

## **Chapter VIII**

### **CONCLUSIONS AND POLICY IMPLICATIONS**

Micro finance movements have made their presence felt in nearly all areas in India and the world. Though the penetration and outreach of micro finance programmes are more pronounced in rural areas, the programme targeted at the urban poor have also made headway in different parts of India. Research on micro finance delivery and impact has been mainly focusing on rural areas. However, urban micro finance deserves to be critically analysed to bring out the systems and problems so as to help in formulating better policies for effective implementation of the scheme.

This study was conducted to find out the outreach and operational aspects, bank linkage systems and impact of SJSRY in the districts of Uttar and Dakshin Dinajpur. Though a few studies on different aspects on SJSRY were conducted earlier in India, this study has concentrated in the districts of Uttar and Dakhsin Dinajpur. The study has covered different aspects of the scheme SJSRY so as to critically review the systems and problems and the way for rational policy recommendations for the future. The findings of the study are expected to be useful to the Government, bank managers, CDS officials, NGOs and other interested persons who are responsible for the successful implementation of the scheme SJSRY. The study has been carried out at the grassroots level and primary data has been collected through questionnaires, personal interviews, and discussions conducted at group's meeting .Analysis of primary and secondary data and the study of the system, procedures,

linkage with banks, disbursement of funds and utilization, group activities and impact on beneficiaries have revealed several interesting facts. The main findings are reported below:

### **8.1 The Main Findings**

- Though the scheme SJSRY was introduced in the year 1997 in India, the operation of the scheme in the districts of Uttar and Dakshin Dinajpur was started much later in the year 2000 onwards. Analysis of the trend in TCGs in the districts of Uttar and Dakshin Dinajpur has revealed that the number of TCGs have grown at a steady rate during the last decade. In the district of Uttar Dinajpur, the Cumulative Average Growth Rate (CAGR) of the TCGs is 49.59%. Among the municipalities in the district of Uttar Dinajpur, most of the TCGs have been formed in Raiganj and Kaliaganj municipalities. In Dakshin Dinajpur district, the formation of TCGs in Balurghat municipality is higher than Gangarampur municipality. It has been observed that the overall growth of TCGs in the district of Uttar Dinajpur is higher than Dakshin Dinajpur district.

- Steady growth of DWCUA groups has been found in both the Uttar and Dakshin Dinajpur districts. The CAGR in Uttar Dinajpur district is 114.71% and in Dakshin Dinajpur district is 106.99%, which is much more than the CAGR of formation of DWCUA groups in West Bengal. In Uttar Dinajpur district, most of the DWCUA groups have been formed in the municipality of Raiganj and Kaliaganj. In the district of Dakshin Dinajpur, the formation of DWCUA groups in Balurghat municipality is more than Gangarampur municipality.

- Though there has been a substantial growth in number of TCGs and DWCUA groups in both the districts, the pattern of growth has not been uniform in relation to the demographic or geographical areas. While there has been a concentration of groups in Raiganj and Kaliaganj municipalities, the groups in the municipalities of Dalkola and Islampur have been sparsely distributed.

- It was necessary to examine whether the groups formed received the necessary revolving fund. The examination of data over the years revealed that in the districts 50% to 80% of the groups received revolving fund. In Uttar Dinajpur district, 53.71% of the groups have received Revolving Fund and in Dakshin Dinajpur 77.43% groups received Revolving Fund as on 2008-09. Though it is encouraging, yet it has to be perceived that the success of the micro finance schemes depend on timely provision of funds and therefore the rate of disbursement needs to be stepped up. However problems have been noticed in the process of disbursement of Revolving Fund and loans and these need to be corrected.

- It has been seen that in respect of disbursement of Revolving Fund, a growth has been observed in the year 2005 to 2007 in the district of Uttar Dinajpur district. But from 2007 onwards, the growth rate has been declined. In the district of Dakshin Dinajpur, the growth rate of disbursement of Revolving Fund was fluctuating.

It has also observed that the average amount of Revolving Fund per group ranges from Rs. 12,000 to Rs. 19, 000 in these districts. This is encouraging but the trend of average Revolving Fund per group has declined over last three years.

It has been found that a large portion of Revolving Fund is utilized by the members of the group. The percentage of utilization of Revolving fund ranges from 80% to 98% in these districts. The percentage is very encouraging. It indicates most of the groups have the ability to use the Revolving Fund. It has also observed that the maximum limit of Revolving Fund is not enough to fulfill the need of the beneficiaries.

