

CHAPTER VI

SUMMARY AND CONCLUSION

6.1. Introduction

Poverty is a multi-dimensional concept implying lack of income, lack of resources, deprivation of the means of livelihood and vulnerability to economic shocks. The inadequacy of the traditional definition of poverty, based on incomes and consumption was widely acknowledged and modern thinkers elucidated the new concerns of sustainable livelihood approach and concept of social exclusion in the spectrum of poverty. The sustainable livelihood approach to the study of poverty has particularly emphasized the need for local participation. In this approach each community can define criteria of well-being and the key elements of deprivation as they appear in the local context. In the 1970s the concept of social exclusion came into literature of poverty analyses the condition of those who are not necessarily income poor though many are that too.

Empowerment is a multi faceted, multi dimensional and multi layered concept. Women's empowerment is a process in which women gain greater share of control over resources-material, human and intellectual like knowledge, information, ideas, financial resources like money and access to money and control over decision making in the home, community society and nation, and to gain "power". According to the country report of Govt of India, "Empowerment means moving from a position of enforced powerlessness to one of power".

Achieving balanced and inclusive economic growth is a major challenge faced by policymakers in countries around the globe. Even after sixty six years of independence a large section of India's population, especially the poor and vulnerable is unable to access the gains of economic growth and is deprived of the opportunity participate in the growth process. Engaging these people in the economic mainstream is essential for balanced growth, which is crucial for the long-term sustainability of social development and economic uplift. Access to financial services is a key element of the process of socio-economic empowerment: only by providing financial services to poor and low-income

people can they be brought within the ambit of economic activity. The rural economy demands a large amount of savings credit facilities and risk mitigation products like insurance.

From time immemorial banks have not considered poor people as a viable market. Most formal banking institutions are reluctant to serve the poor and microenterprises in the unorganised sector because of perceived high risks, high costs involved in small transactions, perceived low relative profitability, and inability of the poor to provide the physical collateral usually required by such institutions. Due to lack of access to institutional sources of credit, most poor and low-income households are forced to rely on either inadequate self-finance or informal sources. Credit from moneylenders is extremely expensive, and the poor's almost exclusive reliance on informal sources limits their ability to actively participate in and benefit from the development process.

The poor need more regular – and not less – access to financial services, including deposits, loans and other services. While they use financial services for the same reasons as anyone else, namely, exploiting business opportunities, smooth consumption, cope with emergencies, and so on, their demand for microfinance is largely inelastic due the fact that the poor value regular access to credit more than the cost of borrowing. To address the small credit needs of poor household, especially those below the poverty line, MFIs have emerged as conspicuous actors in this realm.

The pioneer MFIs operated as nonprofit, nongovernmental organizations (NGO) with a strong social focus. They developed new credit techniques, such as reduction in risk through group guarantees instead of requiring collateral, appraisal of household cash flow, and small initial loans to test clients. Experience since then, has shown that the poor repay unsecured loans promptly and are willing to pay the full cost of borrowing, thus underlining that access is more important to them than cost.

Even in India, there has been a noteworthy shift from NGO-MFIs to Non-Banking Financial Institution-MFIs (NBFC-MFIs) in recent years. Also there has been a change in the manner

in which MFIs raise finance. It was felt that a new delivery mechanism was required to fulfill the requirements of the poorest, especially the women.

The present study has been attempted with the objective of ascertaining the views of the beneficiaries on impact of MFIs lending on their development. Since, development is a multi-dimension in nature; the study has been undertaken focusing their economical, financial, cultural, social and political development of MFI beneficiaries in Kanchipuram district of Tamilnadu state.

The study carried out with the objectives: 1). To study the special features and significance of microfinance. 2). To study the profile of Kanchipuram district, 3). To study the various microfinance models operating in the selected district, and 4). To study the impact of microfinance on the MFI beneficiaries in the selected in the district.

