



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

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MICRO-CREDIT: A STUDY OF MICRO-CREDIT USAGE BY SELF HELP GROUP MEMBERS IN GOA**DR. ELIZABETH JOEY HENRIQUES****ASSOCIATE PROFESSOR****DEPARTMENT OF ECONOMICS****GOVERNMENT COLLEGE OF ARTS, SCIENCE & COMMERCE****QUEPEM, GOA****DR. REKHA RAMESH GAONKAR****ASSOCIATE PROFESSOR & HEAD****DEPARTMENT OF ECONOMICS****M.E.S COLLEGE OF ARTS & COMMERCE****ZUARINAGAR, GOA****ABSTRACT**

Over the years, micro-credit came to be perceived as an important tool of pro-people development and a magic bullet for poverty alleviation. The present study is basically an attempt to get insights into the usage of micro-credit by members of SHGs in the State of Goa and to ascertain whether the micro credit beneficiaries continue to be dependent on other institutionalized and other channels to avail financial accommodation. For the purpose of the present study, both primary and secondary data have been relied upon. A structured interview schedule was administered to a total of 500 SHG members drawn from a 100 SHGs in the State of Goa. The study findings indicate that the respondents have availed of credit for financing both productive and consumption requirements and that a larger percentage of the respondents have utilised credit availed for non-income generating activities. The data suggests that there is a greater tendency on the part of the poor to use micro-credit for productive and income generating purposes than among the non-poor micro credit beneficiaries. The age of the SHG also has a bearing on the usage of micro credit availed. It has been noted that respondents belonging to SHGs which have been in existence for a longer period of time have a tendency to utilise credit more towards financing non-income generating activities rather than income generating activities. The findings also reveal that the SHG movement has not necessarily eliminated the dependence of the respondents on other financial institutions and channels to source their credit requirements.

KEYWORDS

Micro credit, Usage, income-generating activities, non-income generating activities.

INTRODUCTION

The concept of Micro credit is often equated and used synonymously with the concept of Micro Finance. Micro- credit refers to the disbursal of small amounts of loan to small borrowers. Micro Finance on the other hand is a broader concept and includes the "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural and semi-urban areas for enabling them to raise their income levels and improve their living standards." (NABARD, 1999). Thus while Microfinance is 'Credit Plus', Micro-credit is 'Only Credit'.

According to Robinson, (1998) "Microfinance refers to small-scale financial services for both credits and deposits – that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas."

The origin of micro-credit in the context of which it is understood in the present financial set up can be traced to the successful initiative of Prof. Mohammad Yunus of Bangladesh in establishing the Grameen Bank in 1983 which attempted at providing small amounts of loan to the poor. The success of this initiative was then replicated in other countries too. The Pilot project of the NABARD wherein SHGs were linked to banks gave a boost to the micro-credit sector in India. The SHG-Banking pioneered and promoted by NABARD has emerged as a primary Microfinance service mechanism for the unbanked poor in India. (Kropp, Suran 2004). Over the years, micro-credit came to be perceived as an important tool of pro-people development and a magic bullet for poverty alleviation. Micro-credit however is distinctly different from other holistic programmes aimed at rural development and poverty alleviation in that, thrift precedes credit and credit follows thrift. Microcredit programmes by providing easy and affordable access to credit and other financial services to poor families can have a host of positive impacts on their livelihoods. (Mohammad Yunus, 2004)

Several impact studies have reported the usage of micro-credit by SHG members. Most of the studies indicate that the borrowers of micro-credit have a tendency to utilize a larger proportion of the loan availed for consumption smoothening. The usage of micro-credit for consumption surpasses that utilized for productive activities. Gopalakrishnan (1998) reported in a study of SHGs in Tamil Nadu that 16% of loans obtained by respondents were utilized for production purposes while 84% was used to finance consumption expenditure. Repeat loans however were largely channelised towards productive uses. These findings are echoed in the study findings of Kumaran (2002) who noted that irrespective of the promoting agency, be it banks or NGOs, demand for consumption loans among SHG members was more than the demand for loans to meet production needs. However Datta and Raman (2001) point out that the average loan taken for business was larger than the average annual consumption loan per member. Jerunabi's (2006) action research which aimed at forming SHGs in rural and urban areas and studying the qualitative and quantitative impact of these groups revealed that a larger percentage of members of both urban and rural groups had utilized loans for consumption and domestic purposes. The present study is basically an attempt to get insights into the usage of micro-credit by members of SHGs in the State of Goa.

