

ASSEESING MICROFINANCE: OBSTACLES IN BRAHMAPUTRA VALLEY ZONE

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ABSTRACT

Microfinance plays a vital role in upgrading the livelihood of rural people in the world. Assam is not lagging behind. SHG –Bank linkage programme is found fruitful in helping people to access Microfinance. Assam Gramin Vikash Bank in Assam has been disbursing microfinance to Self Help Group since 2005. But it is observed that there are many problems in assessing and utilizing microfinance. The present study concentrated in the problems encountered by women microfinance beneficiaries of Assam Gramin Vikash Bank in Brahmaputra Valley Zone of Assam. The study revealed that conflict among the members was major (Garrett score 94) obstacle.

KEYWORDS: Microfinance, SHG-Bank Linkage, Problems

INTRODUCTION

Microfinance broadly refers to a movement that envisages the world in which low income households have permanent access to a range of financial services for income producing activities, build assets and stabilize consumption. It has been a universally accepted fact that the micro financing is a very successful instrument for eradication of poverty. Access to finance by the poor and vulnerable groups is a pre-requisite for poverty eradication and social unity. This has to become an integral part of extension efforts to promote inclusive growth. In fact, providing access to finance is a form of empowerment of the vulnerable groups. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through increasing credit, the attempt must be to lift the poor from one level to another so that they come out of poverty.

Micro Finance refers to a collection of banking practices built around providing small loans and accepting tiny deposits. In India, micro finance scene is dominated by Self Help Groups (SHGs)-Bank Linkage Programme, aimed at providing a cost-effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting the peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment. Microfinance is generally about providing financial services to the poor people, those who lack access to prevailing formal financial institutions. Many micro financial institutions by working in rural areas or in

poor urban neighbourhoods, by providing small loans for activities those low income groups would normally engage in, ensure that the poor are served and the wealthy are excluded. It is widely believed that microfinance is a key strategy for poverty donors and NGOs link microfinance to poverty alleviation and women's empowerment directly.

From small efforts of starting informal self-help groups (SHG) to access the much-needed savings and credit services in the early 1980s, the microfinance sector has grown significantly today. The fact that national bodies like Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD) are devoting significant time, energy and financial resources on microfinance is an indication of the reckoning of the sector. The strength of the microfinance organisations (MFOs) in India is in the diversity of approaches and forms that have evolved over a period of time. While India has its home-grown model of SHGs, and mutually aided co-operative societies (MACS) there is significant learning from other microfinance experiments across the world, particularly Bangladesh, Indonesia, Thailand and Bolivia.

The SHG - Bank Linkage Programme can be regarded as the most potent initiative since Independence for delivering financial services to the poor in a sustainable manner. The spread of the SHG - Bank Linkage Programme in different regions has been uneven with Southern States accounting for the major chunk of credit linkage. Many States with high incidence of poverty have shown poor performance under the programme. NABARD has identified 13 States with large population of the poor, but exhibiting low performance in implementation of the programme. The ongoing efforts of NABARD to upscale the programme in the identified States need to be given a fresh impetus. The Committee has recommended that NABARD may open dedicated project offices in these thirteen (13) States for up scaling the SHG-Bank Linkage Programme. NGOs have played a commendable role in promoting SHGs and linking them with banks. NGOs, being local initiators with their low resources, are finding it difficult to expand in other areas and regions. There is, therefore, a need to evolve an incentive package which should motivate these NGOs to diversify into other backward areas. The SHG - Bank Linkage Programme is now more than fifteen (15) years old. There are a large number of SHGs in the country which are well established in their savings and credit operations. The members of such groups want to expand and diversify their activities with a view to attain economies of scale. Many of the groups are organising themselves into federations and other higher level structures.. For uplifting the socio-economic status of rural population of the state Assam, Assam Gramin Vikash Bank-the pioneer Regional Rural Bank of the State has been continuously putting aggressive efforts since its inception in 2005. (AGVB BARTA)

