

NGO-MFIs and their Socio-Economic effect on SHG members

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ABSTRACT - The microfinance initiative of the government aims at developing income generation activities, entrepreneurship and reduction of poverty their core objective. It is expected from microfinance movement that this will bring secluded and marginalised to the mainstream and have positive impact on their economic and social conditions. The micro finance programme is useful only for those having additional resources to start-up venture not for those who are living on emergency situations.

Non-Government Organizations (NGOs), with core objective of development and upliftment of society are working since ages. Recently they have come forward in microfinance especially after the NABARD initiative in year 2000. Being non-government, non-profit organisation they are believed to play an important role fair extension of credit to the eligible borrowers. The NGO microfinance institutions in India are coming up as an important credit provider. These organisations besides extension of credit provide other services for the social upliftment of their beneficiaries. So it has become crucial to understand the role played by NGO microfinance institutions and its impact on beneficiaries.

Keywords:

Microfinance, Non-Government Organizations, income generation, economic & social impact

I. INTRODUCTION

Microfinance refers to the extension of small amount of loans generally below fifty thousand to the borrower for the purpose of income generation activities. Microfinance aims to generate income, employment and reduce poverty in developing countries. This eventually, improves the standard of living of society and have positive social impact on individual, society and country as a whole. (Nilam R., Ganga. D., Mahima. G., 2017).

A large number of micro-finance institutions are functioning all around. In case of Uttar Pradesh there are more than hundred such microfinance institutions. It has become crucial to monitor the impact of these organisations on the borrowers. The issues with microfinance are improper distribution of funds, low or no repayment, improper utilisation of funds and corruption. It is important to understand that microfinance is not only restricted to extension of credit but the proper utilisation of credit.

Non-Government microfinance institutions in India are playing a key role in formation of self-help groups (SHGs), providing assistance to the SHGs by way of continuous monitoring, linking them to the banks and assisting them in timely access to funds. Self-help group movement was initiated by the NABARD in INDIA around two decades

back. The objective was to encourage income generation activities and savings among the poor women. Women constitute almost half of the country's population. It is essential to utilize them as a resource that can contribute generously to economic growth of country. The purpose of microfinance movement and recognition to self-help groups by the government is to utilise the idle resource of the country that have potential to brings their contribution to the family income which leads to economic empowerment of them. Besides economic empowerment many social issues can be resolved by making women financially independent. Considering this objective many non-government organisations are coming up in microfinance. The non-government micro-finance institutions formulates the self-help groups in rural and urban areas; provide them initial training by way of training programme for a period of six months to one year. They also provide counselling and guidance to the member. As capacity building of self-help group is key challenge for the government and agencies that can be resolved with the involvement of non-government organisations. The present study is an attempt to access the various assistance provided by the non-government organisations and its impact on the members. Non-government microfinance institutions are playing a key role in capacity building and sustainable development

of self-help group members. The training programme of microfinance institutions includes mostly accounting, marketing, selling, skill development, communication skills, meeting officials etc.

II. LITERATURE REVIEW

Barry et al. (1996): states that Micro finance plays crucial role in making people self-sustained and financially viable. They have high potential to attract resources and provide services to the clients. Still only 2% of small entrepreneurs have access to the services of micro finance.

Ngozi G. Iheduru (2002): explained about the ways in which microfinance programmes, both government and non-government, have driven financial sustainability and integrated community development among women in Nigeria. He concluded that the aim of micro-finance is to provide access of financial services to poor for sustainable livelihood. Micro credit and micro finance has played an important role in rural development and poverty alleviation.

Vincent. Guy (2002) has emphasised on the concept of Sustainable Micro entrepreneurship in developing countries. Despite several challenges ahead in the emerging micro finance industry, the process of sustainable micro entrepreneurship combine to provide a potential relief to the poverty crisis of the 21st century, and the a sustainable future.

