

MANAGEMENT OF INTERNAL LOAN IN WOMEN SHGs IN NAGAPATTINAM DISTRICT, TAMIL NADU- AN ANALYSIS

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ABSTRACT

India's achievements in the development sectors are moderate, even after sixty five years of independence. The major challenges are unemployment and poverty, especially in rural areas on account of reliance of poor on the unorganized sources of credit. The dynamics of rural credit has rapidly changing from time to time. Government has spend huge amount on agriculture and rural development programmes of credit, as it was assured that farmers and poor households are facing liquidity constraints. Most of these efforts are heavily subsidized charging concessional rate of interest and tolerating loan defaults. Self-Help Groups (SHGs) are micro credit institutions, which have emerged at the village level based on self-help, collective perception, decision making and implementation of common programmes. Nagapattinam district is one among the front line districts in the promotion of SHGs, which are developed as a tool for the eradication of poverty. In this district, the role of SHG movement is all the more important for the promotion of economic interest of the inhabitants of the districts especially women. The present study is focused the internal loan among women SHGs in Nagapattinam

INTRODUCTION

India's achievements in the development sectors are moderate, even after sixty five years of independence. The major challenges are unemployment and poverty, especially in rural areas on account of reliance of poor on the unorganized sources of credit. The dynamics of rural credit has rapidly changing from time to time. Local money lenders occupied a prime position as a source of rural credit, until the co-operative movement was introduced in India. Even though co-operatives have played a vital role in agricultural credit, there were failures in disbursement of rural credit. Rural banking assumed greater importance on account of nationalization of major commercial banks. Nationalised banks are encouraged to provide priority sector lending. Reserve bank of India

established Agriculture Refinance and Development Corporation in 1975; subsequently Regional Rural Banks were also started. National Bank for Agriculture and Rural Development was set up by the conversion of ARDC. During the past six decades of planning, Government has spend huge amount on agriculture and rural development programmes of credit, as it was assured that farmers and poor households are facing liquidity constraints. Most of these efforts are heavily subsidized charging concessional rate of interest and tolerating loan defaults.

The direct programmes of credit are proved to be ineffective in achieving the desired goals of rural transformation. Further, institutionalized credit did not cover poor women. Women have less access to resources required to generate stable income. Women are less discriminated when their income is relatively high in household income and women who are capable of being to meet their own needs as well as those of children. The welfare and development programmes are made good when they are focused to address women than men. Hence, all policies relating to development, significantly credit and financial policies had to be revamped to increase the productivity of women's work and their earning capacity to the fullest extent. It is recommended that Government participation in the credit sector as a strategy of poverty alleviation required to focus its importance on women empowerment and help poor women for their mutual help. It is imperative to use credit as an instrument to bring sea change in social, economical and living condition of poor women. To ensure involvement of women in development process, the poor women need to organize themselves as a separate group and is considered as an important institutional change.

Self-Help Groups (SHGs) are micro credit institutions, which have emerged at the village level based on self-help, collective perception, decision making and implementation of common programmes. SHGs are now occupying a predominant position in the rural credit delivery system. SHGs are playing a vital role in attaining the objectives of economic planning viz., economic, social development of women and thereby bringing empowerment of women. A self-help group consists of 12 to 20 women from homogeneous class, who joined together for solving their common problems. The groups are encouraged to inculcate the habit of thrift and savings. The regular savings of members are pooled and the augmented fund at their disposal is rotated among the members at an agreed rate of interest. Banks are interestingly involved in the provision of credit to SHGs in certain multiples of savings collected by the group. The linkage of Bank credit with SHGs is an innovative programme with the objective of promoting banking habit among those who are not bankable.

In India, SHG movement was started in early 90s and gained its momentum since 1998. Tamil Nadu, West Bengal, Maharashtra and Andhra Pradesh are performing better in the formation of

women SHGs. Tamil Nadu has formed the highest women SHGs numbering 46,43,113 with 76,32,366 members and their pooled saving Rs.5,26,600.21 lakhs during 2014-15. Nagapattinam district, one of the districts in Tamil Nadu, with a large number of poor, has developed SHGs as a tool for alleviation of poverty. Group members improve the financial status of their family by developing linkage with banks. It is learnt that SHGs create more economic opportunities through micro credit, integrating contribution to social and economic infrastructure is utmost important.

