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Micro Credit Borrowers In Srimushnam Taluk - An Overview

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ABSTRACT

Micro Credit is defined as a process of meeting the capital requirements of individuals and groups for the startup and sustenance of small business enterprises. This study is confined to the Micro Credit in Srimushnam Taluk. Urban Micro Finance beneficiaries from each group were chosen as the sample respondents. Information's relating to the operations of micro credit at the group level has been discussed with a schedule exclusively prepared for these purpose. Present study is mainly based on responses given by the beneficiaries on the micro credit scheme. This study is an attempt to examine the impact of Micro Credit on the development of agriculturist, fisheries and women in Srimushnam Taluk and also measure the levels of satisfaction on micro finance. This empirical basis of the study would help to suggest the ways and means for accelerating the growth of micro enterprises through micro groups. Conclusion will be given.

KEY WORDS : Impact of micro credit, Level of satisfaction, Micro credit, Micro finance.

1. INTRODUCTION

Microfinance is a banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. It allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Microcredit is a common form of microfinance that involves an extremely small loan given to an individual to help them become self-employed or grow a small business. These borrowers tend to be low-income individuals, especially from less developed countries (LDCs). Microcredit is also known as "microlending" or "microloan."

Finance is one of the most crucial inputs for economic activity, growth and development. If finance through own accumulated resource or equity is neither available nor sufficient, debt assumes a major significance. The structure of rural financial market in India is dualistic: both formal and informal financial intermediaries operate. The rural borrower has been depending upon institutional sources for production/investment credit requirement. But, for consumption credit needs, she/he is forced to go to non-institutional sources. However, credit provided by non-institutional/informal lenders has been exploitative and expensive for rural poor. In rural areas women living below the poverty line are unable to realize their potential. Microfinance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Microfinance is only a means and not an end. The ultimate goal is to reduce poverty.

A Self Help Groups (SHGs) is a registered or unregistered group of micro entrepreneurs having homogeneous social and economic background, voluntarily coming together to save small amounts

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regularly, to mutually agree to contribute to a common fund and to meet their emergency needs on mutual help basis. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment thereof. In fact, peer pressure has been recognized as an effective substitute for collaterals. SHG can be well defined "as a self-governed, peer-controlled, informal group- of people, who share similar socio-economic status, and have a desire (need) to collectively perform in order to meet their individual needs primarily through resorting to small amounts of saving (thrift) and by using group loans for meeting their emerging credit needs.

MICRO CREDIT IN INDIA

The Self Help Groups (SHGs) emerged as a component of the Indian Financial System after 1996. They are small, informal and homogenous groups of not more than 20 members each. The size of 20 has been made mandatory because any group larger than this has to be registered under the Indian Societies Registration Act. Also, the repayment rate tends to be lower in large groups as the magnitude of the free rider problem and the propensities to default are high in heterogeneous groups. The present availability of credit for women in India is from the following sources: Three fourth of the Formal Credit Structure which represents banks, co-operatives, Regional Rural banks and other financial institutions like NABARD, SIDBI (through NGOs), etc. Three fourth of the Quasi informal which represent linkage between banks and Self Help Groups, providing bulk financing for NGOs for lending to set up of a National Credit Fund for women by Government of India (Rashtria Mahila Kosh). There is a vast network of banking and cooperative finance institution in India and therefore formal financial services are in theory available and accessible to low income families in virtually every part of the economy. There are three broad approaches employed for providing financial services to the poor all of which focus on women.

PROMOTING MICRO-CREDIT FINANCE AND SELF HELP GROUP – BASED FINANCING

Micro-credit and self-help group financing policy and programs are characterized both by the mechanisms they use to reduce risk and by the population group they target. Some of the more common features of the micro-credit programs and policies are the following

- Loan amount: Micro-credit loans tend to be very small .The actual amount arise substantially from country to country.
- Short term working capital: Micro-credit cycles vary between a few weeks to a few years (typically three to four years)
- Repayment schedules: Micro-credit loans are characterised by small, frequent repayment schedules ranging from weekly repayments to monthly or yearly. This allows the borrower to pay down the loan in small amounts and gives him the capacity to manage his finances better without being over burdened by debt repayment.
- Social collateral: the Self Help Group is the fundamental unit of most Micro Credit finance policies. By forming small groups whose members are jointly liable for each individual's loan, Micro Credit policy creates a form of social collateral to substitute for material asset.
- Interest rates: Micro-credit loans charge interest rates that are higher than the commercial rate. Charging interest rates that cover the full cost of the loan serves: to maintain fund levels.

