

IMPACT OF MICROFINANCE IN BELTHANGADY TALUK – A CASE STUDY ON SKDRDP

Rakesh.T.S, M.Com

Asst. Professor, Department of Commerce and Management,
SDM College (Autonomous), Ujire,
DakshinaKannada(D), Karnataka. India.

Lakshminarayana.K.S, M.Com

Asst. Professor, Department of Commerce and Management,
SDM College (Autonomous), Ujire,
DakshinaKannada(D), Karnataka. India.

Madhushree.S, M.Com

Assistant-Professor,
Department of PG-Commerce,
SDM College (Autonomous),
Ujire, Dakshina Kannada (D), Karnataka.

Abstract

In the present scenario there is massive progress in Micro Finance. Therefore, it is meaningful attempt to study the impact of the Micro Finance schemes in reducing the poverty of households of Belthangady taluk. This study tries to highlight the efforts of the SKDRDP (Shree Kshethra Dharmasthala Rural Development Projects) in spreading the knowledge among the local people through their financial schemes about the micro finance which helps people to overcome from the poverty and also tries to evaluate the performance of Micro Finance services offered by SKDRDP in Belthangady taluk.

Keywords: Disillusioned, Grammen Bank, Microfinance, Poverty, Pragathi Nidhi Program SKDRDP, Self Help Groups

Introduction

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers”. Microfinance is defined as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance. Those who promote micro finance generally believe that such access will help poor people out of poverty. The World Bank estimates that there are more than 500 million people who have directly or indirectly benefited from microfinance related operations. Micro Finance is one of the main functions of SKDRDP. The main principle of Micro Finance is to provide the adequate amount to the group members to take up developmental activities. The main source of income for this Micro Finance is the interest amount charged on granted amounts. Therefore the study is conducted to measure the impact of Micro Finance on rural people with reference to the functioning of SKDRDP in Belthangady Taluk.

The Beginning of the Microfinance Movement

In 1974, Famine struck in Bangladesh. At that time, Dr. Muhammad Yunus was a professor of economics at the University of Chittagong. Disillusioned by the elegant theories of economics that could not explain the thousands of poor people dying of starvation on the streets; he was determined to find a practical way to help the poor. During a visit to the nearby village of jorba, he was astounded to find that a sum of \$27 could radically change the lives of 42 people in the village. This was the sum of money they collectively needed to buy bamboo to make the stools they sold to make a living. He took \$ 27 from his pocket and made 42 loans to the stool makers in this tiny village. They were able to pay him back with interest and take a step towards lifting themselves out of poverty, let Dr. Yunus to create The Grameen Rural Bank in 1983. Since its inception, it has made over \$983 million in loans to over seven million borrowers; its methodologies have become the cornerstone of the microfinance industry. In 2006, The Grammen Bank and Dr. Yunus were awarded the Nobel Peace Prize.

Review of Literature

Muhammad Yunus (1998) “Has examined that this approach to poverty reduction at the macro-level is inadequate. Poverty is caused by our inadequate understanding of human capabilities and by our failure to create enabling theoretical frameworks, concepts, institutions and policies to support those capabilities”. **Nidhiya Menon (2006)** “Has examined the benefits of participation in micro-finance programs, where benefits are measured in terms of the ability to smooth the effect of seasonal shocks that cause consumption fluctuations.” **R. Prabhavathy (2012)** “Has examined those collective strategies beyond Micro-credit to increase the endowments of the poor to enhance their exchange outcomes of the family, markets, state and community and Socio -cultural and political spaces are required for both poverty reduction”. **David Hulme and Thankom Arun (2011)**, in this article “What’s Wrong and Right with MFI” exhibits the lending mechanisms of MFI’s and need of ceiling the interest rate on micro loans in order to bring the Micro Finance Industry to a right path. **Sri M.S Sriram (2011)**, in his article “Micro Finance Industry in India: More Thoughts” finds that, Micro finance institutions need not be treated as holy cows. **M. Rajashekar (2010)**, in his article “RBI to MFI’s: Shape Up or Face Music” tells that, India’s booming microfinance segment is under the scanner, with the Reserve Bank of India(RBI) issuing a veiled warning that it could be taken off the priority sector lending list of banks if the industry fails to improve its governance standard. **Sri Debadutta K Panda (2010)**, in his book “Understanding Microfinance” writes on Micro Finance saying, Micro Finance is not only for social and rural development, but also for business and profit making, based on the organizational missions..