STATEMENT OF THE PROBLEM

SHGs have assumed greater importance, which is considered as the most necessary tool to adopt participatory approach for the social and economic improvement of women. SHG consists of poor women who do not have access to formal financial institution. It develops ‘we’ feeling among the members and helps to learn to co-operate and work in a group environment. SHG increases the borrowing power and provides strength; it can be antidotes to the uncared and downtrodden poor women. Nagapattinam district is one among the front line districts in the promotion of SHGs, which are developed as a tool for the eradication of poverty. The district is coastal in nature and also surrounded by villages engaging in agriculture. But the district was consecutively worst hit by natural calamities such as Tsunami, flood and cyclone. Now the district proclaimed as drought prone area. In this situation, the role of SHG movement is all the more important for the promotion of economic interest of the inhabitants of the districts especially women. The present study is focused the internal loan among women SHGs in Nagapattinam.

OBJECTIVES OF THE STUDY

1. To study the habit and amount of saving of women SHGs in Nagapattinam District.
2. To analyse the distribution of internal loan from saving of sample women SHGs in the study area.
3. To study the period of loan, rate of interest, number of instalment and status of repayment of women SHGs in the study area.

METHODOLOGY

The study is descriptive in nature. Nagapattinam district is purposely selected as the study area. The study is based on the primary data.

SAMPLING

Nagapattinam district comprises of eleven blocks viz., Nagapattinam, Thirumarugal,

Kilvelur, Keelaiyur, Thalainayar, Vedharanyam, Mayiladuthurai, Sembanarkoil, Sirkali, Kuttalam, and Kollidam. Each block is designated as stratum. Proportionate Stratified Random Sampling procedure was adopted to select sample self-help groups from all the eleven blocks in Nagapattinam district. The size of sample for SHGs is calculated with a margin of error at 1 percent level and 99 percent confidence level arrived as 378 groups out of 16548 groups in the district. Further from each stratum (block) the sub sample size is calculated proportionately.

DATA COLLECTION

Survey method has been adopted along with personal interview technique for the collection of primary data from women SHGs. An interview schedule, well structured and pretested was administered for gathering of information from sample SHGs respondents. Further, secondary data were pooled from the office records of TNWDC at Nagapattinam, books and journals. The Simple statistical tools were used for the analysis of the data.

TESTING OF HYPOTHESIS

1. There is significant relationship between the amount of saving and the amount of internal loan extended to the members.
2. There is significant relationship between the amount of internal loan and period of loan, rate of interest, period of repayment and status of repayment.

LIMITATIONS

The study is confined to the views of women SHGs only. Views of the Members of women SHGs, NGOs and banks are not taken in to consideration.

PERIOD OF THE STUDY

The primary data collection was carried out in all the blocks during 2014-15. The period of the study was normal, free from abnormalities in climatic and monsoon conditions.

HABIT OF SAVING

Contributing a fixed sum on weekly, fortnightly and monthly basis as savings is one of the major activates of SHG. Further, it provides easy access to credit. The group decides the quantum

and periodicity of savings of members. The Table here under indicates the periodicity of savings in Table 1

TABLE 1 HABIT OF SAVINGS

Frequency of the savings	Area				Total	
	Rural		Urban			
	F	%	F	%	F	%
Weekly	14	3.70	2	0.53	16	4.23
15 days once	44	11.64	11	2.91	55	14.55
Monthly	248	65.61	59	15.61	307	81.22
Total	306	80.95	72	19.05	378	100

Source: primary data; F: Frequency

The Table 1 shows the savings habit among the sample SHGs in the study area. Out of 378 SHGs, 16 of them having weekly saving habit, of which 14 and 2 are from rural and urban respectively. On the other hand, 44 rural SHGs and 11 urban SHGs are mobilized their members saving fifteen days once. It is ascertained that majority of the SHGs (i.e., four-fifth) pooled their saving once in a month. It leads to low amount of internal fund among the sample SHGs. The members saving habit is a significant factor for determining the size of saving and internal lending among the members. Further, the savings of the group is the borrowing power, which determines the external borrowing from bank.

