Chapter – VIII

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS
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The main aim of this chapter is to summarize the study and draw the conclusions and suggest the measures for the effective working of the microfinance schemes in Andhra Pradesh. There are no studies on the assessment of the program of the SHGs, which is very important for the policy makers and management of SHGs to identify the pitfalls in their working. Therefore, the proposed study is mainly on to evaluate the program of the SHGs.

Objectives of the Study:

Against this background the following are the specific objectives of the study:

i. To outline the growth and working of microfinance agencies in general and with particular reference to Andhra Pradesh.

ii. To study the performance of the microfinance schemes in general and with particular reference to Andhra Pradesh.

iii. To know the socio - economic conditions of the members of the sample Self Help Groups and also to analyze their impact in the selected area.

iv. To evaluate the financial and operational performance of the sample Self Help Groups with the help of ratio analysis.

v. To study the various problems and perspectives of SHGs along with members’ perception in the selected area of the study.

vi. Finally, to suggest suitable measures for the effective working of the Self Help Groups in Andhra Pradesh.

The following specific hypothesis has been formulated to meet the above said objectives of the study.
- Microfinance leads to economic empowerment of members of SHGs.
- Economic empowerment leads to social empowerment in the form of better lives of SHG members’.
- Self Help Groups help in promoting entrepreneurship and leadership qualities among the beneficiaries.
- The activities taken by the Self Help Group members causes change in respect of their consumption behavior, assets acquisition, saving and repayments of loan, etc.

**Methodology of the Study:**

In pursuance of the objectives set for the study data were collected both from the primary and secondary sources. The primary data are collected from the selected SHGs in the selected districts of Andhra Pradesh with the help of a schedule. Secondary data relating to the different aspects of Microfinance have been collected from the official records maintained by the Government and Non-Government organizations in the State.

The sampling design broadly consists of two sets, one for the purpose of selecting study area and another for identifying the beneficiaries of microfinance schemes. However, both the designs start with the selection of the state i.e., Andhra Pradesh in India ‘purposively’. Thus, with the ‘multi-stage sampling technique’ to select the mandals and villages on the basis of stratified random sampling method. In the second stage, the beneficiaries are selected based on random sampling method.

Considering the constraints of time and resources, it is not possible to cover all the districts of Andhra Pradesh. The present study covered all these three regions. In Telangana region Warangal district, Costal Andhra Pradesh Guntur district and in Rayalaseema Chittoor districts were selected. All these districts were selected
depending upon the stratified random sampling method. In the next phase, three
mandals were selected from each district by following a stratified sampling method.
The first mandal being well-developed, second one being moderately developed and
third one being a backward area. At district level, the mandals were classified
depending upon the group performance, number of groups formed, thrift, saving habit
and finally bank linkage revolving fund position. At the second stage, the
beneficiaries were selected depending upon random sampling method. For this, SHGs
performances, activities of group members region wise in each mandal were
considered. In the next stage, selections of sample respondents were done depending
upon the socio-economic conditions and also on the activity basis of the beneficiaries.

The total sample size was 450 which were distributed into equal proportions
in every selected district and mandal. Thus, the present study was conducted in three
districts of Andhra Pradesh, from every district three mandals were selected in the
second stage in every mandal, 50 beneficiaries were selected.

The purpose of income and employment generation, the microfinance Self
Help Groups perform 150 types of activities in various disciplines. In this process the
majority of the Self Help Group members engage in three major activities. The first
activity is petty business, second dairy farming and milk vending, and the third is
agriculture and allied activities. In the present study, only these three activities are
considered which are referred as A, B and C.

