

Impact of Micro Finance among the SHG's Women in rural Tamilnadu

- An empirical evidence

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Introduction

The basic idea of microfinance is that the poor are ready and willing to pull themselves out of poverty if given access to economic inputs. The success model of the Grameen Bank (GB) of Bangladesh attracts people all over the world. Following the example of the Grameen Bank, many developing countries use the model of microfinance for financing the poor. Banco Solidario S.A. (BancoSol), a Non-Government Organization converted into a commercial bank in Bolivia and Bangladesh Rural Advancement Committee (BRAC), a Non-Government Organization in Bangladesh, are the examples (Bhasin K and Dhar.S 1998)

The innovative credit delivery system, namely micro-finance is a breakthrough in the world of finance. It changes the life of the poor, especially women, not only by providing financial services such as micro savings and micro insurance, but also imparting training in entrepreneurial development. Over the past few decades, microfinance institutions and programmes all over the world have adopted numerous innovative ways of providing credit to the economically poor entrepreneurs and augmenting their savings. These include the provision of small loans to the poor, especially in rural areas, at full-cost interest rates without collateral security and repayable in frequent installments. Borrowers are organized into groups, which reduces the risk of default. Moreover effective mechanisms to disseminate valuable information on ways and means to improve the health, establish legal rights, get sanitation and other relevant concerns of the poor have been found out.

Micro Credit and Women

Many micro credit institutions/programmes (MFI/Ps) have focused on the upliftment of home making women with little or no assets. This MFI/Ps has significantly increased women's income, security, autonomy, self-confidence and status in the eyes of the society by providing them with ample opportunities for self-employment (Sangmithra, 2006) Micro credit, managed and utilized by women borrowers themselves, has the greatest impact on poverty alleviation. "Over a decade of banking with the Grameen Bank, women as loan managers are less likely to

remain poor, as most of them (eight out of ten) will be out of poverty after a few loan cycles. Partnership of women with their spouses or other adult household members in loan utilization and management, on the other hand, is also more likely to move them out of poverty, with a probability of six in ten” (Todd, 1996).

Statement of the Problem

Since 1950, the Government of India has been trying various programmes to alleviate poverty. Studies show that these programmes implemented through banking institutions, are not fully successful in meeting their socio- economic objectives. The common features of these programmes are target- oriented credit with grant/subsidy and lending through commercial banks. These programmes are not sustainable and they degenerate into the dependent status of the beneficiaries. In most of the developing countries, the formal financial help reaches only the top 25 percent of the people. Among the economically active population, the bottom 75 percent of the population has no access to such financial services and only private moneylenders come to their rescue. This phenomenon is prevalent in India also. The financial institutions here have not been able to reach the poor households particularly women in the unorganized sector. Structural rigidities and overheads lead to high cost in advancing small loans. Experience in implementing different anti-poverty and other welfare programmes has shown that the key to success lies in starting appropriate community-based organizations with their member’s participation at the gross-root level. Moreover, the group approach is one of the effective ways to reduce poverty and difficulties of small businessmen and agriculturists. Individuals forming small groups to pool their resources and handle selected operations can reduce poverty to a great extent. People’s participation in credit delivery and recovery and linking of formal credit institutions to borrowers through Self Help Groups have been recognized as a supplementary mechanism for providing credit support to the rural poor. Realizing this importance of Micro-Credit through commercial banks in helping homemaking women’s upliftment, the researcher has made a sincere and humble attempt to examine how far Micro-Credit has empowered them. The present study endeavors to analyze the impact of Micro Credit through commercial banks on the members of Self Help Groups and offer suggestions for the upliftment and empowerment of beneficiaries through this Tirunelveli District in Tamilnadu.

Objectives of the Study

The objectives of the study are:

1. To examine the changes in the social and economic conditions of the beneficiaries in micro credit.
2. To gauge the impact of microcredit on the financial decision making of the beneficiaries.
3. To analyze the attitude of the members of the Self Help Groups with reference to the economic , social , psychological and political factors.

Methodology

Designing a suitable methodology and selection of suitable analytical tools are important for a meaningful analysis of any research problem. This section of the thesis is devoted to the description of the methodology which includes sampling procedure, period of study, and collection of data and tools of analysis.

