

# IMPACT OF MICROFINANCE - AN EMPIRICAL STUDY ON THE ATTITUDE OF SHG LEADERS IN KANYAKUMARI DISTRICT – TAMILNADU

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## ABSTRACT

*Microfinance is a powerful tool to alleviate poverty and empowerment of rural women and it is effective in bringing social and economic changes in the rural India with improved managerial abilities of women. Microfinance and self help groups are found to be successful in promoting empowerment of women leading to development. This paper analyses the impact of microfinance on the empowerment of SHG leaders in psychological, economic, social aspects, managerial skills and their attitudes in Kanyakumari District.*

**Keywords - Microfinance-SHG-Poverty alleviation- empowerment- psychological-economical-social and Managerial.**

## 1. INTRODUCTION

The structure of rural financial market in India has both formal and informal financial intermediaries. It is widely accepted that formal financial sector is not effectively serving the rural poor in developing countries. The performance of formal financial institutions in India especially in lending the poor, has been unsatisfactory. There are a number of constraints viz. limited land and small economic activity but the demand for credit has been increasing with the growing family size, higher consumption expenditure and social obligation and so on.

Poverty and unemployment are the major problems of any underdeveloped countries, and India is no exception. In India about 26 percent of the population is living below poverty line. In the rural area 27.1 percent of the population is living under poverty. The overall unemployment rate is 7.32 percent. The female unemployment rate is 8.5 percent. The rate of growth of women unemployment in the rural area is 9.8 percent. This is because of the low growth rate of new and productive employment.

## 2. REVIEW OF PREVIOUS STUDIES

Impact of Microfinance on women were addressed by researchers and some important studies are presented here..Hashemi, Schuler, Riley (1996) and Kabeer (1998) reported that microfinance empowered women in Bangladesh, Makumbe et al (2005) found that microfinance has a positive impact on decision making in Tanzania, Hulma and Mosley (1996) found growth of microfinance borrowers in Indonesia, India, Bangladesh and Sri Lanka. Sridhar Krishna(2004) advocated for giving legal status of SHGs. Nataraju et al (2005) indicated that more financial support does not help the members and recommended that they should be provided with institutional support in Karnataka. Rajendran et al (2010) concluded that there is a definite improvement of psychological, economical, social; and managerial skills.Among the SHG leaders in Vellore district of Tamilnadu.

## 3. MICROFINANCE

Microfinance refers to small savings, credit and insurance services extended to socially and economically poor segments of society. It is defined as provision of thrift, credit and other financial services and products of very small amounts distributed to the poor in rural and semi urban or urban areas, for enabling them to raise their income levels and improve living standards. At present a large part of micro finance activity is confined to credit only. Women constitute a large number of users of micro credit savings and services.

## 4. ORIGIN AND CONCEPT OF SHGs

The origin of Self Help Groups (SHGs) is the brainchild of Grameen Bank of Bangladesh, founded by Prof. Mohammed Yunus in 1975, who tried out a new approach to rural credit in Bangladesh. Grameen gave loans without

asking borrowers either to provide collateral or engage in paper work. It pioneered what has come to be known as group based living. In India NABARD initiated SHGs in the year 1986-87 But the real effort was taken after 1991-92 from the linkage of SHGs with the banks. A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming forward to save a small amount of money regularly, which is deposited in a common fund to meet the members' emergency needs and to provide collateral free loans decided by the group. The SHGs have been recognised as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift. In Tamilnadu the SHGs were started in 1989 at Dharmapuri District. At present Four lakh groups are functioning with 23.83 lakh members in Tamilnadu. There are some men SHGs are also functioning.

### 5. WORKING OF SHGs

The SHGs are working in a democratic manner. The upper limit of members in a group is restricted to 20. Among them a member is selected as an 'animator' and two members are selected as representatives. The animator is selected for a period of two years. Members of the group meet every week. They discuss social and community programmes, group savings, rotation of funds, bank loan and repayment of loan.

From the previous studies it is widely believed that microfinance is a powerful tool to alleviate poverty and empowerment of rural women, it is an effective tool in bringing social, physiological and economic changes in the rural areas with improved managerial abilities of women. SHGs and microfinance are found to be successful in promoting empowerment of women leading to development. It has been accepted that microfinance plays a vital role in reducing poverty since it paves the way for employment and empowerment which leads to economic development. Poverty can be eradicated only by employment opportunities and the employment seeker and worker should become a job provider and it is possible through microfinance coupled with minor enterprises. Empowerment of women through microfinance benefits individual women, her family and the community as a whole through collective action for development. Group formation, provision of collateral free credit, participatory efforts for income generating self employment, knowledge and awareness, leadership, group management and skill development have improved the socio economic conditions of rural poor.

