

LEVEL OF BORROWINGS AND REPAYMENT PERFORMANCE OF SHGs

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Poverty alleviation is one of the primary objectives of any country's planning. Therefore it becomes imperative to formulate situation specific poverty alleviation policies and programs for generation of a minimum level of income for the rural poor. One such initiative is credit infusion in the rural sector, increased involvement of banks in rural credit in post nationalization in the rural area. However, despite a vast network of commercial, cooperative, rural banks and other financial institutions no significant impact could be made on the grim poverty situation prevailing in rural India. To make frontal attack on poverty, integrated Rural Development Programme [IRDP] was launched by the Government under which subsidized credit for asset creation was provided. This programme also could not achieve its projected aims due to partisan local political interests, lopsided identification of activities and poor recovery performance of banks.

The term micro finance is of recent origin and is commonly used while discussing issues relating to Poverty alleviation intervention, Income distribution amongst a wider section of population, savings in small amounts and small loans. As per international perceptions the term micro finance, sometimes is used interchangeably with the term micro credit. However, while micro credit refers to purveyor of loans in small quantities, the term micro finance has a broader meaning covering in its ambit other financial services like savings and insurance. Micro finance has emerged as one of the most sustainable and effective tool for enabling the poor and disadvantaged sections of the society to access institutional credit. With 504 banks providing access of credit to 116 lakh poor families through 30,942 participating branches supporting over 7 lakh SHGs up to March 2003, the micro finance movement in the country has come to be recognized as the largest in terms of its outreach. In this chapter, an attempt has been made to assess the awareness and knowledge about the scheme by the sample women SHG members. The level of borrowings, its rate of interest and repayment performance are analysed in this chapter.

1. PERIODICITY OF GROUP MEETING ATTENDED BY THE SAMPLE RESPONDENTS

All the Self-Help Groups (SHG) conduct meeting at regular intervals at homes of the individual or in community buildings. Meetings are sometimes held at short notice in case of need. The meetings are held in a constructive and friendly atmosphere. Active and enthusiastic participation in discussion of members are encouraged. The details of sample respondents attending the meetings of the Self-Help Group are given below:

TABLE 1
PERIODICITY OF ATTENDING THE GROUP MEETING

Periodicity	Number of Beneficiaries	Percentage to Total
Once in a Month	168	33.60
Once in Fortnight	83	16.60
Once in a Week	249	49.80
Total	500	100.00

Source: Primary Data.

From table 1 it was clear that majority of the respondents have attended the meeting once in a week and 33.60 per cent of the respondents have attended the meeting once in a month and the remaining 16.60 per cent of the respondents have attended the meeting once in fortnight.

2. OPPORTUNITY – WISE CLASSIFICATION OF THE SAMPLE RESPONDENTS

The democratic set up of the SHGs provides opportunities to the members to serve as animators and representatives. Animators and representatives are selected by the members. The animators are appointed once in two years.

TABLE 2
OPPORTUNITY – WISE CLASSIFICATION OF THE
SAMPLE RESPONDENTS

Opportunity	Number of Beneficiaries	Percentage to Total
Animators	210	42.00
Representatives	186	37.20
Members	104	20.80
Total	500	100.00

Source: Primary Data

The representatives generally convene the group meeting at regular intervals and operate bank accounts jointly as authorized by the group.

TABLE 3
LOAN AMOUNT OF MEMBERS

Loan Amount	Agriculture and Allied activities	Non-Agricultural activities	Total
Less than Rs.2000	174 (45.55)	24 (20.34)	198 (39.6)
Rs.2000 – 3000	40 (10.47)	10 (8.47)	50 (10)
Rs.3000 – 4000	49 (12.83)	21 (17.80)	70 (14)
Rs.4000 – 5000	74 (19.37)	28 (23.73)	102 (20.4)
Rs.5000 and above	45 (11.78)	35 (29.66)	80 (16)
Total	382 (100)	118 (100)	500 (100)

Source: Primary Data.

From table 3 it has been inferred that nearly 198 (39.6 per cent) of the total respondents had borrowed less than Rs.2000 whereas 102(20.4 per cent) of the respondents had borrowed between Rs.4001 to 4500. Only 50(10 per cent) of the respondents had borrowed between Rs.2000 to 3000. In the case of Agriculture and Allied activities 174(45.55 per cent) of the respondents had borrowed less than Rs.2000 followed by 74(19.37 per cent) of the respondents had borrowed between Rs.4001 to 5000, and only 45(11.78 per cent) had borrowed above Rs.5000 whereas in the case of Non-Agricultural activities 35(29.66 per cent) of the respondents had borrowed above Rs.5000 followed by 28(23.73 per cent) of the respondents had borrowed between Rs.4001 to 5000 and 24(20.34 per cent) of the respondents had borrowed less than Rs.2000 respectively.