Suharko (2007) made a comparative study of the role of NGOs in poverty reduction in Indonesia and India. He found that the involvement of NGOs in Micro-Finance sector has shown positive results in developing countries. In order to address the limitations and to enhance their performance, NGOs have to deal with some challenges: strengthening local institutions and linking them with supra-local level of development agencies, scaling up their innovative development program, building synergy with the government and the private sector, and engaging in advocacy for pro-poor development policy.

Baruah Bipasha (2010), while addressing issues of non-governmental organisations, states that despite worldwide enthusiasm about micro finance and micro credit for the development and financial inclusion of poor, there is little focus on the effectiveness of NGOs in development.

Rajendra.K, Raya R.P. (2011) has narrated the role of NGOs in delivering microfinance through self –help groups (SHGs). They concluded that Non-governmental Organisations play a vital role in motivating and helping rural women to form Self-Help Groups.

Biswas P Manju, Mohan M R Rao (2014) explained about the role of non-governmental organisations in empowering women. The findings of the study revealed that the Indian Micro-Finance sector has shown significant growth during the twenty first century. Overall they have become more productive and profitable, but they have lost their objective of providing accessibility of finance to poor and excluded ones.

Naeem Abdul, S. Faqir, Muhammad Jan (2014) states that the positive result have been recorded on beneficiaries of Micro finance in respect of entrepreneurial development, financial securities and resources as compared to non-beneficiaries. Though there is no positive social impact of micro finance. So, micro finance empower women more economically than socially.

Karuppannan, Rajendran, (2014) has conducted empirical study on the role of NGOs in micro finance. The study was conducted in Vellore district of Tamil Nadu. He concluded that the NGOs play an important role in formulation of SHG and linking them to Banks. They help SHG by arranging credit for them and training them in income generating activities.

Research gap: The available research in microfinance mostly discusses the economic impact, disbursement of credit, income generation. The study fails to identify the various support extended by non-government institutions and its impact on the beneficiaries.

III. RESEARCH METHODOLOGY

• Type of research

The nature of the research used for the study is descriptive research to understand the real scenarios of microfinance activities at the grass root level and also to test the hypothesis formulated for the proposed study.

• Universe of Study

The universe study consists of individual SHG members. At Lucknow district, there are about 100 NGOs out of which there are 15 NGOs which are directly associated with microfinance. The universe of the study is all the SHG members of the NGOs selected for the study.

Population area	:	Districts Lucknow of Uttar Pradesh
Age group	:	18-45 years
Respondent type	:	Self- Help Group members associated with NGO-MFIs

• Sample Size

Out of 15 registered NGO-MFIs at Lucknow, 2 are considered for the purpose of present study. The sample size is 20 beneficiaries from each selected NGO-MFI, which will count to sample size as 40.

• Sources of data and data Collection method

The study is based on both the primary and secondary data. The secondary data is collected from annual reports of NGOs, their websites, manuals and magazines The primary data is collected through interview schedule designed by the researcher. Two separate set of interview schedule is prepared one for NGOs and other for the beneficiaries. Besides interview schedule, general discussion and observations method is also used.

In order to find out the impact of microfinance intervention ‘before’ and ‘after’ approach being utilised. Questionnaire is designed to collect the relevant data from the beneficiaries of non-government institutions ‘before’ and ‘after’ the intervention of microfinance programme.

Hypothesis

- H₀: There is no inter-linkage between contribution of NGO-MFIs and socio-economic development of women.
- H₁: There is a significant relation between contribution of NGO-MFIs and socio-economic development of women.

IV. RESULTS

• Economic Impact Assessment of Non-government Microfinance Institutions on Women Entrepreneurs

The core objective of microfinance programme is to rise in economic aspects of the borrowers. The parameters considered to judge the economic impact are personal income, type of house, household durables, household saving and days of employment.

Table.1. Mean scores on each of the parameters for measuring Economic Impact on members before and after joining MFIs.

