



Role & Impact of Microfinance Institutions in Coastal Communities

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What is microfinance.....why this study.....

INTRODUCTION

- Microfinance as defined by ADB (2000) refers to ‘the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises’
- Has existed in informal forms in rural areas, with a lot of drawbacks
- As in rural areas of many countries, especially developing and less developed countries, institutions dealing in microfinance is gaining inroads into the fisher community in India as well
 - Making easy credit availability at rather flexible terms
 - Encourages thrift
 - Many agencies involved
 - Its impact on employment and income and other socio-personal variables
 - These aspects examined among fisherwomen and men who have availed microfinance credit

The study....where, when and how.....

MATERIALS & METHODS

Institution

- Based on governance structure
- Government & NGO

Two districts of Kerala

- Ernakulam
- Thiruvananthapuram

Respondents

- 130
- 25 men & 105 women



Type of MF Institution	Male	Female	TOTAL
Government	11	73	84
NGO	14	32	46
TOTAL	25	105	130

- Personal interviews based on questionnaires
- Descriptive statistics, Group Dynamics Index for group behaviour, Risk analysis on awareness of microfinance schemes

The findings.....

RESULTS & DISCUSSION

- While the institutions like Fishermen Cooperative Societies operated microfinance schemes funded by the state, the NGO schemes were funded through their own funds or through funds they arranged from banks
- The major role that these institutions play, is to make credit easily available to rural households
- The credit is usually given to groups, but may also be lent to individuals
- The rates of interest depend on the scheme and are varying
- Usually, the state sponsored schemes are linked to enterprise initiatives and credit is lent to individuals or groups starting an small scale enterprise
- Repayment schedules may range from daily, weekly to monthly ones for different schemes

Govt. initiative

Matsyafed, the Kerala State
Co-operative Federation for
Fisheries Development Ltd.

Chellanam-Kandakadavu
Fishermen Welfare
Development Cooperative
Society, Ernakulam, Kerala

Fisher groups

- During 2009-10, disbursed INR 542 lakh to a total of 10103 beneficiaries in Kerala, the average amount being Rs. 5400 per beneficiary.
- Majority of the beneficiaries are fisherwomen - only 14.9% fishermen

Activity	Percentage
Fish Marketing	49.49
Ornamental fish culture, fishing tools, net making, fishing allied activities, pickling units	19.70
Coconut products, curry powders, flours, mat making, milk, oil, paper bags, rice marketing, soap making, tailoring unit, vegetable cultivation	17.17
Small businesses, provision stores, bakeries	9.09
Cloth business	4.55

● Microfinance through Govt. supported Fishermen Cooperative Society

- The Society has through the microfinance scheme given INR 1,09,05,333 (more than USD 200,000) to 113 men and 176 women groups during 2008-2011.
- The interest rate is 6% (5% of which goes to the financing body and 1% to the Society as service charges)
- Repayments are monthly over a period of 18 months (there is no minimum repayment amount)
- Repayment good with very few defaulters and compulsory savings

