

**ADHERENCE TO REPAYMENT OF LOAN IN MICRO FINANCE SYSTEM****Bharat V. Patil, Ph.D.**

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Abstract

Article enlighten the approach of SHGs members towards adherence to repayment of loan in micro finance system Finance is the essential condition for the any operations of the industry, services and even agricultural sector also. Rising of funds for the operations of any activity is important and strategic function. Cost of funds raising affect on the earning of the business activity. Funds must be raised from such sources which resulted lower cost of capital. Even individual also borrow loan at higher rate of interest for day to day operations. The raised funds must be strictly used for productive purposes. Individual persons made unplanned expenditure through loan amount. It affects the repayment capacity of the individual. Culture of repayment of loan must be essential for the development of financial system in the country. Attitude of repayment of borrowed loan must be totally positive. Many constraints caused to lower price to the agricultural goods. There are huge numbers of mediators for agricultural goods. Illiteracy of the farmers is one of the causes to cheat by the mediators. Some time cost of production of is not covered through selling of agricultural goods. Farmer's financial position is not uplifting as compared to economic development of the country. Investment in agricultural business is not considerable. Over population is engaged in agriculture. Dependency on agriculture sector is required to reduce. Per capita income of the farmer is low and it causes on capital investment in the agricultural sector. All these situation leads to indebt of the farmers. Farmers establish SHGs to solve their financial problems. They borrow loan and adhere to repay loan for social status. Mostly women SHGs members are more serious in repayment of loan taken from SHGs.

Key Words: *Repayment, resources, status, adherence*



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1. INTRODUCTION

The main object of SHG is to provide loan to its members. Loans are given to the members for various purposes. There is no compulsion to avail of loan facility. SHGs offer small and short term loan to its members. Loan is given to the members on need basis. Loan is sanctioned in the meeting of SHGs. Terms of credit are conveyed clearly to the borrowing members. Flexible repayment schedule are worked by groups. Loans are distributed to the

member in the presence of other members of the group. SHGs promote the decision making capacity between the members. One of the key benefits of SHGs is women's empowerment. It also increase the number of women's involvement in public affairs. The role of SHGs is an inspiration and as a financier. Loan is distributed as per need of the members. SHGs are facing problems such as low funds available for distribution, low knowledge of Government schemes, political participation, poor financial management and poor accounting system. The social empowerment assists the women to get an important place in her family and society. It also includes a right given to a woman to make use of available resources. The SHG programme has been successful in strengthening the capacities of poor women and assists to mobilize savings. It also promote to get knowledge, meet each other, feel improved status in the family, increased self confidence and develop the problem solving techniques. SHGs members were come to gather to help and co-operate each other. Women members of BPL and APL SHGs had an attitude to held and co-operate to other women members if she has some financial, social problems.

2. LITERATURE REVIEW

Manimekalai and Jajewari (2000) reported that SHG assist rural poor people to undertake entrepreneurial activities. The SHGs are quite credit worthy and repayment of loan is satisfactory.

Nanavaty Reema (1992) argues that economic empowerment is the basis of social & political empowerment for the poor women.

Ghosh; et. al. (1998) conducted research on women entrepreneurship in India and egested a model for their development. The growth of economic development assists to improve the lives of people.

Tripathy O. P. (1999) examined that the Self Help Groups (SHG) movement become stronger with providing more micro finance.

Studies on SHGs by Karkar (1995) reviewed that as SHG programme was effectively implemented resulted to increase the monthly income of the members. A large number of groups had become finically self-sufficient and reduced the dependence on money lenders. The process of group dynamics strengthened the networking, homogeneity and self-esteem of women. SHG programme had provided women the opportunity to discuss, sit together and share their views to solve problems. The group thus acts both as a pillar of strength and an information window.

According to Karl M. (1995) role of empowerment of women on decision making and concluded empowerment as multifaceted process which helps to acquire the administrative, managerial, technical and analytical skill.

Basu Kishnjit and Jiandal Krishnan (2002) stated that Indian Micro finance System is dominated by SHGs and their linkage to banks credit delivery through SHGs emerge as an alternate to the extending system of credit disbursement by the banks.

Dogra Bharat (2002) studied women SHGs and suggested that the dissatisfaction with the experience has demanded new modalities to provide sufficient finance to rural poor women.

Prashant Sarangi (2003) conducted a study on SHGs and concluded that the formation self help groups increased the decision making capacity among the members. Micro Finance to the SHGs encourages formation of small enterprises.

Shirke H. P. & Vaske G. R. (2010) reported that SHGs are the effective instruments of poor women empowerment. The social and political empowerment of women is depending upon the economical empowerment of women.

