, 1 medical college.

There are good number of hospitals, dispensaries, taluka hospitals, Community Health Centre, General Hospital, Primary Health Centres, Primary Health Sub Centres, Primary Health Units and Family Welfare Centre.

3.7 The district has 49 Commercial Bank branches, 48 RRB branches, 12 Urban Co-operative Banks and 7 Primary Land Development Banks.

The district has 104 industrial units. Of these 62 are cotton units, 2 chemical units, 5 engineering units, 1 sugar unit and 34 other industrial units.
3.8 Talukawise data indicates that Ranebennur has a relatively larger geographical area (904.56 Sq.Kms) compared to other talukas. Ranebennur has a larger population (304990) compared to the population of other three talukas covered by the study viz. Hangal, Hirekerur and Savanur. Ranebennur talukas again leads the other 3 talukas in terms of the numbers of households too.

3.9 Literacy rate in Hirekerur taluka (73.5 per cent) is higher compared to the other three talukas covered by the study.

Savanur taluka leads the other 3 talukas in terms of the agricultural labourers as percentage of total workers while Hirekerur has higher number of cultivators compared to other talukas. Work participation rate is hither (46.95 per cent) in Savanur taluka.

3.10 Age group of sample population covered by the study revealed that maximum of 75.65 per cent were in the age group of 15.59 years.

Literacy level of sample population has indicated that maximum of 36.70 per cent of them had primary education followed by illiterates (27.24 per cent), SSLC (25.60 per cent), PUC (9.58 per cent), graduates (0.63 per cent) and technical education (0.35 per cent).

3.11 Agricultural labour was the occupation of 44.31 per cent of sample population, followed by non-agriculture labour (28.02 per cent) agriculture (21.32 per cent), business (5.03 per cent) and service (1.32 per cent)
3.12 The poverty profile of the sample household has revealed that 70.32 percent of them were below the poverty line while 29.68 percent were above the poverty line.

3.13 Of the 310 SHG members covered by the study 33.55 percent were agricultural labourers dairy/animal husbandry (19.03 percent), housekeeping (18.06 percent), bidi rolling and binding (9.35 percent) petty trade and business (5.48 percent), tailoring (4.52 percent) and in vegetable vending there were 2.58 percent of the members of the SHGs. Those in other occupations constituted 7.42 percent of the total.

3.14 Household assets were held by large number of SHG members of these 95.48 percent and 93.22 percent owned chairs and tables, 83.87 percent and 87.10 percent owned tape recorders and watch/wall clock, 36.45 percent owned bicycles 25.16 percent each owned fan and sewing machines, 24.83 percent and 24.52 percent owned imported stove and radio respectively. Mopeds and scooters were owned by only 6.45 percent of the SHG members.

3.15 Maximum of 35.81 percent of SHG members were found very poor, 35.10 percent poor and 29.03 percent of the SHG members were non-poor.

3.16 Maximum of 35.81 percent of high and low saving SHG members were involved in dairy industry in the study area. Those involved in beedi making and agarbatti constituted 13.23 percent and 12.58 percent
respectively. Those involved in catering and noodles making accounted for 5.81 per cent and 5.16 per cent. SHG members involved in candles making and condiments were 5.48 per cent and 3.87 per cent. These involved in papad and pickles making accounted for 2.90 per cent of the total respectively.

3.17 SHG members involved in animal husbandry realised maximum annual income of Rs. 2.50 lakhs (high saving) and 1.51 lakhs (low saving) Those involved in small business realised annual income of Rs. 1.10 lakhs (high saving) and 0.80 lakhs (low saving) SHG members engaged in food based, Rs.0.15 and Rs. 0.90 lakhs in the category of high saving and low saving respectively.

3.18 The annual expenditure of the SHGs covered by the study revealed that maximum expenditure was incurred on salary of managerial staff followed by interest payment on bank loans, electricity charges, equipment maintenance vehicle maintenance and building maintenance in the descending order.

3.19 Cumulative savings of the sample SHGs rose from Rs. 2.92 lakhs to Rs. 6.93 lakhs from 2001-02 to 2005-06 in case of high saving SHGs.

