



AWARENESS AND MOTIVATIONAL FACTORS FOR AVAILING AND REPAYMENT OF MICRO CREDIT

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Abstract

Micro finance in India has been viewed as a development tool which would alleviate poverty and enhance growth of the country through financial inclusion. In the development paradigm, micro finance has evolved as a need-based programme for empowerment and alleviation of poverty to the so far neglected target groups (women, poor, deprived etc.) and micro finance has become one of the most effective interventions for empowerment of the poor. The experience across India and other countries has shown robust potential of micro finance to integrate with the development issues thereby significantly impacting the lives of poor. Generally those who promote micro finance believe that such access will help poor people out of poverty.

Keywords: *Micro Finance, Non Government Organization, Project Implementation Unit.*

Introduction

In the present context of liberalization, privatization and globalization of Indian economy, micro finance is considered to be a potential tool to alleviate poverty. The success of any scheme hinges around the awareness of the scheme in the target group. The success of micro credit scheme also depends on the awareness of the scheme among the rural poor. Micro credit is channeled to the self-help groups through the Mahalir Thittam with the support from NABARD. In this study, an attempt has been made to find out the sources of awareness and knowledge about the scheme. The micro credit amount provided its rate of interest and repayment of the micro credit by the sample women beneficiaries are analyzed.

Review of Literature

Palani.E and Selvaraj V.M. (2008) had studied Socio-economic Empowerment of Women through Self – Help Groups. They had analysed the socio-economic variables like age, income, expenditure, savings, amount of loan availed and income generating activities undertaken by SHG members. They concluded that self help group plays a major role in transforming the weaker section into worthy people with modest earning capacity. It has solved many problems faced by the SHG members and improves the standard of living of the people.

Gariyali C.K. and Vettivel S.K. (2004) in their study, “Women’s Own the Self Help”, found that the SHGs are not just a conduit for the loans, although loans are a critical milestone on the road map of the SHG's healthy growth and empowerment. The women often complain that they are very active initially but due to delays in obtaining credit they become lazy. Although an alternative way of enhancing the lending channels need to be explored, the rural cooperative banking network needs to be encouraged to lend to the SHGs, which can make credit available to them at their doorsteps.

Sabyasachi Das (2003) points out that the inability of the credit institutions to deal with the credit requirements of the poor, has led to the emergence of micro credit system as an alternative credit system for the poor. At this point, micro credit - SHGs integration could be the way out for overall rural development vis-a-vis poverty alleviation.

Kulshreshta and Archana (2002) studied the role of micro credit in the generation of income and promotion of savings habit among the poor, especially rural women to help them uplift their economic status. The results of the study indicated that significant changes had taken place in the living standards of rural poor in terms of increase in income, employment, consumption, savings and borrowing capacity.

Statement of the Problem

Though the micro credit schemes were started in 1997 in Tamilnadu, the concept penetrated down only in recent years. Now there is a greater amount of socio-economic, emancipation among the micro credit beneficiaries. So there is a need for evaluating the impact of micro credit scheme beneficiaries. Hence, the study on micro credit scheme in Tirunelveli district with special reference to women beneficiaries has been undertaken.

Objectives of the Study

The present study is carried out with the following objectives:

- To analyse the factors influencing the level of borrowings.
- To identify the factors influencing the repayment of the micro credit by the sample women beneficiaries.
- To offer suitable suggestions based on the findings.



Methodology

The present study was undertaken in Tirunelveli district. Of the 19 blocks in Tirunelveli District, micro credit scheme has been implemented in twelve blocks. According to the unpublished records of Mahalir Thittam project unit, 9893 women have availed of the micro credit till the end of the year 2013. It was decided to take 5% of the women beneficiaries as sample from each block. Even though 5% population of women beneficiaries were of 494 in number, to make it as a round number 500 beneficiaries were taken as sample. In this study blocks, villages and respondents are selected by using stratified random sampling method. The present study is based on primary as well as secondary data. The personal interview method has been adopted to collect primary data. The secondary data were collected from books, journals, RBI Bulletins, NABARD, annual reports and reports of the project implementation unit, Mahalir Thittam in Tirunelveli district.