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- Gender focus: Micro-credit policies focus on women

STATEMENT OF THE PROBLEM

The credit needs of micro enterprises, for meeting their day-to-day operation are different from conventional types of lending. The credit needs of micro enterprises are small and frequent in nature. While servicing the micro enterprises the timeliness of credit and the financial institutions are crucial. Any financial product and package for micro enterprises necessarily have to meet objectives of both the lender and the borrowers.

The linkage between "self help groups" and banks has been highly successful in furthering Micro credit. The cooperation between the formal banking system and micro-finance organizations has also been encouraging. Micro finance (MF) in the recent past has emerged as a potential instrument for poverty alleviation and women empowerment. MF intervention refers to provision of access to small loans without physical collateral to the poor, especially the women, while encouraging them to save regularly in order to combine thrift and self-help for their own development.

2. OBJECTIVES OF THE STUDY

The objectives are to identify the economic impact of Micro Credit to Borrowers and to measure the Levels of Satisfaction on Micro Finance.

3. METHODOLOGY

Both Primary and Secondary data were used for the study; Secondary data pertaining to the study were gathered from the annual reports, Government banking journals, books, etc. as for as banks are concerned, the borrowers of micro finance was selected by following convenience sampling method. The primary data were collected from 150 sample respondents with the help of interview schedule.

AGE OF THE RESPONDENTS

Age	No. of Respondents	Percentage
Below 25	16	10.67
26-35	73	48.66
36-45	51	34.00
Above 45	10	6.67
Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 1

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From the above table reveals that the age of the respondents. It is clearly stated that the 48.66% of the respondents belongs to the age group of 26-35, 34% of the respondents belongs to 36-45, 10.67% of the respondents belongs to below 25 and rest of the respondents are belongs to above 45. Hence, the majority of the respondents are in the age group of 26-35.

EDUCATIONAL QUALIFICATION OF THE RESPONDENTS

Educational Qualification	No. of Respondents	Percentage
Illiterate	04	2.67
Primary	43	28.67
High School	68	45.33
Diploma	24	16.00
Others(degree)	11	7.33
Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 2

From the above table shows that Educational Qualification of the respondents. It is clearly stated that the 45.33% of the respondents are have high school education, 28.67% of the respondents are have primary education, 16%, 7.33%and 2.67% of the respondents are have diploma, others and illiterate respectively. Therefore, the majority of the respondents are had high school education.

MARITAL STATUS OF THE RESPONDENTS

Marital Status	No. of Respondents	Percentage
Unmarried	28	18.67
Married	103	68.67
Widowed	12	8.00
Divorced	07	4.66
Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 3

From the above table shows that Marital Status of the Respondents. 103 respondents are married, 28 respondents are unmarried, 12 respondents are widowed and 7 respondents are divorced. So, it is concluded that the majority of the respondents are married.

TABLE NO. 4: DAILY INCOME OF THE RESPONDENTS

Daily Income	No. of Respondents	Percentage
Below 500	49	32.67

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501-750	78	52.00
751-1000	17	11.33
1000 Above	06	4.00
Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 4

From the above table explained that daily income of the Respondents. 52% of the respondents are belongs to daily income of Rs.501-750, 32.67% of the respondents are belongs to daily income of Rs. below 500 and 11.33% and 4% of the respondents are belongs to daily income of Rs.751-1000 and above 1000. So, it is concluded that the majority of the respondents are earned Rs. 501-750 per day.

TYPE OF HOUSE OWNED OF THE RESPONDENTS

Type of House Owned	No. of Respondents	Percentage
Pucca House with Electricity	91	60.67
Tile-shed and Electrified	38	25.33
Kutcha floor with electricity	13	8.67
No house	08	5.33
Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 5

From the above table reveals that Type of House owned of the Respondents. 60.67% of the respondents are owned Pucca House with Electricity, 25.33% of the respondents are owned Tile-shed and Electrified, 8.67% of the respondents are owned Kutcha floor with Electricity and 5.33% of the respondents are not owned house. So, it is concluded that the majority of the respondents are owned Pucca House with Electricity.