The cumulative savings of sample SHGs of low savings rose from Rs.0.85 lakhs in 2001-02 to Rs. 2.53 lakhs in 2005-06. Total cumulative savings rose from Rs. 3.77 lakhs in 2001-02 to Rs. 9.46 lakhs in 2005-06.
3.20 Savings deposited with banks by the SHGs were below Rs. 5,000=00 in 2001-02 according to majority of SHG respondents. Lesser number of SHGs had higher amount of savings during the same year. There were more number of SHGs indicating higher savings of Rs. 10,001-15,000 and 15,001-20,000 in the subsequent period upto 2004-05. Maximum of 20 SHGs indicated maximum savings of Rs. 25,000 and above.

3.21 The number of SHGs borrowing smaller amount of borrowings between Rs. 25,000 and Rs. 50,000 in 2001-02 has declined during 2005-06. On the contrary the number of SHGs borrowing hither amount has increased substantially in 2005-06 compared to the number of SHGs in 2001-02.

Number of borrower SHGs for dairy business was maximum followed by these borrowing for agriculture trade, consumption, cottage and small scale industries and education.

3.22 Malaprabha Grameen Bank (Karnatak Vikas Grameen Bank) has engaged as the biggest Grameen Bank in the country.

The Bank has registered very growth rate of achievements in terms of deposits, borrowings outstanding, gross loans and advances outstanding, credit deposit ratio, investment outstanding.

The Bank’s recovery performance has been very satisfactory at more than 73 percent.
3.23 There have been good improvements in the financial ratios of the Bank viz financial return, financial cost, financial margin, operating cost, miscellaneous income, operating profit, risk cost and net margin.

3.24 The extension activities of the Bank include (I) The TME Cell for the Farm Sector and non-Farm Sector (ii) Women Development Cell (iii) Seminars Workshops and Demonstrations (iv) Vikas Voluntary Vahini (v) Self Help Groups.

4.1 Majority of the respondent members of the SHGs in the study area have joined their groups for saving money (62.26 per cent)

Major source of motivation to join the SHGs was the NGOs according to majority of respondent SHGs (47.10 per cent) followed by Anganwadi workers (25.16 per cent), SHG members (16.77 per cent) and bank officers (8.71 per cent).

4.2 Large majority of 80.65 per cent of the respondents have indicated that the group leader is selected unanimously. The leader’s work is to co-ordinate all works related to SHGs according to majority of respondents (56.13 per cent).

Deciding the work of members, rate of interest on loans, discussing development work are the responsibilities of the individual members of SHGs, according to majority of respondents (76.77 per cent)

Weekly meetings of SHGs are indicated by majority of 78.71 per cent of the respondents. Development issues are discussed in SHG meetings. The
basis of monthly contribution of member's savings to SHGs is on income and the decision of the SHGs.

4.3 Loan for SHG members are obtained from SHG (40.97 per cent) banks (35.81 per cent), Egos (20.00 per cent) and others (13.23 per cent). Majority of SHG members approached bank and NGO officials for loans. Others approached SHG members (24.84 per cent) and leader of the SHG (22.90 per cent)

4.4 SHGs Loans are obtained after the consent of all members (54.19 per cent) agreement bond (20 per cent) assets security etc (12.90 per cent). Monthly repayment of loan is commonly followed by the SHG members (69.03 per cent) Repayment schedule of SHG loan is found easy by majority of respondents. SHG loan has helped in creating assets like animal husbandry.

4.4 Loan amount received by the members was less than the amount requested according to majority of SHG members (53.22%).

Bank loan to SHGs is not found adequate according to majority of respondents (50.98%). Additional loan to SHGs for working capital is given by banks according to majority of respondents (92.16%).

4.5 The impact of bank loan on the SHG members is felt in the purchase of animals, reducing dependence on money lenders, improving working capital, improving agriculture, purchasing house facilities, helping education and marriage of children and investment in fixed assets.
Loan repayment to banks is inconvenient according to majority of SHG members (71.57%). Interest cost is considered high.

4.6 Providing of more amount of loan at low rate of interest, providing of subsidy, providing marketing facility and vocational training to members are the suggestions made by respondent members of SHGs.

4.7 SHGs activities are found useful and beneficial by majority of respondents and they considered the performance as ‘good’ by 53.92% very good by 29.41% and bad by 16.67% of members.

The impact of SHG activities have helped in improving the status of women according to majority of respondents.

