



A STUDY ON THE IMPACT OF MICRO CREDIT IN PROMOTING RURAL WOMEN WITH REFERENCE TO GUDALUR PANCHAYAT, COIMBATORE

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ABSTRACT

Micro finance is a collective term used for financial intermediation service to low income group and poor customers. Service offered credit facility, saving account, money transfer, remittances, insurance and even investment.

Reserve Bank of India defined Micro finance as "Micro finance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of service which included, in addition to the provision of credit, may other service such as savings, insurance, money transfer counseling, etc".

The Self help groups work in democratic way. The maximum number of members in a group is 20. One among them is selected as animator and 2 more members are selected as representatives. The animator is selected for 2 years. The meeting of the group takes place every week. The group discusses about their savings, rotation of the funds, repayment of loan and social and community action programs.

KEY WORDS: Micro credit, rural women, self help groups

INTRODUCTION

Micro finance is a collective term used for financial intermediation service to low income group and poor customers. Service offered credit facility, saving account, money transfer, remittances, insurance and even investment.

Definition of Micro finance:-

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Micro credit:-

Micro credit is "Loan of very small amount". It can be defined as provision of parsimony, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. The institutions that provide Micro credits are called Micro credit Institutions. Micro credit is provided to those individuals that lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit.

This group of individuals includes artisans, tiny and small industries, grocers, vegetable vendors, rickshaw pullers, roadside retailers. Other activities include farming, poultry, cattle rearing, piggery, fishery etc.

Micro credit is a part of microfinance. The term Micro finance is used for the provision of a wider range of financial services to the very poor.

Micro credit and its works:-

Many variants of micro credit have emerged as the geographical reach, clientele and aims MFOs have expanded. Both in the conditions of lending and in the nature of the borrowers, micro credit is a hybrid of development tool and financial service. MFOs are more flexible in their terms of lending and repayment than many formal institutions, but more structured than informal lenders.

Microcredit aspires to:-

- ♦ Reach potentially creditworthy borrowers who do not meet lenders' normal screening criteria.
- ♦ Reach potentially creditworthy borrowers who are geographically isolated.
- ♦ Offer related services such as basic financial management to increase borrowers' income-generation capacity.
- ♦ Use financial services as a development tool at the household level.
- ♦ Catalyse female-based entrepreneurship.

Micro credit and rural women:-

Before 1990's, credit schemes for rural women were almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having access to credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector.

There are certain misconceptions about the poor people that they need loan at subsidized rates of interest on soft terms, they lack education, skills, capacity to save, credit-worthiness and therefore are not bankable. Nevertheless, the experiences of several SHGs(self-help groups) reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy.

The Government measures have attempted to help the poor by implementing different poverty alleviation programs but with little success. Since most of them are target -based involving lengthy procedures for loan disbursements, high transaction costs, and lack of supervision and monitoring. Banks often suffer from poor

repayment leading to a high level of non-performing assets NPAs(non-performing assets).

Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGS. The rural poor with the assistance from NGOs have demonstrated their potential for self-help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

Definition of self help groups:-

According to The International Network for Mutual Help Centres defines Self Help Group (SHG) as "Self help or mutual support is a process wherein people who share common experiences, situations or problems can offer each other a unique perspective that is not available from those who have not shared these experiences." Self Help groups are run by and for group members.

Working of self help groups:-

The Self help groups work in democratic way. The maximum number of members in a group is 20. One among them is selected as animator and 2 more members are selected as representatives. The animator is selected for 2 years. The meeting of the group takes place every week. The group discusses about their savings, rotation of the funds, repayment of loan and social and community action programs.

Development of self help groups in Tamil Nadu:-

Self help group was started in a smaller way in Dharmapuri District in 1989 with the assistance of International Funds for Agricultural Development (IFAD). Further this scheme was extended to Salem and South Arcot Districts in 1991-92 and also extended to Madurai and Ramanathapuram in 1992-93 launched with the support of funds from the State Government. In the 1997-98 the project was introduced in all districts of the State. After the initial start of this project with the initiative of IFAD in Dharmapuri District, this project has now paved way in bringing confidence especially to the poor families and weaker sections of the society. The Tamil Nadu Corporation for Development of Women Limited is giving a great support to change in the lives of women through its support and spreading harmony and a peaceful life for them.

OBJECTIVES OF THE STUDY

- ▲ To analyze the impact of micro credit on the status of rural women.