AMOUNT OF SAVINGS

The members of SHGs have to save regularly. The amount may be small, but savings have to be a regular and continuous habit for all the members. Savings first-credit latter shall be the motto of SHG members. The quantum of savings deposited by members of sample SHGs is indicated in Table 2

TABLE 2
AMOUNT OF SAVING (PER MEETING)

Amount of Savings in Rs.	Area				Total	
	Rural		Urban			
	F	%	F	%	F	%
Up to 50	66	17.46	15	3.97	81	21.43
51 to 100	92	24.34	19	5.03	111	29.37
Above 100	148	39.15	38	10.05	186	49.21
Total	306	80.95	72	19.05	378	100

Source: primary data; F: Frequency

Table 2 shows the saving amount of members fixed by the sample SHGs in the study area. Generally, the amount ranges between Rs.50 to Rs.100 and above. Out of 378 sample SHGs respondents, 186 of them decided to save above 100 rupees, of which 148 are rural and 38 are urban. On the other hand, 66 rural SHGs and 15 urban SHGs are fixed the amount up to Rs.50. It has been ascertained from the above analysis that 111 sample SHGs have the habit of saving Rs.51 to Rs.100. It leads to a small and tiny size of internal fund. A huge amount of saving determines the size of internal loan and external bank credit. It is suggested that in order to increase the size of saving, the amount of saving from members must be members choice based, which enable the members to deposit varied amount subject to a minimum amount fixed by the groups.

DISBURSEMENT OF INTERNAL LOAN

The main aim of SHGs is to generate saving and lend it to needy members. The owned fund of SHG comprised of savings collected from members in turn which will be made available to members as credit at concessional rate of interest. The details pertaining to savings and amount of loan to members are indicated in Table 3

TABLE 3

DISBURSEMENT OF INTERNAL LOAN

Amount of Saving in Rs. (per meeting)	Amount of loan extended to the members								Total F
	Up to Rs.3,000		Rs. 3,001 to 6,000		Rs. 6,001 to 9,000		More than Rs.9,000		
	F	%	F	%	F	%	F	%	
Up to 50	57	70.37	3	3.70	-	-	21	25.93	81
51 to 100	43	38.74	44	39.64	-	-	24	21.62	111
Above 100	57	30.65	62	33.33	11	5.91	56	30.11	186
Total	157	41.53	109	28.84	11	2.91	101	26.72	378

Source: primary data; F: Frequency

Table 3 reveals the disbursement of loan to members from the saving collected from them. It is seen from the table that 81 member respondents contributed Rs. 50 as the savings in a meeting. On the other hand 186 member respondents have deposited above Rs. 100 each as savings in a meeting. It is seen from the analysis that SHG have inculcated the habit of Thrift and saving among the members. The member respondents are motivated to remit their savings into SHGs as they are eligible to avail credit facilities in time of need. The table further provides the disbursement of loan to member respondents out of their owned fund in the savings of members collected. It is quite interesting to note that 101 member respondents have availed loan amount more than Rs. 9,000, While each of them remitted Rs.50, Rs.75, and Rs.100 in their SHGs as their saving respectively. It is also observed that 157 SHGs have granted loan up to Rs.3,000, While their collection of savings ranged between Rs.50 and Rs.100. It has been found out from the above analysis that nearly one- third of SHG sanctioned only a negligible amount of loan (up to Rs.3,000) in a meeting. The practice of lower borrowing coupled with higher amount of saving is quiet encouraging and the SHGs and members are deserved to be appreciated.

In order to find the relationship between the Amount of Saving (per Meeting) and the Amount of loan extended to the members from savings in a meeting, a Chi-square test was used and result of the test is shown in the following Table 3a.

TABLE 3a
ASSOCIATION BETWEEN SAVINGS AND LOANS

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Amount of Saving (per Meeting)	58.528	6	< 0.001	Highly Significant

Source: Computed data

It is noted from the above table that the 'p' value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association found between the Amount of Saving (per Meeting) and the Amount of loan extended to the members from savings in a meeting.

PERIOD OF LOAN

Usually rural women required small amount of loan for short period in order to meet their domestic expenses. The amount of credit granted for the specified period in regard to sample SHGs are given in Table 4.