OBJECTIVES

1. To study the choice of funding sources opted for by the SHG members.
2. To get an understanding of the usage of micro-credit by SHG members in Goa.
3. To examine the correlation between age of the SHG and micro-credit usage.
4. To find out whether the micro – credit availed adequately meets the credit requirements of the members.

METHODOLOGY**STUDY AREA**

The State of Goa which is the study area selected comprises of two districts, North Goa district and South Goa district. While the North Goa district comprises of six talukas, five talukas make up the land mass of the South Goa District. As of March 2008, there are a total of 3305 SHGs in the State of which 1611(48.74%) are credit linked with both commercial and co-operative banks. The SHG programme in the State is driven by banks, the government, various non-government

agencies and social workers. In the present study, SHG from all the eleven talukas of the two districts have been selected. The study findings are based on both primary and secondary data.

SELECTION OF SAMPLE

1. Selection of SHGs: For the purpose of the present study, a total of 100 SHGs were randomly selected. Fifty SHGs were randomly selected from each of the two districts. SHGs of all the talukas are represented in the study. Of the 100 SHGs selected, 50 have been formed by different NGOs operational in the State while the other 50 have been promoted by the State Government under the Swarnjayanti Gram Swarajgar Yojana. In the case of the latter, members belong to the Below Poverty Line (BPL) category whereas in the case of the former, the SHG members are by and large non-BPL.

2. Selection of SHG members: A total of 5 members of each SHG were selected on a random basis. A structured interview schedule was administered to a total of 500 SHG members. The findings of this study are based on the responses elicited from these SHG members and collected during the period September 2007 to March 2008. Furthermore, the study covers the financial transactions, in particular, credit availed by the respondents from the period of their entry into the SHG.

Simple statistical tools such as percentage, cross tabulations etc. have been used for the data analysis. Besides the primary data collected, secondary sources of data viz. journals, newspapers, books and the internet have also been relied upon.

MAIN FINDINGS OF THE STUDY

I] CHOICE OF FUNDING SOURCES

Micro-credit is availed by the SHG members in two forms. On the one hand, members can borrow small amounts of money from the thrift fund and on the other they can also avail credit from the banks via the SHG. The SHG acts as an intermediary, borrows from the bank for the purpose of on-lending to its members. Table 1.1 details borrowings transactions of the respondents. A total of 414 (82.8%) respondents had availed credit, while 46 respondents had never borrowed either from the thrift fund or from the bank.

TABLE 1.1: MICRO-CREDIT AVAILED BY SHG MEMBERS

Borrowing Status	Frequency	Percent	Loan from thrift fund	Percent	Loan from Bank	Percent
Yes	414	82.8	329	65.8	222	44.4
No	86	17.2	171	34.2	278	55.6
Total	500	100.0	500	100.0	500	100.0

Source: Field data

There is a marked preference for credit from the thrift fund. Study findings indicate that while 65.8% of the respondents had sought and availed financial assistance from the thrift fund, the percentage of respondents who had availed of bank credit was relatively less (44.4%). These findings find resonance in the study by Sreelakshmi and N.Shetty, (2008). The preference for loans from the thrift fund can be attributed to the fact that not all of the SHGs are credit linked with banks. Furthermore, respondents are also reluctant to access bank credit due to fear of defaults. However, it is relatively cheaper to borrow from the bank rather than the thrift fund. In the case of the former, the average cost of borrowing is an average 10% per annum whereas in the case of the latter, the highest rate of interest charged by a SHG is 36%. A majority of the SHGs (237) sanction loans from the thrift fund at 24% rate of interest per annum. It is observed from the data that two SHGs grant interest free loans from the thrift fund. With respect to the quantum of loan availed it has been found that while the loan amount availed by the respondents from the thrift fund ranges from a minimum of Rs. 500/- to a maximum of Rs.1,35,000, borrowings by way of on-lending range between Rs.2000 to Rs.3,35,000. While no default in repayment is noted in the case of bank credit, 27(6.5%) respondents have failed to repay credit sourced from the thrift fund in time.