Some hypotheses are framed to analyse the relationship between democratic factors like age, qualification, occupation, family size, vintage with the MFIs, husbands' qualification & occupation, total earning members in the family etc and impacts on the borrowers.

6.1.1. Methodology

The study is based on both primary and secondary data. The primary data were collected through a pretested interview schedule from the selected 569 women borrowers those who had availed loan from MFIs in the district at their residence. Multi stage sampling design was adopted to choose the area for the study. Purposive sampling method was adopted to select the respondents covering rural and urban pockets of all the 13 blocks in the district. More than 0.5% of the sample size was chosen from the total population of 152500. The secondary data were consulted from books, journals, web sites and published and unpublished reports & records of the Govt departments. The collected data were analysed by applying statistical tools like simple percentage, Chi-Square test and ANOVA tests in SPSS 16. The impact from the study was validated with feedbacks obtained from field experts covering, bank executive, MFI executive, MFI field manager, Govt officer, NABARD

official, MFIN coordinator and personal observation to the respondents households by the researcher.

6.2. Findings

6.2.1. Profile of Kanchipuram District

Kanchipuram District is situated on the northern side of the east coast of Tamil Nadu and has a total geographical area of 4307 Sq. Kms and coast line of 57 Kms. Kanchipuram District is one of the Historical Districts of Tamil Nadu. Kanchipuram is also known as the city of thousand temples and Silk City. Initially known as Chengalpattu District, was bifurcated as Kanchipuram and Thiruvallur districts. Due to development and fast urbanization on the outskirts of Chennai, joinery areas of the district are attached to Chennai Metro. Currently the district has four revenue divisions with 10 Taluks and 13 Blocks.

In 2011, Kanchipuram had population of 3,990,897 of which male and female were 2,010,309 and 1,980,588 respectively. There was change of 38.69 percent in the population compared to population as per 2001. The initial provisional data suggest a density of 927 in 2011 compared to 668 of 2001. Average literacy rate of Kanchipuram in 2011 were 85.29 compared to 76.85 of 2001. The male and female literacy were 90.34 and 80.17 respectively. For 2001 census, same figures stood at 84.73 and 68.79 in Kanchipuram District. With regards to Sex Ratio in Kanchipuram, it stood at 985 per 1000 male during 2011 compared to 2001 census figure of 975. Kanchipuram District population constituted 5.53 percent of total Tamil Nadu population.

The Kanchipuram district is one of the most vital and vibrant districts in terms of industrial development in the State. Corporates like Hyundai, Ford, Nokia, Flextronics and St Gobain etc set up their units at the SIPCOT in the District. Many of the corporates at SIPCOT provides free & concessional transportation facilities to the work site from various parts of the district. More over its all time bound jobs with 8 hours duty which attracts many of the work forces from the various parts of the district. On the other side it may be inferred that

due to industrial development in the district, the available work force on the traditional silk weaving & farming is drastically reduced in the district.

Widely noted fact is that except few ancient college in the Chennai city, most of the colleges are located in the outskirts of the city which falls in neighboring districts. Another important factor to note is that the total numbers of educational institutions are increased in all the categories. Unlike the village people in other districts of the state, village people at Kanchipuram district are much exposed in various aspects due to increased opportunity to quality & higher education, more employment opportunities, access to Chennai Metro city.

As reported by lead bank in its report March 2012, there are 401 commercial bank branches are operating in the district with total deposit size of 20859 Cr and total lending size of 11590 cr. The great nation India having covered 9.7 crore poor households has emerged as the largest in the world as on 31st March 2011. Tamil Nadu is ranked second in the country after Andhra Pradesh, in SHG-Bank linkage programme. The cumulative number of SHG credit linked in Tamil Nadu as on 31st March 2011 stood as 9,51,783 with an aggregate bank loan of Rs 10,384.36 Crore. The district is reported to have the maximum number of SHGs in the state. Though the district has 75 NGOs, only 47 NGOs registered with District Rural Development Agency, Project Office, Mahalir Thittam of the District.