Awareness of Micro Credit Scheme

The awareness of the scheme is created by Mahalir Thittam, NGOs, self-help groups and the banks. The human chain of the beneficiaries in popularizing the scheme cannot be ignored. Table 1 gives the sources of awareness of the scheme by the sample women beneficiaries.

Table 1: Sources of awareness of the micro credit scheme

Sources of Awareness	No. of beneficiaries	% to total
Mahalir Thittam	32	6.40
Banks	72	14.40
NGOs	126	25.20
Friends & Relatives	20	4.00
Self-help groups	214	42.80
Advertisement media	7	1.40
Voluntary Organizations	13	2.60
Neighbours	16	3.20
Total	500	100.00

Source: Primary data

Table 1 indicates that 42.80% of the sample women beneficiaries got the information through self help groups. Self help groups are the useful medium for promoting the disbursement of loan for productive purposes. Self help groups characterized by ethical and economic homogeneity are able to spread the news among the other women quicker than other medium. NGOs also play a positive role in popularizing the scheme. 25.20% of the beneficiaries come to know about the micro credit scheme through NGOs. Only 1.40% of the beneficiaries got the information through advertisement.

Amount of Micro Credit Applied by the Women Beneficiaries

Most women engaged in micro-enterprises require only a small sum of financial support. The quantum of loan given to a group is in proportion to their savings. Normally, the bank provides credit in bulk directly to the group, which in turn would undertake the lending to the members. Banks may also finance self-help groups through NGOs. The self-help group's animator or representative fills in the prescribed loan application form and submits it along with group resolution, inter-see agreement, and the like to the bank. The NGO assists the self-help group in this process. The banks submit the application forms to the Project Implementation Unit (PIU). After the selection of self-help group for credit by the committee, the project officer of the PIU transmits the loan application along with recommendation to the bank branch concerned. The details of the amount of loan sought by the sample women beneficiaries are given in table 2.

Table 2: Amount of micro credit applied by the sample women beneficiaries

Amount applied (in Rs.)	No. of beneficiaries	% to total
Up to 1000	91	18.20
1000 – 2000	63	12.60
2000 – 3000	59	11.80
3000 – 4000	103	20.60
4000 – 5000	184	36.80
Total	500	100.00

Source: Primary data

As the micro credit scheme allows for a maximum loan amount of Rs.5000, about 36.80% has applied for a loan amount ranging between Rs.4000 and Rs.5000. Only 18.20% has applied for a loan amount ranging up to Rs.1000.



Amount of Micro Credit Availed by the Women Beneficiaries

The details of micro credit applications so received by the banks are first recorded in the application received register. After scrutiny of loan applications, bank accords a formal sanction of funds to the group concerned. NGOs assist in execution of loan documents by the group. The sanctioned amount is divided among the loan applicants of the particular self-help group. The animator decides the amount to be disbursed to the individual member according to the loan applied for. Table 3 shows the amount availed by the sample women beneficiaries under the micro credit scheme.

Table 3: Amount availed through micro credit scheme

Amount availed (in Rs.)	No. of beneficiaries	% to Total
Up to 1000	103	20.60
1000 – 2000	116	23.20
2000 – 3000	57	11.40
3000 – 4000	87	17.40
4000 – 5000	137	27.40
Total	500	100.00

Source: Primary data

Table 3 makes it clear that 43.80% has availed of the loan amount up to Rs.2000, 28.80% has obtained the loan amount from Rs.2000 to 4000 and 27.40% is in the Rs.4000-5000 loan category. It would also be observed that even though 184 persons have applied for the loan amount between Rs.4000 and Rs.5000, only 137 were given a loan amount between Rs.4000 and Rs.5000.

