

# IMPACT OF MICRO FINANCE-AN EMPIRICAL STUDY ON THE ATTITUDE OF SHG LEADERS IN VILLUPURAM DISTRICT OF TAMIL NADU, INDIA

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**Abstract:** Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women, creating awareness and ensure sustainability of environment which finally results in sustainable development of the nation. Hence Millennium Development Goals and sustainable rural development can be achieved by microfinance through SHG. This paper analyses the impact of microfinance on the empowerment in psychological, economic and social aspects and managerial skills of leaders of SHGs and their attitude in Villupuram district.

**Key Words:** Micro finance- SHG-Poverty- Managerial skills- empowerment- improvements- awareness.

## INTRODUCTION

It is widely believed that micro finance 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 areas with improved managerial abilities of women. Self Help Groups (SHG) and micro finance are found to be successful in promoting empowerment of women leading to development. It has been accepted that micro finance plays a vital role in reducing poverty since it paves 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 micro finance coupled with micro enterprises. Empowerment of women through Micro Finance 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, skill development have improved the socio economic conditions of rural poor.

## REVIEW OF LITERATURE

Impacts of micro finance on women were addressed by researchers and some important studies are presented here.

Hashemi, Schuler, Riley (1996) and Kabeer (1998) reported that micro finance empowered women in Bangladesh, Makumbe et al. (2005) found that microfinance has a positive impact on decision making in Tanzania, Hulme and Mosley (1996) found growth of income of microfinance borrowers in Indonesia, India, Bangladesh and Sri Lanka, Mk Nelly et al. (1996) found positive benefits

in Thailand, Chen and Snodgrass (2001) reported income increase in India, Pitt and Khandker (1998) quoted positive impact of per capita income, household expenditure and increase in non-land assets in Bangladesh, Goldberg (2005) informed poor no longer remained as poor as a result of micro finance in Bangladesh. Navajas et al. (2000) studied micro finance in Bolivia and reported majority of clients were below poverty line and similar conclusions were reported by ACCION (2003) in Lima and Peru and Stanton (2002) in Mexico. Khandker (2004) found that micro finance helped in poverty reduction and Zubair (2004) reported reduced vulnerability to domestic violence in Bangladesh.

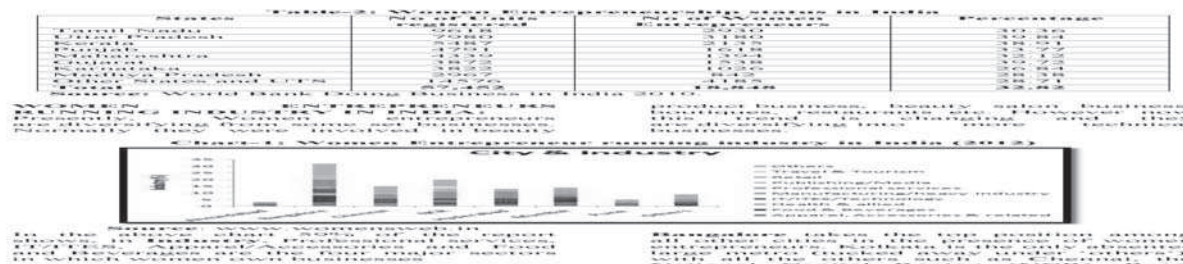
Studies carried out by Schuler, Hashemi and Pandit (1995) for India, Mayoux (2001) for Cameroon and Schuler, Jenkins and Townsend (1995) for Bolivia indicated that there is no positive effect of micro finance. Zeller (1994) found that wealthier households are benefited in Madagascar; Datta (2004) reported that 59 per cent microfinance clients in Bangladesh are better off poor. Coleman (1999) reported no evidence of programme impact in Thailand and during 2004 he reported that the programme did not reach poor and impact is larger on Committee Members. Duong and Izumida (2002) reported that poor have difficulties in accessing credit facilities in Vietnam and Amin et al. (2003) reported that poor and vulnerable are excluded in Bangladesh. Matin and Hulme (2003); Haider and Mosley (2004) reported that political and social connections instead of poverty status decides the selection of participants in Bangladesh. Maggiano (2006) studied the impact of micro finance in Uganda and concluded that there is a measurable impact on social development but no impact on economic development. Ssendi and Anderson (2009) observed that there are some benefits to

poor women and two third poor women remained as before in Tanzania. Morduch (1999) identified that large number of households are unable to afford high interest rates in microfinance.

