

Impact of Participatory Micro Credit on Integrated Community Development in Uttar Pradesh

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ABSTRACT

Micro credit in India hinges on four pillars i.e. micro saving, inter loaning, micro enterprise and micro insurance. The whole micro credit system has led to empower women to a great extent and initiate small enterprises like dairy, poultry, honey production, seed production, etc. and small cottage industries at the rural level besides, meeting out social and personal expenses. On these lines a study named "Impact of Participatory Micro credit on Integrated Community Development in Uttar Pradesh." was planned with objectives to study different components of participatory micro credit. Two major systems of micro credit were existing in the study area. Though the SHG was central in both systems, NGOs were main self help group promoting institution. Banks also acted as self help group promoting institution but on limited scale. Existing micro credit system included four components i. e. saving, Internal loaning, micro enterprise and micro insurance. Micro credit related activities facilitated improvement in the socio economic status of the SHG members. Micro insurance has been recently initiated and has low acceptance due to poor condition of the farmers and also because of low awareness.

Key words : *Micro-credit; Micro saving; Inter-loaning; Micro-enterprise; Micro insurance;*

Participatory micro-credit system is the way by which micro saving, inter loaning, etc. are successfully performed by NGO and their SHG members. NGO provide motivation for SHG formation. Thus, NGOs help in the formation of social capital and strengthen their economic activities. This is a high time to increase NGOs in all areas of micro financing through SHGs. A Self Help Group (SHG) is a small economically homogeneous and affinity group of rural poor generally not exceeding 20 members voluntarily coming together (i) to save small amounts regularly; (ii) to mutually agree to contribute to a common fund; (iii) to meet their emergency needs; (iv) to have collective decision-making; (v) to solve conflicts through collective leadership and mutual discussion and (vi) to provide collateral free loans with terms decided by the group at market driven rates for productive as well as non productive work. Micro credit in India hinges on four pillars i.e. micro saving, internal loaning, micro enterprise and micro insurance. The whole micro credit system has led to empower women to a great extent and initiate small enterprises like dairy, poultry, honey production, seed production, etc. and small cottage industries at the rural level besides, meeting out social and personal expenses. On these lines a study named "Impact of Participatory Micro credit on Integrated

Community Development in Uttar Pradesh, India." was planned to study different components of participatory micro credit i.e. micro saving, inter-loaning, micro-enterprise and micro insurance.

METHODOLOGY

Two districts namely Kanpur Nagar and Farrukhabad with intensive cropping systems were selected through purposive sampling technique. From each district, two blocks were selected purposively keeping in view of availability of various variables related to research study. From each block, five villages were selected by using simple random sampling technique. 5 SHGs from each block (total of 20 SHGs from 4 blocks and 2 districts) were selected randomly through simple random sampling technique. From 20 SHGs, all the 272 members were included as respondents for interviewing and obtaining necessary information.

RESULTS AND DISCUSSION

Components of participatory micro-credit : The components of participatory micro-credit include micro-saving, micro-finance/inter loaning, micro-enterprise and micro insurance. Micro finance has emerged as one of the most sustainable and effective tools for enabling the poor and disadvantaged sections of the society to excess institutional credit. Micro saving is also a very

important part as well the ‘mantra’ of micro credit system. The essential feature of the micro-credit is to provide financial services through the groups of the individuals. The SHGs have played an important role in micro saving, credit appraisal, monitoring and recovery of loans.

Contribution by individuals to group saving : The saving forms an important component of the functioning of the SHGs. It is the basic idea upon which the whole concept of economic empowerment of weaker section persons is conceptualized.

Table 1. Contribution by individual to group saving

S.No.	Saving particular (Rs/month)	Groups associated	
		Number	Percentage
1.	Rs. 10- Rs. 20	3	15.00
2.	Rs. 20- Rs. 50	10	50.00
3.	Rs. 50- Rs. 100	7	35.00

It was found that 50.00 per cent of groups saved Rs. 20 to 50 per month followed by 35% groups saved Rs. 50 and above whereas 15 per cent groups saved Rs. 10-20 per month. It indicated that saving was maximum (85%) between the range of Rs. 20-100.

Inter-loaning among the members : Inter-loaning was the key component of micro credit system. Inter loaning process became possible through SHG formation. Inter loaning helps SHG members in the following way -it decreases the ill effects of borrowing from money lenders, easier and quick to obtain loan from their group, gives better freedom of spending to members specially women, helps to start micro enterprises for economic viability and also increases the belief on the concept of SHGs.

Table 2. Opinion about Inter loaning among the members (N=272)

Sl. No.	Statements	Agree (A)	Undecided (Ud)	Disagree (DA)	Mean
1.	Interloaning helps the members about loan management	232	26	14	2.80
2.	Interloaning gives lesson to utilize loan in positive way	198	52	22	2.64
3.	Timely repayment habit is developed in members	233	12	27	2.75
4.	Interloaning experience helps members when to take loan from banks	166	76	30	2.50
5.	Interloaning process develops close relationship among the members	213	38	21	2.70

Table 2 depicts the mean value ranging between 2.50 to 2.80 regarding inter loaning process. The high value of mean indicated that interloaning helped members about loan management i.e. positive utilization, timely repayment and maintaining close relationship among the members. It also showed the performance of SHG members regarding interloaning in micro credit systems. SHGs provided small loans to poor and low income groups, who lack access to the financial sector for income generating and other productive activities, besides providing other financial services (like saving and insurance). Almost similar finding was reported by Kumar *et al.* (2007)

Micro enterprises : Micro enterprise was an activity-based work started by SHG members for their betterment. The economic viability of an enterprise is the first condition for the success of particular enterprise. Micro enterprises are the mainstay for sustaining the SHGs. In the study area several micro enterprises were running. In district Farrukhabad and Kanpur Nagar, many agro based allied activities/enterprises were being adopted by SHG members. Among these enterprises dairy farming, bee keeping, vegetable seed production were most prevalent in both the districts due to better opportunities of income and marketing of the products.