Knowledge about the Interest of the Micro Credit

The rate of interest charged by the banks on self-help group is deregulated, so the banks are free to fix the interest rate as per RBI norms. Similarly self-help groups are charging interest on their members as per self-help group's decision. The interest rates are subject to revision from time to time as per RBI/NABARD guidelines.

The self-help groups are free to decide on the interest rate to be charged from their members provided the rate of interest is not excessive. Table 4 shows the knowledge of the sample women beneficiaries regarding the interest rate on the amount they borrowed under the micro credit scheme.

Table 4: Knowledge about the interest on micro credit

Knowledge of Rate of Interest	No. of beneficiaries	% to Total
Known	413	82.60
Unknown	87	17.40
Total	500	100.00

Source: Survey data

From table 4, it is found that 17.40% of the women beneficiaries are unaware of the interest rate charged on the loan and 82.60% know the rate of interest charged on the loans, which they have borrowed under the micro credit scheme.

Reasons for Getting Micro Credit

Micro credit is extensively utilized to promote income generating enterprises among the poor and weaker section, in particular, women. The reasons for obtaining micro credit and the rank assigned by the women beneficiaries along with Weighted Mean Index Rank are given in table 5.

Table 5: Reasons for getting micro credit of the sample women beneficiaries

Factors	SA 5	A 4	UN 3	DA 2	SDA 1	WMI	Rank
Market facility	170	270	10	35	15	136.33	III
Hereditary employment and experience	90	200	30	130	50	110.00	IV
To create more income and assets	200	240	10	30	20	138.00	II
Additional employment	260	150	30	50	10	140.00	I
Encouragement and training received from SHGs/ NGOs	120	30	25	285	40	93.67	VI
To avail various promotional assistance	150	40	30	260	20	102.67	V

SA=Strongly Agree A=Agree UN=Undecided DA=Disagree SDA=Strongly



Disagree

According to the Weighted Mean Index Ranking additional employment is the prime reason cited by the women beneficiaries to obtain micro credit. To create more income and assets is the second reason given by the women beneficiaries. The availability of marketing facility is the third reason for getting micro credit. The NGOs not only provide financial support to start micro enterprises but also assign suitable place for marketing the products for entrepreneurs. Encouragement and training given by NGOs to self help group members is the last reason cited by the women beneficiaries.

Repayment of Micro Credit

Micro credit has turned out to be an effective strategy for institutional financing agencies. For the financing institutions, the group lending minimizes the transaction cost and at the same time they can make available small loans through groups. A chance of misutilisation is rare and there is assured repayment because of peer monitoring by the group.

Repayment Period of Micro Credit

There is no holiday for repayment and repayment period is decided by the bank and self-help group jointly. The repayment schedule and installment size take into account the seasonality of earnings of the self-help group member and are reasonable. Data pertaining to the repayment period of micro credit are presented in table 6.

Table 6: Repayment period of micro credit

Period of Loan	No. of Beneficiaries	% to total
Once a Week	43	8.60
Once a Month	368	73.60
Once in Six Month	78	15.60
Once in a year	11	2.20
Total	500	100.00

Source: Primary data

It has been observed that only 26.40 % of the sample women beneficiaries are repaying their micro credit either weekly or yearly twice or yearly once. The remaining 73.60% of the beneficiaries choose monthly payment.

Amount of Repayment

The micro credit experience worldwide has shown that poor borrowers, especially women, make productive use of credit for self-employed micro enterprises/ small firms and are prompt in repayments. The average repayment rating above 95% is much better than recoveries under small lending. The repayment amount of micro credit is given in table 7.

Table 7: Repayment amount of Micro credit

Amount of repayment (in Rs.)	No. of Beneficiaries	% to total
Below 100	23	4.60
101-200	68	13.60
201-300	45	9.00
301-400	96	19.20
401-500	121	24.20
Above 500	147	29.40
Total	500	100.00

Source: Primary data

It has been observed that only 27.20% of the sample women beneficiaries are repaying their micro credit loan less than 300 rupees while the remaining 72.80% beneficiaries repay their debt more than 300 rupees.

