Constraints in Realizing the Economic Potential of the SHG Microfinance Programme: A Study of SHG Participants in Ahmednagar District of Maharasthra

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Abstract

Microfinance through Self Help Groups (SHGs) of women is a well established developmental intervention in India. It has shown some very positive impacts for participants in terms of increase in assets, smoothening of consumption and social empowerment. However, some adverse impacts too have emerged over time. One of the adverse impacts is of women incurring unnecessary debt. Another adverse impact noted is the cost of participation in terms of time and money it imposes on the participants. Given these problems, our study tries to assess the presence of these problems or constraints and their extent through a primary survey of women SHG members in Ahmednagar district of Maharashtra. Our understanding is that some of the women take loans even when they do not need them and create unnecessary debt. With respect to this we found that more than 70 percent of the sample women took the loan for some specific purpose and 20 percent took loans only because they were available. Hence, we conclude that in this sample there is some amount of unnecessary debt. It is neither very high nor too low to be ignored. Some way to curtail this tendency or behaviour needs to be adopted. A suggestion in this regard is that SHG membership should be given to women who actively seek it rather than persuading women to take it up. This could decrease the non-serious participants and reduce the incidence of unnecessary debt. With respect to the time constraint we find that a negligible percent of women faced this. Even so, this concern can be addressed by the use of financial apps to repay the loan installments. This will help to reduce the transactions costs to the women in terms of the time and money spent for this.

Key Words: *Microfinance, Self Help Groups, Members Participation, Indebtedness, Time Cost of Participation.*

1. Introduction

Micro finance, the provision of thrift, credit and other financial services of very small amounts to the poor for enabling them to raise their income levels

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and improve their living standards is well established in India. The need for microfinance emerged because of the inability of the formal financial institutions to cater to the demands of poor people. It is recognized that microfinance provides flexible and informal financial services to people from the lower income group for meeting their modest consumption and livelihood needs.

In India, the roots of microfinance services can be found in early cooperative societies. Microfinance in its current form, through Self Help Groups (SHGs) of women was started as the SHG Bank Linkage Programme (SBLP) in 1992 by the National Bank for Agricultural and Rural Development (NABARD). This programme proved to be very successful, especially the use of the SHGs, which resulted in bringing down default rates due to the peer pressure acting within the group. It also increased the viability of lending to the poor for the formal banking sector. Hence it emerged as the most popular model of micro finance in India.

The number of SHGs has grown rapidly in India. Due to the success of the SHG model in achieving low default rates, private sector Micro Finance Institutions (MFIs) have also entered the sector. This has led to an increased supply of microfinance in India. However, with the success of this model, some adverse impacts too are being reported.

It has increasingly been reported that coercive methods were used by MFIs, especially in Andhra Pradesh, to recover money from microfinance borrowers, leading to suicides by borrowers. It has also been noted that supply of microfinance has increased and many private sector MFI are forcing the rural poor to take credit. This is leading to an undesirable situation where the rural poor are unduly inundated with credit and are not able to repay it or are forced to take multiple loans just to service their earlier loans. Too much credit or unnecessary credit, leading to indebtedness, can become a decided cost to the participants and a constraint in realizing the complete economic potential of the loan and the microfinance programme.

Another problem in the SHG Bank linkage programme is that although the transaction cost for the lending institution is reduced, the cost to the women beneficiaries is not small. For beneficiaries, the loan being available without collateral, repeatedly and in small amounts, is a substantial benefit. This can be considered a reduction in transactions cost of formal borrowings for them. However, the participation of the women in the programme has costs in terms of time and money which need to be looked into as this too could become a constraint in realizing the economic potential of the loan and the microfinance programme.

Given the above, we explore the literature to see how these effects have been studied by other scholars.

2. Review of Literature

While scanning the literature on microfinance, we found that several studies undertake impact assessment of SHG/MFI participation on women empowerment and poverty alleviation. Many scholars have found microfinance to have a positive impact. Wagner and Winkler (2012; p. 327)

suggest that microfinance has a positive developmental impact through financial inclusion of poor households and micro enterprises. They also point out that "the success of microfinance celebrated in the mid- 2000s was largely based on anecdotal evidence suggesting that microfinance clients record substantial gains". Rooyen et al (2012, p.2259) note that microfinance has both positive and negative impact in sub-Saharan Africa, with positive impact on savings, expenditure, asset accumulation and health of the participants' children. Stewart et al (2012, p.3) note positive impacts of microfinance in India, in terms of increased savings and incomes. Hulme and Thankom (2011, p.25) note a positive impact of microfinance on household saving and rendering women more mobile to visit public places. Littlefield et al (2003; p.2) in their review of literature, on the subject state that the positive effects are in terms of increased incomes and assets and decrease in the vulnerabilities of the participants.