Sampling Procedure

Tirunelveli District comprises of 11 taluks. For the purpose of collecting primary data, taluk-wise lists of beneficiaries have been obtained from the Project Office, District Rural Development Agency, Programme Officer, Tamil Nadu Corporation for Development of Women Ltd., (TNCDW) and Non-Government Organisations (NGOs) functioning in Tirunelveli District. Out of 11 taluks in Tirunelveli district, five have more than 80 per cent of the member beneficiaries, namely Tirunelveli, Palayamkottai, Ambasamudram, Sangarankoil and Nanguneri. 350 sample beneficiaries have been selected at random from the above five taluks proportionately. The details of the sample beneficiaries in each taluk are presented in Table no.1

TABLE NO: 1
Sample Women Beneficiaries in Various Taluks of Tirunelveli District in Tamilnadu

Sl. No.	Taluk	Total no. of Beneficiaries	Sample chosen
1.	Tirunelvlei	7749	127
2.	Palayamkottai	4410	73
3.	Ambasamudram	4404	73
4.	Sankarankoil	2860	48
5.	Nanguneri	1766	29
	Total	21489	350

Collection of Data

The study is an analytical one and comprises both primary and secondary data. The secondary data have been collected from publications, documents, annual reports, journals, magazines, books and periodicals. Data at the district level have been collected from the records of Women Development Department and Mahalir Thittam office in Tirunelveli, Tamilnadu.

On the basis of the information gathered, a well designed and pre-tested interview schedule was drafted and used in the field survey to collect primary data. Before undertaking the main survey, pilot study was undertaken for 30 respondents to test the validity of the scheme. It facilitated the removal of the 'non-response' and unwanted questions enabling the preparation of the final schedule.

The selected respondents were contacted in person and the objectives of the study were clearly explained to them and the information was collected. The details regarding the general profile of the sample respondents, their family details, income and savings relating to the overall objectives of the study were collected from them through direct personal interview method.

Tools of Analysis

In order to test the significant difference in the performance scores of different groups, based on tenure of existence, literacy level of the leader of the group and the size of the membership, the Kruskal-Wallis Test has been used.

$$H = \frac{12}{N(N+1)} \left(\frac{R_1^2}{n_1} + \frac{R_2^2}{n_2} + \dots + \frac{R_k^2}{n_k} \right) - 3(N+1)$$

Where

n_1, n_2, \dots, n_k are the number in each of k samples

$N = n_1 + n_2 + \dots + n_k$ and R_1, R_2, \dots, R_k are rank sums of each sample.

To study the social impact of micro credit on SHG members, the factors like the level of self-confidence, behavioural changes and participation in social life have been taken into account.

With a view to finding out whether there is any significant difference in social conditions of members between the period before and the period after joining the SHGs, the MC Nemar Test and the Sign Test have been used.

MC Nemar Test

Before Membership	After Membership	
	Do not favour	Favour
Favour	A	B
Do not favour	C	D

$$\chi^2 = \frac{(|A - D| - 1)^2}{(A + D)} \text{ with d.f.} = 1$$

Sign Test

$$K = \frac{n - 1}{2} - 0.98 n$$

In order to analyse the perception of members on the impact of micro credit from SHGs, they were asked to respond to 21 statements using Likert's five point-scale starting from "Strongly Agree" (5) to "Strongly Disagree"(1). These 21 statements have been grouped under the following four categories:

- i) Economic Impact
- ii) Social Impact
- iii) Psychological Impact and
- iv) Political Impact

The perception scores have been classified into three groups:

- (i) High perception: Scores above (Arithmetic Mean + Standard Deviation).
- (ii) Moderate perception: Scores ranging from (Arithmetic Mean – Standard Deviation) to (Arithmetic Mean + Standard Deviation); and
- (iii) Low perception: Scores less than (Arithmetic Mean – Standard Deviation).