Economic Impact & Income Generation	Mean score Before	Mean Score After
Business Income	2.73	2.75
Type of House	1.20	1.85
Household Durables	1.30	1.98
Savings	1.28	2.28
Days of Employment	2.28	4.33

Source: Primary

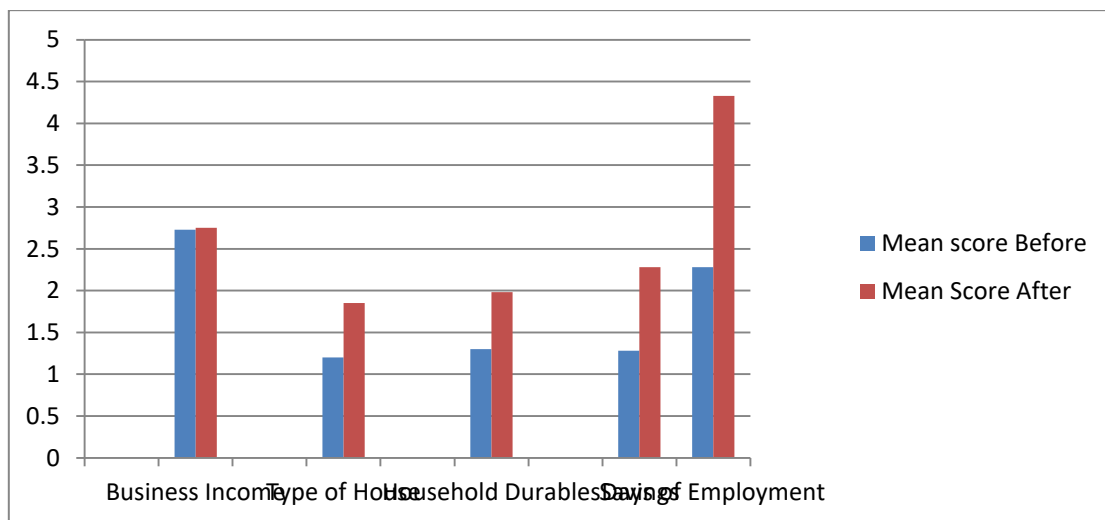


Fig.1. Mean scores on each of the parameters for measuring Economic Impact on members before and after joining MFIs.

This can be observed from above table and fig. that the economic impact of non-government microfinance organisations on its beneficiaries is positive in most of the cases. Though there is no significant improvement in their business income.

This can be verified by utilising statistical tool. For the evaluation of pre & post responses of sample paired t test is preferred. Hypothesis being formulated for the statistical testing.

Null hypothesis (H₀):

There is no inter-linkage between contribution of Non-government microfinance institutions and economic growth of members.

Alternative hypothesis (H_a):

There is an inter-linkage between contribution of Non-government microfinance institutions and economic growth of members.

The result of paired samples t-test is given below

Table.2; Paired Sample t Test on different parameters of economic growth

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Business income_Before joining MFI - Business income_After joining MFI	.575	.501	.079	.735	-.415	7.264	39	.000
Pair 2 Type of house_Before joining MFI - Type of house_After joining MFI	.25	.276	.044	.063	.113	.572	39	.000
Pair 3 Durables_Before joining MFI - Durables_After joining MFI	.675	.474	.075	.827	-.523	9.000	39	.000
Pair 4 Savings_Before joining MFI - Savings_After joining MFI	1.000	.506	.080	1.162	-.838	12.490	39	.000
Pair 5 Days employed_Before joining MFI - Days employed_After joining MFI	2.050	1.239	.196	1.654	2.446	10.462	39	.000

Tool utilised: SPSS (version 20)

For each of the parameters chosen for measuring Economic Impact on the members, it is observed from the above table that P value (0.00) < 0.05. Therefore, the corresponding t-value is significant at a 5% and at df= 39. Table value of t at 39 degrees of freedom at 0.05 level of significance is 2.023. Here the calculated value of t at certain parameters (business income, household durables and type of house) at degree of freedom 39 is less than the table value of t at 0.05 level of significance. Hence null hypothesis is accepted. There is no significant improvement in the business income, household durables and type of house of SHG members after joining MFIs. Whereas calculated value of t is more than table value of t for the parameters; savings and days of employment. Hence null hypothesis is rejected. There is significant improvement in the savings and number of days employed after joining MFIs.