Micro Finance in India

India is one of the fast developing countries in the world, and Micro-finance is often advocated as a solution to multiple economic & social problems in India. Poor persons with access to credit can make investments in enterprises that bring them out of poverty. Income in India is closely linked to social and economic status: whilst the upper and middle classes generate the ‘formal’ income from their formal ventures and employment, whereas the poorest and low income people are largely ‘informally’ employed. Low income households are not usually involved in regular income occupations and therefore waiting for job creation strategies to absorb them; in either agricultural form sector or industrial sectors. As the opportunity for absorption is limited, poor people need to be trained to take up micro enterprises through micro-credit and other such micro finance schemes.

In recent years, other institutional structures for microfinance have emerged: notably, independent specialized microfinance institutions (MFIs). The success of MFIs in India has also attracted several new private sector banks, notably ICICI Bank, UTI Bank and HDFC Bank. Some of these newer banks are pursuing innovative approaches to microfinance. They view microfinance as a potential business rather than simply a social objective or priority sector lending obligation. Currently, 75% of the total supply of microfinance credit is via the Self Help Group-Bank linkage route, largely financed by the National Bank for Agriculture and Rural Development (NABARD). The rest comes from MFIs, increasingly backed by commercial banks.

Micro Finance in SKDRDP

The micro finance program of SKDRDP is popularly known as “Pragathi Nidhi Program” (Pragathi Nidhi means fund for growth) has been designed to provide hassle-free, quick and easy finance to the stake holders. The groups are eligible to get funds from SKDRDP on completion of three months of their promotion. During this period the groups are required to save regularly on weekly basis, conduct group meetings write proper resolutions, deposit the money saved in the group common account. During these periods they undergo capacity building training programmes in conducting group meetings, writing basic accounts, managing the finances, preparing business plan etc. In addition to this, the group members prepare a five year development plan and then break it down to an annual plan. The financial assistance will also follow the planned goals.

Organizational Profile

Shree Kshethra Dharmasthala Rural Development Projects popularly known as SKDRDP (R.) is registered under Charitable Trust Act of 1920 in the office of Sub-Registrar, Government of Karnataka, Belthangady Taluk, Dakshina Kannada District in the year 1991.

SKDRDP (Shree Kshethra Dharmasthala Rural Development Project) name itself says that it is all about rural development programme. SKDRDP carried several activities like Microfinance, Jana Jagrathi Programme, manufacturing and marketing the products etc. Microfinance is one of the main activities of the SKDRDP. Micro Finance is mainly relating to lending loans to the poor people for income generation activities. SKDRDP play a major role in transfer of technology, providing the infrastructure, providing finance through micro credit. Micro Finance activity follows their own system for sanctioning loans and there are a lot of criteria for disbursement of loan. Micro finance activity has a high influence on the rural people.

Objectives of the study:

1. To study the Micro Finance activities and its impact on the rural families.
2. To study the process involved in disbursement of Micro Credit to SHG members.
3. To study the influence of Micro Finance on the life style of the SHG members.
4. To undertake the performance Evaluation of Micro Finance services offered by SKDRDP.

Methodology of the study

This study is based on both primary and secondary data sources.

Secondary data sources include collection of data from reports concerning to the Micro Finance and Annual reports of SKDRDP. Other sources are research journals, publications and the internet sources. **Primary data** is collected through administrations the structured Questionnaire to the respondents chosen for the study. Data collected was tabulated, analyzed and interpreted.