### METHODOLOGY

There was no study conducted in Villupuram district (Tamil Nadu, India) about the impact of micro finance among the leaders of SHGs and hence the study was taken in Villupuram district. 180 leaders and animators of the SHGs were selected for the study @ one leader and one animator

from each group so the respondents for this study are from 90 groups. Tindivanam and Gingee blocks in Villupuram district in Tamil Nadu were selected for the study since these two blocks have similarities on number of SHGs and poverty level. 45 SHGs in each block were selected randomly, leader and animator of the groups were interviewed with the pre tested and well structured questionnaire schedule during 2008-09. Simple statistical tools both average and percentage analyses were used to draw conclusions in addition to ANOVA.



### SOCIO-ECONOMIC PROFILE OF THE RESPONDENTS

The study reports that most of the respondents (134) were in the age group of 26 to 40 years, 20 respondents were less than 20 years and 26 respondents were more than 41 years. Most of the respondents (140) have studied up to 10<sup>th</sup> standard, 19 respondents are illiterate, and 19 respondents studied higher secondary course. There were two graduates also among the respondents. 98.3 percent respondents are married and only 1.7 percent unmarried. Small family norm is widely followed in rural areas as a result of family planning programmes of the government, 110 respondents are having families with 4 members only followed by 62 respondents having 5 to 6 members in their families and only 8 respondents have more than 7 members in their families. Out of 180 respondents 79 respondents were landless and 57 respondents have land up to 1 acre, 34 respondents have land between 1-2 acres and 10 respondents have more than 2 acres. 170 respondents reside in own house and 10 respondents only reside in rental houses.

### ANALYSIS AND DISCUSSIONS IMPACT OF MICROFINANCE

Twenty four variables covering the impact of micro finance on psychological, economic and managerial aspects of rural women were identified. The measurement was on Likert scale and scores were assigned for each statement. A high score of 5 was given to strongly agreed responses and low score of 1 was given to strongly disagreed statements. Analysis of the impact of micro finance on the psychological, economical and social well being i.e. empowerment is presented in the following table 2.

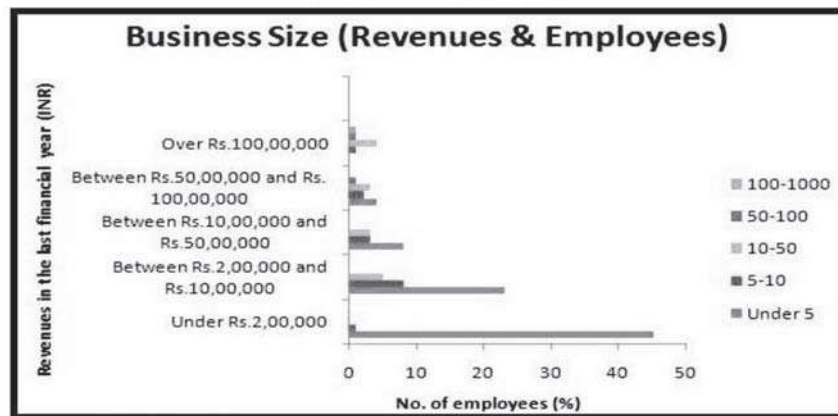
Mumbai and Hyderabad figuring in the chart-1

**Table-3: Status of establishment of business in India – Comparisons among major Cities/Capitals**

Sl. No	Country	Ease of Doing Business (Rank)	How many days to start a Business (Days)	Days to Enforce A Contract (Days)	Time to close a Business (Years)	Days to Export
1.	Ludhiana	1	33	862	7.3	21
2.	Hyderabad	2	33	770	7	26
3.	Bhuvaneshwar	3	37	735	7.5	17
4.	Gurgaon	4	33	1163	7	25
5.	Ahmadabad	5	35	1295	6.8	17
6.	New Delhi	6	32	900	7	25
7.	Jaipur	7	31	1033	9.1	22
8.	Guwahati	8	38	600	8.3	22
9.	Ranchi	9	38	985	8.5	21
10.	Mumbai	10	30	1420	7	17
11.	Indore	11	32	990	8	21
12.	Noida	12	30	970	8.7	25
13.	Bangalore	13	40	1058	7.3	25
14.	Patna	14	37	792	9.3	19
15.	Chennai	15	34	877	7.5	25
16.	Kochi	16	41	705	7.5	28
17.	Kolkata	17	36	1183	10.8	20

Source: World Bank Doing Business in India 2010.