• **Social Impact Assessment of Non-government Microfinance Institutions on Women Entrepreneurs**

The non-government organisations have been working for the social cause since their existence. After entering to microfinance sector they continued social causes along with economic factors. They extend their help to their member by providing training, counselling and guidance services.

In order to analyse the social impact responses are collected from the sample on various parameters attending social meetings, recognition in society, awareness for social causes and ability to take up social issues. The mean scores obtained from each of the parameters for the situations before and after joining the MFIs are given below in the following table:

Table.1. Mean scores on each of the parameters for measuring social impact on members before and after joining MFIs.

Social Awareness and Responsibility	Mean score of Sample MFI	
	Before	After
Attending social /village/panchayat meetings	2.20	4.48
Recognition in the society	1.90	3.80
Social awareness (AIDS, family planning, government schemes etc.)	1.65	4.50
'Ability to take up social issues like abuse, violence, drugs, alcoholism etc.)	2.53	4.28

Source: Primary

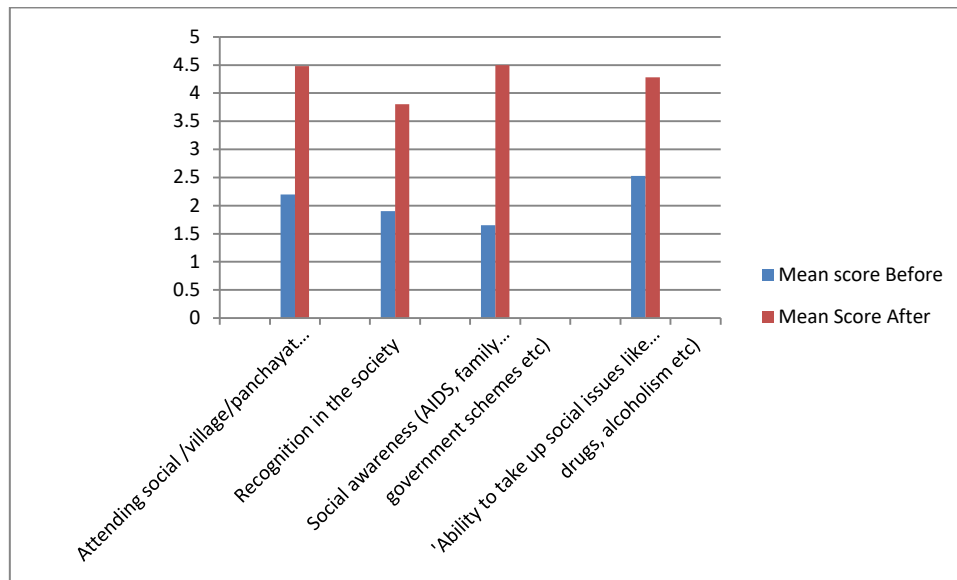


Fig.2. Mean scores on each of the parameters for measuring social impact on members before and after joining MFIs.

From the above table and fig. it can be observed that there is a significant improvement in all the parameters for assessing social impact. In order to verify the result the statistical tool is utilised and hypothesis being formulated.

Null Hypothesis (H0)

There is no inter-linkage between contribution of Non-government microfinance institutions and social development of members.

Alternative hypothesis (Ha):

There is an inter-linkage between contribution of Non-government microfinance institutions and Social development of members.