The responses for all the statements are noted on a five point semantic scale with end points defined as strongly disagree or dissatisfied (1) and Strongly Agree or satisfied (5) and the mid-point as neither disagree or dissatisfied nor agree or satisfied (3). The figures in the parentheses are the score points, assigned to the respective scale points. The intermediate scale points are awarded 2 and 4 score points, respectively. To reduce the acquiescence bias on upper scale points, two items are reverse scaled. But, while analysing the data the items are corrected to their original scores. The statistical methods which used is Chi-square test in testing the hypothesis.

Limitation of the Study:

The present study suffers from the following Limitations.

1. The study is restricted to Belthangady taluk only and size of a sample is 100 SHG members because of the time limit.
2. The respondents are spread across the taluks of Mangalore region and if the researcher had gone for probability method of sampling it is very difficult to give accurate judgment based on this limited samples.
3. The respondents for this study are the members of Self Help Groups, these people are rural background people and are less educated, and it is very difficult to collect the relevant information from the people because of lack of knowledge about the concept and communication .

DATA ANALYSIS AND INTERPRETATION

Table 1: Cross-tabulation of Respondents' Age, Marital status and Employment Status and their annual income

Marital status	Age	Employment Status	Annual Income				Total	Percent
			Rs.12000-20000	Rs.20001-30000	Rs.30001-40000	Rs.40001-50000		
Married	20-30	Agriculturist	3	3	0		6	6%
		Daily labour	3	0	0		3	3%
		Self employment	1	0	0		1	1%
		Others	1	0	1		2	2%
		Total	8	3	1		12	12%
	31-40	Agriculturist	3	7	0	0	10	10%
		Daily labour	8	2	0	0	10	10%
		Self employment	2	3	1	0	6	6%
		Others	0	0	0	1	1	1%
		Total	13	12	1	1	27	27%
	41-50	Agriculturist	4	8	1		13	13%
		Daily labour	5	2	0		7	7%
		Self employment	2	2	1		5	5%
		Others	2	0	0		2	2%
		Total	13	12	2		27	27%
50 & above	Agriculturist	0	2	3	1	6	6%	
	Daily labour	0	1	0	0	1	1%	
	Others	2	1	0	0	3	3%	

		Total	2	4	3	1	10	10%
Not married	20-30	Agriculturist	2	0	2		4	4%
		Self employment	4	0	1		5	5%
		Others	3	3	1		7	7%
		Total	9	3	4		16	16%
	31-40	Self employment		1	0		1	1%
		Others		1	1		2	2%
		Total		2	1		3	3%
	41-50	Agriculturist		1	1		2	2%
		Daily labour		1	0		1	1%
		Others		1	0		1	1%
		Total		3	1		4	4%
	50 & above	Self employment			1		1	1%
		Total			1		1	1%

Source: Primary Data

In Belthangady taluk the majority members of SKDRDP are female population who basically joined the institution with an aim to make their living, as well as their families in better standard. They concentrated more on savings in order to overcome from poverty. The above table shows that 64% of the respondents are females. And 36% of the respondents are male candidates. The study shows that 30% respondents' age in between 30 to 40 years during the survey period. 28% of respondents are of the age between 20 to 30 years, 31% of the respondents are the age between 40 to 50 years and 11% of respondents are above 50 years of age respectively. According to the survey conducted 14% of the respondents' annual income in between Rs.30001-40000, 39% of respondents are earning in between Rs.20001-30000, 45% of respondents are earning in between Rs.12000-20000, remaining 2% of respondent are earning in between Rs.40000 & above annual income who have availed loan from SKDRDP. In the case of occupation 41% of the respondents were dependent on agriculture, 22% of respondents are daily wage earners, 19% of respondents are self employed and remaining people are dependent on other occupation. Dakshina Kannada is one of the major agriculture based districts. We cannot reject the fact that people not only depend on agriculture but also on earn their living through daily wages. SKDRDP has helped 19% of the respondents to become self employed.