**Chart-2: Business size**



Source: www.womensweb.in

<p><b>A. MOTIVATION FACTORS</b></p> <ol style="list-style-type: none"> <li>1. Economic Necessity</li> <li>2. Economic Independence</li> <li>3. Self Actualization</li> <li>4. Establishing their own creativity</li> <li>5. Equal status in Society</li> <li>6. Achievement excellence</li> <li>7. Education and Qualification</li> <li>8. Building Self Confidence</li> <li>9. Developing Risk taking ability</li> <li>10. Employment Generation</li> <li>11. Family occupation</li> <li>12. Greater Freedom and Mobility</li> <li>13. Government Policy and Program</li> </ol>	<p><b>B. FACILITATING FACTOR</b></p> <ol style="list-style-type: none"> <li>a. Innovative thinking</li> <li>b. Self satisfaction</li> <li>c. Co-operation of family</li> <li>d. Networks of contracts</li> <li>e. Financial facilities</li> <li>f. Experience and skills</li> <li>g. Support from family members</li> </ol>
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### IMPROVEMENTS IN PSYCHOLOGICAL WELL BEING OF RURAL WOMEN

The study reported that majority of respondents (97 per cent) agreed that micro finance brought courage among rural women. 173 out of 180 respondents (96.1 per cent) informed their self confidence improved by participating in micro finance programme and 85.6 per cent of respondents reported that micro finance improved their self worthiness. 170 respondents (94.4 per cent) agreed that there is a development of women's skill to undertake income generating activities by using micro finance. The study concluded that 170 respondents out of 180 informed that micro finance improved the literacy level of rural women. The study indicated that micro finance improved awareness on children's education to 173 respondents (96.1 per cent) and 91 per cent respondents informed that Micro finance increased awareness on health and sanitation. 88 percent respondents reported that their awareness on nutrition and balanced food improved by participating in micro finance through SHG. 87.3 per cent of the respondents expressed that their awareness about environment improved after micro finance and 89 percent of respondents informed that happiness in the family increased as a result of micro finance which clearly shows that there is an overall impact on happiness in the family level is positive and appreciable.

### ECONOMIC IMPROVEMENTS

Women are economically and socially empowered after joining SHG and getting micro finance as 153 respondents reported that women are economically and socially empowered and 77 percent reported that poverty level reduced by participating micro finance programme. The study reported that 81 per cent respondents started income generating activities by using micro finance. The study showed that only 138 respondents reported that micro finance created employment opportunities in rural areas. Creation of assets in rural areas by microfinance activities is negligible.

### SOCIAL AND MANAGERIAL EMPOWERMENT

The study stated that 161 respondents reported managerial abilities of women improved by micro finance. Women play important role in decision making after joining SHG and getting micro finance as 165 respondents (91.7 per cent) informed that women play important role in decision making in their houses. Management of groups by women is the important managerial change brought by micro finance as most of the respondents informed that women manage groups successfully.

It is evident from the above table that 78.9 per cent of the respondents informed that training programmes were organized by NGOs to start new income generating activities. Women productively invest their time in income generating activities by micro finance. Women participation in democratic institutions as a result of micro finance, it closely reflects member respondent's opinion that only two ward councilors and one Panchayat president were elected from the study area which indicates that women participation is very low in democratic institutions as a result of micro finance. It is to be noted that as per the study only 151 respondents informed that women are able to express their opinions freely and 154 respondents informed that there is improvement in self worthiness.

Previously women remained within the four walls of their house and micro finance made them to move out of their house especially to banks to obtain loans; government offices and NGO's offices for grading, subsidy and for training and they visit other groups without the support of male members of the family. 95 per cent of the respondents favorably agreed that they are moving independently without the help of family members to banks, government offices and other places. This result clearly indicates that micro finance brought social mobility among women.