### 6. OBJECTIVE OF THE STUDY

The objective of the present study is to analyse the impact of microfinance on the attitudes of the SHG leaders in Kanyakumari District.

### 7. METHODOLOGY

So far no study has been undertaken in Kanyakumari District (Tamilnadu) about the impact of microfinance among the leaders of the SHGs and hence the study was undertaken in Kanyakumari District. Leaders of the SHGs registered with Panchayats from Thovalai and Thiruvattar blocks were selected for the study. Accordingly 30 SHGs from Thovalai block and 26 SHGs from Thiruvattar block, in total 56 SHGs were included in the study from two village panchayats. Leaders of the groups were interviewed with a well structured and pre-tested interview schedule during the month of September and October 2010. The schedule included questions related to the general information and psychological, economic and social empowerment as well as managerial skill of the respondents. Simple statistical tools like percentage analysis, mean, standard deviation were used to draw conclusions in addition to ANOVA. Scores were allotted on Likert's five point scale.

### 8. ANALYSIS AND DISCUSSION

The impact of microfinance on the SHG leaders (respondents) has been measured through the Likert's scale constructed on the basis of 36 variables. The responses have been quantified with the help of a scoring scheme. A high score of '5' was allotted to strongly agreed responses and a low score of '1' was given to strongly disagreed responses.

**Table - I Salient features of the study area**

Block	No. of SHG	% to total SHGs within District	% of population below poverty line
Thovalai	1067	7.37	29.08
Thiruvattar	1672	11.56	29.55
District	14463	100	28.84

Source : DRDA – Kanyakumari District.

### 9. SOCIO-ECONOMIC PROFILE OF THE RESPONDENTS

The study reports that out of the total 56 samples selected for the study, three respondents (5.4 percent) are in the age group of 20 to 25 years. Six respondents (10.7 percent) are in the age group of 26 to 30 years. Eleven respondents (19.6 percent) are in the age group of 31 to 35 years. Thirteen respondents (23.2 percent) are in the age group of 36 to 40 years and 23 respondents are in the age group of above 40 years. Of the total respondents 56, 4 respondents (7.1 percent) are coolies, 38 respondents (67.9 percent) are housewives, 7 respondents (12.5 percent) are agricultural labourers and 7 respondents (12.5 percent) are engaged in other household activities and small trading. Regarding literacy level 20 respondents (35.7 percent) have studied upto SSLC, 12 respondents (21.4 percent) studied upto HSC and 14 respondents (25 percent) are graduates, 6 (10.7 percent) are post graduates and 4 respondents (7.1 percent) have other qualification like ITI, Polytechnic and the like. Regarding monthly income of the total sample 56, 43 respondents (76.8 percent) are in the monthly income group of less than Rs. 2500, 9 respondents (16.1 percent) are in the income group of Rs. 2500 to 3000. Three respondents (5.4 percent) are in the income group of Rs. 3001 to 3500 and only one respondent is in the income of above Rs. 4000. Of the total 56 respondents 47 (83.9 percent) are married, 8 respondents (14.30 percent) are unmarried and one respondent (1.8 percent) is a widow. Of the total sample, 27 respondents (48.2 percent) have family members of 4, 15 respondents (26.8 percent) have family members of 5, 11 respondents (19.6 percent) have family members of 3 and 2 respondents (3.6 percent) have family members of 6 and only one respondent have family members of 2. 51 respondents (91.1 percent) live in their own houses and only 5 respondents live in rented houses.