MEASURE OF PERCEPTION ON IMPACT OF MICRO CREDIT

In this chapter the perception of the sample members regarding the economic impact, social impact, psychological impact and political impact created by the SHGs has been analyzed with the help of a scaling technique. For analyzing each type of impact, the opinion of the members on five given statements has been elicited on a five-point scale. By consolidating the scores obtained by every sample member for each statement with the help of the five point scale viz SA – Strongly Agree (5), A – Agree (4), NO- No opinion (3), D.A., Disagree (2) and S.D.A. – Strongly Disagree (1), the total scores have been computed. The total scores secured by the sample 350 members show the significance of each statement used to measure the economic, social, psychological and political impact. The total scores for the four categories shows the

level of significance of each category of impact from the standpoint of the samples of the study. Besides the total scores, the mean, median, quartiles and standard deviation also show the level of perception of the respondents on various categories of the impact of the SHGs.

The perception of samples on the four categories of impact such as economic, social psychological and political impact have been measured with the help of scores allotted to five statements related to four categories of impact on a five point scale. The detailed analysis of the statement, individual scores and total scores has been elucidated below.

Overall view of the Perception Scores

To ascertain the significance of the four categories of impact the average, median, first quartile (Q1), third quartile (Q3) and Standard Deviation have been calculated.

Table 2 shows the details of the perceptions of the respondents of the various kind of impact.

TABLE 2
Details of Perception Scores of Respondents for Various Impacts

Sl.No.	Various Impact	Mean	σ	C.V
1.	Economic	26.13	3.10	11.86
2.	Social	28.31	1.52	5.37
3.	Psychological	14.32	2.56	17.88
4.	Overall impact	68.76	5.48	7.97

It is evident from Table 2, that the perception of the sample members of social impact occupies the first place (mean 28.31 and Standard Deviation 1.52) followed by perception of psychological impact. The perception of economic impact and psychological impact occupies the second and third place respectively. This indicates the positive motivation required for psychological impact of the members of SHGs in Tirunelveli in Tamilnadu.

EXTENT OF PERCEPTION OF VARIOUS IMPACTS

The overview of the respondents' perception scores of impact is depicted in Table3

TABLE 3
Overview of Respondent's Perception Scores for Various Impacts

Sl.No.	Various Impact	Low	Medium	High
1.	Economic impact	60 (17.14)	211 (60.29)	79 (22.57)
2.	Social impact	28 (8.00)	221 (63.14)	101 (28.86)
3.	Psychological impact	48 (13.71)	231 (66.00)	71 (20.29)
4.	Overall impact	75 (21.43)	224 (64.00)	51 (14.57)

It is clear from Table 3 that the perception of a majority of sample members of economic impact, social impact and psychological impact falls under the medium category. With regard to overall impact 224 (64.00 per cent) members fall in the medium perception category, 51 (14.57 per cent) fall in the high perception category and 75 (21.43 per cent) fall in the low perception category.

Caste and Perception Scores of Impact

In order to test whether there is any relationship between the community and the perception scores of impact, the Kruskal-Wallis test has been applied to verify the following null hypothesis. There is no significant difference in perception scores of the impact among different groups of members based on community. The results are shown in Table 4

TABLE 4
Relationship Between Caste and Perception Score – Kruskal Wallis Test

Sl.No.	Category of Impact	"H" Value	Level of Significance	Result
1.	Economic	13.79*	0.001	S
2.	Social	2.19	0.334	NS
3.	Psychological	103.76*	0.000	S
4.	Overall	46.86*	0.000	S

*Significant at 5 per cent level. S – Significant NS – Not Significant.

It is observed from Table 6 that there is a significant difference in perception scores among different groups according to community for economic, psychological and overall impacts except social impact. With regard to overall impact, the value of level of significance is less than 0.05, and thus the null hypothesis is rejected. Hence it is concluded that the caste has an influence on the perception of members on impact.

Education and Perception Scores of Impact

In order to test whether there is any relationship between literacy level and perception scores the following hypothesis has been framed. There is no significant difference in the perception scores of impact among the different groups based on the level of literacy.

The results of the Kruskal-Wallis Test are shown in Table 5

TABLE: 5

Relationship between Education and Perception Score- Kruskal Wallis Test

Sl.No.	Category of Impact	“H” Value	Level of Significance	Result
1.	Economic	71.24	0.000	S
2.	Social	2.26	0.520	NS
3.	Psychological	68.65	0.000	S
4.	Overall	79.13	0.000	S

*Significant at 5 per cent level. S – Significant NS – Not Significant.