Apart from the SHGs formed by NGOs for Bank linked lending, many other Microfinance Institutions (MFIs) are into microcredit. Various modes of Microcredit exist in the district is enumerated in the subsequent chapter. The 21 MFIs have their network in the district. Total MFI beneficiaries in the district are estimated to be 1.525 Lak in the district.

6.2.2. Critical Review on previous studies on the subject

In order to understand the concept of self help groups, microfinance and also to identify the research gap on the problem, some of the important studies undertaken already in the subject were critically reviewed and related to the objectives set for the present study. The literature on microfinance and self help group is relatively limited compare to other areas of studies. Especially the literature on the impact of Microfinance Institutional lending is very few.

Seminar proceedings and edited books on the subject were of great helpful in referring to the study. Also the various critics published in the daily news were collected and studied. The review is restricted to the core issues to identify the major trends.

6.2.3. Features and Relevance of the different Microfinance models.

Two dominant models of microfinance have emerged using group for financial intermediation. One is the Bangladesh Grameen Bank method, and other is the co-called Self Help Group (SHG) method. However, various traditional as well as innovative approaches have been adopted by MFIs (NGO-MFIs, mutual benefit MFIs, and for profit MFIs) for increasing the credit flow to the unorganised sector. The can be mainly divided into six broad categories such as 1). Self Help Group (SHG) model. 2). Federated Self Help Group Model. 3). Grameen Bank Model. 4). Cooperative / Mutually aided cooperative model. 5). Non Banking Finance Company Model, and 6). Banks using other agencies for distribution of microfinance.

In order to review the mode of operation by the MFIs in the district their collection mechanism adopted, the District collector had organized a meeting with all the district official in-charge of the MFIs who are operating in the district during March 2012. In the meeting, each official briefed about the operational practiced adopted by them. The upcoming areas such as Microinsurance, Micropension, Micro savings, Micro SIP, Microventure, Micro-remittance, and Housing Microfinance were studied.

7.2.4. Profile of the Respondents

The 42% of respondents were in the age group of 31-40 years, only 4% of the respondents were in the age group of above 50 years. Majority of the respondent have had school level education, and only 9% of them were graduates and 14% of the respondents were illiterate. We were able to infer that school level educated respondents were in the age group of 31-40 years. Young people had higher education compared to the older generation. More than one third of the respondents were doing micro enterprises followed by housewife with 17% of the respondents. The MFIs, Gramavidyal, Equitas and Spandana are the major MFI lenders

in the districts with their share of 26 percent, 25 percent and 24 percentages respectively. Most of the respondents (92%) were married.

Out of the total married respondents' husbands, the 85% of them had school level education and less than 8% of them had college level education. It is evident from the study that each 30% of the respondents' husbands were salaried and micro entrepreneurs. Though Kanchipuram is well known for silk weaving, only less than 8% of the respondents' husbands were found to be weavers and another 3% of them are weaving wages. More than 52% of the respondents were residing in concrete type of houses and only 25% of the respondents were residing in thatched house. Most of the respondents were residing in their own house and which they constituted 82 % of the respondents. The culture of nuclear family predominate the microfinance beneficiaries too. Two third of the respondents were expressed that they are having less than 4 members in their family.

The 64 % of the respondents are having association with any of the MFIs for 2-3 years and 16% of them are having relationship for less than one year. Nearly three forth (74%) of the respondents had availed second cycle loan from their respective MFIs. The 45% of the respondents had had loan outstanding with other MFIs when have membership with current MFI. This clearly tells us that one in every two persons have multiple borrowings. From the below table we can infer that majority(64%) of the respondents had three earning members in their family and only less than 2 % of the respondents were having single earning members in their families. Nearly two third (63%) of the respondents were having a monthly family income between Rs 6001-8000/-.