Motivational Factors for Repayment of Micro Credit

Banks and financial institutions suffer much due to the non-repayment of loan amount by the borrowers. But generally self help groups availing micro credit have shown excellent record of loan repayment. Micro credit has enabled the women beneficiaries to earn income and the poor women consider timely repayment a prestige issue and repay the loan regularly. The pressure from peer group has discouraged default by individuals. The motivational factors for repayment of micro credit of sample women beneficiaries and the ranks given by them are presented in table 8 and table 9.



Table 8: Motivational factors for Repayment of Micro credit

Motivational Factors	No. of Beneficiaries borrowed					Total
	I	II	III	IV	V	
Fear of legal action	122	129	43	107	99	500
Self ethic	113	127	38	129	93	500
Group Pressure	232	177	17	44	30	500
To avail further loan	193	211	25	35	36	500
Income from investment of loan amount	71	33	97	131	168	500
Adequate income earning	76	120	93	64	147	500
Income from employment	94	148	167	49	42	500
Loan from other sources	87	168	112	93	40	500

Table 9: GARRETT'S Ranking Result

Motivational Factors	Total Score	Average	Rank
Group pressure	35358	70.72	I
Adequate income earning	34835	69.67	II
To avail further loan	32175	64.35	III
Income from other sources	31913	63.83	IV
Fear of legal action	31436	62.87	V
Self ethic	31164	62.33	VI
Income from employment	30121	60.24	VII
Income from investment of loan amount	285863	57.17	VIII

According to Garrett's ranking results, the foremost reason cited by the women beneficiaries, is the peer group pressure. The second rank is given to the availability of income. Micro credit based on joint liability of the self-help group and member brings about remarkable improvement in loan recoveries. Close proximity and familiarity of self help group members motivate them to pay back the loan without default. Improved loan recoveries lead to improved loan recycling and continue access to borrowing. To avail further loans, is the third reason cited for regular repayment. Loan from other sources, fear of legal action, self ethic, income from employment also have motivated the women beneficiaries to repay the loans. Income from investment of loan amount is the last reason cited by the women beneficiaries.

Suggestions

- Enquiry with some beneficiaries in Tirunelveli district revealed that they were benefited by micro credit scheme, which enabled them to get loan for their daily business. Many others in the rural areas were not aware of the existence of this scheme. Therefore, the Government of Tamil Nadu has to take necessary steps in the rural area to publicize the existence of this scheme.
- Frequent awareness camps can be organized by Rural Development department authorities to create awareness about the different schemes of assistance available to the participants in the SHGs.
- Arrangements may be made by the financial institutions for providing adequate financial assistance to the SHGs strictly on the basis of their actual performance without any discrimination of caste, politics etc.
- Though the respondents are aware of the banking procedures to get loan, they feel that the procedures are complicated and time consuming. Hence, the procedures and formalities of the bank should be simplified and the required documents shall be in regional language.
- Banks should lend adequate fund with soft terms like low interest rate, flexible repayment period, sanction of loans etc.,
- The financial institutions should give wider publicity on the availability of credit facilities that can be offered to the SHGs. Government should also play an important role in that and it can give information to the public through the District development authorities. The financial agencies can give more information on the procedures in getting the loan, utilization of loan amount, repayment and other related information in securing the credit. Simple procedures and the right encouragement from these financial agencies may enable women to form more SHG in their locality.

Conclusion

Micro credit is the extension of small loans to entrepreneurs who are not qualified for traditional bank loans. It is a popular measure in the on-going struggle against poverty, enabling those who access to lending institutions to borrow at bank rates, and start small business. The innovation of micro credit scheme through the self help groups enables the poor women to participate in the process of development. Micro credit approach has been extensively used by voluntary agencies for a long time. In the present decade it has been incorporated in the conventional development Programmes.



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