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Micro Financing: A Boom for the Poor

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Abstract

Micro Finance has gained a lot of significance and momentum in the last decade. The role of micro finance as the most suitable and feasible alternative in accomplishing the goal of growth and poverty alleviation is now well recognized. The need for micro finance has arisen due to formal banking system is not meeting the credit needs of millions of rural and urban people. Micro fiancé through self help groups is an alternative system of credit delivery for the poorest of the poor groups. Micro finance institutions other than banks are engaged in the provision of financial services to the poor. India has 6.40 lakh villages and its 72.2% of the population is living in rural areas. Micro finance is one of the effective tools to help neglected groups of society. [7]The study is aimed at analyzing the impact of micro credit on socio economic empowerment of women. The present study is based on both primary and secondary data. The primary data collected from field survey, conducted in West Godavari District of Andhra Pradesh

Keywords: Self Help Group, Micro Financing

Introduction

Micro finance is a tool for poverty alleviation and improving socio economic conditions of the poor. Micro financing is a new method to meet the credit requirement in rural areas. Since the bank borrowing requires collateral and the deprived class does not have any type of such collaterals, the success of Bangladesh Grameena Bank which was started by Prof. Muhammed Yunus, in 1976 attracted the attention of Indian policy makers towards the micro finance and micro credit. In the recent period, considerable emphasis has been placed on promotion of micro credit enterprises in view of perceived inadequacies of existing agencies in providing productive credit to those with little or

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no previous access to formal credit facilities. Micro finance programme through self help groups (SHGs) has been effective in making positive social change to the group members. [6]Micro finance is a programme for the poor and by the poor to mobilize the savings and use them to meet their financing needs. [1]Rural sector always remain the main component of the development process of Indian economy. India has 6.40 lakh villages and its 72.2% of the population is living in rural areas. Micro finance is one of the effective tools to help neglected groups of society.

Concept of Self Help Group

A Self Help Group (SHG) is a registered or unregistered voluntary association of poor people of 15 to 20, from the same socio-economic background, involving primarily in saving and credit activities. A SHG is formed democratically without any political affiliations. It can be all-women group, all men-group or even a mixed group. However, over 90 per cent of these groups have only women members. The SHGs are also popularly called DWACRA Groups. This name became popular after the DWACRA (Development of Women and Children in Rural Areas) programme through which women's groups were assisted initially. [8]The SHGs are taking small loans out of the corpus available with the group. The group corpus consists of savings, government assistance and also bank loan. Micro Finance covers all types of micro products and micro services targeted at the poor population.

Earlier Studies

Gurumurty T.R. (2000) in his study 'Economic Empower Through Self Reliance' reveals that SHGs are an available alternative to achieve the objective of rural development and to get community participation in all rural development programme. The true development must center people and it also realized that people cannot be developed from outside and they have develop themselves participating in all activities that is improve their lives.

Sudarsana Reddy G. and Panduranga V. Patti (2008), 'Role of Micro Finance in Rural Development' explained that micro finance innovations are yielding results and giving hope to the rural poor through providing credit. There is a need to evolve an informal credit system with assistance from formal financial institutions.

Need for the Study

The need for Micro Finance in India has arisen due to failure of formal banking system in meeting the credit needs of millions of rural and urban people. Micro Finance through SHGs is being propagated as an alternative system of credit delivery for the poorest of the poor groups. With respect to West Godavari District, no studies were conducted on ‘Micro Finance’. Hence, researcher selected an agriculturally well developed West Godavari District to study the Micro Finance through SHGs.

Objectives

The study aims to achieve the following objectives

- To examine the extent of involvement of women in SHGs
- To study the performance of micro financing in rural areas.
- To analyze the impact of micro credit on socio economic empowerment of women
- To finding out the role of SHGs in micro finance

Methodology

The present study is based on both primary and secondary data. The primary data were collected through questionnaire. The field survey has been carried out in the rural areas of West Godavari District of Andhra Pradesh. While collecting data, the researcher visited. “District Rural Development Agency”. Secondary data have been collected from books, journals, unpublished thesis and annual reports of District Rural Development Agency of West Godavari.

Sampling Plan

The study covers the Akiveedu, Attili, Bhimavaram, Bhimadole, Buttayagudem, Eluru, Jangareddigudem, Kalla and Polavaram

Mandals of West Godavari District. At the end of March 2009, a total of 47,842 self help groups have been benefiting to 5,01,623 group members. Through random sampling technique 36 SHGs and 126 respondents were selected for the field survey, who were members of self help groups in the aforesaid mandals.

Period of the Study

To collect the first hand data, a field survey is conducted from July 2009 to September 2009. As per West Godavari District Rural Development Agency, the total number of SHGs is – 47842 (as on 31-03-2009)

Socio Economic Background of the Beneficiaries

Age, social class, marital status, education, type of family, annual income and rate of interest etc. are some of the important variables that affect women in their empowerment and development. The following Tables show the socio economic profile of the beneficiaries.

