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Reaching the Poorest: Role of Microfinance in Poverty Reduction of Self Help Groups in Rangjuli Revenue Circle of Goalpara District of Assam, India

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Abstract

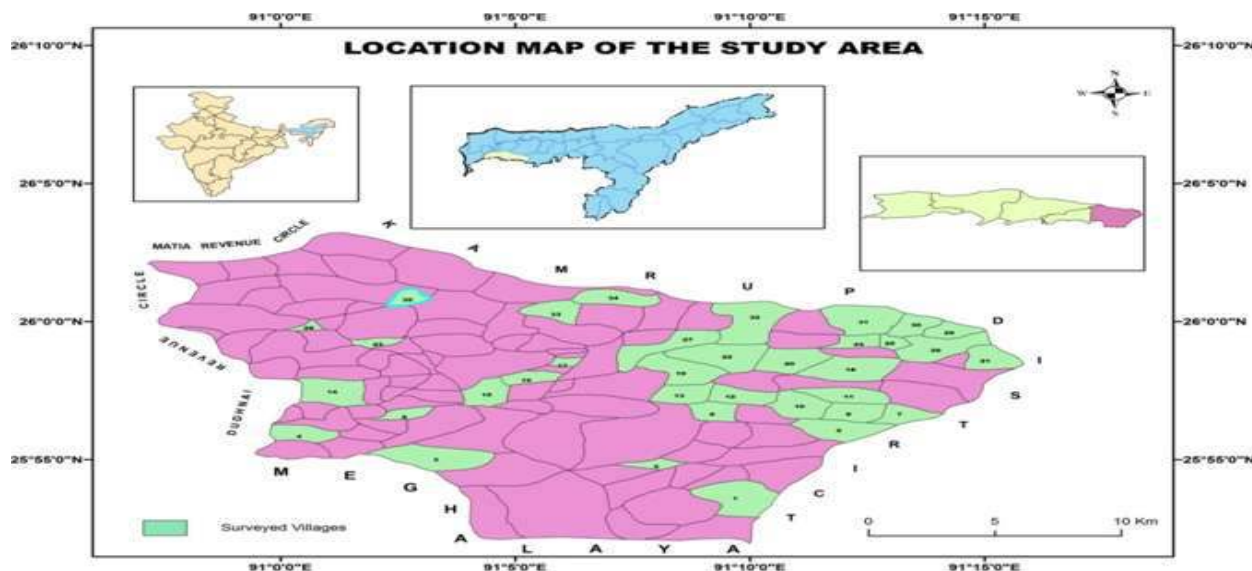
Microfinance is essentially a financial service, routed to the poor generally through Self Help Groups (SHGs), in sheer belief that it will enhance their available choices, opportunities and empower them both socially and economically. With more than 387.38 million Indian people living below poverty line (World Bank, 2011), it becomes imperative to provide them a stimulus to overcome the quagmire of poverty and ignorance prevalent among them. The study area comprises of the selected villages of Rangjuli revenue circle of Goalpara district of Assam, where the Self Help Groups have been surveyed, regarding the microcredit and its role-both positive and negative, in their economic and social lives including their satisfaction level regarding microfinance. The study also bears significance as most of the SHGs surveyed (45 out of 57) are women groups, who are seen as most reliable in terms of repayment and utilization of loans (Joy Deshmukh-Ranadive, 2005). The result suggests that the formation of SHGs and expansion of credit facilities has led to livelihood promotion and poverty alleviation of about 86 per cent surveyed SHGs of the study area. Moreover, notably it is basically the women-run enterprises which have rather benefitted themselves and their families both economically and socially, vis-à-vis empowering themselves.

Key words: Microfinance, Micro-financial Institutions, Self Help Group, Women empowerment.