Regarding impact on income of borrowers, it is difficult to estimate or measure the impact on income. The major challenge in evaluation of impact on income is the differences in the characteristics of borrowers. Some borrowers may have good entrepreneurial spirit, some enjoy better business network etc. so that the impact on income is actually a result of several factors, not just being a microfinance user. Hence, the impact on income can be better understood by observing the route through which the impact probably works. According to Pande et al (2012, p.5), microfinance can increase household income by increasing consumption or smoothening consumption and it could also raise agricultural incomes by enabling farmers to purchase better levels and quality of inputs leading to higher outputs and incomes.

Apart from the various positive outcomes of microfinance programmes noted above, many studies also point to adverse or negative impacts. Among the several adverse impacts of microfinance noted, one is that the microfinance programme does not reach the poorest of the poor. (Hermes and Lensink, 2007, p. 463). Secondly, it is noticed that MFI are using exploitative lending techniques and coercive loan recovery practices. (Hulme and Thankom, 2011, p. 23). Hudon and Sandberg (2013; p.565) note that access to microfinance leads to increased local income inequalities because borrower groups tend to be controlled by those who are more powerful in the community.

An important likely adverse fallout of the SHG microfinance programme is the increasing debt burden on the microfinance participants. (Guha, 2007, p.18; Hulme and Thankom, 2011, p.24; Pattanaik, 2017, p.14; Wagner and Winkler, 2012, p. 325). Rooyen et al , find that microfinance has a negative impact on business when members take repeated loans (Rooyen et al, 2012; p.2259-60). Guha (Guha, 2007, p.5) finds there is "double dipping" i.e. borrowing from multiple sources and that the goal of microfinance is uncertain. Indebtedness caused by oversupply of funds is noticed by Roodman (2012) and Schicks (2010, p.1). According to Brett (2006, p.1), women seek out and accept debt beyond their capacity to repay from their business proceeds.

Yet another issue is the transactions costs which microfinance imposes on the participants. Calling this the "hidden cost", Brett (2006, p.15) says that it costs the women more, in terms of time and money, to participate than the material benefits they realize. Hidden cost would include the costs that the beneficiaries incur on attending meetings; both in terms of money and time. According to Brett, " ...while gross income may increase as a result of microfinance participation, net household income may decline because a wide range of transaction costs are not measured in these kinds of evaluation......"(Brett, 2006; p. 16). These cost of microfinance participants are also recognized by Marr (Marr 2004, p.10), Armandariz De Aghion and Murdoch (Armandariz De Aghion and Murdoch 2000, p.404), Murray and Lynch (Murray and Lynch 2003; p.5) and Hermes and Lensink (Hermes and Lensink, 2007, p.463). A study by IIM-Luknow study (IIM Lucknow, 2014, p.v) estimates the transaction costs of borrowings to be 7.18 percent for SHG members and 6.20 percent for MFI clients.

3. Research Gap

From the review of literature, we find that over supply of credit, multiple borrowings, borrowing to repay earlier loans are some of the problem areas which may prevent the microfinance programme from achieving its full potential. As the review shows there are a lot of areas in the microfinance programme which need attention in terms of research. Some of them are over indebtedness, borrowing to repay earlier loans and transactions costs to the participants. There is also a need to find the reasons for increase in indebtedness.

As noted by IIM Lucknow (2014) study, the transaction costs are in terms of the time spent in attending meetings and the time spent in going to pay the installments plus the monetary costs incurred for travel and documentation etc. These costs could also be in terms of expensive loans taken to repay the current SHG loan. Many times this money has not been generated from the investment made with the micro loan. This is because many times the women do not have any concrete business plan to use the money or whatever activity they undertake does not generate adequate profits. It is seen that many times women take the loan because it is available rather than because of their need for it. As Spohn (2018) says, “loan amounts are typically standardized according to loan cycles rather than on the real demand of the client”. Hence the cost of participation in microfinance can also be in terms of incurring unnecessary debt. Moreover, in the SHG model, the women who actually need a loan, need to form a group for the same. While doing so, they may actually end up persuading their friends and acquaintances to participate even when these friends don't need the loan.