**Table-4: Institutions supporting women entrepreneurship in India**

Some of the systems which supported the women entrepreneurs over the period are as listed in the following table

INSTITUTIONS	YEAR
Central Bank of India Credit Schemes	1911

Self-Employment Women's Association	1972
National Bank for Agriculture and Rural Development (NABARD)	1982
State Government Schemes for Development of Women and Children in Rural Areas (DWCRA)	1982
Association of Women Entrepreneurs of Karnataka (AWAKE)	1983
Small Industries Development Bank of India (SIDBI)	1990
Federation of Indian Women Entrepreneurs (FIWE)	1993
Consortium of Women Entrepreneurship in India (CWEI)	1996
The Indus Entrepreneurs- Stree Shakti	2009
National Entrepreneurship Network-Goldman Sachs 1000 Women Entrepreneurs	2009
Google India Women on Web	2012

#### MANAGERIAL SKILLS DEVELOPMENT

SHG is a community based organization and managerial skills are required to manage the SHGs. Managerial

development brought by micro finance is analysed with the following nine variables.

**Table 1: Retail Portfolio of Banks**  
(Amount in ` billion)

Item	Outstanding as at end-March		Percentage Variation	
	2011	2012	2010-11	2011-12
1 Housing Loans	3607	4118	15.1	14.2
2 Consumer Durables	46	27	50.3	-40.9
3 Credit Card Receivables	187	223	-13.5	19.6
4 Auto Loans	1002	1162	27.8	16.0
5 Other Personal Loans	2469	3069	18.5	24.3
<b>Total Retail Loans</b>	<b>7310 (18.3)</b>	<b>8599 (18.4)</b>	<b>17.0</b>	<b>17.6</b>

Planning skills is ranked first among the managerial skills, as 141 respondents (78.3 per cent) informed that micro finance developed their planning skills to a considerable level, with a mean score value of 4.1222. Contribution of micro finance to coordination skills of women is ranked second among the management skills and 150 respondents informed that their coordination skills improved considerably by the micro finance activities with a mean score of 4.122. The study reported that 144 respondents (80 per cent) informed that decision making skills were promoted by micro finance and development of decision making skills ranked third among the nine variables identified in managerial development.

There is appreciable development in planning, coordination, decision making and financial skills among the leader respondents. But the effect of micro finance on communication skills, organizing skills, competency and technical skills, marketing skills and entrepreneurial skills is moderate only. There is no significant difference between the respondents of the two blocks in respect managerial impact of micro finance since the calculated value ( $F=0.394$ ,  $p.531$ ) is more than the hypothetical value at 5%. But respondents of Tindivanam block ( $\mu=4.023$ ,  $\sigma=0.878$ ) are having slightly better improvement of managerial skill than their counterparts of Gingee block ( $\mu=3.950$ ,  $\sigma=0.667$ ).

There is difference only in respect of organizing ability between the respondents of the two blocks ( $F=5.193$ ,  $P=0.02$ ), respondents of Tindivanam block are having better organizing ability ( $\mu=4.122$ ,  $\sigma=0.9219$ ) than their counterparts of Gingee block ( $\mu=3.8222$ ,  $\sigma=0.8423$ ). Age and educational qualifications are not having any influence on the managerial abilities of the respondents, but the respondents above 41 years have a slightly better managerial abilities than ( $\mu=4.1404$ ,  $\sigma=0.8279$ ) other respondents and their experience in the group activities might be a reason for their better managerial abilities.

Out of 180 respondents, only 98 respondents (54.4 percent) only attended training programmes out of which only 49 respondents informed training programmes were useful to them. Only nine respondents informed that trainings were useful to start Income Generating Activities (IGA) and most of the trainings were related to group management, book keeping only. Seventeen respondents informed that more training is required.

## CONCLUSION

The study concludes that microfinance brought psychological and social empowerment than economic empowerment. The respondents of Tindivanam block are well empowered than their counterparts in Gingee block even though both the blocks have same level of socioeconomic conditions. Age and education is not having any influence on empowerment as well as on managerial skill development among rural women. Impact of micro finance is appreciable in bringing confidence, courage, skill development and empowerment but there is no positive impact in sustainable rural development especially reduction of poverty, creation of employment opportunities and creation of assets in rural areas. There is appreciable development in planning, coordination, decision making and financial skills among the leader respondents. But the effect of micro finance on communication, organizing, competency and technical, marketing skills and entrepreneurial skills is moderate only. There is a definite improvement of managerial skills, psychological well being and social empowerment among rural women as a result of participating in micro finance through SHG programme.

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