II] USAGE OF MICRO CREDIT

The respondents have availed credit for both Income Generating Activities and Non- Income Generating Activities. It is obvious that the SHG-Bank linkage programme by giving access to the 'unbankable' sections of society has played a significant role in generating employment and building livelihoods. Data indicates that the SHG members have availed of credit for both productive purposes and also to meet their consumption needs. Table 1.2 gives an idea of the purpose for which micro-credit has been used.

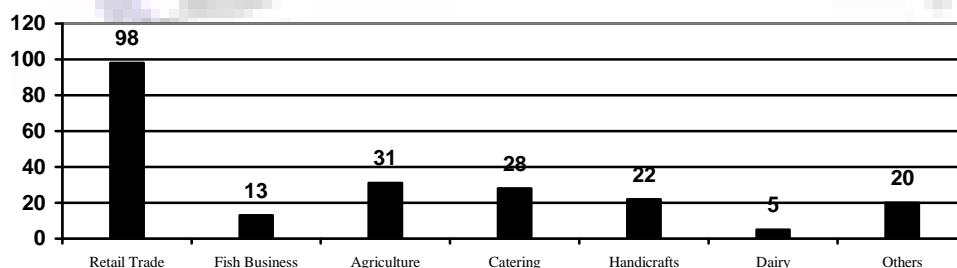
TABLE 1.2: USAGE OF MICRO-CREDIT

Sr. No.	Purpose of loan	Frequency	Percentage
1.	Income Generating Activity	125	30.2
2.	Non-Income Generating Activity	197	47.6
3.	Both	92	22.2
Total		414	100.0

Source: Field data

It can be inferred from the table 1.2 that while 47.6% of the respondents have borrowed exclusively to finance non-income generating activities, 30.2% have borrowed solely for the purpose of investing in some income generating activity. On the other hand 92(22.2%) respondents have borrowed to meet both consumption and production needs. While a majority of the respondents (69.8%) have utilized loans availed from and through the SHG for various Non-Income Generating Activities, 217(52.4%) members have borrowed for business purposes. Fig.1. and Fig.2. details the usage of micro-credit for Income and Non-Generating Activities respectively.

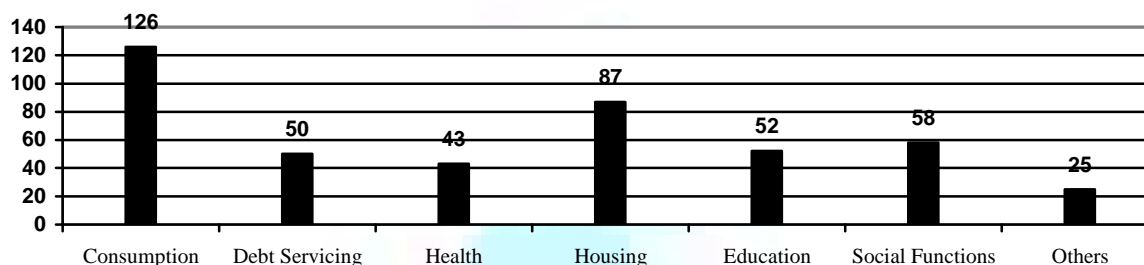
FIGURE 1: USAGE OF MICRO CREDIT FOR INCOME GENERATING ACTIVITIES



The respondents have availed of credit for a variety of productive purposes. Of the 217 respondents who have availed of credit for the purpose of taking up income generating activities, a majority of them (45.2%) have borrowed to finance retail trade such as sale of vegetables and fruits at the local markets, setting

up of general and grocery shops, purchase of raw-materials, sale of ready made garments etc. 5.9% of the respondents belong to the traditional fishing community and have utilized micro-credit for repairs of canoe and purchase of fishing nets. 14.3% of the borrowers have utilized the loan availed in agricultural operations, in particular to purchase seeds, fertilizers, to hire tractors and engage labour. A significant number of the respondents are into catering and are contracted by the State Government to supply mid-day meals to students. Some also prepare sweets and other eatables for sale. 14.3 % (31) of the respondents who are involved in this activity have availed of micro-credit. 22 (10.1%) borrowers have employed the credit availed to finance income generating activities such as handicrafts. Just 5 borrowers have used the loan to purchase livestock. The field data reveals that some of the borrowers have lent the funds they have borrowed from the SHG to non-members at a higher rate of interest. Besides others have utilized the loan amount to purchase machinery, finance their spouse's business and make payments towards purchase of movable and immovable assets needed in business operations. Interestingly, just about 7% of the respondents who had availed credit for income generating activities had sought repeat loans for furtherance of these activities.