In the process of availing microfinance different obstacles also act as thorn in the way of empowering the poor through Microfinance. **Sharma (2000)** found that group members faced the problems of maintenance of records and accounts where 100 per cent of members did not engage in group activities, difficulty to contact NGO even in need arising situation. In spite of the availability of credit group members may not be able to establish micro enterprises on their own. They will require several interventions from the intervener or government (**Ojha 2001**). **Bakshiet al. (2004)**, observed that more than 90% rural women in India are unskilled, restricting them to low paid occupations, women generally have no control over land and other assets excluding them from access to institutional credit and renders them dependent upon high cost informal sources of credit to secure capital for consumption and or productive purposes. **NABARD (1999)** conducted studies on SHGs in Madhya Pradesh and reported that withdrawal of members from the group, lack of adequate group dynamism and peer pressure were certain problems faced by the SHGs.

Problems like lack of transportation, competition from established brands and lack of capital were voiced by women (Rao,2005).Kumaret al. (2011) observed that the problems faced by SHGs included harassment during opening of bank account, marketing problems, lack of training and competition from Multinational Corporation.

Keeping all this view present study was conducted with an objective to find out the problems perceived by the respondents in availing and utilizing microfinance through Assam Gramin Vikash Bank in a part of Brahmaputra valley zone of Assam.

METHODOLOGY

In the present study, problems faced by SHG members are operationalized as the difficulties and barriers faced by the women SHG members in utilizing microfinance borrowed by them efficiently. By pre testing, consulting with experts and from literature review nine problems were found major in utilizing microfinance. The respondents were asked to rank the problems as perceived major by them giving rank I to rank IX. The respondents were requested to give only one rank for each item. Further Garrett Ranking Analysis was done to found the major problems.

To find out the most significant factor which influences the respondent, Garrett's ranking technique was used. As per this method, respondents have been asked to assign the rank for all factors and the outcomes of such ranking have been converted into score value with the help of the following formula:

$$\text{Percent position} = 100 (R_{ij} - 0.5) / N_j$$

Where R_{ij} = Rank given for the i^{th} variable by j^{th} respondents

N_j = Number of variable ranked by j^{th} respondents

RESULTS

With the help of Garrett's Table, the percent position estimated is converted into scores. Then for each factor, the scores of each individual are added and then total value of scores and mean values of score is calculated.

Problems Faced By the Respondents in Availing and Utilizing Microfinance Provided By Assam Gramin Vikash Bank

Table 1: Rank Wise Problems Faced by the Respondents in Availing and Utilizing Microfinance Provided by Assam Gramin Vikash Bank

Problem	Garrett Score	Rank
Conflicts among member	94	I
Lack of knowledge on ledger book maintenance	93	II
Inability to catch market	92	III
Lack of family support	89	IV
Low educational level	68	V
Lack of technical knowledge	51	VI
Credit gap	46	VII
Monopolistic power of bank	15	VIII

From the above table it can be observed that conflicts among member was counted as a major problem having the highest Garrett score (94). To diminish the problem, behavioural training, counselling etc. should be proceeded. Lack of knowledge on ledger book maintenance was observed as the next major problem (Garrett score: 93), this problem should

be taken care of by the bank officials; they should give training to the SHG members how to maintain a ledger book. Inability to catch market is another major problem perceived by the respondents (Garrett score: 92) which can be reduced by establishing cooperative local market in the rural areas. Lack of family support is another problem perceived by the respondents (Garrett score: 89), it may be due to the fact that women has to give the first preference to their family. Low educational level, Lack of technical knowledge, Credit gap and Monopolistic power of bank were observed not creating a problem as perceived by the respondents.

CONCLUSIONS

The study revealed that conflict among member was perceived as a major problem by the respondents. It is also observed that lack of knowledge on ledger book maintenance also hampered the respondents in book keeping which might also be one of the causes of conflict among them. Inability to catch market was another important problem which prevented the respondents to go for commercial profit. Lack of cooperation in between the family members and comparatively lower educational level than the gents in the family created a problem for the women folk to have updated technical knowledge results which results into a problem. Lack of Technical knowledge was found as another problem among the members of SHG. For the respondents having low educational level, it was found problematic to utilize the microfinance availed in works that result quick income. Credit Gap was perceived as not an important problem by the respondent. The respondents perceived little exploitation of the Bank resulting Monopolistic power over the beneficiaries.

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