- The DWCUA and TCG bank linkage is very important for the successful operation of the scheme. It has been observed that DWCUA bank linkage in the districts of Uttar Dinajpur and Dakshin Dinajpur is fluctuating. The ratio has steadily grown up up to the year 2007-2008, but in the year 2008-09, the trend of bank linkage of DWCUA has been declined. In case of TCG and bank linkage in the district of Uttar Dinajpur, it was increasing up to the year 2007-08, but in the year 2008-09, it has also declined. In the district of Dakshin Dinajpur, a steady growth of bank linkage in case of DWCUA and TCG both has been found during last 4 years. The percentage of DWCUA bank linkage ranges from 50% to 80%.

- Regular conduct of meeting is one of the important conditions for successful operation of the scheme. It has been seen that in 84.93% cases, at least one meeting is held per month where the decision is taken by all the members regarding group activities. In 72.93% cases, all the members attend the meeting and in 21.39% cases more than 75% members present in the meeting. The situation is satisfactory. This is a healthy sign as regular conduction of meeting and good attendance is factors which contribute to cohesiveness and make groups sustainable.

- It has been seen that in most of the cases, the group keeps cash books, Resolution books, and other ledgers which is necessary for smooth operation of the groups.

- It has been found that the monthly contribution of the beneficiaries ranges from Rs. 10 to Rs. 50 and above. In 48.47% cases the members contribute Rs. 10 per month and in 14.41% cases Rs. 20 per month. This mechanism has created savings habit among the members of the group.

- The group members have been found to take loans from the group corpus and use the money for different purposes. It has been observed that in 53.96% cases, the beneficiaries used the amount of loan for their own business purposes. It has been also observed that the maximum amount of loan has been used for extending the existing business of the beneficiaries. The beneficiaries take loan from the group corpus through out the year. The demand of the loan is increasing day by day. In many cases the fund available is less than the demand of loan. It has been found that the maximum amount of loan, which was given to the members, ranges from Rs.5000 to Rs. 15000 per member per year. It is to be mentioned that the inter loaning was only restricted within the members of the group. The outsiders were not allowed to get loan from the group.

- The rate of interest charged in case of inter loaning is 2% per month. In many cases it has been found that the interests earned by the group by inter loaning operation among the members distributed among the members at the end of the year. The members paid the loan installments on monthly basis (maximum 10 installments). It has been seen that in 83.96% cases the beneficiaries paid the loan in time.

- The inter loaning facilities has reduced the habit of taking loan from private sources or moneylender. It has been seen that in 81.05% cases the beneficiaries take loan from banks and only in 14.42% cases the beneficiaries take loan from moneylenders.

- Loans from banks and inter loans have helped in removing the credit constraint of the beneficiaries and a large number of them are engaged in micro entrepreneurial activities like grocery, goatery, piggery, soft toys making etc. Though these micro entrepreneurial activities cannot guarantee large incomes, yet it is a contributor to their livelihood.

- It was found that the members are transacting with the bank more successfully than before. The scheme has increased the confidence of the group members regarding activities of the business. It also helped the members of the group to learn to deal with bank transactions. More than 90% beneficiaries can operate bank transactions in these districts

- The beneficiaries argued that the bank takes long time for processing the application, sanctioned lesser amount of loan and also rejects many applications for loans. The bank managers argued that these irregularities do not occur due to their fault. During the study, it has been found that the banks were not able to fulfill the expectations of the beneficiaries and the CDS officials regarding their services in respect of different attributes. This has been shown by using SERVQUAL Analysis.

- It has been observed that the members of the group were very poor and they have to work elsewhere for their livelihood. In spite of that, time was not any

constraint to the members of the group. It indicates that the members have time to spend for the group activities.

- It has been seen that due to introduction of the scheme SJSRY, regularity of work, access to loan, assets held by beneficiaries, group corpus and monthly savings of the beneficiaries have positively changed the economic position of the beneficiaries. The same positive change has been found in case of social indicators like prestige of the beneficiaries at home and in society, decision making at home and in society and self confidence of the beneficiaries at home and in working place. As a whole introduction of the scheme has changed the socio economic status of the beneficiaries in the districts of Uttar and Dakshin Dinajpur.

During the course of the study some relevant hypotheses have been formulated .The set of hypothesis which have been statistically tested draw from the main presumption of the study as to whether urban micro finance delivery system in the districts of Uttar and Dakhain Dinajpur have been effective in outreach, delivery systems, service provision and impact. The following are the hypotheses tested.

I ) To examine whether the groups formed depend on population, area and number of CDS. For this purpose it was hypothesized that:

*Ho: The numbers of groups formed do not depend on area, population and CDS*

*H1: The numbers of groups formed depend on area, population and CDS*

In this case the null hypothesis was accepted.