### 10. IMPACT OF MICROFINANCE - ANALYSIS AND DISCUSSION

The researcher has identified twenty six variables covering the impact of microfinance on psychological, economic and social aspects. The measurement was on Likert's five point scale and scores were assigned for each statement. A high score of '5' was allotted for strongly agreed statements and a low score of '1' was allotted to strongly disagreed statements. An analysis of impact of microfinance on the psychological, economical and social empowerment is presented in Tables 2, 3 and 4

**Table - II Impact of Microfinance on Psychological well being**

S. No.	Variables	Mean	Std. Deviation
1.	Improvement in Courage	4.96	0.19
2.	Improvement in Self confidence	4.95	0.23
3.	Improvement in Self worthiness	4.91	0.29
4.	Improvement in Skill development	4.43	0.68
5.	Improvement in Literacy level	3.38	1.09
6.	Awareness on Health and Sanitation	3.54	0.97
7.	Awareness on Children's Education	3.96	1.03
8.	Awareness on Food and Nutrition	3.82	1.21
9.	Awareness about the Environment	4.13	0.90
10.	Awareness about Peace in the family	4.16	0.62

Source – Primary data

#### 10.1 Improvements in psychological well being off rural women

The study reports that 54 respondents (97 percent) strongly agreed that microfinance brought courage among rural women. Fifty three respondents (95 percent) strongly opined that their self confidence improved by participating in microfinance. Fifty one respondents (92 percent) strongly agreed that micro finance has improved their self worthiness. Twenty eight respondents (50 percent) strongly agreed that there is a development of women's skill to generate income by using microfinance. Twenty six respondents (46.4 percent) agreed that by participating microfinance programme their literacy level of rural women improved. The study reports that 34 respondents (61 percent) agreed that microfinance has improved awareness about the education of their children, 25 respondents (45 percent) agreed that microfinance improved awareness on health and sanitation, 22 respondents (40 percent) strongly agreed that microfinance improved their

awareness on food and nutrition, 29 respondents (52 percent) agreed that micro finance programme increased some awareness about their environment and 41 respondents (74 percent) agreed that happiness in the family increased after the participation in microfinance programme.

**Table - III Impact of Microfinance on Economic Improvement**

S. No.	Variables	Mean	Std. Deviation
1.	Women are economically empowered	4.64	0.62
2.	Microfinance reduce poverty	4.63	0.59
3.	Microfinance improve rural savings	4.57	0.74
4.	Women under take IGA	3.80	1.05
5.	Increased employment opportunities	3.30	1.17
6.	Created assets in rural areas	3.05	1.17
7.	Increase the standard of living	3.82	0.97

Source – Primary data

### 10.2 Economic Improvement

The study reports that microfinance has some economic impact among rural women. After the participation in microfinance through the SHGs 39 respondents (70 percent) strongly agreed that women are economically and socially empowered. Thirty seven respondents (66 percent) strongly agreed that microfinance reduced poverty. Thirty eight respondents (68 percent) agreed that microfinance programme improved rural savings. Twenty nine respondents (52 percent) disagreed that microfinance induced income generating activities. Twenty three respondents (41 percent) disagreed that microfinance induced income generating activities. Twenty three respondents (41 percent) disagreed that microfinance increasing rural employment. Twenty seven respondents (48 percent) disagreed that microfinance created assets in rural areas and 32 respondents (57 percent) agreed that their standard of living has increased through microfinance.

**Table -IV Impact of Microfinance on Social aspects**

S. No.	Variables	Mean	Std. Deviation
1.	Managerial abilities of women	4.18	1.19
2.	Role in decision making	4.43	0.78
3.	Group management	4.16	0.87
4.	Awareness about training by NGO	3.45	1.23
5.	Micro enterprises	3.02	1.10
6.	Participation in democratic institutions	2.82	1.13
7.	Sustainability and cohesiveness of the group	3.41	1.06
8.	Freedom to express	3.80	0.86
9.	Independent movement	3.79	0.87

Source – Primary data

### 10.3 Social empowerment

The study reports that the micro finance programme has increased their managerial abilities of the leaders of SHGs. Thirty two respondents (57 percent) strongly agreed to this statement. Thirty respondents (54 percent) strongly agreed that their decision making abilities have increased. Twenty eight respondents (50 percent) agreed that participation in microfinance has enhanced their group management skill. Twenty one respondents (38 percent) disagreed with the statement that microfinance created awareness about training programmes organised by NGOs. Twenty eight respondents (50 percent) disagreed with the statement that microfinance brought some micro enterprises in the study area. Thirty five

respondents (63 percent) disagreed with the statement microfinance induced to involve in participation in democratic bodies, 40 respondents (71 percent) opined that microfinance programme has helped to increase the freedom of expression and 39 respondents (70 percent) agreed that microfinance programme helped their independent movement.

## 11. RESULTS

- A. Among the three dimensions of empowerment, psychological wellbeing ranks first followed by social aspects and economic aspects ranked last.