FIGURE 2: USAGE OF MICRO-CREDIT FOR NON-INCOME GENERATING ACTIVITIES



It is evident from Fig.2. that SHG members make use of the credit availed for a variety of purposes. A majority of the respondents (43.6%) have utilized credit to meet consumption expenditure including purchase of tangible assets. Another important item of expenditure is housing. 30.1% respondents have employed the micro-credit availed for the purpose of house construction and house repairs. Respondents have also used borrowings to finance their earlier debt. The SHG programme has given the members access to funds in times of need and enabled them to meet immediate medical expenses and finance their children's education. Besides, it is also observed that about 20% of the respondents have utilised loans to celebrate social functions and festivals. Study findings also indicate that some respondents operate 'Confres' (An indigenous form of micro-credit prevalent in the State of Goa, also called 'kopri'). They borrow funds from the SHG at lower rates of interest and lend the same through the Confres at exorbitantly high interest rates. Some others have deposited the loan availed from the SHG in the banks for future use. It can be inferred from the pattern of micro-credit usage that the loans sourced by the respondents from the SHG either through the thrift fund or through the Bank by way of on-lending or both have enabled them to improve the quality of their lives.

PROMOTER WISE USAGE OF MICRO CREDIT

The Swarnjayanti Gram Swarozgar Yojana is a Central Government sponsored and State Government supported rural development programme that attempts to address the problem of poverty alleviation. In the State of Goa, the District Rural Development Agencies (DRDAs) of the State Government are the implementing agencies of the scheme. Under this holistic programme, the DRDAs promote SHGs of those citizens who are officially identified as living below the poverty line. The DRDA SHGs therefore comprise essentially of the poor. This is in contrast to the economic status of the members of SHGs promoted by NGOs and other agencies who could be categorized as Non- BPL.

An attempt has also been made in the present study to examine whether the micro-credit usage differs among SHGs formed by the Government under the SGSY and the SHGs promoted by the NGOs (Table 1.3)

TABLE 1.3: MICRO-CREDIT USAGE BY SHGS FORMED BY THE GOVERNMENT AND THE NGOS

Promoting Agency		Frequency	Percentage
Government	Income Generating Activity	79	31.6
	Non-Income Generating Activity	78	31.2
	Both	49	19.6
	Total	206	82.4
	Loan not availed	44	17.6
	Total	250	100.0
Non-Government Agency	Income Generating Activity	46	18.4
	Non-Income Generating Activity	119	47.6
	Both	43	17.2
	Total	208	83.2
	Loan not availed	42	16.8
	Total	250	100.0

Source: Field data

It can be inferred from the data presented in table 1.3 that 17.6% and 16.8% of respondents belonging to SHGs formed by the Government i.e the DRDA and the NGOs respectively have not availed of any credit either from the thrift fund or from the bank. About 51.2% of respondents of SHGs formed under the SGSY have used micro-credit for income generating activities. In contrast just 35.6% of respondents belonging to SHGs formed by NGOs have employed credit to finance income generating activities. The usage of micro-credit for non-income generating activities by respondents of groups formed by NGOs is comparatively higher (64.8%) compared to groups formed by the DRDA (50.8%). The data suggests that there is a greater tendency on the part of the poor to use micro-credit for productive and income generating purposes than among the non-poor.

III] RELATIONSHIP BETWEEN MICRO CREDIT USAGE AND AGE OF THE SHG

An attempt has been made to examine whether the usage of micro-credit is dependent on the age of the SHG. The selected SHGs have been classified into two broad categories on the basis of their year of formation. While 315 (63%) SHGs have been in existence for a period of five years and below, 185 (37%) of the SHGs have been operational for a period greater than five years. Table 1.4 highlights the micro-credit usage by SHG members belonging to these two categories. It can be inferred from the data that there is a positive relationship between the age of the SHG and the percentage of members availing credit. While in the

case of SHGs that have yet to complete five years, 21.6% respondents had not availed of any loan, only 9.7% of the respondents belonging to the SHGs which are above five years have refrained from taking a loan from the SHG.