As noted by Brett (Brett, 2006; p.15), the lending institutions are benefitting with this model because the transaction cost to them is reduced. This reduction has actually come about because some of this transaction costs are now passed to the SHG member beneficiary. So to avail the loan and service it, the beneficiary has to be part of a group, attend the meetings and participate in the activities regularly. This imposes a time cost on the beneficiaries and in case a particular beneficiary does not really need the loan, but is participating just because others are participation, in her case the cost to benefit ratio of this loan is high. These types of cases could be leading to unnecessary debt and in some cases eventual indebtedness. So rather than empowering women, this may be leading to an increased financial burden on them, at least an unnecessary one for some of them. According to Schicks, the reasons for indebtedness are outside influences, aggressive lender behaviour and borrowers not being firm in their decisions. (Schicks, 2010, p.8-12). As noted by Brett (2006; p.17), “future research will seek to understand women's motivation for borrowing, for continuing and what the actual and perceived (material and social) benefits they recieve or don't through participation in microfinance programme”. Hence it appears that though the SHG programme is empowering women socially, it may not be empowering all women financially and may be imposing costs in terms of time and an unnecessary debt burden on some of them. We think that women taking these loans without any concrete plans to use them or taking them even when they don't really need the loans, could be one factor leading to excess or unnecessary debt and in some cases indebtedness. To understand the above issues in detail; to find whether these costs and constraints exist, this study aims to

1. Note the positive impacts of the microfinance programme in this sample.
2. Find the purpose and motivations with which women take these micro loans.
3. To assess whether the women participants perceive the time costs of participating in this programme.

4. Research Methodology and Sample Descripton

We try to answer the above questions through data gathered from a primary survey of SHG members. This was done under a project undertaken by this author and sanctioned and funded by the Center for Social Science and History (CSSH) of the Savitribai Phule Pune University (SPPU) during 2019-2020. A survey of microfinance participants in villages of Akole and Sangamner Taluka of Ahmednagar district of Maharashtra state in India was undertaken. The sample contained 159 women members of Self-Help Groups residing in 10 villages of Akole Taluka and 2 villages of Sangamner taluka. The survey was carried out in December 2019. The sample is described below through various descriptive statistics.

4.1 Socio –Economic Profile of the Sample

4.1.1 Age Profile:

Table 1: Age Profile of the Sample

Age Group (years)	Number of Respondents	Percent
20 -40	58	36.48
41-65	101	63.52
Total	**159**	**100**

Source: Compiled from Primary Data

The age of the respondents ranged from 21 to 63 years. From Table 1, we note that a larger number of the women are in the 40 plus age group.

4.1.2 Occupational Profile

Table 2 Occupational Profile of The Sample

Sr. No.	Name of Occupation	No. of Respondents	Percent
1	Farming on Own Farm	83	52.20
2	Labourer	21	13.21
3	Housewife	15	9.43
4	Nursery worker	6	3.77
5	Tailoring Work	6	3.77
6	Farm Labourer in Others' Farm	5	3.14
7	General Stores	5	3.14
8	Beauty Parlour Work	4	2.52
9	Student	2	1.26
10	Member in Gram Panchayat/Panchayat Samiti	2	1.26
11	Anganwadi/Asha Worker/Helper	2	1.26
12	Bank Employee	1	0.63
13	Doctor	1	0.63
14	Fruit Shop Worker	1	0.63
15	Kirtan Member (singer)	1	0.63
16	Teacher in ZP school	1	0.63
17	Vegetable Vendor	1	0.63
18	Agent in Vegetable market	1	0.63
19	Watchman in School	1	0.63
	Total	**159**	**100**

Source: Compiled from Primary Data

From Table 2 we see that 52 percent women were pursuing farming on own land, 13 percent were labourers, nine percent were housewives. Thus, a majority of the members are associated with basic occupations like agriculture and labour. However, many women were also pursuing small businesses like vegetable and fruit vending, vegetable market agent, beauty parlours, general stores, tailoring services etc. where they can use micro credit.