Table 5 portrays that there is a significant difference in perception scores among different groups according to their educational status of the members for economic, psychological and overall impact except social impact. With regard to overall, the value of level of significance is less than 0.05, the null hypothesis is rejected. Hence it is concluded that the educational status influences the perception of members on impact.

Summary and Conclusion

This part has summarized that the role of micro finance after joining SHGs, that before joining SHGs only 34 (9.70 per cent) members had the positive response whereas 332 (94.90 per cent) members have show positive response in helping neighbours after joining them. This shows that association with SHGs induces helping tendency among the members of SHGs in Tirunelveli District.

It is understood that only 30 (8.60 per cent) members took decision as to house building, education of children and buying of household articles by themselves before joining SHGs while 334 (95.40 per cent) members have taken decision as regards the above. It is revealed that only 26 (7.40 per cent) members took part in decision making to marriage of their girls before joining SHGs while 328 (93.70 per cent) have taken part in deciding it. It is found that only 20 (5.70 per cent) members involves in decision making to marriage of their boys before joining SHGs while 332 (94.90 per cent) of them have taken role in decision relating to it .

It comes to light that before joining SHGs only 99 (28.30 per cent) did join in taking decision relating to their children's education while 325 (92.90 per cent) have shown positive response after joining SHGs in taking decisions by themselves with regard to the children education. It could be seen only 76 (25.3%) members showed positive response before joining SHGs while 248 (82.7%) have shown positive response after joining them. It is inferred that only 28 (8.00 per cent) members have taken decision relating to purchase of household items and assets before joining SHGs while 335 (95.70 per cent of the total) have shown positive response after joining relating to purchase of articles.

It is shown that out of 350 members chosen as sample for the analysis only 37 (10.60 per cent of the total) have taken decision relating to savings before joining SHGs while 335 (95.70 per cent) have shown positive response after joining them. It is observed that nearly 50% of the members saved Rs.3136.56 on an average annually before joining SHG. After joining the SHG, this has increased to Rs.6116.60. The major agencies with which savings were deposited are chit funds and commercial banks before and after joining the SHG. The savings with banks has recorded an increase in savings after the formation of the SHGs. The members of SHGs have also started depositing the savings with the different branches of post offices.

It is found that 232 (66.28 per cent) sample members could save only up to Rs.2000 before joining SHG whereas 98 (28.00 per cent) members could save up to Rs.2000 after joining the SHGs. This shows an increase in the saving habit of the members.

It is shown that on an average, a member has borrowed Rs.53980 after becoming member of SHG as compared to Rs.32947.42 before becoming a member of in SHG, registering one and half time increase. Also it come to light that 55.09 per cent of loans for non-productive purpose before becoming members of SHGs is less than the amount borrowed for non-productive purpose after becoming members of SHGs. On the other hand the average amount borrowed for

productive purposes has increased from Rs.14796 (44.91 per cent) before becoming members of SHG to Rs.34940 (64.73 per cent) after becoming members of SHG.

It is shown that the employment of members which works out to 257 man days has increased to 355 man days a year after becoming members of SHG. Thus 98 man days have increased because of their entry in to SHG. While 128 (49.80 per cent) man days of employment were generated by agriculture based activities before they became members of SHGs, 162(45.64 per cent) man days have been generated after they became as members of SHG.

It is inferred that the perception of the majority of the sample members on economic impact, social impact and psychological impact falls under the medium category. With regard to overall impact 224 (66.00 per cent) members fall in the medium perception category, 51 (14.57 per cent) members fall in the high perception category and 75 (21.43 per cent) fall in the low perception category.

It could be observed that there is a significant difference in the perception scores of the sample members in respect of economic, social and psychological and political impacts. It is found that there is a significant difference in the perception scores of economic and social impact. It also shows that there is no significant difference in the perception scores of psychological and overall impact among the groups of members according to their religion.

It is the need of the hour that the government should form a Regulatory Authority to oversee the functioning of the Self Help Groups and find out the members who have not involved the income generation activities, but lend the money at exorbitant rate of interest (Sudha 2004)

Conclusion

To conclude, the micro-credit schemes function have done well in different parts of the country, in implementing the poverty alleviation programmes more effectively, when compared to the Government and Non-Government Organizations. So it is mandatory that enormous number of credit scheme should be introduced in future for various activities which will bring the women to be highly empowered.

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