Table 2: Showing the Purpose of loan taking from SKDRDP by respondents

Marital status	Gender	Purpose of loan taking from SKDRDP					Total (%)
		Agricultural Development (%)	Marriage (%)	Self Employment (%)	Gold purchase (%)	Others (%)	
Married	Male	18	4	6	0	0	28
	Female	15	9	12	10	2	48
	Total	33	13	18	10	2	76
Not married	Male	2	0	3	1	2	8
	Female	6	1	6	3	0	16
	Total	8	1	9	4	2	24

Source: Primary Data

From the above table no.2 indicates clear that 27% (18% married and 9% not married) of respondents have taken loan for the purpose of self employment. 41% (33% married and 8% not married) of respondents have taken loan for the purposes of agricultural development. 14% (13%

married and 1% not married) of the respondents have taken loan from SKDRDP for the purpose of their own marriage or for their family members' marriage and 14% (10% married and 4% not married) of the respondents have taken loan for the purpose of gold purchases and only 4% of the respondents have taken loan for others purposes.

Table 3: Showing the Opinion of the respondents towards the below statement

Statements	Highly Dissatisfied		Dissatisfied		Neutral		Satisfied		Highly Satisfied		Total	Average Score	Rank	X ² value
	1		2		3		4		5					
	N	%	N	%	N	%	N	%	N	%				
Satisfaction towards terms and conditions of SKDRDP	3	3	1	1	1	1	43	43	52	52	100	4.37	1	128.2
satisfaction level towards interest rate of SKDRDP	1	1	4	4	3	3	53	53	39	39	100	4.16	5	117.8
satisfaction with repayment schedule of SKDRDP	2	2	1	1	4	4	50	50	43	43	100	4.19	4	118.5
whether respondents are satisfied with the repayment of time period	2	2	6	6	4	4	47	47	41	41	100	4.07	6	97.3
satisfaction level of overall credit delivery mechanism	4	4	2	2	0	0	54	54	40	40	100	4.24	3	126.8
respondents feeling about quality of service of SKDRDP	5	5	1	1	1	1	40	40	53	53	100	4.32	2	121.8

Source: Primary Data

@ All X² values are significant at 4 degree of freedom and level of significance is 0.05

* The Figure in the 5 columns, showing the percentages add to '100' and Rank on the basis of Average Score

From the above table no. 3 it is clear that 52% of the respondents are highly satisfied and 46% of the respondents are satisfied with term and conditions of SKDRDP. Hence the satisfaction level of SKDRDP is high. With regarding to the rate of interest of SKDRDP 39% of the respondents are highly satisfied and 53% of the respondents are satisfied. Hence the satisfaction level of SKDRDP is high because interest rate is very low compared to other financial institutions.

In case of repayment schedule of SKDRDP 43% of the respondents are highly satisfied and 53% of the respondents are satisfied. In case of repayment of time period 54% of the respondents are satisfied and about 44% of the respondents are highly satisfied. In case of overall credit delivery mechanism of SKDRDP 40% of the respondents are highly satisfied and 58% of the respondents are satisfied. Hence the satisfaction level of SKDRDP is high and only 2% says dissatisfied. In case of quality of service of SKDRDP 45% of the respondents are satisfied and 51% of the respondents are highly satisfied. With this it can be concluded that the quality of service provided by SKDRDP is very much high.

Hypothesis testing using Chi-square Test:**Hypothesis:**

Null hypothesis (HO): Respondents are not satisfied with kind of loan taken from SKDRDP and for services offered by SKDRDP

Alternate Hypothesis (H1): Respondents are satisfied with kind of loan taken from SKDRDP and for services offered by SKDRDP

Level of significance: 5%

Table 4: Showing the kind of Loan taken from SKDRDP and their Satisfaction towards the services provided by SKDRDP after taking loan

Kind of Loan Taken from SKDRDP	Satisfaction with service provided by SKDRDP after taking loan				Total
	Highly Satisfied	Satisfied	Can't say	Highly Dissatisfied	
Revolving loan	8	17	1	0	26
Group activity Loan	9	6	0	0	15
Livelihood loan	18	10	0	0	28
Infrastructure loan	10	4	0	0	14
Swaghruha loan	9	7	0	1	17
Total	54	44	1	1	100