The collected data on working of the SHGs and their performance has been
analyzed and tabulated. The data was scrutinized, verified and analyzed. For the
interpretation of the data in a meaningful way, the relevant statistical techniques are
used. Apart from the presentation of the data in tables, necessary graphs, diagrams are
also incorporated wherever appropriate in the study. The present study basically aims
at evaluating the performance of microfinance Self Help Groups in the selected area of the study. The present study could not cover all the districts of State and schemes being offered in microfinance due to time and money constraints. There are several activities of microfinance schemes only three major activities, which are followed by more than 70 per cent of SHGs are considered. Further, the non-availability of some of the old records relative to the functioning of SHGs before 2003-04 in the government and non-government organizations in the State is also one of the limitations to analyze the trends in their working. The records of the previous years were not prepared and hence not available to the researcher. Therefore, the present study is forced to restrict its scope of evaluation from 2005-06 to 2010-11 only. Also, the DRDA’s feedback surveys on the working of the SHGs from time to time were only done either on their own or through some voluntary organizations, which could not provide complete and continuous information.

However, there are some more limitations in the study due to inherent factors and it is appropriate to list certain of them. The data collected from the members relate to their perceptions, views and opinions, which may in some cases tend to be close to their socially desirable responses. But to increase the reliability, the sample size is enhanced to the possible extent in the study. The conclusions derived from the analysis may not be exact and universal due to the above mentioned limitation in the present study.

Findings of the analysis

- It is find out from the profile of the sample respondents that more than one-fourth of the SHG members are labours, one-third of them are from petty and small businesses, one-fifth are agricultural labours, and one-tenth are artisans
and the remaining are private employees and from others professions. Another feature of the sample beneficiaries is that about fifty per cent of them are in the age group of 20 - 35 years, who are capable of engaging in the self-employment programmes.

- It is also identified from the analysis that the scheduled castes and scheduled tribes, who are socially and economically disadvantaged communities, got more than the minimum stipulated size of 40 per cent of coverage of the total SHG members.

- Among the SHG memberships, large segment of the members are illiterates, while most of the rest had only primary education. In the selected sample districts, Chittoor is having larger part of the respondents, who are illiterates, compared to other two selected districts of the study.

- It is further observed from the analysis that the majority of the selected SHG members have no permanent houses of their own and it is further evident that more than fifty per cent of them live in thatched houses.

- The analysis also identifies that in more than 46 per cent of the self help groups selected for the study, the group leader elected unanimously, 36 per cent of the cases through election. Therefore, these groups manage people with good relations.

- It is evident from the analysis that there is an improvement in employment opportunities because of the SHGs scheme Likewise, the savings also increased through the additional generation of income and employment. On the whole, about 69 per cent of the beneficiaries are provided with additional employment opportunities as well as produce additional income.
- Revolving fund is an account in which, the balances of the fund are used for loans or other purposes, with the understanding that the expenditures are periodically replenished to allow future expenditures to take place. In our sample beneficiaries, 47 per cent are get the revolving fund less than Rs. 15,000, rest of the members can get more than that amount.

- The analysis also identified that a high rate of interest on loans is definitely a burden on the incomes of the poor. Further, given the low capital intensity of investment made through micro-credit and the resultant low profit margins, high rates of interest dampen the possibility of any significant saving for the poor borrowers. In the total respondents, 74 per cent are paying more than Rs.1.50 interest per month.

- It is observed that the attendance ratios of the sample group members are satisfactory in all the study areas except in Tadvai mandal of Warangal district, Bellamkonda in Guntur district and Thavanampalle in Chittoor.

- The membership growth rate is negative in the present study area. The overall growth rate of the study area is -26.62. The major factor for the negative growth rate is the dropouts of the group members who are very high in every mandal of the study area.

- It is also formed from the analysis that the savings mobilization rate is positive which indicates increasing confidence level of the sample SHGs in the study area. The overall saving mobilization ratio is Rs. 9,093.65 during the period of the study.

- It is also observe that the average outstanding loan size Rs.68,517.90 in the total area of the study. The outstanding ratio is very high Bellamkonda
mandal of Guntur district, i.e., Rs.1,04,585. In the total study area Chittoor district the average outstanding loan is very high.

- The overall portfolio at risk in sample study area of Andhra Pradesh is 1.56. In this case, an average mid-cycle portfolio at risk of less than 10 per cent which is unremarkable.