Table 1: Age of the Respondents

Age (in years)	No. of Respondents	Percentage
< 25	25	19.84
26-35	63	50.00
36-45	30	23.81
45 and above	08	6.35
Total	**126**	**100.00**

Table 2: Social Class of Members

Social Class	No. of Respondents	Percentage
S.C	32	25.40
S.T	24	19.05
B.C	55	43.65
Others	15	11.90
Total	**126**	**100.00**

Table 3: Marital Status of the Beneficiaries

Marital Status	No. of Respondents	Percentage
Married	96	76.19
Un Married	23	18.25
Widow	07	5.56
Total	**126**	**100.00**

Table 4: Education Level of the Respondents

Education	No. of Respondents	Percentage
Illiterates	18	14.29
Primary	60	47.62
High School	45	35.71
Graduates	03	2.38
Total	**126**	**100.00**

Table 5: Type of the Family

Family	No. of Respondents	Percentage
Joint	38	30.16
Nuclear	88	69.84
Total	**126**	**100.00**

Table 6: Status of Respondents

Status	No. of Respondents	Percentage
House Wife	65	51.59
Self Employment	39	30.95
Labour	22	17.46
Total	**126**	**100.00**

Table 7: Annual Income of the Family

Income (in Rs)	No. of Respondents	Percentage
Below 10,000	5	3.97
10,000-15,000	18	14.29
15,000-20,000	12	9.52
20,000-30,000	70	55.56
30000 above	21	16.66
Total	**126**	**100.00**

Table 8: Rate of Interest

% of Interest	No. of Respondents	Percentage
12	11	8.72
11	65	51.59
10	29	23.02
09	21	16.67
Total	**126**	**100.00**

Table 9: Opinion on the Interest Rate

Opinion	No. of Respondents	Percentage
Very High	11	8.73
High	41	32.54
Moderate	58	46.03
Low	16	12.70
Total	**126**	**100.00**

Participation of Women in Group Functioning

SHGs would essentially form for the purpose of empowering the poor to take charge of critical decisions concerning their lives and improve its quality. Women's participation in SHGs in its various activities is important for meeting out the broad objectives of micro financing and effective functioning of SHGs. The participation of the selected women in their groups involving in various activities is shown in the following Tables.

Table 10: Joining in the SHGs

Year	No. of Respondents	Percentage
2005	56	44.44
2006	43	34.13
2007	18	14.29
2008	09	7.14
Total	**126**	**100.00**

Table 11: Motivation to Join Group

Source	No. of Respondents	Percentage
Self	17	13.49
Family Members	18	14.29
Friends	31	24.60
NGOs/Govt.Officers	60	47.62
Total	**126**	**100.00**

Table 12: Position in Group

Position	No. of Respondents	Percentage
Ordinary Members	81	64.29
Representatives	30	23.81
Leader	15	11.90
Total	**126**	**100.00**

Table 13: Frequency of Group meetings

Frequency	No. of Respondents	Percentage
Weekly	103	81.75
Fortnightly	23	18.25
Monthly	--	--
Total	**126**	**100.00**

Table 14: Participation in the Group Meeting

Participation	No. of Respondents	Percentage
Regularly	109	86.51
Occasionally	17	13.49
Total	**126**	**100.00**

Thrift and Credit Performance of the SHGs

Thrift and Credit Performance of the SHGs is shown in the following Tables.

Table 15: Initial Savings rate of Respondents

Savings Rate (in Rs)	No. of Respondents	Percentage
Below 50	69	54.76
50-100	47	37.30
100-200	10	7.94
Total	**126**	**100.00**

Table 16: Present Savings Rate of Members

Savings Rate (in Rs)	No. of Respondents	Percentage
Below 50	30	23.81
50-100	84	66.67

100-200	12	9.52
Total	**126**	**100.00**

Table 17: Balance Amount to be Paid

Amount (in Rs)	No. of Respondents	Percentage
Less than 500	39	30.95
500-1000	58	46.03
1000-1500	21	16.67
1500-2000	8	6.35
Total	**126**	**100.00**

Table 18: Did you receive Benefit Under Governments Schemes

Received	No. of Respondents	Percentage
Yes	54	42.86
No	72	57.14
Total	**126**	**100.00**

Analysis and Interpretation

Table 1 explains that 63 beneficiaries out of 126 respondents representing 50 percent were in the age group of 26-35 years. It is evident that 23.81 percent of members belong to the age group of 36-45 years.

Table 2 gives a clear idea about the social class of the beneficiaries. The highest number of group members hails from backward class representing 43.65 percent. Scheduled Caste and Scheduled Tribes occupied with 44.45 percent and very few respondents i.e 15 members belong to other community.

Table 3 depicts the marital status of the group members. Most of the women were reported as married representing 76.19 percent (96 out of

126). Proportion of unmarried girls was reported (18.25 percent) and widow beneficiaries have been reported only 5.56 percent.

It is evident from Table 4 that very few beneficiaries were found poor in terms of education and literacy development. Only 14.29 percentage of respondents (18 out of 126) were reported to be illiterate. But educated women respondents were reported as 85.71 percent.

It could be observed form the Table 5 that 69.84 percent of the members were found living in nuclear families, while more than one third respondents found living in joint families.