TABLE 4
PERIOD OF LOAN

Amount of loan extended	Period of interval for the loan availed by the members								Total F
	1 month		2 months		3 months		More than 3 months		
	F	%	F	%	F	%	F	%	
Up to Rs.3,000	45	28.66	-	-	54	34.39	58	36.94	157
Rs. 3,001 to 6,000	14	12.84	4	3.67	28	25.69	63	57.80	109
Rs. 6,001 to 9,000	7	63.64	-	-	-	-	4	36.36	11
More than Rs.9,000	30	29.70	-	-	26	25.74	45	44.55	101
Total	96	25.40	4	1.06	108	28.57	170	44.97	378

Source: primary data; F: Frequency

Table 4 shows clearly the period of repayment of loan. It is analysed from the table that nearly half of SHGs respondents have disbursed loan for a period between three and six months. Further analysis of the Table shows that nearly 1/3rd of SHG respondents have granted loan for a period of three months.. To satisfy the credit requirements of village people many private credit agencies have come forward but they used to charge exorbitant rate of interest. But SHG is a gift to the rural people to satisfy their financial needs at low rate of interest.

TABLE 4a
ASSOCIATION BETWEEN AMOUNTS OF LOAN
AND PERIOD OF LOAN

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Amount of loan extended	36.39	9	< 0.001	Highly Significant

Source: Computed data

It is noted from the above table that the 'p' value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association is found between the amount of loan extended to the members from their savings in a meeting and the Period of interval for the loan availed by the members.

RATE OF INTEREST

The credit is disbursed by SHGs to their members. The main source of granting internal loan is savings. The loan is given at concessional rate of interest which varies from two percent to three percent per month. Rate of interest charged by sample SHGs is given in Table 5

TABLE 5
RATE OF INTEREST

Amount of loan extended	Rate of interest on internal loan (P.M.)								Total F
	1%		2%		3%		4%		
	F	%	F	%	F	%	F	%	
Up to Rs.3,000	78	49.68	52	33.12	22	14.01	5	3.18	157
Rs. 3,001 to 6,000	65	59.63	12	11.01	11	10.09	21	19.27	109
Rs. 6,001 to 9,000	-	-	11	100.00	-	-	-	-	11
More then Rs.9,000	24	23.76	29	28.71	48	47.52	-	-	101
Total	167	44.18	104	27.51	81	21.43	26	6.88	378

Source: primary data; F: Frequency

From Table 5, it is noticed that the rate of interest charged for loan varied from one percent to four percent. It is clear from the table that one hundred and sixty seven SHGs respondents charged interest for the loan at one percent. Whereas twenty six SHG – respondents disbursed loan to their members at three to five percent interest. During the period of study, it is desired to compare the interest on loan charged by private money lenders. It has been ascertained that money lenders charged higher rate of interest varied from 4 percent to 6 percent. Hence, it is clear from the above analysis that the rate of interest charged by SHGs is lower than private money lenders interest. The members of SHGs opined that they are satisfied on the rate of interest.

TABLE 5 a
ASSOCIATION BETWEEN AMOUNT OF LOAN
AND RATE OF INTEREST

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Amount of loan extended	135.16	9	< 0.001	Highly Significant

Source: Computed data

It is noted from the above table that the ‘p’ value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association found between the amount of loan extended to the members from savings in a meeting and the rate of interest on internal loan.

NUMBER OF INSTALMENT FOR REPAYMENT OF LOAN

Repayment culture and credit recycling are vital for the free flow of credit. The appreciable qualities of SHGs are low default and high rate of recovery. Repayment of loan is made easy to the borrower by allowing them to repay in instalments. The period allowed by sample SHGs to repay the loan in instalments are represented in Table 6.

TABLE 6
NUMBER OF INSTALMENT FOR REPAYMENT OF LOAN

Amount of loan extended	Number of Instalment								Total F
	One		Two		Three		More than 3		
	F	%	F	%	F	%	F	%	
Up to Rs.3,000	-	-	42	26.75	29	18.47	86	54.78	157
Rs. 3,001 to 6,000	10	9.17	-	-	22	20.18	77	70.64	109
Rs. 6,001 to 9,000	7	63.64	-	-	-	-	4	36.36	11
More then Rs.9,000	6	5.94	-	-	19	18.81	76	75.25	101
Total	23	6.08	42	11.11	70	18.52	243	64.29	378

Source: primary data; F: Frequency

It is seen from Table 6 that SHGs allows their member borrower to repay the loan in installments. The number of instalments varied from one to four. It is observed from the above table that two hundred and forty three SHGs – respondents have allowed their member - borrower to repay their loan amount in four instalments. Twenty three SHGs – respondents have disbursed loan on the condition of repaying the entire loan amount in instalments as desired by the animator on one lump sum. The burden and benefits are shared by the members of SHGs as they have more mutual knowledge about each other.