Respondents were selected throughout the district covering all the 13 different blocks in the district. Kattankulathur block had a least coverage of less than 1% of respondents and Thirukkazhukundran had maximum coverage with 11.8% of respondents. More than two third (68%) of the respondents were chosen from rural area of the district for the study.

6.2.5. Views of the Beneficiaries on their Economic Impact

Most of the borrowers who started the new enterprises with the loan amount were in the age group of between 20 and 30 years. The borrowers who changed their enterprise completely after the loan availed were found to be above 50 years of age compare to the young age groups. The beneficiaries those who were in the age group between 30-40 years were able to take decision on asset purchase to their house independently. The women borrowers who were in the age group between 20-30 years were more aware of processing fee deducted by the MFI, and also they were aware of loan was available from banks at lesser rate compare to their MFIs. The 12% respondents had not possessed any of the selected assets.

The 15%, 26%, 25%, 9% and 11% of the respondents told that they possessed TV, Fridge, Mixie, Scooter and Entrepreneurial goods respectively. It was found that 43 percent of the respondents who are in the age group of 30-40 years had possessed any one of the selected asset at their house, while it was 33 percent in the case of 20-30 years old respondents. The respondents who had school level education had managed their new enterprise jointly with their husbands. The illiterate respondents expressed that they have changed their enterprise sooner compare to other group of respondents. The respondents who had college level education were able to decide themselves on the household asset purchase compare to other set of respondents.

The illiterate respondents had change in their housing compare to educated respondents. One out four respondents had possessed either fridge or mixie at their house. Though the actual percentage of TV possession is 15 %, the Govt's free TV scheme has given household by ration card with one colour TV. Actual percentage of TV possession is to be considered as 100 percent. The respondents who had own agri, had found their husbands were also in the same enterprise. The changes in enterprises were observed in the respondents who were into agri wage and weaving wage compare to other occupational respondents. This may be due to attitudinal change to become entrepreneur after joining MFIs. The respondents who were salaried and doing own weaving were found themselves independent in deciding on asset purchase to their family compare to the other group of respondents. The weaving waged respondents have changed their housing and schooling of their children.

The respondents who were doing own agri were much aware of the processing fee deducted and aware of availability of loan from bank at reduced rate of interest. However they are availing loan from MFIs as they found it is convenient since it is available at their door step without affecting their daily working schedule. Most of the married respondents were managing their enterprise jointly with their husbands. Also they are found in decision making on asset purchase to their households in consultation with their husbands. Though it seemed to be dependent, in village areas, consulting with their husbands are widely the respected social quality of women. Many a times, the decision making is left with husbands who had college level education. Women believed that their graduated husband would have had better decision making to their family.

The respondents who were into own weaving, own agri, and milch animal rearing were found their husbands' were also in the same enterprise. The family members felt that that was a family enterprise and to be supported by all members of the family. We observed that there were changes in enterprise of the respondents those whose' husbands were of weaving wage. In the cases where own weaving by the respondents husbands, the decision making was done by the husbands as they were the people who goes to the saree traders outside and negotiate with them for better price. Change of housing and change of schooling of children were observed in the case of husbands who were into weaving wage and milch animal rearing. It is a highly positive impact on the family of the respondent.

The respondents of the husbands' who were doing own agri were aware of the processing fee deducted by MFI and availability of loan from bank at much cheaper rate of interest. But due to the distance and time consumption, they are bit hesitant to approach the bank for loans. Moreover the loan from MFIs is available at their door step and at their convenient time. The respondents from the small family size (less than 4) are much aware of the processing fee deducted and the availability of loan from banks at reduced rate of interest. In spite of knowing the facts, the respondents are finding comfortable in availing loan from MFIs as they had other advantages like quick delivery of loan, that too at their door step and at their convenient time.