Introduction

Microfinance or microcredit is the provision of providing financial services to the poor people, with the noble aim of making them economically sound and strong. In this context, the need of SHGs becomes imperative, as microcredit is generally channeled to the community through these voluntary groups. SHGs are small groups of 10-20 persons, who come together with the intention of saving and rotating loans amongst themselves. Once these groups stabilize, they are accorded formal support from the banking institutions, so as to widen their lending capacities (Centre of Women Development Studies, 2005). This financial credit is utilized by the SHGs in various schemes they undertake (like rearing of pigs, goats, poultry, handicraft, fishery, dairy etc.) for timely repayment of the loans and to generate additional income. The paper aims to examine the role of microfinance in poverty alleviation and livelihood promotion of the SHGs and further to analyse the satisfaction level of the SHGs with microcredit and its associated implications.

The study area comprises of Rangjuli Revenue Circle of Goalpara District of Assam, where slightly more than 1 lakh population (2011) reside in altogether 125 villages with cent per cent rural folk. Out of the 125 villages, a total of 35 villages has been selected, where 57 SHGs were located and surveyed. The villages have been selected keeping in view their geographical location and accessibility of the region.



List of the Villages, where SHGs have been located and surveyed:

1. Ambari Pt III	6. Sarapara Pt. I	11. Dhigali Pt. II	16. Fakirpara	21. Ghilabari	26. Bardol Pt. I	31. Khutabari Pt. I
2. Shymagaon Pt I	7. Dhupdhara Pt. III	12. Maslam	17. Khamar	22. Ambari Pt. II	27. Dhontola Pt. I	32. Ambari Pt. III
3. Sildubipara Pt I	8. Dhigali Pt. I	13. Khekapara	18. Piplibari	23. Bhalukjuli	28. Saukapara Kahibari	33. Bangaon
4. Adopara	9. Barbari	14. Garopara	19. Ambari Pt. IV	24. Khutabari Pt. II	29. Talipara Kauridubi	34. Ulubari Choutra Naitarabeel
5. Khutabari Pt. IV	10. Dhigali Pt. III	15. Patpara Pt. II	20. Ambari Pt. I	25. Khutabari Pt. III	30. Khutabari Pt. V	35. Rakshini Pahar

Database and methodology employed for the study:

The study is based both upon Primary and Secondary data. The primary data has been collected from the president or in his absence the secretary or in their absence any member of the SHG, with the help of a structured schedule cum questionnaire. Purposive random sampling has been employed for selection of the SHGs. The necessary secondary data has been gathered from various publications of financial institutions and NGOs' including Block Development Reports, books, journals and different government websites. The collected data has been properly examined to judge their significance, keeping in view their reliability and suitability of the purpose. Further processing includes tabulation and analysis of the collected data using simple meaningful statistical techniques. The final output is accompanied with specific maps and diagrams so as to make the study more legible. Lastly the results have been synthesized into an integrated whole so as to arrive at meaningful conclusions.

Analysis and Discussion

Utilization of loans received by the SHGs

The SHGs has the general tendency to resort to that particular scheme which is common to their household or the locality at large. These schemes, as mentioned before basically include rearing of pigs (piggery), goats

(goatery), poultry, fishery, dairy and handicraft. Among all these, piggery, goatery and poultry is most preferred as these schemes give high returns and much care with regard to feed and nourishment is not essential. However in case of dairy and fishery, very less SHGs (altogether 17.54 per cent) are involved due to the perishable nature of the produce and inadequate storage facilities. Moreover lack of all weather roads linking the villages with the potential markets works as another major impediment. In addition, a fishery requires a large area and the milch animals require grazing lands including a keeper which is in itself a costly affair. Furthermore the monsoon climate is not suitable for dairy development due to the scarcity of grasses and green leaves during winter months as the vegetation is deciduous.

Table 1: Distribution of the Schemes undertaken by the SHGs in the surveyed villages of Rangjuli Revenue Circle of Goalpara District of Assam

Schemes	Number of SHGs		Total	Percentage
	Male Group	Female Group		
Goatery	00	10	10	17.54
Piggery	02	11	13	22.81
Handicraft	00	09	09	15.79
Poultry	00	15	15	26.32
Dairy	03	00	03	05.26
Fishery	07	00	07	12.28
Total	12	45	57	100.00

In addition there also exist variations in the schemes undertaken among the men and women SHGs. Poultry, piggery, goatery and handicraft are the three most preferred schemes undertaken by the women groups, as these animals are already domesticated in every individual household and are looked after by the women folk itself. Besides the art of weaving runs in blood and veins of the assamese rural folk, embedded deeply in their culture and tradition. On the contrary the male counterparts generally undertake schemes like fishery and dairy, which requires huge man power and are also much laborious. Infact out of the total 12 male SHGs surveyed, 7 of them have developed fishery and 3 of them have adopted dairy as their respective schemes.

