



A case study on non-banking financial institutions and Women empowerment

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Abstract: Women of SHGs have get awareness through participation in socio and economic activities. Increasing economic status ultimately changes the role of women in family as well as outside in decision making. The role of women ultimately effects on family expenditure, child education, family planning, and environment etc. The awareness camps of NBs also extending this regard. However, the study suggested that mere financial assistance does not help the sample women many of whom do not possess any prior experience in the production activity. Therefore, it is recommended that they should also be provided with institutional support, like training, marketing and information on available latest technology.

Keywords: government, Women, non-banking

Introduction

After independence, the government of India has introduced a number of legislations and employment generation programmes to enlarge lifestyle of the disadvantaged groups. Among them, *micro finance* providing small amount of credit to the Self Help Groups has drawn the attention in the country with recognized as anti-poverty programme. The empirical literature on the outreach of micro finance, a positive improvement has found in the life style of the respondents. In this context the present study conducted with the following objectives and methodology. The study has concentrated on the impact of non-banking financial institutions through SHGs in the study area.

Objectives and methodology of the study

The government alone may not be covering all the financial requirements of SHGs in a stipulated time. Therefore, they depend on other private organizations for financial support which provide as call money.

Keeping this mind, the study tries to find out the role of non-banking financial institutions (NBs) in this regard. Now-a-days majority of the SHGs have participating in IGA with local available resources and attaining returns at certain level. The study concentrated on this view to find out the income, employment expansion and their contribution to the family in the study area. Finally, some policy implications have tagged at the end.

The study has been conducted in Kakinada Rural Mandal, East Godavari district of Andhra Pradesh. Primary data has randomly collected from 50 members of Self Help Groups from the 5 villages who have assisted NBs for the last 5 years. Secondary data has collected from concerned departments, various journals and newspapers

Percentage growth change model as mentioned below is used in the analysis.

$$X = \frac{(C_m - C_p)}{C_f} X_{100}$$

Where, X indicates the change in percentage growth of employment,



C_m = Current employment status
 C_f = Previous employment status

Mean and percentages are used at appropriated places in the study. Cross section analysis method is followed in table explanation.

Evolution of micro finance market:

Micro credit is an old phenomenon and began formally with the nationalization of commercial banks in 1969 and gained strengthen after the introduction of Regional Rural Banks in 1975. Later IRDP taken momentum through provide micro finance under poverty alleviation programmes in 1980s. The programmes provided finance to individuals but not groups. This system was expended till the early 1990s but failed to reach the poorest due to many reasons like improper utilization of credit, gender inequality, improper identification of borrowers, lack of manual trust etc. Mean while group approach (SHGs) of micro finance has identified as a noble mechanism for empower the disadvantaged women.

Micro credit to SHGs in AP

In Andhra Pradesh, all SHG women were covered under micro credit with a saving of a rupee per day and the financial institutions extending loans up to 4 times to the amount of group savings. Besides the matching grant, Interest Subsidiary (Pavala Vaddi) Scheme was started during the year 2004-05 with an objective of providing loans taken by the SHGs under Bank Linkage Programme.

Non-banking financial institutions

Along with the government institutions, some of the private organizations, NGO are also contributing

their role in expanding the finance to the SHGs which is identified in the study area. The notified NBs providing loan in the study area are - ASMITHA, SPANDANA and SWAYAMKRISHI.

Expansion of SHGs in the study area

Rural women in East Godavari District who has BPL has occupied the first with 59,000 groups in the state and benefiting the rural poor women from the scheme. Almost all (except very few) groups have taken Micro finance and successfully running the Income generating activities. As far as Kakinada Rural Mandal (Study area) is concerned, there are 1428 SH groups (2.42 percent in total SHGs of the district) and approximately 2.20 lakh members are benefited.

Empirical analysis of the study:

a. Socio-economic characteristics of the sample households:

To analyze the study, sample size of 50 households was selected on random bases. Among the respondents 70 percent are literates. The average size of the family is 4.5 members and the average working members in the family is 1.75. Large size of the family and few of earning members shifts burden on women of the family.

b. IGA and Income particulars of Respondents:

The average income earnings and contribution of the respondents before joining SHG is five percent to the total family income and it is increased to above cent percent recorded by 11.11 percent to the total income of the family. The major income generating activities of the SHGs



in the study area is cloths business, Kirana, petty cash, small hotels, Fish vending and vegetable vending. All most all the activities are conducting at micro level at meager amount. Out of 50 samples house holds 50 percent of respondents are working under cloths business followed by fish vending (20 percent), vegetable vending (10 percent), and hotel (10 percent) before joining SHG. Meanwhile, there is a change in occupation from one activity to anther activity when they have joined in SHGs. The working activities of respondents

after joining SHG shifted and cloth business members increased to 52 percent and followed by fish vending, kirana, hotel, and vegetable vending.

c. Work mobility and Employment:

The impact of SHG can easily identify from the change in working days and earnings. It is identified from the tabe-1 that the percentage growth change in working days is recorded at significant level in all activities.