Source: Primary Data

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.748 ^a	12	0.203
Likelihood Ratio	14.418	12	0.275
Linear-by-Linear Association	0.929	1	0.335
N of Valid Cases	100		

Since the p value 0.203 is greater than 0.05 confidence level, ($p > 0.05$ (i.e.) $0.203 > 0.05$) we reject Null Hypothesis and accept alternative hypothesis. Therefore, respondents are satisfied with kind of loan taken from SKDRDP and for services offered by SKDRDP

Hypothesis testing using Chi-square Test**HYPOTHESIS**

Null hypothesis (HO): There is an association between reasons for choosing SKDRDP and suggesting SKDRDP for loan to respondents' friends and relatives

Alternate Hypothesis (H1): There is no association between reasons for choosing SKDRDP and suggesting SKDRDP for loan to respondents' friends and relatives

Level of significance: 5%

Table 5: Showing the reasons for choosing and suggesting SKDRDP for loan to their friends and relatives by respondents

Suggesting SKDRDP for loan to friends and relatives	Reason for choosing SKDRDP				Total
	Service	Convenience	Reference group	Locality and Availability	
Yes	20	63	4	5	92
No	2	5	0	1	8
Total	22	68	4	6	100

Source: Primary Data

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.034 ^a	3	0.793
Likelihood Ratio	1.219	3	0.748
Linear-by-Linear Association	0.062	1	0.803
N of Valid Cases	100		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .32. Since the p value 0.793 is greater than 0.05 confidence level, ($p > 0.05$ (i.e.) $0.793 > 0.05$) we reject null Hypothesis and accept alternative hypothesis. Therefore, there is an association between reasons for choosing SKDRDP and suggesting SKDRDP for loan to friends and relatives by respondents.

Findings of the Study

Based on the survey the following finding are listed below

1. All the respondents are aware of microfinance
2. All the respondents are aware of Sri Kshethra Dharmastala Rural Development Project (SKDRDP).
3. 84% of respondent took loan from SKDRDP.
4. Respondent have taken different types of loans from SKDRDP, out of which 17% of respondent have taken "swagruha loan".
5. 93% the respondents are aware of the repayment mechanism of SKDRDP Micro finance activities.
6. Weekly repayment schedule is desired by the 67% of respondents who have taken loan from SKDRDP.
7. According to 44% respondents convenient period of repayment the loan is 50 to 156 week.
8. 53% of respondents are satisfied with the repayment time period in SKDRDP.
9. 94% respondents are aware of their respective responsibility towards repayment of loan.
10. 68% of respondents choosing SKDRDP because of its facilities provided.
11. 19% of respondents took loan from SKDRDP for the purpose of self employment and 41 % of respondents took loan for agriculture development respectively.
12. 92% of the respondents suggest their neighbours to take loan from SKDRDP.
13. 37% of the respondents have borrowed loans from other financial institutions.

Conclusion

Microfinance program is primarily focused on alleviating poverty by providing financial services to the poor especially for those who are kept outside from the mainstream banking, most of those who live in rural areas. Timely supply of sufficient credit at reasonable rate can go a long way in the development of the poorer.

Micro finance is considered as a major tool to alleviate poverty. But also it is one of toughest activities which are successfully carried out by many of the microfinance institutions in INDIA especially in rural areas. Many microfinance institutions are rendering services to the poorer section of the society. SKDRDP is one of those organizations which are engaged in providing financial facility to the rural poor through micro finance activities. Organization is performing in 9 districts of Karnataka under the guidance of Dr. Veerendra Heggade. From this study it can be concluded that the performance of Micro Finance services offered by SKDRDP was evaluated through the opinion of the members who have taken the advantages of the SKDRDP facilities and they feels that “they are very much happy with overall services offered by SKDRDP”.

Acknowledgment

Sincere thanks to Smt.Samitha who is currently working in SKDRDP for all the support extended by her without her help this paper wouldn't be complete.