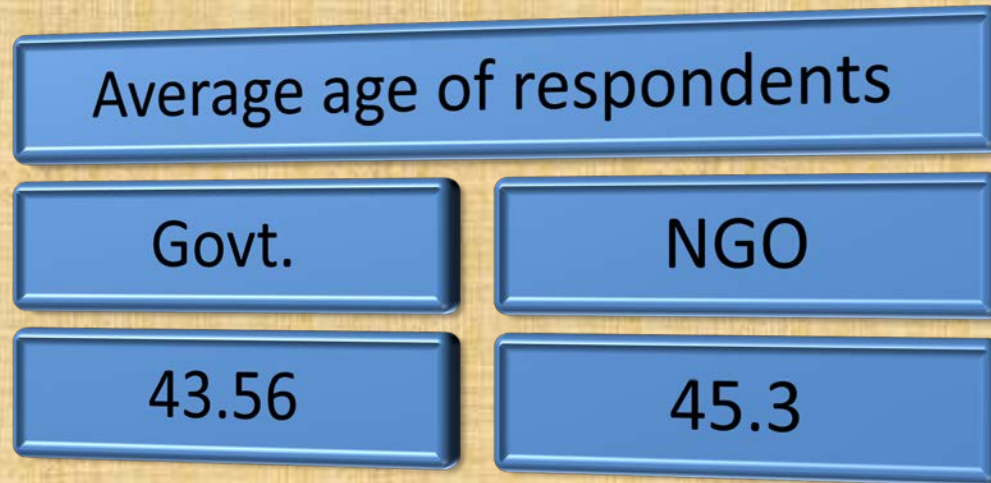
● The NGO case

- Lent to a group, usually a thrift group
- Interest rate 12%
- Weekly repayment (Usually a person appointed by the NGO goes for collection of the amount)
- Repayments generally good (as single defaulter in a group would make the other members liable for repayment and thus groups are formed carefully)

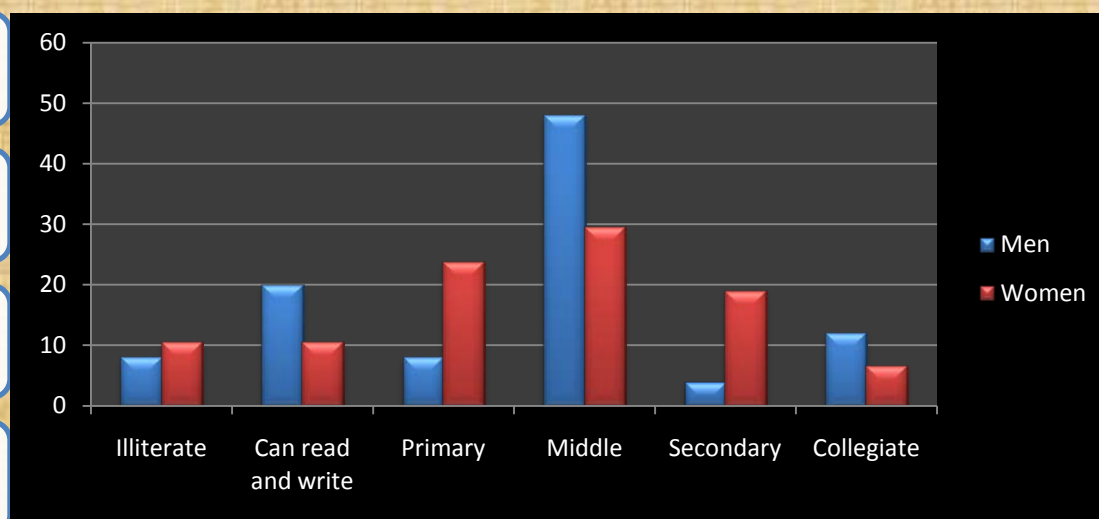
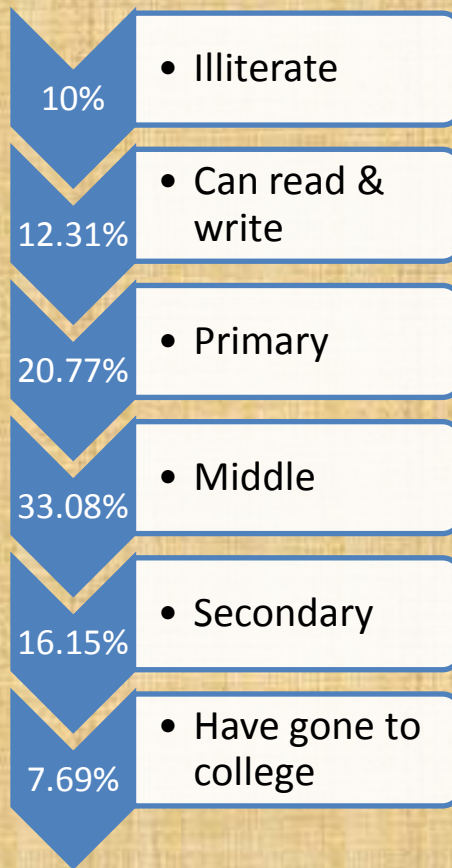
Section I