The respondents who had 2-3 year of vintage with the MFIs were found with change in their enterprise, decision making by themselves on their asset purchase and change in their housing. The change in housing includes renovation, extension, construction, and shifting to better house on rent. The 25 percent of the overall loans received were utilized for starting up new enterprise; out of the 25 percent, 10.5 percent and 8.1 percent contributed by Gramavidiyal and Equitas respectively. Though, the loan amount was utilized for starting up new enterprise, 32.7 percent of the loan amount had been utilized for expanding the existing business which is again good factor. The 12.3 percent, 10 percent and 9.3 percent of the loan amount received from Equitas, Spandana and Gramavidiyal were utilized for expansion of their existing enterprise.

The 31 percent of the loan amounts received from all MFIs put together were utilized for household purposes, and 10.5 percent were utilized for repaying their other loans. Out of the total new enterprise started nearly 72 percent of the loan amount received were utilized form the new enterprise which are managed by both the borrower and their husbands' jointly, of which Gramavidiyal had 30 percent share and 21 percent of share by Equitas and Share MFI each. The 81 percent of respondents told that both the respondents and their husbands are into the same firm and running the business jointly. The 53.4 percent of the respondents told that they have renovated their house after joining MFIs and 17.8 percent of the respondent expressed that they have constructed a new house. Nearly 9 percent of the respondent said, they had moved to a bigger house. However, the 20 percent of the respondents said that there was no change in their housing. Overall, Equitas, Gramavividiyal and Share had effect on their borrower's housing to 26.9 percent, 25.8 percent and 22.9 percent respectively.

The 69.3 percent of the respondents told that they were able to send their children to tuition & extracurricular activities. In that, 23.6 percent, 20.1 percent and 18.8 percent comes from Share, Equitas and Gramavidiyal respectively. And the 12.8 percent of the respondent send to better school, 7.3 percent of them said they were able to rejoin their children to school. Nearly 77 percent of the respondents were aware of the processing fee deducted. But still it is sad to know that the remaining percentage of the respondents were availing loan from MFIs without knowing the processing fee deduction. Out of total 77 percent of the

respondents, 24 percent are from Equitas and Gramavidyal each and 23 percent from SHARE. The 86 percent of the respondents were aware that they could get loan from banks at much lesser rate of interest. But to due to some hindrance like, lack of time, hesitation to go formal institution, documentation hassle etc, they were availing loan from MFIs.

It was found having double funding by different MFIs to the same borrowers in the district. Higher the number of earning members, the family is able to give their children with better schooling and educational support to their children. As the overall family income increase, the decision on asset purchase is being done jointly with the husbands. It is also found, the family incomes which were told between the range of Rs 4000 – 6000/- pm had had change in the schooling of their children, and also the borrowers were much aware of the processing fee deducted & availability of loan from banks at reduced rate of interest.

7.2.6. Views of the Beneficiaries on their Financial Impact

As the age increases, the decision making on end use of loan is done by jointly with their husbands. The respondents who had school level education had better savings compare to other group of respondents. The respondents who were doing microenterprise had better savings compare to other occupational respondents. Husbands' of salaried respondents were not fully aware of their wife's loan & savings compare to other categories of respondents. Housewives and respondents who were doing own agri were more open to their husbands with respect to their loan and savings. The respondents who were into own agri were found to be having loan outstanding with other MFIs as well. This factual result reveals that there is multiple lending is happening in the district. The credit parameters of MFIs to be tightened further while assessing borrowers. The people who had school level education had better savings compared to other categories of the respondents' husbands.

The respondents expressed that there is a change in their family income whose husbands' were found to be salaried, doing own agri and doing milch animal. Also they expressed their family income is considerably increased among the respondents whose husbands were found doing own weaving and microenterprise. Change in savings were observed in the case of husbands doing own agri, microenterprise, and salaried. The husbands who are into own agri

are known better about their wives' loans & savings comparatively. The respondents were having loan outstanding with other MFIs whose husbands were doing own agri and milch animal. The respondents who had their family size less than four members had expressed that they had had increase in family income, had loan outstanding with other MFIs, also their husbands were much aware of their loan and savings. It is also found that the respondents those who had their family size more than six member were influenced by their husband and in-laws on investment. The respondents who had the vintage of 2-3 years had change in their savings, and also they had loan outstanding with other MFIs.