**Table - V**

Dimensions of empowerment	Mean	SD	Rank
Psychological	4.23	0.48	1
Social	3.97	0.37	2
Economical	3.71	0.46	3

- B. There is a significant difference between the blocks of Thovalai and Thiruvattar with respect to the psychological aspects of the respondents ( $F = 10.805$ ,  $P = 0.002$ ) at 0.05 level of significance. The respondents of Thiruvattar have better improvements (mean = 4.43, SD = 0.43) than the respondents belonging to Thovalai (mean = 4.05, SD = 0.45).

**C. Table - VI**

Dimensions of empowerment	Blocks	N	Mean	Std. Deviation
Psychological	Thiruvattar	26	4.43	0.43
	Thovalai	30	4.05	0.45
Social	Thiruvattar	26	3.98	0.31
	Thovalai	30	3.97	0.41
Economical	Thiruvattar	26	3.67	0.62
	Thovalai	30	3.75	0.27

**D. Table - VII ANOVA**

Dimensions of empowerment	Source of Variation	Sum of Squares	DF	Mean Square	F	P value
Psychological	Between Groups	2.100	1	2.100	10.805	0.002*
	Within Groups	10.497	54	0.194		
	Total	12.597	55			
Social	Between Groups	0.004	1	0.004	0.029	0.866
	Within Groups	7.388	54	0.137		
	Total	7.392	55			
Economical	Between Groups	0.088	1	0.088	0.406	0.527
	Within Groups	11.656	54	0.216		
	Total	11.743	55			

\* Significant at 5% level ( $P < 0.05$ )

- C. There is no significant difference between the blocks Thovalai and Thiruvattar with respect to the social aspects of the respondents ( $F = 0.029$ ,  $P = 0.866$ ) at 0.05 level of significance. The respondents of Thiruvattar have statistically insignificant better improvements (mean = 3.98, SD = 0.31) than the respondents belonging to Thovalai (mean = 3.97, SD = 0.41).

- D. There is no significant difference between the blocks Thovalai and Thiruvattar with respect to the economical aspects of the respondents ( $F = 0.406$ ,  $P = 0.527$ ) at 0.05 level of significance. The respondents of Thiruvattar own statistically insignificant lesser improvements (mean=3.67,SD=0.62) than the respondents of Thovalai Block.

## 12. DEVELOPMENT OF MANAGERIAL SKILL

A Self Help Group is a community based organisation, leaders of the groups need managerial skill to manage the SHGs. Therefore the impact of microfinance in developing managerial skill is analysed with the following ten variable.

**Table - XI Managerial Skills**

S. No.	Variables	Mean	Std. Diviation	Rank
1.	Planning skill	4.38	0.93	3
2.	Organising ability	4.52	0.85	2
3.	Coordination skill	4.54	0.85	1
4.	Technical skill	3.73	3.08	6
5.	Marketing skill	2.79	1.22	8
6.	Entrepreneurial skill	2.77	1.20	9
7.	Communication skill	3.71	1.02	7
8.	Financial management skill	4.05	0.82	5
9.	Decision making skill	4.36	0.67	4
10.	Leadership skill	4.52	0.71	2

Source : Primary data

While analysing the impact of microfinance on the managerial ability of the SHG leaders in the study area, coordination skill is ranked first, among the managerial skills with a mean score value of 4.54. Contributions to the organising ability and leadership skill of the SHG leaders ranked second with a mean scores of 4.52 each. Planning skill of the SHG leaders is ranked third with a mean score of 4.38, Decision making skill was ranked fourth with a mean score of 4.36, Financial management skill was ranked fifth and Technical skill was ranked sixth, Communication skill was ranked seventh, Marketing skill was ranked eight and entrepreneurial skill was ranked ninth with a minimum mean score of 2.77

## 13. CONCLUSION

The study concludes that microfinance has brought better psychological and social empowerment than economic empowerment. The respondents of Thiruvattar block possess better empowerment than the respondents belonging to the Thovalai block, even though both the blocks have same level of socio economic conditions. The impact of microfinance is commendable in courage, self-confidence, self worthiness, skill development, awareness about environment, peace in the family, reduction of poverty improving rural savings, managerial ability decision making process and group management. In other variables the impact is moderate. As a result of participation in microfinance through the SHG programmes there is observed a significant improvement of managerial skills, psychological well being and social empowerment. It is recommended that the SHGs may be granted legal status to enhance the performance.

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