4.1.3 Family Size of Sample

Table 3 Distribution of Family Size of Sample

No. of Family Members	Number of Respondents	Percent
2	3	1.89
3	22	13.84
4	54	33.96
5	40	25.16
6	26	16.35
7	6	3.77
8	2	1.26
9	3	1.89
10	1	0.63
11	2	1.26
Total	**159**	**100**

The average family size works out to be 4.786. Around 50 percent of the respondents have a family of 5 or more persons. So we can say that respondents have big families.

4.1.4 BPL Status of Sample

Table 4 BPL Status of Sample

Status	Number of Respondents	Percent
BPL	64	40.25
Non BPL	95	59.74
Total	**159**	**100**

Source: Compiled from Primary Data

The BPL status of the sample, shown is Table 4 indicates that 40 percent are BPL members and about 60 percent are non-BPL members. We note that the sample is slightly tilted towards the non-poor.

4.1.5 Income Distribution of Sample

Table 5 Income Range of Sample

Income Range (Rs. Per Annum)	No. of Respondents	Percent
Below 50,000	120	76.43
50,000 – 1,00,000	30	19.10
1,00,00 and above	7	4.45
	157	**100**

*Note: *Data Not Available for 2 Sample Units. Source: Compiled from Primary Data*

From the above table we note that a majority of the sample is from the low income group. Hence although the non- BPL comprise about 60 percent of the sample, a lot of them could be just above the poverty line falling in the low-income category.

4.1.6 Association with the SHG Microfinance Programme

Table 6 Number of Months as Member in SHG

No. of Months as a Member of SHG	No. of Respondents	Percent
0-6	49	30.81
7-24	46	28.93
25-60	53	33.33
Above 60	11	6.91
Total	**159**	**100**

Source: Compiled from Primary Data

The length of the association of the participant in the SHG programme was noted and is shown in Table 6. Here it is seen that about 58 percent members have an association with the SHG programme which is 2 years or less.

Having noted the descriptive statistics, we now turn to analysing the results.

5. Results And Discussion

5.1 Positive Impact of the SHG Programme

As in other places, in our area too we note that women have benefitted from the SHG microfinance programme. The benefits they have realised are both: monetary and non-monetary. In the monetary benefits we note that women have taken loans for their consumption and business purposes. Many have taken loans several times. The information on this is presented below:

5.1.1 Loans Taken and BPL Status

Table 7 Members Availing Loans (BPL/Non-BPL)

Status	No. of Members	No. of Members who have taken Loans	Percent
BPL	64	31	36.47
Non-BPL	95	54	63.52
Total	**159**	**85**	

Note: One respondent has not answered this question. Source: Compiled from Primary Data

Of the 158 respondents who answered this question, 85 or 53.79 percent have taken a bank or SHG loan. From the above Table 7 we also note that among the respondents who have taken loans, a relatively higher percentage of the loans have been taken by the non-BPL members. This may be because non-BPL members have a better absorptive and repayment capacity and also a more risk-taking ability. Another reason could be that the non-BPL respondents have better social networks and greater access to information about microfinance.

5.1.2 Loan Amount

The amount of loan taken ranges from as low as Rs 250 to as high as Rs.90,000. The details of the loan taken are shown below.

Table 8 Loan Amount in Rupees

Sr. No.	Loan Amount (Rs.)	No. of Respondents	Percent	Cumulative Percent
1.	250-10,000	11	12.94	12.94
2.	10,001 – 20,000	20	23.53	36.47
3.	20,001 – 30,000	36	42.35	78.82
4.	30,001 – 40,000	**5**	05.88	84.70
5.	40,001 – 50,000	**10**	11.76	96.46
6.	50,001 – 70,000	**2**	02.35	98.81
7.	70,001 – 90,000	**1**	1.18	99.99
		85		

Source: Compiled from Primary Data

From the above table we note that majority of the respondents have loans below and upto Rs. 50,000.

5.1.3 Frequency of Loans Taken

One of the main benefits of the SHG programme is that the members can take repeated loans as long as they repay the earlier one. This has benefitted our sample respondents who have taken repeated loans as can be seen from the Table 9 below.

Table 9 Frequency of Loan Taken

Number of Times Loans Taken	**No. of Respondents**	**Percent**
Once	50	58.82
Twice	26	30.59
Thrice	5	5.88
Four Times	3	3.53
Five Times	1	1.18
	85	

Source: Compiled from Primary Data

5.1.4 Non-Monetary Benefits

As in other places and as reported in literature, there are a lot of non-monetary benefits of participating in the microfinance programme in our sample too. To ascertain these we did not give any options to the respondents but instead asked them open ended questions to be answered in their own words. These responses were then analysed and grouped into common categories as shown in Table 10 below.