- Socio-demographic particulars
- Basic amenities
- Access to education & health
- Income
- Information gathering behaviour
- Economic motivation

Socio-demographic variables

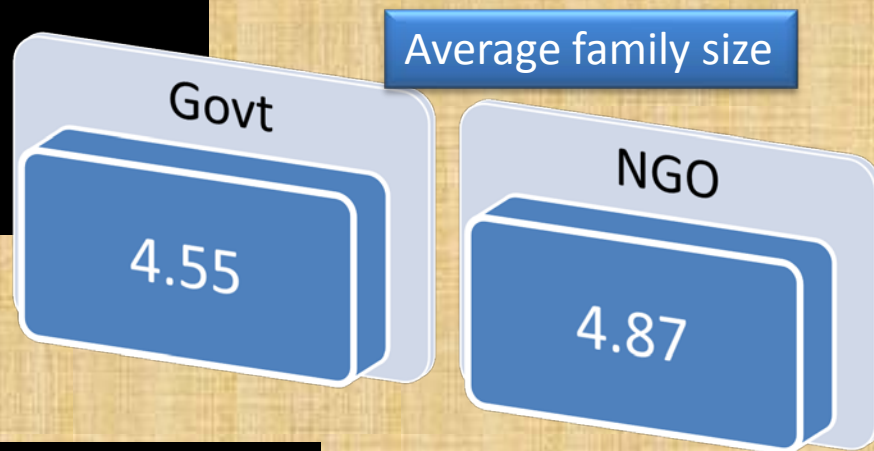
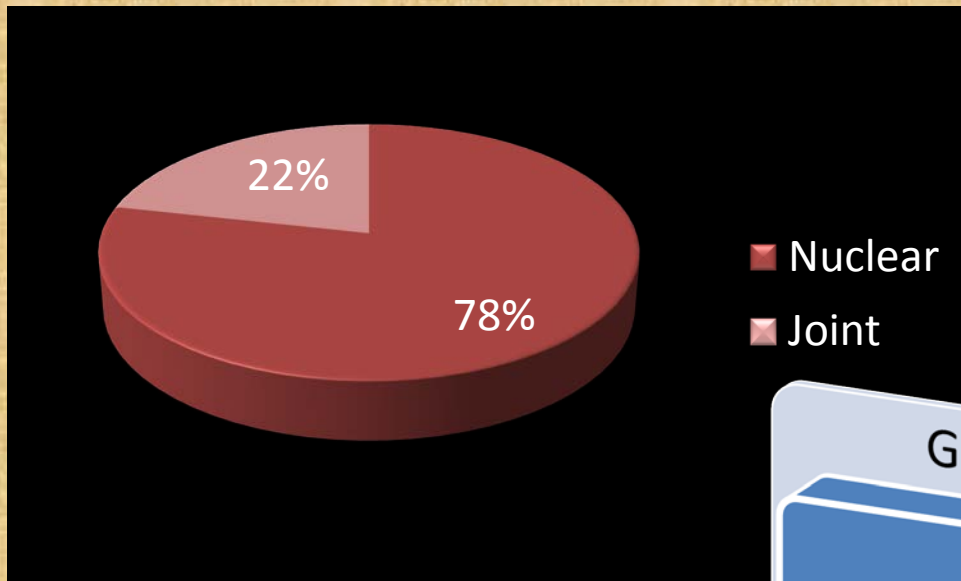