5.1 Rural credit in India is purveyed through multi agency system comprising of (i) corporatives (ii) commercial banks and (iii) Regional Rural Banks.

The evolution of intervention by the Government in rural credit is traced to the Land Improvement Loans Act 1871 empowering local governments to advance long term loans for improvement of land. Subsequently the Govt. Enacted the Deccan Agriculturists Relief Act 1879 to prevent rise in rural indebtedness Famine Commission (1881) examined issues pertaining to rural finance various enactments relating to land improvement in the last phase of 19th century were made. The Cooperative Societies Act 1904 was passed for rural credit through corporative societies.
5.2 The Banking Regulation Act 1949 came into force. The Rural Credit Survey (1954) made extensive study of the credit needs of the rural sector. Other Committees on rural credit like Mehta Committee, the Gadgil Committee the R.B.I on Rural Credit Review Committee (1966) the FKF Nariman Committee (1969) etc were other developments in this direction.

5.3 In the post nationalization of banks period developments in this area including the Credit Guarantee Corporation 1971 the DRI scheme of RBI 1972 etc are significant. Government introduced schemes like the 20 point programme, draught Prone Area Programme, Tribal Area Development Programme, Command area Development Programme and Poverty Eradication programme etc.

5.4 State introduced intervention in the rural credit has assumed aggressive approach Rural branches of commercial banks have increased and PSBI have entered the rural credit on a extensive scale RRBs have spread their branch network priority sector lending has been regularized in the post reform era.

Self Help Groups have been sponsored and assisted by all the banking institutions, cooperatives, RRBs, Commercial Banks etc, NABARD and RBIs have been exorting and assisting the banks by way of refinance for micro financing institutions.
5.5 Financial inclusion of rural sector has been extensive through various schemes initiated by the government. Despite various effort financial exclusion of rural house holds is quite still significant and needs proper streamlining of the existing institutions in their administration of rural credit in the country.

➢ The banks in Belgaum district covered by the study have led banks in the other 3 districts in terms of their total deposits and the SHG deposits with the banks.

➢ The share of SHG deposits was higher in the total deposits in banks of Belgaum and Haveri district.

➢ Banks in Belgaum district covered by the study have led banks in other district in terms of advances in general and advances to SHG in particular.

➢ The ratio of loans to SHGs in total bank loans was highest at 4.23% in Haveri district.

➢ Banks in Belgaum district led the banks in other districts covered by the study in terms of number of SHG credit linked, number of accounts outstanding and the amount of SHG loans outstanding.

➢ Ranebennur taluka has led other talukas in terms of deposits of SHGs with the respondent bank branches and also the total deposits of the banks.
➤ Banks in Ranebennur led banks in other talukas in terms of loan advances to SHGs, loan accounts outstanding etc.

➤ There has been continuous rise in the financial assistance by banks to self help groups for various purposes like form operations, small trade, dairy industry etc during the 5 years.

➤ Issuing of legal notice, sending reminders, telephone reminders and issuing notices to surety/coobligant have been the steps taken by the bank officers for recovery of loan from SHGs/members.

➤ Diverting of loan funds for other purpose and misutilising the loan is limited to very small percentage of according to officers of the bank.

➤ Recovery bank loan from the SHGs has been very high varying between 89% to 96.10%.

Research Finding and the Hypothesis:

1. The first hypothesis that members of the SHGs found the interest rate on their loan exorbitant is not endorsed by large majority of the respondent members of the SHGs covered by the study. Those holding the view of high interest on the SHG loans constituted only 14.29 percent of the total. Hence the hypothesis is not vindicated by the research study.

2. The second hypothesis that SHG members have diverted their loans for unproductive purposes is only 10-20 per cent according to 96.46 respondent bank officers. Hence the incidence of diversion of loan is not
significant as indicated by the findings of the research study. Hence the hypothesis is not proved by the research findings.

Suggestions:

1. SHG Bank Linkage has heralded a new era of access to formal credit by the rural and urban poor were denied the same earlier because of lack of physical collateral and offence of assets possession. The availability of bank credit to the poor members of the SHGs however is found inadequate to help them in the occupations. The study has revealed that more than 50 percent of the SHG members have found the bank loan inadequate. Hence there is need for enhancing the quantum of loan funds and the adequacy of the bank loan to members through the SHGs should be ensured by the banks. Further additional loan facility to the SHGs to meet the working capital requirements of the entrepreneur members should be ensured by the banks. The responses of large majority of 92.16 per cent of the SHG members covered by the study indicate that banks have not been forth coming in providing additional loans to the SHGs/members. This aspects needs an urgent attention and the banks should address this issue and take necessary steps in this direction.