Table 10 Non-Monetary Benefits of The SHG Programme

Sr. No.	**Description**	**No. of Respondents**	**Percent**
1	Increase in Social Circle/Support Group	69	46.00
2	Self-Empowerment	10	06.66
3	Personality Development (Enhanced Knowledge, Communication Skills and Confidence)	35	23.33
4	Training/ Skill Enhancement (Organic farming, Nursery, Tailoring, Small Scale Business)	36	24.00
	Total	**150**	**100**

Note: 150 out of 159 respondents have answered this question.

Source: Compiled from Primary Data.

From Table 10 we note that our respondents have benefitted immensely from participating in the SHG programme. These non-monetary benefits are actually helping to build up social and human capital which will pay dividends in the long run. Hence although these benefits do not appear to generate concrete measurable or monetary returns, these will aid the women to use the future loans to reap economic benefits and so are immensely valuable.

5.2 Purpose and Motivation for Taking Loans

5.2.1 Purpose of Loans Taken

We tried to find out the purpose for which the members had taken the loan. The main categories which were asked about were personal/family need and business need and to repay earlier loan. The findings are shown in Table 11 below.

Table 11 Purpose of Taking Loan/s

Purpose of Loan	No. of Respondents	Percent
A - Personal/Family need	45	52.94
B - For Business	34	40.00
A and B	1	1.17
C - To Repay Earlier Loan	1	1.17
D - All of the Above	3	3.52
E - Cannot Say/Blank	1	1.17
Total	**85**	**100**

Source: Compiled from Primary Data

Regarding the purpose of loan, we see from Table 11, that personal or family need dominates. However, the percent of members taking business loans is not very small at 40 percent. Though our data shows that many women have small businesses and undertake farming activities, a majority of them have taken loans for personal or family needs. From our earlier studies, involving a different sample, we found that SHG loans being micro loans are generally used for consumption related needs, whether personal or family and sources like moneylender or other bank loans are used for larger investments and may be to even repay loans. (Dharmadhikary-Yadwadkar, 2014). Similarly, here too we see that SHG loans are being used more for personal consumption related needs.

With respect to repayment of earlier loans, we find in our sample that only one member has that need. Thus, its incidence is negligible in this sample.

Next, we tried to study the differences in the purpose of loan for BPL and Non BPL participants. The results are shown in Table 12.

Table 12 Purpose of Loans According to BPL/Non-BPL Status

Purpose of loan	BPL		Non-BPL		Total
	Number	Percent	Number	Percent	
A - Personal/ Family Need	19	61.12	26	48.14	45
B – For Business	10	32.25	24	44.44	34
Both A and B	1	3.22	-	-	1
C – To Repay Earlier Loan	-	-	1	1.85	1
D – All of the Above	-	-	3	5.55	3
E – Cannot Say	1	3.22	-	-	1
Total	**31**	**100**	**54**	**100**	**85**

Source: Compiled from Primary Data

From Table 12, we find that a higher percent of BPL members take consumption loans as against the Non-BPL and a higher percentage of Non-BPL members take business loans. This is on expected lines.

5.2.2Motivation to Take the SHG Loan

In this section we try to understand the motivation of the members for taking the loan. This question may seem repetitive given that we have already talked about the purpose for the loan. But the way to distinguish the two is that the purpose for the loan analyses how the loan has been used after it was taken, whereas the motivation for taking the loan seeks to analyse the primary motive while applying for the loan. It seeks to understand whether the members really needed the loan or whether they took it because it was available. We felt the need to ask this question and explore the motivation because in our earlier studies we have come across this attitude of the microfinance participants wherein they take the loans because the loan is available and not because they have a genuine need for it. Many times they have no plan of how to use the funds. As Brett (2006) says, "women seek out and accept debt beyond their capacity to repay from the proceeds of their business enterprises" He notes that women many times borrow in microfinance for other family memebrs. (Brett, 2006; p.12).

It is probably this tendency which leads to defaults, multiple loans, coercion for repayment and an eventual debt burden. This also leads to inefficient use of funds. We tried to assess the presence of this attitude in our sample. The results of this are shown in Tables 13 and 14.