OCCUPATIONAL STATUS OF THE RESPONDENTS

Occupational Status	No. of Respondents	Percentage
Agriculture	43	28.67
Fishery	10	6.67
Self employed	33.	22.00
No define job	41	27.33
Salaried People	23	15.33
Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 6

From the above table reveals that Occupational Status of the Respondents. 28.67% of the respondents are Agriculture, 27.33% of the respondents are No define job, 22% of the respondents

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are Self employed and 15.33% of the respondents are Salaried People So, it is concluded that the majority of the respondents are Agriculture.

SOURCE OF INFORMATION ABOUT THE SCHEME

S.No.	Source of Information	No. of Respondents	Percentage (%)
1.	Bank officials	96	64.0
2.	Micro groups	14	9.3
3.	Co-beneficiaries	27	18.0
4.	Others	13	8.7
	Total	**150**	**100.00**

Source: Primary Data

TABLE NO. 7

From the above table reveals that Source of Information about the Scheme. 64% of the respondents know information through bank officials, 18% of the respondents know information through Co-beneficiaries. So, it is clearly stated that the majority of the respondents are getting information through bank officials

REASONS FOR THE PREFERENCE OF MICRO CREDIT SCHEME

S.No.	Reason	No. of Respondents	Percentage
1.	To increase income and saving	12	8.0
2	To avoid money lenders	48	32.0
3	To earn stale Income	12	8.0
4	To be independent and self reliant	9	6.0
5	To reduce family burden	27	18.0
6	To meet urgent needs	42	28.0
Total		**150**	**100.0**

Source: Primary Data

TABLE NO. 8

The above table reveals the reasons why women vendors prefer borrowing under the micro credit scheme. There are number of reasons for women preferring micro credit. 8% of the respondents stated that they borrowed from micro credit scheme in order to increase income and savings. 32% of the respondents expressed that in order to avoid money lenders, 28% of respondents stated that they borrowed from micro credit finance scheme in order to meet urgent needs, though some of the respondents also expressed that it would be helpful to earn income and stand independent and self reliant. However 18.0 per cent of the respondents borrowed self-help credit mainly due to the family burden. Anyhow this scheme will create savings habit and income generation among the poor women and it saves the women from the harassment of the local money lenders.

ECONOMIC IMPACT OF MICRO CREDIT

S.No.	Particulars	Number of Respondents (%)		Total
		Yes	No	

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1.	Micro credit helps to create better employment opportunities to the women vendors	135 (90)	15 (10)	**150**
2.	Micro credit promotes Entrepreneurship	132 (88)	18 (12)	**150**
3.	Micro credit helps in increasing Income	138 (92)	12 (8)	**150**
4.	Micro credit helps in increasing Production/business	126 (84)	24 (16.0)	**150**
5.	Micro credit helps in improving the economic condition of the respondents	148 (98.67)	2 (1.33)	**150**
6.	Micro credit helps to uplift standard of living conditions of the women vendors.	141 (94.0)	9 (6.0)	**150**

Source: Primary Data

TABLE NO 9

The survey inquired about the economic impact of micro credit. According to 90 per cent of respondents micro credit helps them to create better employment opportunities to the women vendors, 94 per cent of respondents stated that micro credit helps to improve their standard of living. For 88% of respondents feels micro credit promoted women entrepreneurship. The view of 84 per cent of respondents was that micro credit helps in increasing production/ business. Micro credit helps in improving the economic conditions of respondents was revealed by 98.67 % of the respondents. While according to 92.0 per cent of respondents micro credit helps in increasing income.

POSITION OF RESPONDENTS AFTER AVAILING MICRO CREDIT

S.No.	Particulars	No. of Respondents	Percentage
1.	Increased	145	96.67
2.	Not increased	5	3.33
	Total	**150**	**100.0**

Source: Primary Data

TABLE NO 10

Table reveals that the sales turnover position of sample respondents 96.67 per cent of the respondents had increased the sales turnover and 3.33 per cent of the respondents are not increased.