	Men	Women
Govt	41.91	43.81
NGO	46.71	44.69



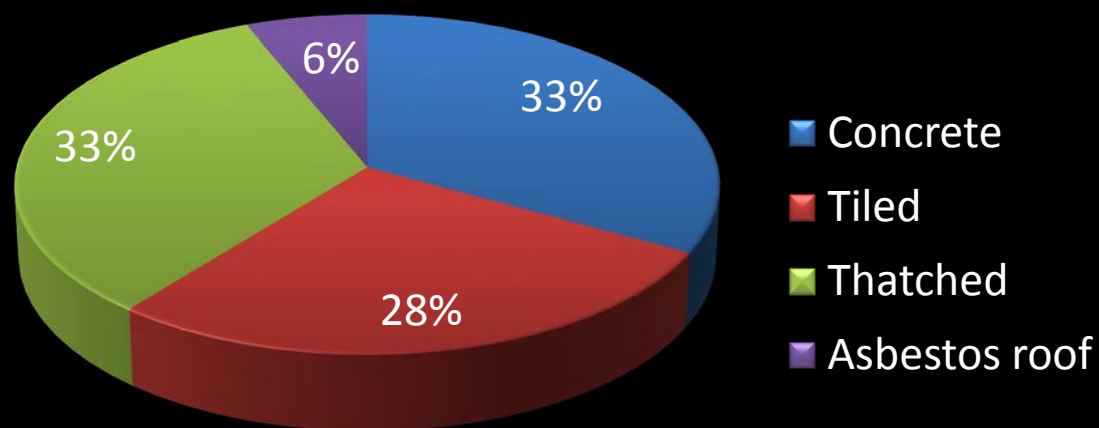
	Govt.		NGO		TOTAL
	Men	Women	Men	Women	
Illiterate	1	9	1	2	13
Can read and write	1	6	4	5	16
Primary	1	18	1	7	27
Middle	8	24	4	7	43
Secondary	0	11	1	9	21
Collegiate	0	5	3	2	10
TOTAL	11	73	14	32	130