3. METHODOLOGY

3.1 Selection of Sample

Ten villages of each category of BPL and APL SHGs selected purposely based on the maximum number of SHGs in selected area. Three Self Help Groups selected from 'Below Poverty Line' (BPL) and one of 'Above Poverty Line' (APL). Thirty SHGs were selected from 'Below Poverty Line' and ten SHGs 'Above Poverty Line' in the selected area. Thus, total sample in the selected area amounted to forty SHGs. Investigation of sampling made based on two-stage sampling technique. At the first stage, village as the primary unit and the second is in regards to SHGs.

3.2 Significance of the Study

The study will helps to understand the repayment approach of the Self Help Group members of the selected area. It assists to the policy formulation to the Governments, Banks, NGOs and many other stakeholders. The present research study will enlighten to manage SHGs on scientific basis. It is also valuable to the concerned SHGs. The study will also be useful to the concerned departments of central and state governments and it will help to solve the problems of SHGs.

3.3 Need of the Study

- 1) To study the repayment ability of the Self Help Groups.
- 2) To study the regularity in collection of deposits of SHGs.

- 3) To study the financial management of SHGs.
- 4) To study the reasons that encourages to repayment of loan in time taken by SHG members.

3.4 Hypothesis

- 1) Regularity in collection of deposits develops financial discipline of SHGs.
- 2) The available funds are distributed to the members according to need of members.
- 3) Financial position and repayment ability of loan are dependent.

3.5 Sources of Data

Data was collect through the use of primary and secondary methods. The secondary data was collected through the printed and published facts

3.6 Scope of the Study

The study relates to women Self Help Groups in Kadegaon taluka of which was promoted by ‘District Rural Development Agencies’.

4. RESULTS AND DISCUSSION

4.1 Regularity in Collection of Deposits

For the economic development of the SHG it is necessary to contribute by the members to SHGs regularly. It strengthens the financial position of the SHG. All the contribution of the members are deposited into bank and distributed according to the need of the members.

Following table 1 enlightened the regularity of contribution of the members to SHG.

Table 1: Regularity in Contribution of Funds to SHG

Sr. No.	Particulars	Contribution to Funds	
		No. of BPL SHGs	No. of APL SHGs
1	Regular Contribution	29 (96.67 %)	10 (100 %)
2	Non-Regular Contribution	01 (3.33 %)	-- (--)
	Total	30 (100 %)	10 (100 %)

Source: Primary data

The above table 1 showed that 96.67 % of SHGs under ‘Below Poverty Line’ Scheme contribute regularly and in case of ‘Above Poverty Line’ all SHGs contribution regularly.

4.2 Purpose of Loan

SHGs were formed to the uplift of the members of SHGs. All the members contribute a fixed amount as a contribution to SHGs. These amounts were deposited into bank. Even bank or financing agencies also sanction a loan to SHG. The available funds are distributed to the members according to need of members. Table 2 shows the reasons for loan.

Table 2: Purpose of Loan (Multiple Responses)

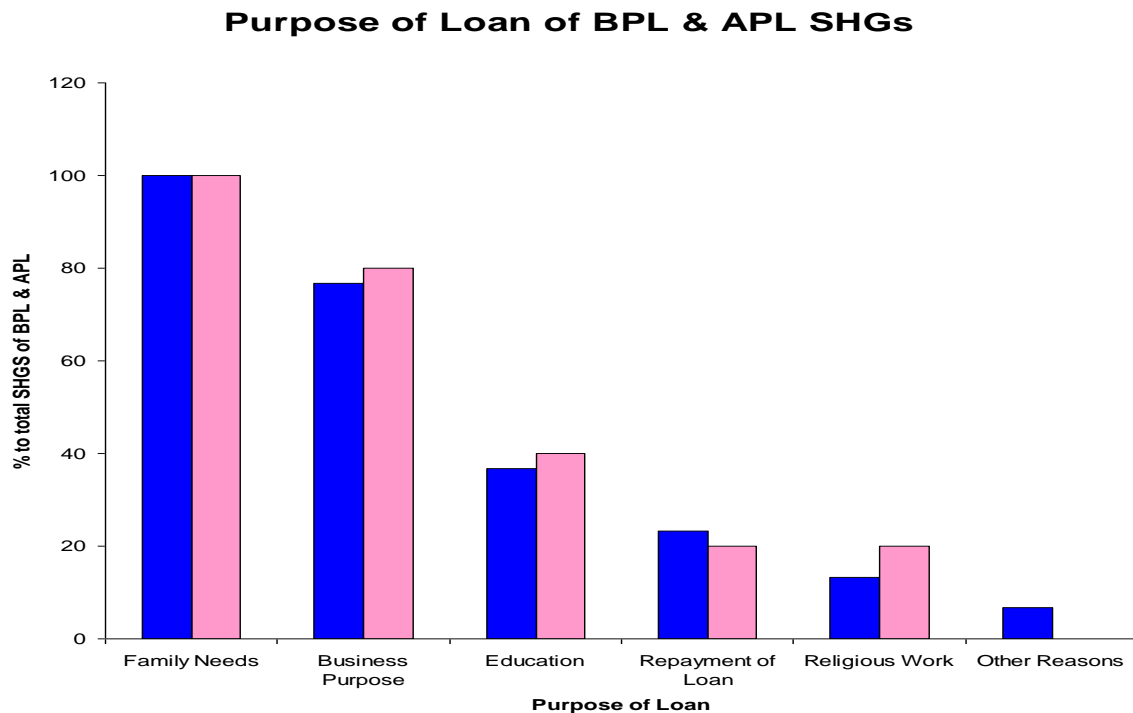
Purpose of Loan	No. of SHGs			
	BPL SHGs	% to Total	APL SHGs	% to Total
Family Needs	30	100	10	100
Business Purpose	23	76.67	08	80
Education	11	36.67	04	40
Repayment of Loan	07	23.33	02	20
Religious Work	04	13.33	02	20
Other Reasons	02	6.67	--	--