PROBLEMS OF MICRO CREDIT BORROWERS

S.No.	Particulars	Number of Respondents %		Total
		Yes	No	
1.	Competition from better quality production	126 (84.0)	24 (16.0)	**150**
2.	Low price and low profit	113 (75.3)	37 (24.7)	**150**
3.	Marketing problems	131 (87.3)	19 (12.7)	**150**
4.	Lack of transportation	111 (74.0)	39 (26.0)	**150**

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Source: Primary Data

TABLE 11

Table shows the problems of micro credit borrowers, 84.0 per cent of the respondents faced the Competition from better quality production, 75.3per cent of respondents faced the and Low price and low profit, 87.3 per cent of the respondents faced marketing problems and 74.0 per cent of the respondents faced transportation problem.

OPINION OF RESPONDENTS TOWARDS FACTORS INFLUENCING LEVELS OF SATISFACTION ON MICRO FINANCE

S.No	Particulars	HS	S	UD	DS	HDS	Total
1	Mode of finance	14 (9.3)	23 (15.3)	12 (8.0)	78 (52.0)	23 (15.3)	150 (100)
2	Amount of financial assistance	21 (14.0)	38 (25.3)	79 (52.7)	8 (5.3)	4 (2.7)	150 (100)
3	Attending to complaints	14 (9.3)	19 (12.7)	67 (44.7)	5 (3.3)	45 (20.0)	150 (100)
4	Availability of banks	21 (14.0)	22 (14.7)	75 (50.0)	9 (6.0)	23 (15.3)	150 (100)
5	Interest rate	13 (8.7)	22 (14.6)	107 (71.3)	4 (2.7)	7 (4.7)	150 (100)
6	Repayment period	16 (10.7)	21 (14.0)	70 (46.7)	6 (4.0)	1 (0.6)	150 (100)
7	Approach of bank staff	13 (8.7)	59 (39.3)	71 (47.3)	6 (4.0)	1 (0.7)	150 (100)
8	EMI (repayment amount)	53 (35.3)	72 (48.0)	20 (13.3)	4 (2.7)	1 (0.7)	150 (100)
9	Terms and conditions	37 (24.7)	32 (21.3)	74 (49.3)	6 (4.0)	1 (0.7)	150 (100)

Source: Primary Data

TABLENO 12

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LEVELS OF SATISFACTION INDEX

S.No	Factors	Mean scores	Assigned rank
1	Mode of finance	377	9
2	Amount of financial Assistance	514	4
3	Attending to complaints	402	7
4	Availability of banks	459	6
5	Interest rate	489	5
6	Repayment period	387	8
7	Approach of bank staff	527	3
8	EMI (repayment amount)	622	1
9	Terms and conditions	548	2

Source: Compiled from data of Table 12.

TABLE NO 13

Most favorable attitude - 5 x 150 = 750
Neutral attitude - 3 x 150 = 450
Most unfavorable attitude - 1 x 150 = 150

4. CONCLUSION

Srimushnam Taluk is one of the new Taluk of Cuddalore District with strong agricultural and allied agricultural activities. Commercial banks are one of the top most commercial banking sector which gives huge amount of micro finance to the beneficiaries. This bank is one of the earliest banks to introduce the Micro Credit Scheme. The research work reveals that the poor are bankable. The groups can really become agents to fight globalization using micro-finance where Gandhiji's dream of whatever can be made locally realized. However, SHGs and micro credit cannot he considered as a panacea for all the ills of the rural society. Micro finance should the viewed as complementary to the provision of basic services like education, housing, health and nutrition the latter are indispensable is the fight against poverty. The recovery performance is quite admirable. The repayment was very convenient to the respondents also, as recovery is made in weekly and monthly basis. The non-repayment was very low compared to regular agricultural loans. It can be inferred that this scheme has proved to be successful to the borrowers and recovery also good. Opportunities for assured and remunerative marketing, skill upgradation and technological training and promoting business counseling centers of the grass root level determine the success of micro credit supported micro enterprises now being advocated to end poverty.

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