Table 13 Motivation for Taking Loan/s

Reason for taking Loan	**No. of Respondents**	**Percent**
A-Because you needed it	61	71.76
B-Because it was available	17	20
Both A and B	7	8.23
Total	**85**	**100**

Source: Compiled from Primary Data

From Table 13 we find that in this sample, a majority, i.e. over 70 percent have taken the loan because they needed it rather than because it was available.

We note that there are 17 women who took the loan because it was available, indicating that they had no clear plan on how to use it or any specific requirement for it. An interesting point to note is that all 17 of them owned their houses and only four had taken the loan for business purposes.

Of these 17 women, 10 were persuaded by the SHG President to take the loan, 5 were persuaded by family members and 2 did not say. We note that 10 out of 17 i.e. 58.8 percent members took the loan on the persuasion of the SHG President and therefore in these cases we can say that they did not have a genuine or immediate need for the loan or a plan to use it. It is possible that these members could have been included by the SHG President mainly to complete the required quorum. We can also say that 15 out of 17 women or about 88 percent took the loan due to “outside influence”. In case of family members persuading, we can say that the family needs the money and will step in to help repay it when the time comes.

Table 14 Motivation for taking Loan/s According to BPL/Non-BPL Status

Motivation for taking Loan	**BPL**		**Non-BPL**		**Total**
	In Nos.	**Percent**	**In Nos.**	**Percent**	
A-Because you needed it	21	67.74	40	74.07	61
B-Because it was available	8	25.80	9	16.66	17
A and B	2	6.45	5	9.25	7
Total	**31**	**100**	**54**	**100**	**85**

Source: Compiled from Primary Data

From Table 14 we see that a slightly higher percent of BPL members, 26 percent, are taking loans because they are available, where as in case of Non-BPL this tendency is lower at 16 percent of the members.

From the above we conclude that this tendency of taking the loan because it is available is seen to some extent in our sample. Twenty percent of the women have taken loan just because it was available. Although not very high, this figure is not very low either. This is something that needs to be reduced and curtailed.

5.2.3 Defaults

We asked the respondents to give information about their defaults. Only 79 out of 85 loan takers have answered this query. Of these 79, only one member has admitted to defaulting. Of the remaining 78 members, 72 of them have said no defaults and six have not given any response. It is possible that all 6 of them have defaulted sometime. If we assume this, it means that we have 7 defaulters in 85 which is about 8.2 percent. This is not an unreasonably high default rate. The low default incidence in our sample could be because of the fact that a large part of the sample has been part of the programme for only two years.

5.3 Assessing the Time Constrain/Cost for Participating in the SHG Programme

Assessing the time cost of participating in the SHG was done in a slightly indirect manner by us. We did not ask the participants how much time they had to spend in this activity etc. We simply asked them for their own perception of the 'burdens' of participating in the SHG programme. We did not give the women any particular prompt. As Brett (2006 p. 9) says, “Most researches examining the impact of microfinance utilize structured questionnaires designed by investigators to answer specific questions…..while this specificity is necessary these kinds of designs cannot easily accommodate participants' voices”. With the same thought process we have tried to know the experiences of our participants through specific as well as open ended questions in order to understand correctly their perceptions of costs and benefits of participating described in their own words. This specific issue was explored by asking women an open ended question about the 'problems' they experience in participating in the SHG programme. These responses were then analysed and grouped into common categories as shown in Table 15.

Table 15 Problems of Participating in the SHG Programme as Perceived by Participants

Sr. No.	Description	Frequency	Percent
1	Biased Attitude of Presidents of SHGs	7	26.92
2	Irregularity of Meetings	6	23.07
3	Less Time to Devote at Home	6	23.07
4	Improper Handling of Accounts.	2	7.69
5	Initial Trust Issues	2	7.69
6	Information About Schemes Does Not Reach Members	2	7.69
7	Leaders Don't Attend Meeting	1	3.84
	Total	**26**	**100**

Note: Only 31 out of 159 People have answered this question, out of which 5 have answered as "None"(No Problems Encountered)

Source: Compiled from Primary Data

In case of the adverse impact or the problems experienced by the SHG participants, it is to be noted that only 31 of the 159 respondents have answered the question on the adverse impact of the programme and of these 31, five have answered 'No Negative Impact'. Of the remaining 26, we note that the only noteworthy negative impact of the SHG microfinance programme in this sample, as stated by members, is that they have less time to devote to their homes. The other issues stated as problems or adverse impacts are really problems of how their peer group is behaving rather that it being a problem with the programme.