Table.4; Paired Sample t Test on different parameters of social development

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	Social Recognition_Before joining MFI - Social Recognition_After joining MFI	1.900	632	10.0	2.102	1.698	19.000	39	.000
Pair 2	social Awareness_Before joining MFI - social Awareness_After joining MFI	2.850	770	12.2	3.096	2.604	23.421	39	.000
Pair 3	social Evils_Before joining MFI - social Evils_After joining MFI	1.750	809	12.8	2.009	1.491	13.688	39	.000
Pair 4	Village meetings attended_Before joining MFI - Village meetings attended_After joining MFI	2.275	679	10.7	2.492	2.058	21.194	39	.000

For each of the parameters chosen for measuring Social Impact on the members, it is observed from the above table that P value (0.00) <0.05. Therefore, the corresponding t-value is significant at a 5% and at df= 39. Table value of t at 39 degrees of freedom at 0.05 level of significance is 2.023. Here the calculated value of t at all the chosen parameters to assess social development of members at degree of freedom 39 is more than the table value of t at 0.05 level of significance. Hence null hypothesis (H0) is rejected and alternate hypothesis (H1) is accepted. There is a significant improvement in the factors of social

development after the intervention of microfinance programme.

V. DISCUSSION

Socio-Economic Impact on members after the intervention of microfinance programme

- *Economic empowerment of members:* There is a significant improvement in the economic empowerment indicators such as savings and days employed whereas MFIs fails to improve significantly the other parameters such as business income, housing type and household

durables which is considered as core objective of microfinance programme. The reason is lack of financial assistance to these non-government organisations by the government. The frequent change of government and so change in priorities adversely affect these organisations

- *Social empowerment of members:* There is a significant improvement in social empowerment indicators of sample members after the intervention of microfinance programme.

Profile of sample beneficiaries:

- **Gender composition:** Out of 40 sample members, 96.7 per cent of members were women and only 3.3 per cent were men. Thus most of NGO-MFIs targeted to women.
- **Age of member:** The average age of sample members under the study was about 36 years.
- **Literacy Level:** Majority of the group members were under matriculate. Majority of members of rural area were having educational qualification less than 8th standard.
- **Marital status:** It was found that majority of the members were married. About 5per cent of the samples were divorced, separated, unmarried and widow.
- **Family or spouse main occupation:** Majority of spouse of the group members were engaged in small business and also helped in the income generating activity of the member.
- **Category or caste status:** It was found that majority of the members belong to OBC category followed by GEN and SC category.
- **Location of Members:** About 43.3 per cent of the sample members are located in rural areas whereas about 10 per cent of members are located in semi-urban and 46.7 per cent of members are from urban areas.
- **Housing status:** It was found that majority of the members were having own katcha house and semi-pucca house showing better housing in rural area whereas in urban area most of the houses are pacca and rented.
- **Agricultural land holding:** It was found that the members are having agricultural land below 2 acres. About 85 per cent of members did not have any land. Members of rural areas had relatively better holding of agricultural land.
- **Family size and Number of child:** The average size of the family of the group members was found to be 5-6 members. The study revealed that most of the members are having 1-2 numbers of children in urban area whereas in rural area average number of children is 4-5.

LIMITATIONS OF THE STUDY:

The present study is restricted to the Lucknow city of Uttar Pradesh due to limitation of time and resources. In the present research study only Non-government micro finance institutions has been studied and other modes of micro finance are not studied. The study is specific to women entrepreneurs. So the findings of the work cannot be generalised to the other parts of the state or country.

VI. CONCLUSION

Recently many non-government microfinance institutions have taken additional role of extending credit, providing banking and insurance facility to the member besides their core activity of social development. The present study revealed that though there is a positive social impact on the members but these organisations still fails to have positive economic impact on the beneficiaries. The study revealed that there is a significant improvement in confidence in attending meetings, knowledge about social evils, recognition in society etc. This is found out from the observation and discussion with sample members that they are satisfied with training and counselling programme. They showed dissatisfaction towards timely availability of loan, interest rate and adequate amount of loan. Therefore, non-government microfinance institutions need to improve the quantum of loan to the eligible Members and also try to extent financial support on time to improve the economic indicators. The support and attention from government and policy makers to these organisations may be utilized for optimum output.

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