II) To examine whether the commercial banks have fulfilled the beneficiaries' expectations regarding quality of services. For this purpose it was hypothesized that:

*Ho: There will be no difference between the qualities of service of the banks as expected by the beneficiaries and as perceived by the beneficiaries*

*H1: There will be difference between the qualities of service of the banks as expected by the beneficiaries and as perceived by the beneficiaries*

In this case the null hypothesis was rejected.

III) To examine whether the commercial banks have fulfilled the CDS officials' expectations regarding quality of services. For this purpose it was hypothesized that:

*Ho: There is no difference between the expectation and perception of the CDS officials regarding the services provided by the banks.*

*H1: There is difference between the expectation and perception of the CDS officials regarding the services provided by the banks.*

In this case the null hypothesis was rejected.

IV) To show whether the scheme SJSRY has changed the economic status of the beneficiaries. For this purpose it was hypothesized that:

*Ho: There will be no change in economic indicators due to micro finance intervention*

*H1: There will be positive change in economic indicators due to micro finance intervention*

In this case the null hypothesis was rejected

V) To show whether the scheme SJSRY has changed the social status of the beneficiaries. For this purpose it was hypothesized that:

*Ho: There will be no change in social indicators due to micro finance intervention*

*H1: There will be positive change in social indicators due to micro finance intervention*

In this case the null hypothesis was rejected

## **8.2 Suggestions**

- The scheme SJSRY was introduced in December, 1997. But it was seen that no real effort was given by the Central Government as well as State Government in the initial years to serve the urban poor people. From the year 2000 onwards real efforts were given and the scheme has began to roll. Due to the lack of initiatives in the beginning years, people have been deprived from getting the benefits of the scheme in the initial years. Though this loss of these years cannot be made up regarding the quantitative targets, yet this loss can be some what made up if the groups formed in the later stages are matured properly and are made sustainable.

- Urban poverty is manifested in all municipal areas of the districts of Uttar and Dakshin Dinajpur and should have been targeted for formation of beneficiary groups uniformly. However concentration of groups without having regard to the demographics and geographic areas speak of improper planning. There is an immediate need to recast the planning procedures and target setting for different

wards in municipalities to ensure uniform distribution. Unless this is done, the benefits of micro finance will not percolate uniformly to the urban poor in the districts.

- Disbursements of Revolving Fund to groups have been growing at a steady rate. However, when the statistics that are revealed in this study show that on an average 60% to 65% of the groups have received Revolving Fund, it clearly suggests that more efforts should be taken up by the municipalities, CDSs and banks to release the funds to more groups on time. Since Revolving Fund is the cold money which gets added to the warm money of the groups to form the group corpus, the groups which do not receive the Revolving Fund on time may die out due to lack of credit. Hence the procedures for release of Revolving Fund should be made simple and time bound.

- The average amount of Revolving Fund per group has shown a steady growth till the year 2007 and there after it started declining. Though the numbers of formation of groups have been increased and more numbers of groups have received Revolving Fund, the disbursement of amount of Revolving Fund should be increased for successful operation of the group.

- At present Revolving Fund is allotted @ Rs. 2000 per member subject to maximum of Rs.25, 000 per group. A proposal has come from the Government to increase the amount of Revolving Fund in West Bengal. The proposal should be immediately implemented as early as possible to arrange more funds for the beneficiaries.

- Utilization of Revolving Fund in the district of Uttar and Dakshin Dinajpur ranges from 70% to 90%. Apparently the overall utilization rate is satisfactory. But the

percentage of utilization has not shown uniformity in the municipalities. The uniformity in utilization is necessary for fulfilling the objectives of the scheme SJSRY. However, the Revolving Fund can only be used for business purposes. A proper monitoring system be implemented to watch the utilization of Revolving Fund.

- The bank has to play an important role for the success of the scheme SJSRY. The beneficiaries faced the hindrances due to longer time required for processing the loan, granting lesser amount of loan than the application, rejection of loan applications by banks. It has also been found that the banks have yet to fulfill the expectations of the beneficiaries and the CDS officials regarding their services to the beneficiaries in respect of different attributes. So, the banks should come out to solve these problems and extend their helping hands to make the scheme a success. The SJSRY guidelines should be specific about the amount of loan to be sanctioned at different stages.

- Awareness programmes should be organized by the banks so that the linkage operations can be smooth and the bankers can guide the beneficiaries in a better way. The banking under SJSRY programme is a “win-win” situation. The beneficiaries benefited from banks through loan without collateral and the bank also benefited by excellent recovery rate and opening accounts in the name of the groups instead of the individual account.