Table -1 Income generating activities before and after joining SHGs

Son	Activity	SHG Member Ship				% growth in Working days	
		Before		After			
		No	%	No	%		
1	Vegetable vending	5	10.0	2	4.0	57.14	
2	Cloth business	25	50.0	26	52.0	53.13	
3	Kirana/ petty trade	5	10.0	7	14.0	14.29	
4	Fish vending	10	20.0	10	20.0	23.81	
5	Hotel	5	10.0	5	10.0	55.56	

Source: field survey

About 57.14 percent of growth in working days is increased in vegetable vending and followed by 53.13 percent in cloth business, 55.56 percent in hotel industry, fish vending 23.81 percent and 14.29 percent in kirana/ petty cash according to the study.

d. Credit Facilities and Repayment particulars:

The credit procured for the above income generating activities by 3 ways namely banking, group saving amount and NBs. As assumed in the study, NBs have major role in providing credit facilities recorded by 41.20 percent to the total loan received by respondents. Banks

provided 19.39 percent and SHGs were 39.42 percent respectively in the study area. On the other hand the average loans provided by banks are Rs.6000, SHGs covering Rs.12, 200 and NBs lending 12,750. Interestingly, all the respondents have taken loans from the above three sources. However, the non financial agencies still dominated even in the present scenario of the governments concentrating more on women.

The performance of any programme can be identified by repayment of loan taken by the organization. A significant loan recovery have made by financial institutions in the study area.



Table- 2 Role of NBs in financing and repayment particulars (Rs in rupees)

Source of finance	Loan		Regular Repayment (%)
	Average loan sanctioned	percentage	
Banks	6,000	19.39	64.0
SHGs	12,200	39.42	80.0
NBs	12,750	41.20	92.0
Total	30,950	100.0	-

Source: field survey

About 64 percent of the respondents have paid loan installments properly to the banks, 80 percent to the SHGs and 92 percent to the NBs.

The reasons behind irregular payment by the respondents are due to use of loans for domestic purpose (20 percent), ill-health of the family (10 percent) members and use loans to long outstanding loans (8 percent).

Reasons for selecting NBs for credit:

Banks is major source for finance in general to all the organization. However, there are some institutional constraints in providing loan to the poor like lack of sufficient security in terms of properties etc. The SHGs have also facing some problems from bank officials when sanction of loan in stipulated time and sufficient amount when they required. That is the reason why, the group members depending on other NBs which are attracting the public more and the following also to select the NBs for credit. Reasonable interest rate compared to market interest rate, (opined by 50 percent of the respondents) no need of

surety (20 percent), flexibility in repayment (10 percent) and easy getting loans (10 percent) are major cusses to select the NBs for credit facility.

Conclusion and policy implications:

No doubt to say that women of SHGs have get awareness through participation in socio and economic activities. Increasing economic status ultimately changes the role of women in family as well as outside in decision making. The role of women ultimately effects on family expenditure, child education, family planning, and environment etc. The awareness camps of NBs also extending this regard. However, the study suggested that mere financial assistance does not help the sample women many of whom do not possess any prior experience in the production activity. Therefore, it is recommended that they should also be provided with institutional support, like training, marketing and information on available latest technology.



Table- 3 Superiority of NBs and causes for irregular payment of loan

Sl.No.	Reasons	No. of Respondents	Frequency
A .Selecting NBs			
1	Low interest	25	50.0
2	No- need of surety	10	20.0
3	Essay Repayment	5	10.0
4	No-pressure	5	10.0
5	Essay procedure	5	10.0
B. Irregular payment			
1	Domestic use	10	20.0
2	Medical purpose	5	10.0
3	previous loan clearance	4	8.0

Source: Field survey

Respondents should be encouraged to venture into more diversified and remunerative activities which would raise their earnings, and thus their savings too. Strict supervision should be maintained the concerned bank officials on the proper utilization of finance for productive purpose; it can avoid diversion of funds for other purposes. They should also be strictly made to utilize the SHG credits for productive purposes alone. Further, training relating to the activity chosen should be imparted. Controlling on private loans sometimes lead to dent trap. Therefore sufficient care and supervision is to be needed by government authorities. Above all may useful to effective implementation of the scheme, poverty alleviation and empower the rural poor women.