- Accurate demand forecasting is essential for a SHG manufactured products in order to produce the required quantities at the right time and arrange well in advance for the various factors of production. Among the SHG membership, large segments of the members are suffered with lack of marketing knowledge, methods of demand forecasting. Only a few of them are facing the problems like to find out the target customers and proper information about the marketing conditions.

- Price is one of the elements of the marketing mix that produces revenue. Of the total respondents, about 40 per cent of the members are suffering with high prices of the raw materials, rest of the members are countenance sluggish market situation and lack of consistency in prices.

- In market mix, place is one of the important elements that depends upon the infrastructural factors of the SHGs. It is evident from the analysis that, 48 per cent of the beneficiaries felt that they have not been infrastructure facilities. Most of the members are suffering with lack of adequate place to marketing their products.

- Microfinance Institutions frequently face difficulty of differentiating their services from those of competitors, particularly when the market is facing intensive price competition. It is further observed that majority of the SHGs
are (39.33 per cent) failed to maintain quality in their products. They didn’t have any idea regarding packing of the products.

- The microfinance organizations reach roughly one fifth of the poor households, majority of the members are expressed that the interest rates are very high. Out of the total respondents, 52 per cent of beneficiaries presumed that the interest rates are very high.

- It is also identified from the analysis that the SHGs face problems in dealing with banks. In the total respondents, majority of the members are struggles with lack of operating knowledge, delay process and lengthy documentation of the banks.

- Rural poor, who join the Self Help Groups, proper training are helped to acquire capability and competence to maintain and manage their groups in a productive way. It is also identified from the analysis that 30 percent of the SHGs members cannot acquire any training, those undergone with training they are also suffering with inadequate.

- It is evident from the analysis that there is an improvement of asset purchasing capacity of the SHGs after joining in a group. More specifically it is observed from the data that 60 per cent of the respondents improved their asset purchasing capacity. Further, it is also found from the analysis that increase in asset purchasing capacity is very little in Warangal area, which is relatively back-ward compared to the other two selected districts.

- It is also found from the data that 63.56 per cent of the SHG members that felt there is an improvement in their health conditions after they become a members of SHG. The awareness about health and health programmes of the
sample respondents in Guntur district is finest compare with the other two districts.

- Microfinance gives a good support to improve the managerial skills and capacity building, which are acquired through a series of training programmes, such as personality development, communication skills and entrepreneur development. Of the total 450 beneficiaries, 71.11 per cent of the respondents have improved their managerial skills after becoming SHG embers.

- It is further observed that improvement in socio-economic conditions and cultural factors is another dimension, which was found from the survey in the selected area of the study. Of the total, 66 per cent of the members are described that their artistic factors are improved during the post SHG membership period.

- As a matter fact that human behaviour is influenced by several personal and environmental factors. It is, therefore, essential to study the individual and his personality features before and after SHG membership period and to find out the behavioral aspect of the SHG. Of the total 450 respondents, 69.11 per cent of the members felt that they have improved their personality and individual behaviour with the help of their membership in SHGs.

- The government should create a conductive environment for the overall growth of micro-enterprises. Among the total respondents, 65.33 per cent of them opinioned that they developed their entrepreneur skills after they admitted as members in SHG.

- Determination is the inner strength that enables a human being to make decisions effector and carry them smoothly. The study explains that there are
71.11 per cent of the members accepted their level of determination improved
during the SHG membership period.

- Good decision-making is a vital element of good management because
decisions determine how the group solves its problems, allocates its resources
and accomplishes its goals. It is evident from the analysis that 70 per cent of
the members better decision-making skills after they joined in SHGs.

- There is a positive change of income and employment generation after joining
in the microfinance schemes. Likewise, the savings also increased through the
additional generation of income and employment.