The respondents who had higher change in income did not have second cycle loan. The respondents who had loan outstanding with other MFIs had availed second cycle loan. Multiple lending has spoilt the morale of the borrowers. Increased number of earning members in the family gives more income and savings to the family. The respondents who had a family of Rs 6000-8000 widely expressed that they witnessed change in their family income. The respondents those who had family monthly income of Rs 4001-6000 predominantly expressed that there were considerable increase in their savings and the details of their loans & savings are known to their husbands'.

7.2.7. Views of the Beneficiaries on their Cultural Impact

The respondents' those who owned a house, had a vintage of more than 2 years with MFIs and had higher family income expressed that their habit of consuming tea / coffee & snacks were increased among. About two third of the respondents who were in the age group between 21 to 30 years and 31 to 40 years told that they have moved their habit of taking Neeraharam to tea/coffee and also they have expressed that they were consuming fresh food items compare to their earlier days. Changes in food habit were predominantly observed among those who had school level education. The respondents who were housewives and the husbands who were salaried, those who were residing in concrete type of house had better change in their food habits in their families compare to others. There was considerable change in food habits among those who had two and more earning members in their family. The middle aged group respondents had better change in medical treatment, reduced the use of indigenous medicine, increased frequency of consulting doctor. The husbands who had

school level education and are salaried had better change in their medical treatment compare to other groups. About forty percent of the respondents who lived in concrete house expressed that they had no significant change in their medical treatment, as they would have already been in better cultural style.

7.2.8. Views of the Beneficiaries on their Social Impact

The respondents who were in the age group between 30 year and 40 years were more independents than other age group of people. This is due to those age group people are the one who are very active in household activity and MFI membership. The respondents who had college level education were more independent in decision making on their asset purchase to their household compare of the other group of respondents. There were improvements in smoking habits of husband's of respondents who were illiterates. Occupation of the respondents were significantly variant from the social factors i.e., self confidence of the respondents, participation in social gatherings, decision making on asset purchase and husbands' drinking & smoking habits.

Self confidence of the respondents who were of weaving wage, salaried and housewives had increased considerably after joining the MFIs. Housewives were shown increased participation in social gatherings compare to earlier. Drinking habit of husbands' of the respondents who were doing microenterprise, agri wage and rearing milch animal had shown positive improvement. Smoking habit of those husbands were also seen reduced in the cases of respondents who were doing own agri and agri wage. Most of the married respondents expressed that the decision on asset purchase would be done in consultation with their husbands. The respondents whose husbands' were illiterate were found to be more independent in decision making on their asset purchase for their family. This is one of the successes of the success of microfinance lending. Most of the women in rural area still depend on their husbands for decision, even on small issues.

Occupation of husbands of the respondents had significant difference on the social factors of the respondents, mainly on husband feeling on their wives' association with MFIs, self confidence, participation in functions & social gatherings, decision making on asset

purchase and drinking & smoking habit of the husbands'. Husbands of the respondents who were doing own weaving were happy about their wives' association with MFIs as it increased their family income and their social status. It was found that the husbands' of the respondents who expressed that their self confidence had increased were predominantly engaged in weaving wage and own agri. The respondent those whose husbands' were in weaving wage, agriculture were found with increased participation in family functions. Also it was found wives' of salaried husbands were with increased participation in social gatherings. This is due to freedom given to the women by their husbands.

Decision making on asset purchase by the respondents were jointly with their spouses' in most of the cases. The husbands' of the respondents who were daily wages and doing microenterprises were persuaded and influenced by wives and reduced their drinking & smoking habits which is a very good social impact. As the vintage of the respondents with MFIs increases positive feeling of the respondents' husbands about their wives' association with MFIs increases. Also the vintage of the respondents had direct proportion to their increased of self confidence and positive impact on their husbands' drinking & smoking habits.