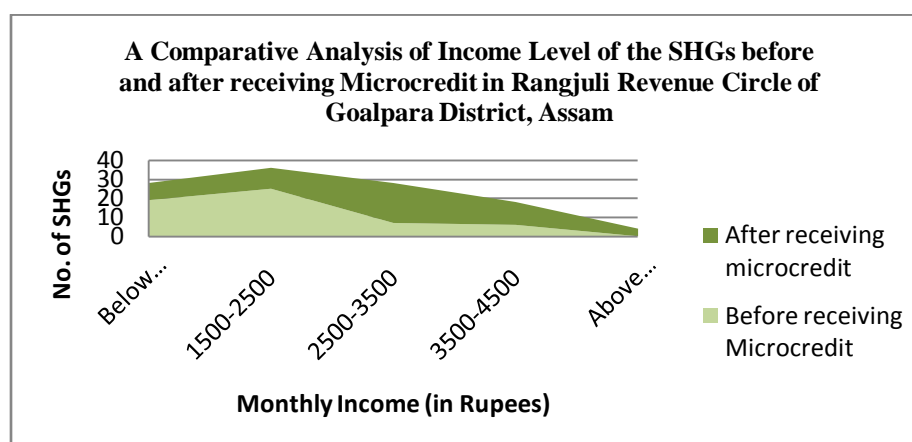
Role of microfinance in poverty alleviation of the SHGS

Microcredit provided to the SHGs have played a vital role in economic upliftment of the members of the SHGs especially women. As stated earlier, the whole of the Revenue circle of the Rangjuli is predominantly rural and are heavily dependent upon agriculture for their sustenance, the role of microfinance in poverty alleviation of the people becomes imperative. Microfinance promotes the productive use of one's labour by providing them opportunities of self-employment in any informal sector. Most of the people are poor farmers, lack financial strength for the establishment or successful management of any viable micro-enterprise. Thus the microcredit provided by the financial institutions helps them for venturing into new income ways and thereby smoothens their expenditure pattern through improvement in their income.

The same scenario is reflected from the survey of the SHGs of the Rangjuli Revenue Circle of Goalpara. The decrease in the number of very low income SHGs (monthly income below Rs. 1500.00) from 33.33 per cent to 15.79 per cent before and after receiving microfinance is noteworthy. Similarly there has been an increase of 24.56 per cent in the number of SHGs with monthly income between Rs.2500-3500 after receiving microcredit. In fact there were no SHGs with monthly income above Rs 4500.00 before receiving microcredit. However after receipt of the loan, 4 SHGs (7.02 per cent) achieved this feat.

Table 2: A Comparative Analysis of Income Level of the SHGs before and after receipt of Microcredit

Monthly income	Before receiving Microcredit		After receiving Microcredit	
	No. of SHGs	Total Percent	No. of SHGs	Total Percent
Below 1500	19	33.33	09	15.79
1500-2500	25	43.86	11	19.30
2500-3500	07	12.28	21	36.84
3500-4500	06	10.53	12	21.05
Above 4500	00	00	04	07.02



Thus a drastic positive impact upon the income pattern of the SHGs have been observed in the study region, thereby increasing their available choices and opportunities and in turn making them more aware of the government financial programmes and schemes and in the process, more empowered.

Satisfaction level of the SHGS with microfinance

The degree of satisfaction of the SHGs have been calculated based on seven parameters viz. per cent of interest rate, amount of subsidy granted, increase in income, savings, small business activities, household assets and lastly women empowerment. The satisfaction level is measured on scale ranging from 1 to 5, with 1 representing the lowest level of satisfaction and 5-the highest.