SUGGESTIONS

It is pertinent here to give some valid suggestions, which could go a long way
in removing the aforesaid weaknesses and ensure that, the better implementation of
the microfinance SHGs scheme. They are:

To Self Help Groups

❖ The SHGs have been involved in poverty alleviation programmes and their
performance in income generation is good, but group members are not only
aiming at income earning, but also motivated the members of SHG in
achieving more savings by reducing the unproductive expenditures. This is
made compulsory with the repayment itself, and these schemes can be
encouraged and thereby reduce the poverty and improve the standard of living
of the members of SHGs in the area of the study.

❖ The groups that meet every week tend to be better than those groups that meet
fortnightly or monthly. Hence, weekly meeting are largely preferred with a
fixed day and time for SHG to gather. Any changes could be made only under
special circumstances and after adequate intimation to all members of the
group.

- Every SHG should maintain the attendance register and minute’s book for
  meetings, savings ledger, members’ passbook, receipt and payment vouchers,
cashbook and loan ledger, so that more transparency is possible and avoid
differences among the members and measure of funds in the SHG activities.

- If the common fund is treated as mere channel of funds, the groups tend to
grow weak and therefore the groups should be free to fix the rate of interest on
all loans advanced from the common fund. If the common fund revolves
briskly, it indicates that the group is “GOOD” and on the other hand, the large
unutilized deposits in the banks indicate a “WEAK” group.

- The efficiency and effectiveness of the SHGs are also declining because of the
  mis-utilization of funds by the beneficiaries by manipulating false assets with
  the help of their relatives. Apart from it, due to severe poverty constrains the
  sanctioned amount is being used by beneficiaries on marriages, social
  functions and natural calamities like epidemics, floods, droughts, etc. This can
  be avoided by making proper lending policies and supply of credit with close
  monitoring of the funding agencies.

- It is important for the leader to perform his role, viz., ensuring the
  participation of all members in every meeting, ensuring regular group savings
  by members, convincing the members for conduction of meeting at regular
  intervals, work for improvement of literacy of the group members, creating
  awareness of present social living, disseminating information received to the
  members during sessions and motivating them towards collective thinking and
  action. These roles are necessary be improved in the leaders in order to obtain
desired objectives of SHGs, special programmes should be designed and motivate them to develop on these lines.

❖ Every SHG member should be encouraged to participate and to take active role in the social programmes, like family planning, literacy improvement, pulse polio, Aids Awareness Sustained Holistic Action (AASHA), immunization programmes, health care schemes and other similar activities which are beneficial to the village community.

❖ There is a general perception among the public that the products of SHGs are of poor quality. So it is absolutely necessary for the SHGs to prove that their products are of a quality at par with branded items, or even better.

To Banks

❖ The transaction time and costs are the maximum for the sanction of credit which can be avoided with the following measures:

i) Simplification of documentation, reporting system and reduce the number of reports.

ii) scrutiny of loan applications and sanction of credit in convenient bunches, reduce the credit sanction cost.

❖ Commercial banks have played an important role in information and financing of SHGs in Andhra Pradesh. Banks should encourage the SHGs who have higher savings among the group for getting loans and subsidiary.

❖ Banks may face recovery problems. To avoid the problem of recovery from SHGs which are encountered in Andhra Pradesh, banks should alert and monitor the SHGs before and after granting the loan facilities to them.
❖ The bankers may neglect self help group members due to their work load. So every bank should open a separate desk for SHGs to extend their constant support for the benefit of members of SHGs.

To Government
❖ Most of the training programmes for the members of the SHGs are of short term in nature. However, effective and efficient training can be had only with the help of long-term training and this can be a great help to the community at large. Periodical appraisal is essential to know the effectiveness of the training. Proper training for capacity building training to the SHG members, and evaluation of by-law, is essential to attain empowerment through micro-finance schemes.
❖ The regional variation in implementation of micro-finance scheme development could be reduced on the basis of balanced allocation of resources with a special case for implementation of this programme in different mandals of the district in Andhra Pradesh. This is the main cause in our sample study; Tadvai, Bellamkonda and Thavanampalle mandals is very backward and weak compared to Dharmasagar, Pedakakani and Kuppam mandal areas.
❖ In spite of the increased production coupled with adequate credit facilities, people find it very difficult to market their products. Unless the products are sold in time, one cannot reap the yield out of the venture. Hence, the government should take concrete steps to teach the marketing techniques to the member participations during the training period itself.
❖ There is need to build strong and efficient micro-finance institutions. This requires governance, professional mechanism, strengthening internal control
and accounting and introducing low cost ways of doing business. Though cost reduction should be possible by adopting new technology. For instance, using net banking and transferring funds via mobile phones.

