

**A STUDY OF THE IMPACT OF MICROFINANCE INSTITUTIONS ON
THE INCOME & EMPLOYMENT GENERATION OF BENEFICIARIES
(A COMPARATIVE ANALYSIS OF GOVT. SHGS AND NON-GOVT. SHGS
IN GUNTUR DISTRICT OF A.P.)**

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Abstract:

In India, microfinance has been defined by the Task Force on Microfinance as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". As per the definition of International Labour Organisation (ILO), the microfinance is 'an economic development approach that involves providing financial services through institutions to low income clients'.

KEYWORDS:

microfinance , International Labour Organisation , Commercial banks , Self-Help Groups .

INTRODUCTION

The Self Help Group - Bank Linkage Programme has emerged as the major microfinance programme in the country and is being implemented by the Commercial banks, RRBs and Co-operative banks. SHG-Bank Linkage Programme (SBLP) is operational in 20 states in India and is actively channeling credit to the poorer sections of society for mainly non-farm activities. The number of 255 SHGs linked with bank during 1992-93, increased to 81,780 by March 2000. The amount of bank loans routed through SHGs increased from Rs. 0.29 crore to Rs. 135.91 crore by March 2000. In all, 85 per cent of the groups linked with the banks are formed exclusively by women.

Andhra Pradesh finds a prominent place in the movement of Self Help Groups with 8.51 lakh Self Help Groups, covering about 101.82 lakh rural women. It has, in fact, come to be known as the microfinance capital of the country. The Indira Kranthi Padam (IKP) project focused on formation of SHGs of the poorest of the poor and Below Poverty Line (BPL) families. However, while forming the SHGs, some non-poor members have also become members of the SHGs. More than one member of a family has also become members of different SHGs in the same village and sometimes in the same SHG. It is estimated that about 50% of the population of the state is either directly or indirectly impacted by the programmes.

2. NEED FOR THE STUDY:

Presently, the microfinance scenario needs to be reviewed for emerging trends, concerns and growth prospect. Since its humble start in the late 1980s, the SHG-bank linkage movement had taken off in 1992 and is today the largest in the world. As per current growth rates, by 31 March 2007, NABARD aims at linking 2.5 million SHGs involving 325 million poor households with the help of 5,000 NGOs and 1,000 microfinance institutions. It is interesting to note that as per government estimates, 25 per cent of the world's 100 million poor are in India. There will be a tremendous demand for quality NGOs and microfinance institutions in India in the next few years.

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A STUDY OF THE IMPACT OF MICROFINANCE INSTITUTIONS ON THE INCOME & EMPLOYMENT.....

The poverty-alleviation and government sponsored schemes in banks have problems in implementation, more with NPAs than the other schemes. Thus, the rural banking institutions are out of step with the changing rural credit requirements and are unable to come up with systems and credit / savings instruments as required by the rural clientele.

Under these discomfoting and pathetic conditions, that the rural poor were facing, microfinance activity has come into force as the saviour to redeem them from the clutches of the poverty and unemployment. However, the question that how best this Micro finance programme has been really benefiting the beneficiaries still remains to be examined. The present study under reference is one such an attempt to asses the performance of the SHG network of the microfinancing programme in terms of its generation of income and employment of the beneficiaries in the sample district in Andhra Pradesh state.

3. OBJECTIVES OF THE STUDY:

The major objective of the study is to assess the performance of the microfinance programme in terms of generation of income and employment of the beneficiaries under Govt. SHGs and the SHGs run by Private MFIs in Guntur District of Andhra Pradesh. The following are the specific objectives.

- i) to understand the socio-economic profiles of the sample beneficiaries of SHGs of the microfinancing programme;
- ii) to assess the contribution of various financial institutions in support of the micro finance programme in India;
- iii) to evaluate the impact of microfinance on income and employment generation of the sample beneficiaries under Govt. SHGs and those operated by Private MFIs, as a comparative study, to know the variance in their contribution.
- iv) to examine the pattern in the sanction of loans, their utilization and repayment by the sample beneficiaries under the Govt. SHGs vis-à-vis the Private MFIs.
- v) to elicit the views and opinions of the sample beneficiaries on the role, functioning and operation of the Govt. SHGs and those operated by Private MFIs.
- vi) to suggest suitable policy measures that could be followed by the policy-makers to make the microfinance a useful one to the beneficiaries.

4. METHODOLOGY OF THE STUDY:

Scope of the Study:

This study covers a time period of six years from 2005 to 2011, for the purpose of secondary data. The data have been used for the evaluation of the performance of the prominent institutions like NABARD, Commercial Banks, RRBs and DRDA, which are closely associated with the development of microfinance in India.

Similarly, primary data pertaining to the opinions, views and perceptions of the beneficiaries are collected through a questionnaire during November 2008 and February 2009 from the study area.

Guntur District of Andhra Pradesh state was purposively chosen for the study since the researcher hails from the same district.

Statistical Tools adopted:

The data were analysed with the help of tables, percentages and compound annual growth rates in addition to some statistical tools like ANOVA and tests of significance.