Among those who expressed as their self confidence is increased, the 43 percent of them were in the middle age group between 30-40 years, 77 percent of them were having school level education, more than one third of them were housewives, 45 percent of the respondent's husbands were found to be salaried, 53 percent of them were residing in concrete type house, two third of the respondents were having the family size less than 4 members, the 64 percent of them were found to be having a vintage of more than 2 years with MFIs, two third of them were having more than 3 earning members in the family and 65 percent of them found to be having a total family monthly income of Rs 6000-Rs 8000/-.

7.2.9. Views of the Beneficiaries on their Political Impact

The age group of above 50 years did not want to hold any post in the group and did not have experience of having contested in local body elections. The means, the senior women did not want to take additional responsibility as they are already tied with family issues.

Illiterate respondents did not have any experience of having contested in local body election. The respondents who had school level education expressed that their influencing power is increased after joining the MFIs. The respondents who were wagers and rearing milch animal were holding post in their group. Housewives are willing to hold post compare to other occupant respondents. Housewives did not have experience of having contested in local body election compare to other groups. And at the same time, most of the housewives respondents expressed that their influencing power is increased due to the association with MFIs.

The respondents who had 2-3 years of vintage with the MFIs had an experience of having contested in local body election. The respondents, who had less than one year of vintage, did not feel any change in their influencing power. Being associated with MFIs for more period increase the familiarity of the members in the group as well as in the society. The respondent who had single earning member in their family was holding responsibility in the group. With more than three earning members in the family, the respondents had an experience of having contested in local body election. The respondents had three earning members in their family felt their familiarity had increased with the association of MFIs.

7.3. Suggestions and Recommendations

Based on the above findings, the following suggestions are made.

1. *Below Poverty People to be Included:* It is observed from the study; still the people who are in BPL are not fully included for microfinance, only those who are middle income people are chosen for microcredit by MFIs. The 63 percent of the respondents were having a total family income of Rs 6001-Rs 8000 per month, 82 percents of them were residing in own house, 52 percent of them were living in concrete type of house and majority of them had school level education. In order to achieve real social upliftment and poverty alleviation, MFIs should extend their hands to BPL people.

2. *Multiple Lending to be Avoided:* It is observed, 45 percent of the respondents were having loan outstanding with another MFIs while they are getting loan from the present

MFIs. In order to have the industry healthy, the MFI must not extend loan to the borrowers those who have already loan outstanding with other MFIs. The existing lender MFI itself may consider for additional loan if required within the ceiling limit.

3. ***Housewives to be Encouraged for Income Generating Activity:*** It is noted that 17 percent of the borrowers are housewives, and the loan amount was either utilized for household expenses or given to husband to meet his business requirement. Women empowerment being one of the objectives of microfinance, the MFIs should encourage the housewife to start income generating activity.

4. ***Guidance to be given to starting new Enterprises:*** It was noted that 12.6 percent and 11.4 percent of the loan extended by MFIs Gramavidyal and Equitas respectively were utilized for household expenses and utilized to repay their existing loans. Yet other MFIs are observed restricting themselves with existing microentrepreneurs for microcredit. In such scenarios the aspirants who want to start microenterprise are excluded from funding as they do not have prior experience in the field. Income Generating Activity (IGA) is meant by both existing and new microenterprises. The borrowers and the aspirants to be encouraged and guided for starting up new microenterprises and income generating activities.

5. ***End use to be Monitored:*** It is noted that only few MFIs have the exercise of post disbursement verification on end use of loan amount disbursed. Failing which, there is possibility of the loan amount being used for unproductive expenses. As any unproductive loan goes for a task and repayment is doubtful, all loan should be disbursed only for income generating activity. Therefore it is advised to have post disbursement monitoring on end use of the loan amount by all MFIs.