● All respondents were married

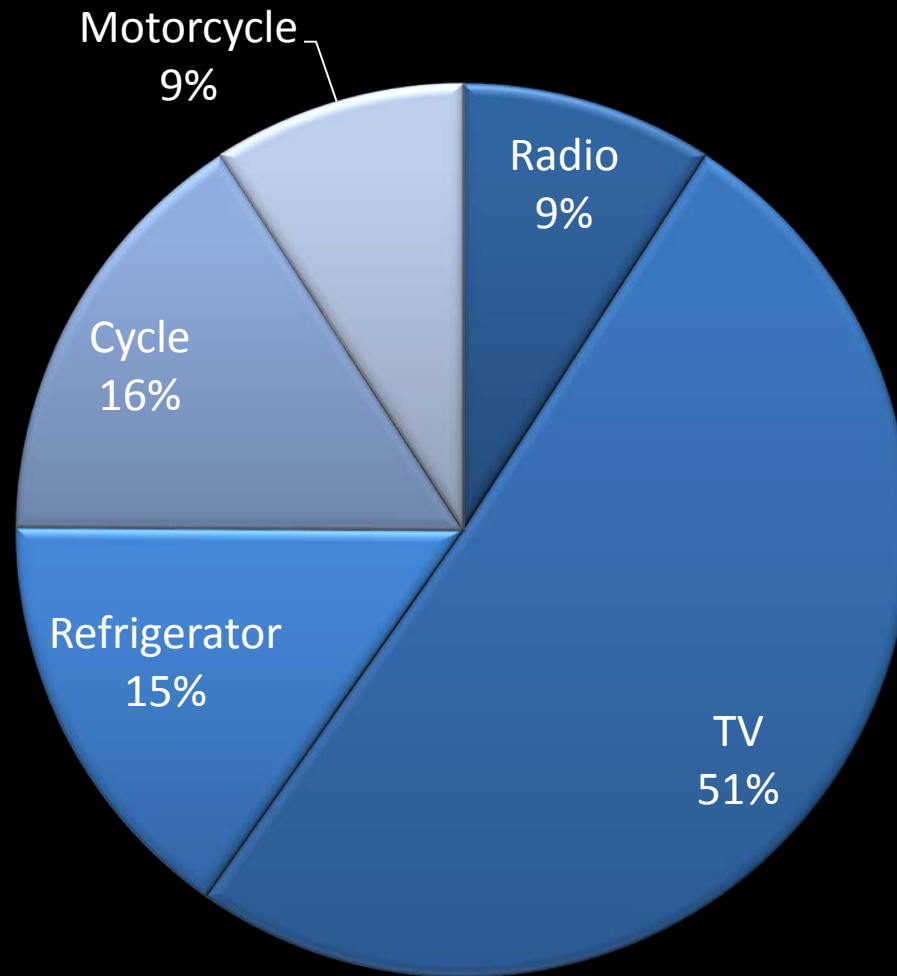


Govt.		NGO	
Men	Women	Men	Women
5.18	4.45	4.57	5

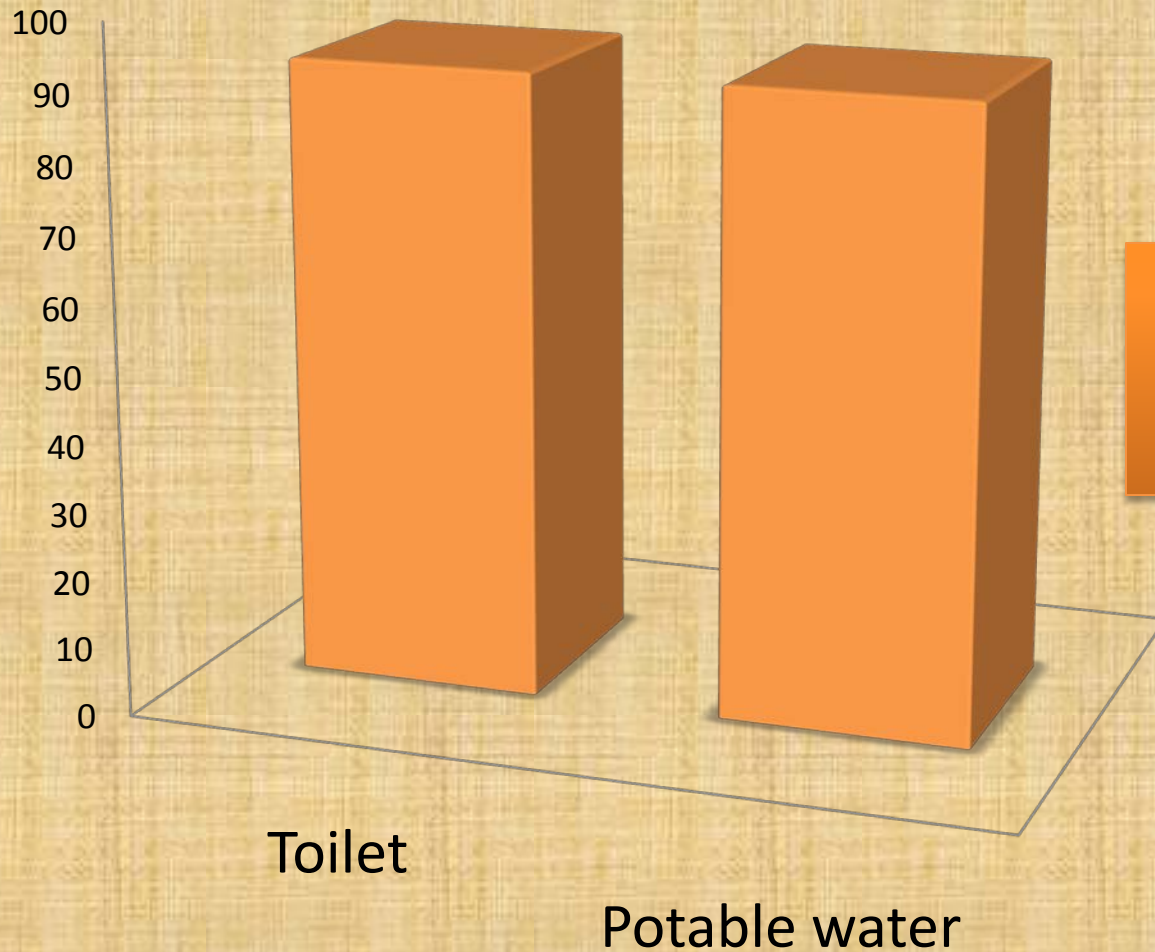
Basic household amenities