- Though the group members have joined the group under the scheme SJSRY, but many of them are not well aware about the objectives of the scheme. The appreciation of the members about the scheme should be increased through continuous awareness building, capacity building and monitoring programmes.

- In most of the cases, it has been found that the interest rate in case of inter loaning is much higher than the bank interest rate. Usually it is 2% to 3% per month which translates to 24% to 36% per annum. On the first glance the interest rates seems to be too high and put a burden on the beneficiaries. However, the interests earned from the members are added to the group corpus. Again in many cases, the interest earned by the groups by inter loaning operations has been distributed among the members of the group. So, the real interest becomes much lower than the prescribed rate. This practice should be followed by all the groups to encourage the beneficiaries to take more loans for their business as well as to increase their income from interest as group member.

- In most of the cases the beneficiaries have to repay the inter loaning installments in about 10 installments. The duration of repayment is short .If the number of installments can be increased, it would reduce the pressure of repayment to the beneficiaries.

- In some cases the banks are situated far from the beneficiaries. In this case, reaching at the bank is very expensive and time consuming for the beneficiaries. The beneficiaries cannot reach at the bank in time. And transacts business within banking hours. It would be very helpful for the members if the mobile bank facilities could be extended in these areas or banks could set up disbursement and collection campus in the wards which are at a considerable distance from the banks.

- The conduction of regular meeting and active participation of the members are very important for success of the scheme. The rate of conduction of meeting and the attendance of the members are satisfactory in these districts. A group remains

cohesive and can spell out productive ideas only if all members take active part in decision making process. The group leader and CDS officials should take up active roles and make the members of the group aware about the benefits of collective decision making.

- Most of the beneficiaries contribute monthly Rs. 10 each as own contribution. At the initial stage of the group, when savings habit has been growing up among the members, contribution of Rs.10 per month is satisfactory. But with the maturity of the group, the monthly contribution per member should be increased if the members take up economic activities and earned enhanced income. The higher savings would lead to a higher group corpus and thereby increase the investment base for micro enterprises.

- The target of Micro Finance Programme delivered under SJSRY aims at self employment in micro enterprises owned and operated by the beneficiaries. The growth in the number of groups in the areas under the study is laudable. However care has to be taken in judging the success of the programme not only from quantitative aspects but also from their economic viability and sustainability. So, the target must not be based on only quantity of the groups formed or the quantum of credit disbursed or the amount of subsidy released but also the number of matured quality group.

- Change in economic and social indicators indicate socio economic empowerment for the women beneficiaries. The SJSRY Programme has to be continuously monitored for its policy and operational aspects so that the programmes keeps up with the requirements of the changing environment and the micro financing system for the micro enterprises contribute to their sustainability. Only a sustainable

urban micro finance system can contribute to long term socio economic empowerment of beneficiaries.

### **8.3 Epilogue**

It is said that when motives are pure, misfortunes are less. The Indian economic history has been replete with schemes for poverty alleviation being introduced with a lot of fanfare and withdrawn within a short span of time. It is expected that such will not be the fate of SJSRY as the motives and operational policies with which it has been framed are radically different from earlier schemes. The principle that multiple credit injections follow thrift, is bound to inculcate an element of fiscal discipline in the microfinance beneficiaries. Further, pursuing economic activities in a group, rather than as an individual not only enhances the capabilities of the members to operate on larger scales, but also builds up synergies that prop their socio economic status. The study has attempted to delve into various operational and policy aspects of the scheme and come out with comprehensive suggestions and recommendations with a belief that if they are seriously considered and implemented by the appropriate agencies it may contribute to designing a more effective micro finance delivery mechanism through SJSRY.

However, the field of urban micro finance being diverse in nature requires enquiries into many other aspects. Therefore, there exists the scope for future research not only into impact in the next five or ten years, but also into sustainability of the beneficiary groups. It is imperative that when beneficiary groups remain in existence and build up their capabilities, the benefits of socio-economic empowerment can automatically flow in. Again to remain sustainable, the groups need to find markets

for their produced goods and sell them at prices which can give reasonable profits. Therefore the issues of sustainability, which includes physical as well as financial sustainability, attrition from groups and reasons there of, problems in marketing etc. can be explored by future researchers. Finally, only recommendations, rules, regulations and guidelines cannot serve the purpose. It is also a matter of deep feeling and emotion for the poor and downtrodden and also a mission where sincerity, dedication and tireless efforts can really be fruits .It is a sincere belief that the right combination of regulations and devoted efforts of concerned officials can make SJSRY the largest successful urban micro finance programme operating in India and in the world.

\*\*\*\*\*