TABLE 6a

ASSOCIATION BETWEEN AMOUNT OF LOAN AND INSTALMENT

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Amount of loan extended	138.59	9	< 0.001	Highly Significant

Source: Computed data

It is noted from the above Table that the 'p' value is less than 0.001 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association found between the amount of loan extended to the members from savings in a meeting and the instalment period allowed to the members for the repayment of internal loan. Reducing the cost of deposit is vital for the sound financial position for the credit institutions. Excellent recovery rate and meager default are important features of SHGs.

STATUS OF REPAYMENT

The status of repayment by members of sample SHGs is exhibited in Table 7

TABLE 7

STATUS OF REPAYMENT

Amount of loan extended	Status of repayment of internal loan by the members								Total F
	Paid before the due date		paid on the due date		paid after the due date		No prompt re-payment		
	F	%	F	%	F	%	F	%	
Up to Rs.3,000	52	33.12	64	40.76	22	14.01	19	12.10	157
Rs. 3,001 to 6,000	14	12.84	64	58.72	31	28.44	-	-	109
Rs. 6,001 to 9,000	-	-	11	100	-	-	-	-	11
More then Rs.9,000	27	26.73	55	54.46	11	10.89	8	7.92	101
Total	93	24.60	194	51.32	64	16.93	27	7.14	378

Source: primary data; F: Frequency

Table 7 shows the status of repayment of loan by the members. The analysis of the table also brings the fact that only 7.14 percent of SHGs respondents are not in a position to ensure prompt repayment. A well suit repayment culture is preconceived in SHGs. Well knowledge of members bring them closer to understand the benefits of prompt repayment. Every member – borrower aware that the loan should be repaid on or before the due date, which develops well repayment culture among them.

TABLE 7a
ASSOCIATION BETWEEN AMOUNT OF LOAN AND STATUS OF REPAYMENT

Factor	Calculated Chi-square value	Degrees of freedom	'p' Value	Remarks
Amount of loan extended	50.91	9	< 0.001	Highly Significant

Source: Computed data

It is noted from the above Table that the 'p' value is less than 0.01 and hence the result is highly significant. From the analysis it is concluded that there is highly significant association is found between the amount of loan extended to the members from savings in a meeting and the status of repayment of internal loan by the members.

Finding of the studies

1. It is ascertained from the studies, majority of the SHGs (i.e., four-fifth) pooled their saving once in a month. It leads to low amount of internal fund among the sample SHGs.
2. It has been seen from the study that 111 sample SHGs have the habit of saving Rs.51 to Rs.100. It leads to a small and tiny size of internal fund. A huge amount of saving determines the size of internal loan and external bank credit
3. It has been found from the study that nearly one- third of SHG sanctioned only a negligible amount of loan (up to Rs.3,000) in a meeting. The practice of lower borrowing coupled with higher amount of saving is quiet encouraging and the SHGs and members are deserved to be appreciated.
4. It is obvious the study that nearly 1/3rd of SHG respondents have granted loan for a period of three months. SHG is a gift to the rural people to satisfy their financial needs at low rate of interest.

5. It is clear from the study that the rate of interest charged by SHGs is lower than private money lenders interest. The members of SHGs opined that they are satisfied on the rate of interest.
6. It has been seen from the study that twenty three SHGs – respondents have disbursed loan on the condition of repaying the entire loan amount in instalments as desired by the animator on one lump sum.
7. The study also brings the fact that only 7.14 percent of SHGs respondents are not in a position to ensure prompt repayment.

Suggestions

1. It is suggested that in order to increase the size of internal fund, the frequency of saving may be shifted to weekly.
2. It is suggested that in order to increase the size of saving, the amount of saving from members must be members choice based, which enable the members to deposit varied amount subject to a minimum amount fixed by the groups.

Conclusion

In order to increase the repayment rate of loans o due date, members of the SHGs may be advised to use the loan for economic activities for this purpose proper monitoring of utilization of loan should be brought in force. Women SHGs has a significant role to play in Tamil Nadu economy for boosting the group activities for creating productive assets coupled with employment generation.

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