6. ***Per Individual Lending cap to strictly be abided:*** It is observed that 45 percent of the respondents had loan outstanding with other MFIs as well. Though the study is not revealed the amount of outstanding, it is clearly shows that there is multiple lending happen in the district. As advised by Malegam committee, per individual lending limits of Rs 25,000/- is to strictly be abided by all the MFIs which would avoid adverse situation in collection. But it is widely observed the norms are diluted with a justification that they are

lending to the borrowers according to their repaying capacity and the requirement. However, there are arguments on the lending amount cap.

7. ***Banks must take the Opportunity of the Microfinance:*** The 86 percent of the respondents were aware of the availability of the loan from the banks at much lesser rate. But due to certain constraints like, stringent documentation, felicity in timings and doorstep delivery, the borrowers preferred MFIs over the banks. Banks must take clue on the business loss of the potential customers. With little flexibility and pitch, the banks can easily grasp the potential business share.

8. ***Borrowers to be Educated on the Insurance:*** Though the study is restricted to the awareness of the borrowers on the insurance premium deduction, it is widely observed, only meager customers wanted to have insurance coverage for them, remaining feel it as cost of borrowings. Hence, MFIs have much bigger responsibility of making the borrowers understand on the importance of insurance, rather than making it mandatory. The 77 percent of the respondents were aware of the deduction for processing and insurance premium.

7.4. Scope for Further Research

The study paves way for further research in following areas of microfinance

- Comparison of impact of microfinance on MFI borrowers and SHG-Bank linkage borrowers.
- Introspective study, why the turmoil had not occurred in Tamil Nadu or in any other state?
- Profitability of MFIs after implementation of regulations by Malegam committee.
- Scoping study for the commercial banks to venture into direct microfinance.
- Competitive scenarios if commercial banks come for direct microfinance lending in the market.
- Viability and sustainability of urban microfinance.
- Product variants suitable for rural and urban microfinance.
- Assess the situation and impact of multiple lending.

7.5. Conclusion

The microfinance, the so called poor man's finance has been primarily driven by social objectives for the past three decades. It has been funded by donor money, subsidized credit or soft loan and run by NGOs or charity. This conventional model has so far been successful and effective in reaching the capital scarce pockets of the economy. It has initiated the building of an inclusive financial system by providing microcredit, micro insurance and deposit facilities to the marginalized and neglected sectors of the society. Microfinance has touched millions of lives, funded entrepreneurial spirit of poor and reduced income inequalities by making capital accessible to low income groups. Today, after thirty years of existence MFIs are believed to have reached more than 100 million clients, which is a remarkable achievement. But as per the World Bank's statistics, this is only 4 percent of the total world demand for such funds.

Commercialization of the sector is proving to be irresistible and inevitable. On one hand are the lucrative returns that this offers which are attracting investors from all angles. On the other hand are the constraints faced by MFIs operating in the conventional model forcing them to carry out some elementary changes. Commercialized MFIs are termed as moneylenders as they are believed to conduct business to seize the returns offered by the sector. Another reason for this correlation of MFIs with moneylenders is drawn with reference to high interest charged by the later. Infact, commercialization would infuse low cost incremental capital in the sector. Low cost of fund would enable MFIs to reduce interest rates thus benefits to the poor.

The present study is an attempt to analyze the perception of the MFI beneficiaries in Kanchipuram district. Overall the MFI lending have had greater impact on the borrowers' in the district in terms of their economical, financial, social development. Though there might not be direct impact on their cultural and political development, it is well acknowledged there was indirect impact on the borrowers on their cultural and political development. Due to the turmoil in the microfinance industry, the microfinance lending had slow down in the district. But, with the regulatory guideline by the Malegam committee, issued recently there is strong hope that the MFI lending will boom in the country.

The study reported that there is significant positive perception of the MFI borrowers on their economic, financial, cultural, social and political impacts. Hence, concluded that there is significant overall impact of MFI lending on the borrowers in Kanchipuram district.