2. SHGs should address themselves to problem of marketing of the produce of their members whose business units are faced with certain problems relating to the marketing of their products is concerned. Providing necessary market information and infrastructure facilities like
transport, storage grading etc should be attended to by the groups. Mere finance without the marketing facilities may not be able to help the members in earning the income from their small production or trade activities.

3. Occupational training of the members involved in trade, industry or other services is of prime importance to indirect skill and efficiency. Hence the SHGs should initiate to organize the professional training to suit the professions of their members.

4. The prevalent practice of charging high interest on the loan provided by SHGs to their members is required by the member borrowers of the SHGs which was revealed during the field survey. The interest should be brought down to some reasonable level though the rate may be lower than that charged by the private money lenders.

5. Various studies have brought out the fact that the financial management of SHGs is weak. Hence the sponsoring agencies like NGOs, banks etc should by to induct competency in the financial management of the SHGs by providing their expertise.

6. Increasing amount of savings mobilization by the self help groups should take place within a regulatory framework in the absence of the same unscrupulous elements may enter the sector and exploit the hard earned savings of the poor.
7. There is an imperative need to enlarge the coverage of SHGs in the advances portfolio of banks as part of their corporate strategy to recognize perceived benefit of SHG financing in terms of reduced default risk and transaction costs. In the meanwhile banks need to devise suitable policy guide times for appraisal, monitoring and supervision of SHG advances together with necessary documentation.

8. Professionalisation of personnel of NGOs to come up with the task is one step and changing the mindset of bankers to promote SHGs and support them either directly or through SHPIs/ NGOs/ Vas is another may or step. This is a gradual process. Orchestration of credit and non-credit programmes such as counseling, supply or raw materials, organizing marketing efforts and bringing in technology input needs to be pursued vigorously.

9. Banks have not yet standardized their approach towards micro landing through SHGs. Lack of infrastructure and design facilities and also worthwhile distribution channels for marketing the products has constrained growth. A number of initiatives and needed to keep the micro finance system on track. The goal is to make it a dispenser not just of credit but of a variety of social goods and services to the rural poor.

10. In addition to injecting education force that is first and foremost a necessity, women may be given training in income generating activities. The activities have to be such that there is a market for the products.

11. Women's co-operatives may be enhanced for the purposes.
12. Some new works or refresher training courses of a general nature which are otherwise of help in their day-to-day life may also be organized.

13. Member must get easy access to loans with low interest for pursuing their income generating activities.

14. For utilizing the services and time of the rural women as well as for improving their status, development of women and children in rural areas (DWCRA) scheme should be incorporated on top priority basis.

15. The larger the family size, lesser would be the per capita income of the family. In the present society, a small family is almost a prerequisite of the improvement of women’s conditions and their general economic status.

16. The tendency of the SHGs enrolling more and more of relatively better off households having better access to institutional sources of credit should be discouraged.

17. Since the larger amounts borrowed by a family increases the family income and thus enables the family to cross the poverty line, the loan amount should be enhanced taking maximum care to see that loan amount comes back with interest.

18. Lower level of literacy and larger family size are detrimental to the family crossing the poverty line. In such cases care should be taken by SHG to see that such families come up economically by proper guidance and training to the members of such families.

19. Training to households should be given properly as it would improve the productivity by better credit management and proper functioning of the group.
20. The foremost gender issue where attention requires is to perceive women as equal partners and participants in development and not just the beneficiaries. They have to be encouraged to take part in decision making.

21. Awareness of changing trends: It is necessary to keep in mind the developments causing social changes and adopt suitably. Progress comes with a cost. We ought to give up useless things to which we are used to.

22. Women must develop self esteem. Make efforts to close difference in life and develop confidence, which is a source of great power.

23. Equal pay for men and women should be given for similar and equal amount of work done by them. Special training programmes should be launched for women. So that they became more skilled and intelligent and stand on their own legs with dignity and self respect.