Table 6 analyses the status of respondents. Nearly one third members (65 out of 126) representing 51.59 percent was house wives. It was found that self employed women were 30.95 percent and 17.46 percent respondents were reported as labourers.

The annual income of the families found from the Table 7. Most of the families representing 55.56 percent (70 out of 126) belong to income level of Rs. 20,000-30,000 per annum (i.e.) low. The remaining families are living below the poverty line or just above it.

It is observed from the Table 8 that 76 beneficiaries representing, nearly 60 percent are paying more than 11% rate of interest on their borrowed amount. 50 respondents paying less than 10% rate of interest.

Table 9 shows, opinion of the beneficiaries about the interest rate policy. 46 percentage of respondents were satisfied with existing rate of interest while 52 respondents representing 41 percent felt as high rate of interest.

It is inferred from Table 10 that 44.44 percentage of beneficiaries were joined in SHGs during the year 2005. 43 members representing 34.13 percent formed in the year 2006 and 27 women respondents joined the group after 2007.

It is found from Table 11 that 91 respondents (72.22 percent) out of 126 reveals that NGOs and friends are the main motivators to join the group. Only 13.49 percent were the self motivated group members.

Table 12 presents the position in groups. 81 out of 126 respondents were ordinary group members while 23.81 percent are acting as representatives and 15 members were the leaders of the groups.

Regular meetings are very important, especially in the initial stage. The SHGs would decide a fixed date, time and place for the meetings. This would ensure that the women remain committed to the group and would be able to plan in advance. Table 13 reveals that 103 beneficiaries representing 81.75 percent conveyed SHGs have been conducting weekly meetings.

It can be seen from the Table 14 that 109 respondents representing 86.51 percent attending meetings regularly and only 13.49 percent participated occasionally in the group meetings.

By comparing Tables 15 and 16, significant increases in savings have been recorded by the beneficiaries. There has been an increase of 29.37 percentage points and 1.58 percentage points in the savings amount of Rs 50-Rs.100 and Rs 100-Rs 200 during initial and present stage.

Table 17 presented the balance amount to be paid by the beneficiaries. Most of the respondents reported that they have to pay dues up to Rs 1000 (77 percent), while only a small proportion has to repay heavy dues (i.e.) more than Rs.1000

It is noted from Table 18 that 54 out of 126 beneficiaries (representing 42.86 percent) availed benefits while majority of the women members representing 57.14 percent could not get any benefit from development programmes.

Findings

Age is not the criteria for SHG membership and any person who is unemployed can become member of the SHG.

SHG membership is not based on the education qualification. About 83 percent of the beneficiaries are falling in the education level that is High School and less than High School and they could not have jobs due to low education qualification.

SHG membership is for unemployed and it is not for a specific age group, education level and caste.

Micro financing is directly oriented to the rural poor, as 79 percent of respondents are below poverty line.

Most of the members have taken loans from SHGs are housewives followed by self-employment.

52 percent respondents opined that high rate of interest charged by the banks.

SHGs are formed with the idea of mobilizing small savings from members. Loan facility is available for all the members and there are no restrictions on taking loan

The groups change the woman from housekeeper to organizer, manager and decision maker. Women learn skill and ability from the group activities

SHGs provide the poor women the access to economic recourses like money and hereby they enable the women to spend them on productive and consumption needs.

SHGs are not just a financing system but for social and economic change, especially for women.

Suggestions

Emphasis should be given to SHGs formation and group lending rather than individual lending

There is a need to have proper regulating authority at each level saving, depositing, lending of money, which will help in long term sustainability of the sector and in avoiding any misuse of money.

There is need to evolve new products by the banks commensurate with the requirements of women

Strong marketing network is essential for effective and proper marketing of product and services of micro enterprises linked SHGs. They need marketing support and institutional capacity to handle marketing activities independently.

As women are an important part of the community, building their capability to manage communities and community project should be enhanced. Education is a good channel for women empowerment and poverty

It is suggested to increase the ceiling limit of the loan to Rs.25,000. The interest rate on the loan amount should be brought down to some extent.

The members of all the self help groups need to under go training programs related to accounting, motivation etc. It helps them in better understanding of need of relation between micro financing and relation maintenance with members for smooth functioning.

Conclusion

From this study the researcher is able to conclude that micro finance through SHGs has reached the un-reached rural poor women. There is need to evolve an informal micro financing through formal financial institutions. The massive growth of microfinance has paved the way for immediate financial accessibility for the poor who are too far away from this accessibility and microfinance. [4]Micro finance through self help groups is an alternative system of credit delivery for the poorest of the poor groups. It would help in improving the quality of life in Rural India.

The government of India and state governments can play vital role in encouraging SHGs. In order to solve the problems relating to marketing of SHGs, the state level organizations and NGOs should come forward and extend facilities especially in empowering rural women by providing education, motivation, training, financial help and so on. SHGs bring unity and integrity among the members. It improves general welfare of family and community. SHGs assist the women to perform traditional roles better and to take up micro entrepreneurship.

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