4. NUMBER OF INSTALLMENT

There is no holiday for repayment and repayment period is decided by bank and SHG, jointly. The repayment schedule and installment size may preferably take into account the seasonality of earnings of SHG members and should be reasonable. The interest earned is also added to the savings amount and is lent. It is a Revolving Fund. The repayment capacity is assessed first before lending. Data pertaining to the number of installments allowed for repaying the loan by the sample respondents are presented in table 4:

TABLE 4
NUMBER OF INSTALLMENTS OF REPAYMENT OF LOAN

Number of Installments of Repayment	Number of Beneficiaries	Percentage to Total
Up to 5	69	13.30
6 – 10	119	23.80
11 – 15	186	37.20
16 – 20	76	15.20
Above 20	50	10.00
Total	500	100.00

Source: Primary Data.

The above table reveals that out of 500 sample respondents more than 186 (37.20 per cent) of the sample respondents, the number of installments ranges between 11 to 15. Installments of above 20 have been found in 50(10.00 per cent) of the sample respondents.

5. REGULARITY OF REPAYMENT

The micro-credit experience worldwide has shown that poor borrowers, especially women, make productive use of credit and are prompt in repayment. The opinion about difficulty in repayment of loan is given below:

TABLE 5
REPAYMENT OF LOAN BY THE BENEFICIARIES

Nature of Repayment	Number of Beneficiaries	Percentage of Total
Irregular Repayment	29	5.80
Regular Repayment	471	94.20
Total	500	100.00

Source: Primary Data.

During the survey, it was observed that out of 500 sample respondents only 29(5.50 per cent) of the sample respondents were irregular in repayment of loan, while 471(94.20 per cent) of the sample respondents found to be regular in repayment. Willful default has no place in SHGs. Members can repay the loan daily from their collection but this facility is not available with the other financing agencies.

SHG preaches “Self – Help through mutual help for common goods”. It is an ideal combination of one’s rights and responsibilities. Realising the significance of SHGs in Micro – Credit delivery mechanism, the micro – credit funding institutions have established SHGs for the purpose of lending and getting repayment in time.

6. REASONS FOR THE DIFFICULTY OF REPAYMENT OF LOAN

It is understood from the sample survey that nearly 5 per cent have expressed their difficulties regarding the repayment of loan. Sometime things are beyond their control, like severe drought, that makes members to default, if at all they default. Table 6 list out the various reasons stated by the sample respondents as reasons for difficulty in repayment of loans.

TABLE 6
REASONS FOR THE DIFFICULTY OF REPAYMENT OF LOAN

Difficulties	Number of Beneficiaries	Percentage to Total
Lack of Time to Commence Business	15	51.73
Low Demand for Products	3	10.34
Marketing Problem	2	6.90
Less Profit	4	13.79
Family Commitment	3	10.34
Non utilization	2	6.90
Total	29	100.00

Source: Primary Data.

Two main reasons expressed by the sample respondents were lack of time to commence business and low profit from the ventures. While 15(51.73 per cent) have cited lack of time to commence business as the reason, 4(13.79 per cent) have stated less profit as the reason for difficulty in repayment.

7. MOTIVATION BEHIND REPAYMENT OF THE LOAN

Banks and financial institutions suffer much due to the nonpayment of loan amount by the borrowers. But, generally SHGs availing Micro – Credit, have shown excellent record of loan repayment. Micro – Credit has enabled the sample respondents to earn income and the poor women take timely repayment a prestige issue and repay the loan regularly. The pressure from the peer group has discouraged default by individuals. The reasons that have motivated the sample respondents and the ranks given by them are presented in Table 7 and 8.

**TABLE 7
MOTIVATION BEHIND REPAYMENT OF THE LOAN**

Factors	Number of Beneficiaries					Total
	I	II	III	IV	V	
Group Pressure	136	141	101	73	49	500
Adequate Income Earning	163	124	89	98	26	500
To Avail Further Loan	99	193	102	63	43	500
Self-Ethics	156	166	60	54	64	500
Fear of Legal Action	143	176	71	68	42	500

Source: Primary Data.

**TABLE 8
GARRETT'S RANKING RESULTS**

Factors	Total score	Average	Rank
Adequate income earning	21517	63.29	I
Group pressure	19966	60.30	II
To avail further loan	19831	59.49	III
Fear of legal action	19541	59.29	IV
Self-Ethics	18990	58.41	V

According to Garrett Ranking results the foremost reason cited by the sample respondents is the availability of income. The second rank is given to the peer group pressure which brings about the remarkable improvement in loan recoveries. Close proximity and familiarity of SHG members motivate them to pay the loan without default. Improved loan recoveries lead to improved loan recycling and continue access to borrowing. To avail further loan is the third reason cited for regular repayment. So that the next direct credit linkage (DCC) can be obtained and other members, who did not receive the loan may also benefit. Fear of legal action also has motivated the sample respondents to repay the loans. Self-Ethics is the last reason cited by the sample respondents.

SUMMARY:

Thus the Indian Banking system has emerged as a dynamic system of promoting economic development through a state of development and banking. Banks have a vital role to play

in the reduction of poverty, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, ensure environmental sustainability and develop a global partnership for development.

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