❖ Micro-finance needs the financial infrastructure to support it. Micro-finance institutions looking to commercial funding sources require independent assessments from credit rating agencies. Now there are no credit-rating agencies, or a few which are not adequate in number to assess the credit worthiness of micro-financing institutions. So a better credit-rating methodology is needed.

❖ The local and national Governments have an important role to play in ensuring the growth and improvement of micro-finance. Each Indian State could consider forming a multi-party working group to meet with micro-finance leaders and have a dialogue with them about how the policy environment could be made more supportive and to clear up mis-perceptions.

❖ A new category of non-banking financial companies NBFC should be created. MFIs need to actively manage their growth and provide legal and operational comfort to banks and potential equity investors. Greater legitimacy, accountability and transparency will enable them to use savings as a low cost source of lending.

❖ Exposure visits of SHG members, leaders, NGOs and government functionaries to selected experiments would enhance the growth of SHG movement in other parts of the country.

❖ Local Government should undertake some projects by utilizing the local SHGs force in solid waste collection and management, giving road parking contracts
alternative to plastic, they will forget the use of plastic. Traders and commercial people can give the contract of making cotton bag, jute bags and paper bags to avoid the use of plastic bags become a part of environment protection. They can even advertise their product or services on such bags. Special recognitions and award can be instituted for SHGs who prove their talent in such innovative activities.

❖ People felt that pros and cons need to be identified before the implementation of the development programme. It is observed that the real benefit does not penetrate to the needy people because of lack of proper planning and identification of problem. So it is suggested that problematic areas and problems of the people should be identified and accordingly development programmes should be initiated.

❖ Awareness and action plan of the programmes should be communicated to the people, so that they can take interest in its implementation. Otherwise lack of motivation and information about the programme would make the scheme a partial failure and finally leads to wastage of time and money. So before starting any programme, people should be fully informed, motivated and prepared for it.

❖ Majority of the SHGs failed to create brand to their products. Hence, Government should help the SHGs in the form of marketing of their products through the Public Distribution System.

❖ There is a need to set up a separate wing by appointing resource persons who are experienced in the field of innovation and creativity to take the process of social mobilization with adequate time-frame and budget allocation for the strengthening of SHGs.
- There is a need to set up a separate wing by appointing resource persons who are experienced in the field of innovation and creativity to take the process of social mobilization with adequate time-frame and budget allocation for the strengthening of SHGs.

- The revolving fund and subsidy concept as of now is only confined to Government Programme (SGSY). Groups, which come under such particular programme, could only access these grants. However, there are many other stable and well performing SHGs, which are denied from these benefits. Therefore, to consider creating a common fund (RF+ Subsidy) either at the state or at district level and make this amount available to all SHGs based on their performance.

It is finally observed that the micro-finance - SHG model has got tremendous attention in recent years, which is an alternative source of credit for the poor particularly in rural area, who earlier were considered as non-bankable. This system not only provides credit, most important input for development to the poorer section of the society, but also aims for their capacity building. It has also been observed that group lending has distinct advantage in the form of excellent recovery rate and improvement in income level. The phenomenal growth of the SHGs indicates that the weaker sections of the society are also able to sharpen their micro-entrepreneurial skills with the help of their own savings and additional bank credit as needed. At this point, micro-finance–SHGs integration could be the way out for overall rural development vis-à-vis poverty alleviation.

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