Micro insurance : Micro credit is a viable and fast growing system to support and empower rural poor and farmwomen. Micro insurance is the component of the micro credit. On these lines United India Insurance, the Oriental Insurance, General Insurance, etc. in public sector and IFFCO Tokyo, etc. in private sector play a significant role for insuring rural wealth. In the study area, it was found that when a bank sanctioned the credit to SHGs for different type of enterprises/activities, these were insured by different insurance agencies on a payment of certain premium. When any casualty occurred then insurance company/agency verified and after satisfaction, paid amount of insured claim (75% out of total credit allotment for particular enterprises/ activity) to SHG members. In this process the agent of insurance company made visits monthly or as required according to need.

The Table 3 depicted grim scenario of micro insurance. Only 19.85 per cent SHG members paid premium as installment. It means very few members were involved in insurance process. The possible reason behind the scenario was poverty of members. If they grow economically then it may be possible that they join insurance scheme. There is a need to take up measures to widen the crop insurance coverage and post finance guidance would probably help to ensure proper use of credit and prompt repayment, which will pave way for smooth credit flow to agriculture.

Table 3. Scenario of micro insurance (N=272)

Sl. No.	Statements	Yes		No	
		No	%	No	%
1.	Do you pay certain premium to insuring agency for insurance of your enterprise ?	54	19.85	218	80.15
2.	Are you well known about terms and conditions of insuring agency ?	27	9.92	245	90.08
3.	In case of mortality or losses in micro enterprises, does the insuring agency pay the claim ?	23	8.45	249	91.55
4.	Claims are met timely and satisfactorily.	14	5.14	258	94.86
5.	The amounts of premium as installment paid by you are very much compared to life insurance of human being.	41	15.07	231	84.93

Improvement in socio-economic condition : Table 4 revealed that formation of self help groups improves the feeling of security, recognition in society and easier and quicker internal loaning. These three points are very important for development of poor. It also showed greater improvement in socio-economic conditions of group members. The other important perceptions revealed were enhanced knowledge level about how to get things done in public life, decreased ill effects of borrowing from money lenders, desire to work more, save more and improve the standard of living, intensity of desire to earn more money and increase in the sphere of contact from public and private, taking up more responsibilities in public life, added strength, and communication skill and marketing techniques. Almost similar findings were observed by Khatkar *et al.* (2005)

Table 4. Opinion about improvement in socio economic condition

Sl. No.	Activities	Improvement in social conditions	Opinion as agreeeness		Rank Order
			No.	%	
1.	Formation of SHGs	(a) Recognition in society	92	33.82	II
		(b) Added strength to raise the voice	72	26.47	IX
		(c) Feeling of security	95	34.92	I
2.	Savings	(a) Inculcates habit of saving more and more	69	25.36	XII
		(b) Desire to work more, save more and improve the standard of living	79	29.04	VI
3.	Internal loaning	(a) Decreases ill effects of borrowing from money lenders	81	29.77	V
		(b) Easier and quicker to obtain	90	33.08	III
		(c) Gives freedom of spending to women	74	27.20	VIII
4.	Savings in banks	(a) Exposure of formal sources of credit	68	25.00	XIII
		(b) Acquaintance with the banking operations	58	21.32	XVII
		(c) Understanding schemes and loaning procedures	58	21.32	XVII
5.	Book keeping	(a) Developing skill of financial management	63	23.16	XVI
		(b) Importance of planned economic activity	58	21.32	XVII
6.	Training	(a) Development of professional and entrepreneurial skills	64	23.52	XV
		(b) Develops functional literacy and education	68	25.00	XIII
7.	Leadership in the group	(a) Prepares to take up more responsibilities in public life	74	27.20	VIII
		(b) Able to train to others	53	19.48	XIX
8.	Meetings of various SHG members	(a) Better Exposure	70	25.73	XI
		(b) Sharing of experiences	66	24.26	XIV
9.	Entrepreneurial activities	(a) Increase in self confidence and risk bearing capacity	66	24.26	XIV
		(b) Intensifies desire to earn and make better living	78	28.67	VII
		(c) Increases desire to learn more professional skills	79	29.04	VI
		(d) Brings more people in national activity	58	21.32	XVII
10.	Marketing	(a) Compete with professional players	54	19.85	XVIII
		(b) Expands service area	52	19.11	XX
		(c) Communication skills and marketing techniques updated	71	26.10	X
11.	Activities of SHGs (General)	(a) Contact with personnel from government and private organizations, NGOs' and others	78	28.67	VII
		(b) Knowledge of how to get things done in public life	86	31.61	IV

CONCLUSION

Two major systems of micro credit were existing in the study area. Though the SHG was central in both systems, NGOs were main self help group promoting

institution. Banks also acted as self help group promoting institution but on limited scale. Existing micro credit system included four components i. e. saving, Internal loaning, micro enterprise and micro insurance. Micro credit related activities facilitated improvement

in the socio economic status of the SHG members. Micro insurance has been recently initiated and has low acceptance due to poor condition of the farmers and also because of low awareness.

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