- ▲ To analyze the satisfaction towards micro credit program

RESEARCH METHODOLOGY

By following convenient sampling method, 300 respondents were interviewed to measure the impact of micro credit in promoting rural women. Under this

ANALYSIS AND INTERPRETATION

Satisfaction level

Factors	Level of satisfaction	No of respondents	Percentage (%)
Level of satisfaction towards the government policy in granting the micro credit	Highly Satisfied	54	18
	Satisfied	159	53
	Neutral	39	13
	Dissatisfied	27	9
	Highly Dissatisfied	21	7
	TOTAL	300	100
Level of satisfaction towards the bank policy in granting the micro credit	Highly Satisfied	75	25
	Satisfied	110	37
	Neutral	61	20
	Dissatisfied	34	11
	Highly Dissatisfied	20	7
	TOTAL	300	100
Level of satisfaction towards the bank interest rate granting the micro credit	Highly Satisfied	123	41
	Satisfied	138	46
	Neutral	24	8
	Dissatisfied	6	2
	Highly Dissatisfied	9	3
	TOTAL	300	100
Level of satisfaction towards the micro credit loan repayment period	Highly Satisfied	85	28
	Satisfied	120	40
	Neutral	38	13
	Dissatisfied	39	13
	Highly Dissatisfied	18	6
	TOTAL	300	100

- ↪ Majority of the respondents (53 percent) were satisfied towards the government policy in granting micro credit.
- ↪ Most of the respondents (37 percent) were satisfied towards the government policy in granting micro credit.

- ↪ Most of the respondents (46 percent) were satisfied towards the bank interest rate in granting micro credit.
- ↪ Most of the respondents (40 percent) were satisfied towards the micro credit loan repayment period.

Run test on the Problem faced by the respondents in interest payment.

Total number of runs	90
Number of the observation is faced a problem in payment of interest.	66
Number of the observation is not faced a problem in payment of interest.	234
Total number of the respondents	300
Calculated value	-0.39
Level of significance	5%
S/SN	SN

Source : primary data

Ho: The sequence of the responses is random in faced a problem in interest payment.

The above table shows the Problem faced by the respondents in interest payment. It was founded that

calculated value (-0.39) is in the critical region (-1.65 to + 1.65). Hence, the null hypothesis is rejected.

Therefore, the sequence of the observation indicating the problem in interest payment by the respondents is not random.

Descriptive analysis on level of satisfaction of the respondents towards the overall prospects of Micro credit program

variable	Level of satisfaction. (code)	Frequency	Mean	Standard deviation	Variance
Overall prospects of Micro credit program	Highly Satisfied (2)	82	60	47.50	2256.4
	Satisfied (1)	143			
	Neutral (0)	37			
	Dissatisfied (-1)	22			
	Highly dissatisfied (-2)	16			

Source: Primary data.

The above table indicates the descriptive analysis on level of satisfaction of the respondents towards the overall prospects of Micro credit program. It was calculated that mean is 60, standard deviation is 47.50 and variance is 2256.4.

SUGGESTIONS

- ◆ The credit rating of self help groups must be properly done before giving bank loans.
- ◆ The Bankers and NGO's are suggested to take adequate measures for guiding the members to maintain their client in banks.
- ◆ The members of the group should be insisted to maintain regular savings and to attend group meetings without fail.
- ◆ The SHG's are advised to identify the business opportunities in the local area and gear up their entrepreneurial activities.
- ◆ The NGO's and Micro Financings Institutions are suggested to conduct skill based training programmes for the SHG members and inculcate the entrepreneurial qualities into them.
- ◆ The members are suggested to extending their services for the welfare of the society.

CONCLUSION

It is clear that SHG's are the alternative mechanism to promote thrift and savings habits among the women in the study area. The members have been given dosage form of credit as against the level of group savings. The members mainly availed loan for meeting the educational expenses of their children in the study area. Though the member of the group did not take initiative to start micro enterprises at the group level, they availed micro credit from the institutional agencies and start up individual income generating activities. However, the members accepted that they did not approach money lenders to fulfill their small credit needs. They are free from the clutches of money leaders and

avail facile means of credit due to their active participation in the working of SHG's. Peer groups pressure, adequate and need based credit, low rate of interest and mutual consent of the group members are the benefits enjoyed by the SHG members due to their involvement in SHG's. The solidarity of groups in the long run would pave the way for starting micro enterprises at the group level.

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