Source: Primary data

All the SHGs members of APL & BPL admitted that they have taken a loan for satisfy family needs. Comparatively less preference is given to business purpose, education, repayment of loan and religious work.

Table 2 indicated the frequency of meetings held of SHGs. Weekly of SHGs were not conducted 22 (73.33 %) BPL SHGs held monthly meeting and 08 (80%) in case of APL 08 (26.67 %) BPL SHGs held meetings quarterly and in case of ABL SHGs only 2 SHG held meeting quarterly.

Graph - 1



4.3 Monthly Deposit of Members

Early six month of formation of SHGs ever member has necessary to deposit some fixed amount. The overall monthly collection of the members deposited in SHGs bank account. According to the financial position of the members they decide how much

collection necessary to made. Table 3 showed the amount per month every member had deposited in SHG.

Table 3:Monthly Amount Deposited in SHG

Particulars	Multiple Response		No. of SHG APL	%
	No. of SHGs BPL	%		
10 to 20	01	3.33	--	--
20 to 50	14	46.67	02	20
50 to 100	11	36.67	05	50
100 to 200	04	13.33	02	20
Above Rs. 200	--	--	01	100

Source: Primary data

Table 3 showed the monthly deposit of members of SHGs in the category of BPL & APL. 14 (46.67 %) SHGs members of BPL contribute Rs. 20 to 50 per month where as only 2 (20 %) SHGs member of APL contribute in that range. 11 (36.67 %) SHGs members deposit the amount in the range of Rs. 50 to 100 in BPL category where as in case of APL it was 5 (50 %) SHGs member contribute in the range of Rs. 50 to 100. In the range, Rs. 100 to 200, 4 SHGs members PBL & 02 SHGs member of APL deposit monthly amount in SHGs. Only one SHGs members deposit above Rs. 200. Lowest deposit in the range of Rs. 10-20 was made by one SHG of BPL category.

4.4 Availability of Finance

The sample SHGs belonging to the category of BPL & APL were not satisfactory regarding availability of finance from various agencies. Sufficient finance is required to day to day operations of sales groups. Members were demanding more finance for their personal needs, business purpose, religious functions, education and repayment of loans taken from other agencies. SHGs members demanded more finance to fulfill their needs.

5. CONCLUSIONS AND SUGGESTION

5.1 Conclusions

- 1) Financial discipline depends on better administration of the SHGs.
- 2) Funds are distributed to the members according to need of members.
- 3) All the contribution of the members is deposited into bank.
- 4) SHGs were formed to the uplift of the members of SHGs.
- 5) Members were demanding more finance for their personal needs.
- 6) SHGs belonging to the category of BPL & APL were not satisfactory regarding availability of finance from various agencies.
- 7) Members of SHGs had an attitude to help and co-operate to other members if has some financial or social problems.

5.2 Suggestions

Following measures are suggested for better administration of SHGs.

- 1) More priority should be given to finance entrepreneurial activities rather than family needs.
- 2) Economic empowerment must be given more priority which leads to self-reliant women SHGs.
- 3) Self Help Groups (SHG) movement becomes stronger with providing more micro finance.
- 4) For transference in the transactions the contribution of the members are strictly deposited into bank.
- 5) Sufficient finance facility should be for day to day operations of SHGs groups.

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