TABLE 1.4: MICRO-CREDIT USAGE IN SHGS BELOW AND ABOVE FIVE YEARS

Year of Establishment		Frequency	Percentage
5 Years and below	Income Generating Activity	81	25.7
	Non-Income Generating Activity	118	37.5
	Both	48	15.2
	Total	247	78.4
	Loan not availed	68	21.6
	Total	315	100.0
Above 5 Years	Income Generating Activity	44	23.8
	Non-Income Generating Activity	79	42.7
	Both	44	23.8
	Total	167	90.3
	Loan not availed	18	9.7
	Total	185	100.0

Source: Field data

However, with respect to usage of micro-credit it is observed that the relationship is negative. The data indicates that a larger percentage of respondents (42.7%) belonging to SHGs above 5 years have utilised credit for non-income generating activity compared to respondents of SHGs which are below five years of age. Like-wise micro-credit usage for income generating activities is marginally lower among respondents of SHGs that are older. 25.7% and 23.8% of the respondents of SHGs below and above five years have employed loans availed for income generating activities respectively.

IV] NEED FOR ALTERNATIVE SOURCES OF CREDIT

While there is no doubt that SHGs have given the poor and the marginalized access to funds, do these micro-loans meet the credit requirement of the SHG households adequately? Or are the SHG members forced to borrow from other alternative sources. The study findings reveal that although there are some respondents who do not feel the necessity of borrowing from the SHG, others need to approach individuals and institutions besides the SHG for financial accommodation. Table 1.5 details the various other sources of credit that have been accessed by the respondents despite being members of SHGs. A total of 160 of the 500 respondents who make up the sample in this study have felt the need to access other channels of credit despite being members of the SHG. Study findings indicate that besides sourcing credit from the SHG, 52 SHG households have borrowed from banks and 66 respondents have felt the need to approach their friends, family and relatives in times of need. Another 23 and 19 of the respondents have borrowed money from the 'confres' and moneylenders respectively at usurious rates of interest.

TABLE 1.5: ALTERNATE SOURCES OF CREDIT

Sr. No.	Sources of Credit	Frequency	Percentage
1.	Banks	52	32.5
2.	Family/Relatives/Friends	66	41.2
3.	Confres	19	11.9
4.	Moneylenders	23	14.4
5.	Total	160	100.0

Source: Field data

While membership of the SHG has provided the members access to credit, members have felt the need to borrow from other sources either because the need for funds is large and therefore cannot be met by the SHG or the members' lack repayment capacity and therefore denied credit by the SHG. The rules and norms adopted by the SHGs governing loan disbursement are also stringent. Some SHGs grant only one loan per member, or a second loan is disbursed to a given member only on repayment of the first. Members in need therefore have no alternative but to source alternate avenues of credit

CONCLUSION

The findings of the present study on the usage of micro-credit by beneficiaries coincide with the findings of other studies on the same topic. It is evident that the usage of micro-credit for consumption and non-income generating activities is proportionately higher. The study indicates that SHG members prefer to borrow from the thrift fund rather than avail of credit from the banks by way of on-lending although the cost of credit in the case of the former is higher than in the case of the latter. With respect to the usage of micro-credit it can be concluded from the study findings that a larger segment of the SHG members utilise credit for non-income generating activities. However it has been observed that it is the poor rather than the non-poor who exhibit a greater tendency to employ micro-credit for productive and income generating activities. It is further observed that while there is a direct relationship between the age of the SHG and the number of members availing credit, the usage of micro-credit for income generating activities is lower among members of SHG which are older. While micro-credit has inevitably provided the poor and lower income groups access to immediate finances, their financial needs are not adequately met as they still have to depend on other channels for financial accommodation.

The significance and utility of micro-credit in the lives of the poor and marginalized cannot be understated. Micro-credit has undoubtedly enabled the poor to participate in income generating activities, support their hearth and homes, supplement family incomes, acquire tangible assets and overall improve their standard of living. It is however imperative that the various Self Help Group Promoting Institutions motivate and educate the SHG members and encourage them to channelise micro-credit towards income generating and more productive usage.

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