Table 3: Degree of Satisfaction (on a scale of 1 to 5) of SHGs with Microcredit and its associated benefits:

Statements	Strongly Disagree (1)	Total Percent	Slightly Disagree (2)	Total Percent	Disagree (3)	Total Percent	Agree (4)	Total Percent	Strongly Agree (5)	Total Percent	Total Respondents
1. Interest rate on the loan is reasonable	0	00	11	19.30	02	3.51	27	47.37	17	29.82	57
2. Income has increased	0	00	03	5.26	03	5.26	46	80.70	05	8.78	57
3. Savings has increased	0	00	07	12.28	07	12.28	39	68.42	04	7.02	57
4. Adequate subsidy granted	07	12.28	05	8.77	02	3.51	32	56.14	11	19.30	57
5. Women empowered	0	00	08	14.03	09	15.79	31	54.39	09	15.79	57
6. Small business activities has increased	0	00	10	17.54	01	1.76	39	68.42	07	12.28	57
7. Household assets has increased	0	00	04	7.02	02	3.51	37	64.91	14	24.56	57
Average	1	1.75	07	12.28	04	7.02	36	63.16	09	15.79	57

From the table, it is evident that 45 SHGs (about 79 per cent) are overall satisfied with the microcredit provided to them by the microfinance institutions, including the per cent of interest rate imposed and subsidy granted, besides a host of other associated reasons. Conversely, the 12 SHGs (about 21 per cent), who are dissatisfied with the microfinance institutions and their credit facilities, have not received any subsidy or comparatively less subsidy, coupled with high interest rates and improper utilization of loans which has led to very less or no income at all. It is noteworthy that except 5 women SHGs, all others have approved the fact that after the receipt of the credit and its proper utilization, their status in the family and particularly in the society has increased to a considerable extent. In fact there are instances that husbands have started small business from the loan taken by their wives from their respective SHGs. Indeed, 51 SHGs (about 90 per cent) surveyed, are of the view that with the little loan they have received from any microfinance institutions and their utilization has raised their income level to a substantial level together with their household assets.

Problems and challenges ahead:

Although it is a universal fact that microfinance has immensely benefitted the poor, but there exist some harmful consequences also (Humle and Mosley, 1996). Basically the SHGs after receiving credit from the microfinance institutions divide equally the subsidy among them and keep the remaining amount in banks, thereby paying the interest as repayment to the financial institution from where they availed the loan. Meanwhile during

inspection they show the individual domestic animals (pigs, goats or poultry) of any member of the SHG as the scheme undertaken for repayment of loan. Thus they are deprived from the benefits of microfinance in true sense.

Moreover many surveyed SHGs have complained that the microfinance institutions are biased while selecting the target beneficiaries. In fact a strong positive correlation is seen between the delivery of microcredit and economically sound SHGs as to recover high repayment rates. Many studies also shows that microfinance institutions prefer to avoid if not exclude the poor or newly formed SHGs, since they believe that lending credit to them is a risk not worth taking.

In addition, as the Rangjuli Circle is inadequately covered with bank branches, the monopoly of non-government micro-financial institutions (Bandhan, Rashtriya Gramin Vikas Nidhi, Procesta, AMTRON etc) in the region, with regard to extension of credit facilities to the SHGs increases. This sometimes leads to demand of high bank interest rates. Indeed a comprehensive picture of the MFIs as regards to the terms and conditions of providing loans and financial services to their clients are not available. Besides in absence of any well-coordinated interest rate regulation for private microfinance institutions, they normally charge higher interest rates (11 to 24 per cent per annum) as compared to 9 to 10 per cent per annum by the formal banking sector. Over and above, the imposition of some unnecessary charges relating to transport cost and other charges, make the borrowing more costly, making it less attractive.

Therefore in order to deal with these challenges, strict regulation of the microfinance institutions and their lending procedure including interest rates charged will not only lead to the growth of good relationship between the money lending institutions and the SHGs beneficiaries, but also lead to the holistic development of the rural people in true terms. Furthermore, increasing the awareness level of the SHGs regarding the financial institutions and their lending terms and conditions will go a long way in enhancing their choices and opportunities, especially in economic prospect. Similarly, adequate guidance and training is required for further successful outcome of the schemes undertaken and more and more new proposal with good prospect must be innovated for good returns.

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