The problem of time cost of participation has been reported only by six women. If we analyse the data for those six women reporting less time to devote at home because of participating in the SHG programme, we find the following: Their ages ranged between 29 to 39 years, their occupations were given by three respondents as farming; of the remaining three, one is a labourer, one is a house wife and one a bank employee. Of these six respondents, only two were BPL. Interestingly, all six were staying in their own houses and their association with the SHG programme was from six to 20 months. Among these six members, only one member, the housewife, has taken a loan which was for business purposes and because she needed it. The others have not taken a loan and from their other details it seems that they don't really need it. They seem to have joined the programme for other reasons. Except one, all the other five have agricultural land ranging from 1.5 to 3 acres. So, on the whole we think that these six participants are not really in the programme because they need the small loans. Though two of them are BPL, they own their houses and one also has some agricultural land. Further, we also note that 6 out of 159 is a very small percentage, about 3.7 percent. So we can say that the time cost of participation has been experienced by a very minuscule number of participants in this sample. Moreover, these six women are deriving various non-monetary benefits from participation like social gathering, finding a support system, source of skill development, training and learning about new products to make and sell and finding a support system to discuss farming issues.

Additionally and importantly it should be noted that none of the 26 respondents have stated any monetary costs imposed by the programme.

6. CONCLUSION

In this paper we tried to focus on the emerging problem areas of the SHG microfinance programme. These are the problems of unnecessary and excessive debt and the issue of transactions cost of participating in the microfinance programme for women. Data from a survey of 159 women microfinance participants carried out in Akole and Sangamner talukas of Ahmednagar district of Maharashtra was analysed. We tried to understand the motivations and purpose of the women in taking SHG loans.

Our hypothesis regarding motivation was that some women have no basic urge to take a loan; they take loans even when they don't need them or have any concrete plan to use it. With respect to this we found that more than 70 percent of the sample women took the loan with a specific motivation and about 20 percent of the women took the loan only because it was available and not with any specific motive . Here there were some differences in the way the BPL and non-BPL women responded. Among BPL women a higher percentage of women, 25 percent, took the loan because it was available and among the non-BPL a lower 16 percent respondents took the loan because it was available.

With respect to the purpose or the end use of the loan, we find that 40 percent took it for business purposes and 53 percent for consumption or personal reasons. In case of BPL women, the percentage of personal /consumption loans was higher at 63 percent and business loans were higher for non-BPL women. A very miniscule percent of the sample took loans to repay earlier loans. Given the above, we can conclude that in this sample there is some amount of unnecessary debt. It is neither very high but neither is it low enough to be ignored. Some way to curtail this tendency or behaviour has to be found out and adopted.

A suggestion in this regard is that SHG membership should be given to women who actively seek it rather than persuading women to take it up. Another way forward would be that the women should be informed about the scheme and the programme and its provisions in detail but thereafter no persuasion should be used to make them join. Automatically those who need it will join. This will ensure better targetting of members and result in better utilization of loans. It will eliminate the non serious members and ensure more efficient use of credit.

Regarding the time cost of participation, we find that only a small number of women have reported this cost. However, we should not neglect this only because a small number of women have expressed this. It is important here to note the way in which we have posed this question; the question was asked as an open ended question about any 'problems' they encountered due to participating. No particular prompt was given to them. Such an open ended question eliciting this response implies that this is a genuine problem or impact of the programme experienced by the participants. Hence, we need to look into ways to reduce this. This problem can be addressed with the use of technology whenever feasible and possible. Women can be taught to use the relevant financial apps on mobiles to pay installments. This could lead to a great deal of savings in their time, money and energy. An alternative inference could be that women who reported this cost are the non- serious participants. Hence, reducing or eliminating the non-serious participants could also reduce this time cost of participation.

In conclusion we note that though microfinance is a financial inclusion programme involving small sums of money, its monetary and social impact is positive and high for rural women. Given this, it should not go towards generating unnecessary debts, defaults and indebtedness. Our study shows that as of now in this sample the problem of unnecessary incurring of debt is small and so is the time cost of participating in the SHG programme. These problems should be controlled before they become large and outweigh the positive impacts. We also note that more research on this with bigger samples and at other places needs to be carried out to confirm or reject these observations and findings.

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