Reference

- Anu Muhammad, “The Grameen & Micro Credit: A Tale of Corporate Success”, EPW, Vol No 44 Aug 29 2009, Pg No 35
- Debadutta K Panda, “Understanding Micro Finance”, Wiley India Publication, 2009
- Drew Tulchin & Jerry Grossman, “Micro Finance: Sustainable Tool for Urban Poverty Alleviation”, www.socialenterprise.net/
- Devid Hulme & Thankom Arun, “What’s Wrong and Right with MFI”, EPW, Vol XLVI No 48, Nov 26, 2011.
- Deepa, Narayan ed. (2002) Empowerment and Poverty Reduction- A source book, Washington, DC: World Bank
- Dwarakanath, H.D (1999), DWCRA in Andhra Pradesh, Kurukshetra, 47 (12):14-18.
- Gupta, R and Bapin Kumar Gupta (1987), Role of Women in Economic Development, Yojana, 31 (8):28-32.
- Gupta M.L and Namitha Gupta(2006) “Economics Empowerment of women through self-help groups” Kurukshetravol 54 February , pp 23-26
- “Governance guide Developed by IRAM-CERISE – A Tool for Analyzing the Governance of MFI”, www.microfinancegateway.com
- Gupta Kamal and Sunita Kishore (2004) “women empowerment in India and its states, evidence for NFHS”, Economics and political weekly, vol22 February, pp. 694-705
- Indian Institute of Banking and Finance, “Micro Finance- Perspective & Operations”, McMillan Publications, 2009.
- Kamal vatta (2003), “microfinance and poverty Alleviation”. Economics and political weekly, vol,38, February pp. 432-433
- Kumar K Mahindra, ‘Performance of SHG’, HRD times, July 2010 pp 37

- Manimekalai. M. and Rajeshwari G(2001), “nature and performance of informal self Help Group”, Indian journal of Agricultural Economics, vol 56
- Malyadri. P. (2011), ‘micro finance crisis in Andra Pradesh” Journal on rural Development, Kurukshetra, Jan pp. 26-27
- Ms. Tara S Nair, Financing of Indian Micro Finance - Evidence and Implications, EPW, Vol XLVII No 25, July 04 2012.
- M.S Sriram, “Micro Finance Industry in India: More Thoughts”, EPW, Vol XLVI No 50, Dec 10 2011.
- M Rajashekar, ET Bureau (2010),“RBI to MFI’s: Shape Up or Face Music”, www.m.economictimes.com
- Nilkanth Rath, “Implications of the Loan Waiver for Rural Credit Institutions”, EPW, June 14 2008, Pg No 13.
- R Vijay kumar, “Reinstating the SHG Perspective in Micro Finance”, EPW, Vol 44, April11-17-2009, Pg No 68
- Ramesh S Arunachalam (2007), “Governance of Micro Finance Institutions: Time to implement ‘connected lending’ provisions of RBI circular of 2007”, www.microfinance-in-india.blogspot.com
- consultative group to assist the poor (1997), “Effective Governance for Micro Finance Institutions”, www.cgap.org/
- Roy Mersland& R Oystein Strom (2007), “Performance & corporate governance in MFI’s”, Journal of Banking and Finance, Vol 33, No 4, pp, 662-669
- Rithujain,R .K. Kushawantha and A.K.Srivastava (2003) Socio-economic impact through Self Help Groups,Yojana,vol.47.no.7,july 2003,pp1 1-13.
- S Goonkel Maya, “microfinance through SHGs in India” third concept June 2010, pp 57-58
- Sway PM Vigneshwara, “SHG and women empowerment journal of development and social change, march 2007,vol 3 pp. 53-63
- Sinha Archana (2004), “microfinance for women empowerment” Kurukshetra, April, pp.3138
- Zohra Bi and Dr. Shyam Lal Dev Pandey - “comparison of Performance of Micro Finance Institutions with Commercial Banks In India”, Australian Journal of Business and Management Research Vol.1 No.6{110-120} September 2011
- Uliveppa H.H (2007): “Roll of SHG”, journal of development and social change, march 2007,pp 64-78