Sampling Technique:

A multi-stage-stratified-random-sampling technique is used for the finalization of the size of sample beneficiaries for the study. Two groups of sample beneficiaries were selected for having a comparative study – The first group of sample beneficiaries is selected from Govt. SHGs and the second group of beneficiaries represents the SHGs operated by the Private MFIs in Guntur District of Andhra Pradesh.

In the first stage two mandals were selected from each of the three Revenue Divisions – Guntur, Narasaraopet and Tenali – of the Guntur District. One mandal with the largest number of Self Help Groups and another with the lowest number of SHGs. Thus six sample mandals were selected for the study.

A STUDY OF THE IMPACT OF MICROFINANCE INSTITUTIONS ON THE INCOME & EMPLOYMENT.....

In the second stage, two sample villages from each of the six sample mandals were selected, one representing the largest number of SHGs and the other representing the lowest number of SHGs. Thus the total number of sample villages selected was 12.

In the third stage, 6 SHGs were chosen at random from each of the 12 sample villages – thus taking a total number of 72 sample SHGs. Similarly, from each of the 72 sample SHGs, three households (beneficiaries) were chosen at random, thus making the total sample size of the beneficiaries 216, having equal number of beneficiaries from SC/ST, BC/Minorities and Other communities. The same procedure was adopted for choosing the households for both Govt. SHGs and the Private MFIs.

Limitations:

The study is limited only Guntur district of Andhra Pradesh state. Because of the time and the financial constraints the study is restricted the size of sample to 216 beneficiaries from each of the Govt., and Private microfinance agencies. However, it is reasonably sufficient number to generalize the inferences. The study could not cover other legal and administrative aspects which govern the operation of the microfinance programme.

5. FINDINGS:

A few findings are presented below:

The income of respondents has exceptionally gone up after joining Govt. SHGs. The Narasaraopet Revenue Division has shown the best performance when compared to the remaining two Divisions. In the case of the number of respondents getting income below Rs. 1,00,000/- income category has declined from 103 (47.7%) before joining the Govt. SHGs to 43 (19.9%) after joining Govt. SHGs.

There is no significant deviation in statistical terms of income generation among the Revenue Divisions before joining and after joining SHGs periods under Govt. SHGs.

The income of respondents has exceptionally increased after joining MFI SHGs. The Guntur Revenue Division has shown the best performance when compared to the remaining two Divisions. The number of respondents getting below Rs. 1,00,000/- income has fallen from 132 (61.1%) before joining MFI SHGs to 59 (27.4%) after joining MFI SHGs. Statistically there is no significant difference among the Revenue Divisions Tenali, Guntur and Narasaraopet in income generation of the respondents “before and after joining SHGs” under MFI SHGs.

It is quite interesting to note that except one, all the respondents in Govt. SHGs have borrowed loan from the Commercial Banks. Quite contrary to this, a large majority of 142 respondents in MFI SHGs did not borrow any loan from Commercial Banks and 87 per cent of them borrowed from other sources to the tune of Rs. 30,000/- each.

In the case of Govt., SHGs, out of the 30 beneficiaries who know the Rules well, as many as 24 beneficiaries i.e. 80 per cent belong to OC, SC & ST communities. Similarly 69 per cent of the beneficiaries who partially know the Rules are from OC, BC & Minorities communities. Of the 29 beneficiaries, who did not know the Rules as many as 24 members belong to SC & ST communities.

Coming to MFI – SHGs, contrary to Govt. SHGs, about 80 per cent of the beneficiaries did not know anything about the Rules. It is also found from the data that irrespective of the community, the beneficiaries are ignorant of the loans. It is discouraging to note that only 6 members are aware of the Rules fully.

Out of the 216 beneficiaries 55 per cent of them from Govt. SHGs and 86 per cent from MFI SHGs represent this non-institutional source of motivation.

About 13 per cent of the beneficiaries of Govt. SHGs also expressed that they joined SHGs for availing loan on low rate of interest and about 10 per cent of MFI beneficiaries have joined the SHGs to increase their social status.

6. ORGANIZATION OF THE STUDY:

1. The first chapter deals with the introduction.
2. The second chapter deals with the objectives, methodology and review of literature of the study.
3. The third chapter studies the profile of the study area and the sample respondents.
4. The fourth chapter assesses the contribution of various financial institutions in support of microfinance in India.
5. The fifth chapter evaluates the impact of Microfinance on the income and employment generation of the respondents under both Govt. SHGs and MFI SHGs in the study area.

A STUDY OF THE IMPACT OF MICROFINANCE INSTITUTIONS ON THE INCOME & EMPLOYMENT.....

6. The sixth chapter assesses the performance of the loan amounts sanctioned, actual utilization of the amounts sanctioned and repayment of loans by the respondents under both Govt. SHGs and MFI SHGs in the study area.

7. The seventh chapter elicits the views and opinions of the sample beneficiaries with regard to the role and working of the SHGs and the problems being faced by the respondents under both Govt. SHGs and MFI SHGs in the study area.

8. Finally findings, conclusions and suggestions are presented in the eighth chapter.