39% of the respondents lived in houses having temporary roofing

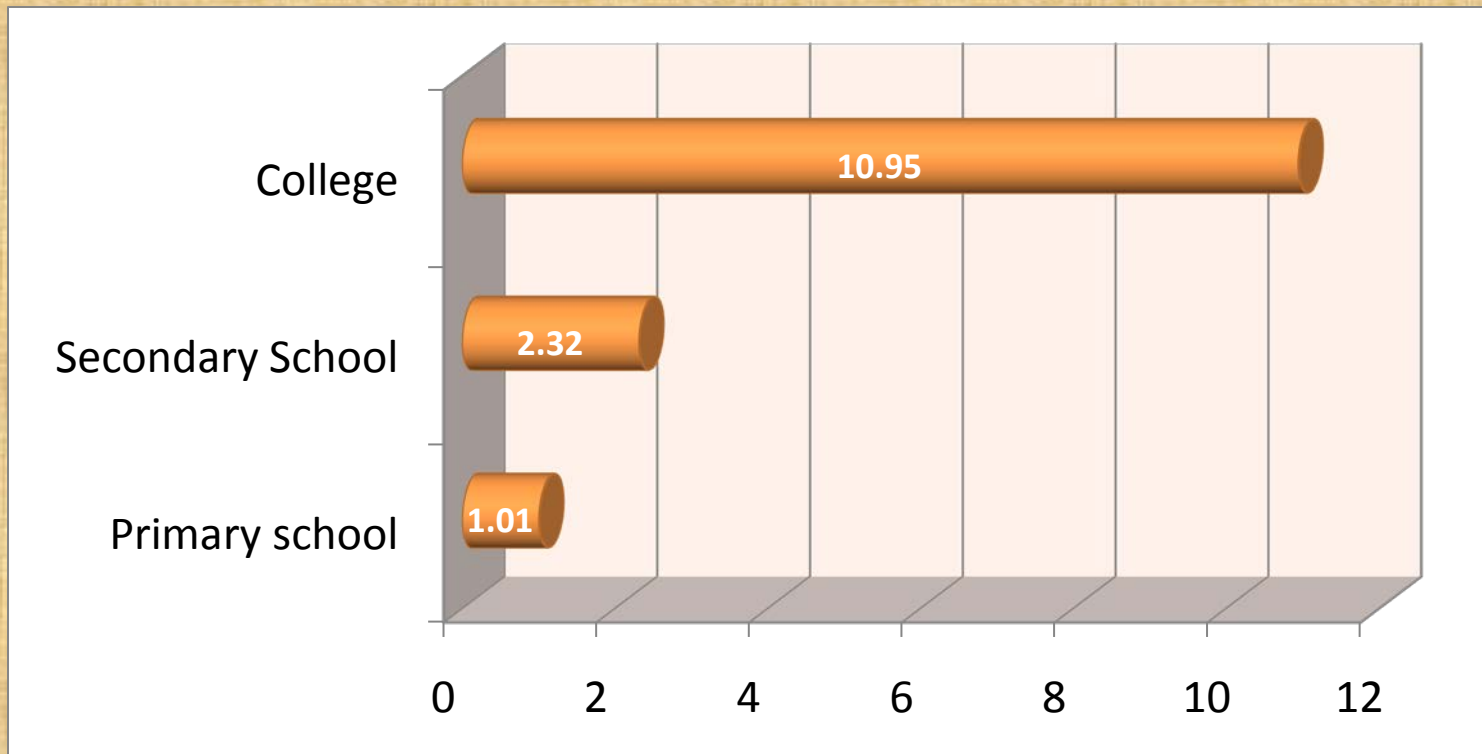


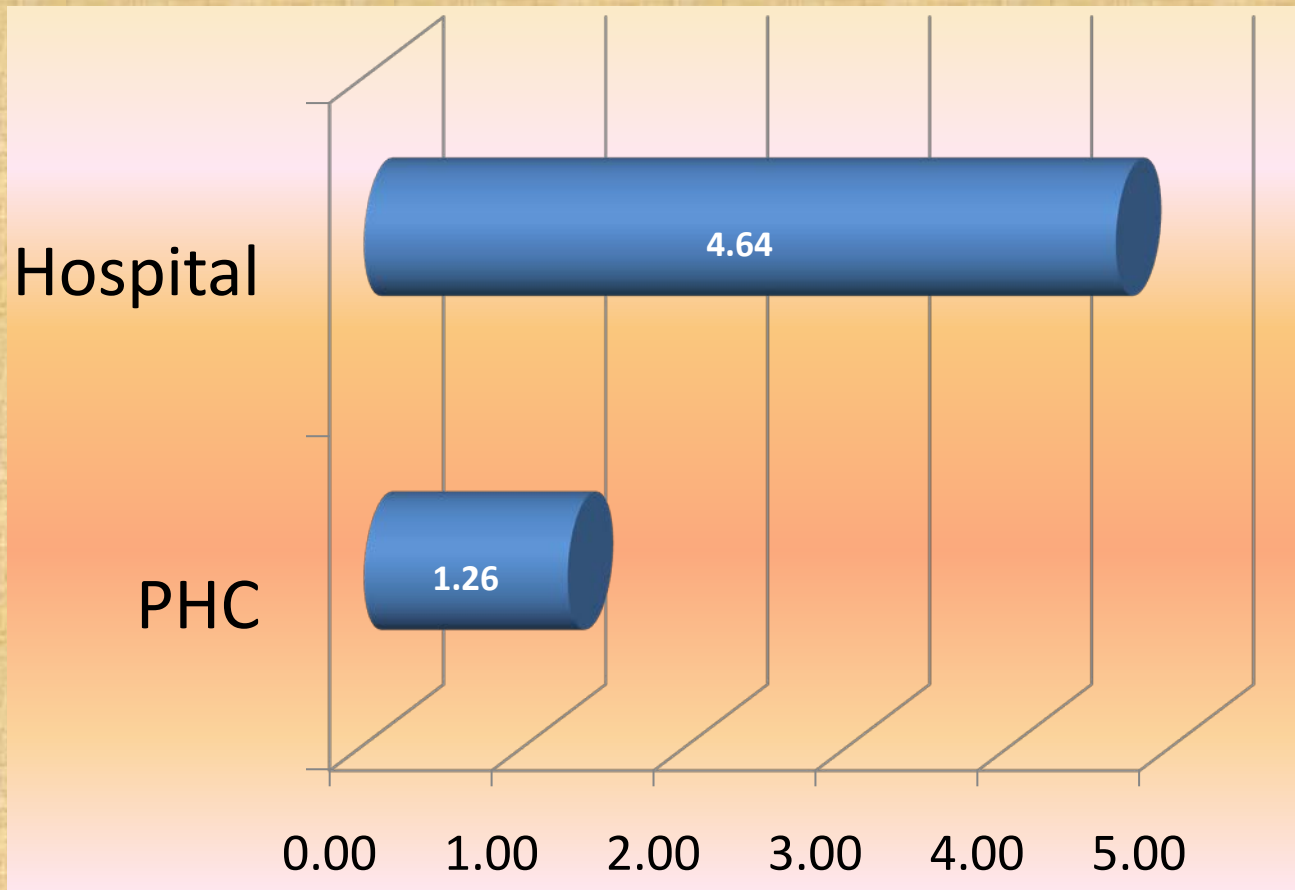
Half the respondents had a television



92% of respondents had access to toilets and potable water

- Access to education and healthcare is good and the distance to the nearest educational institutions and health centre are given



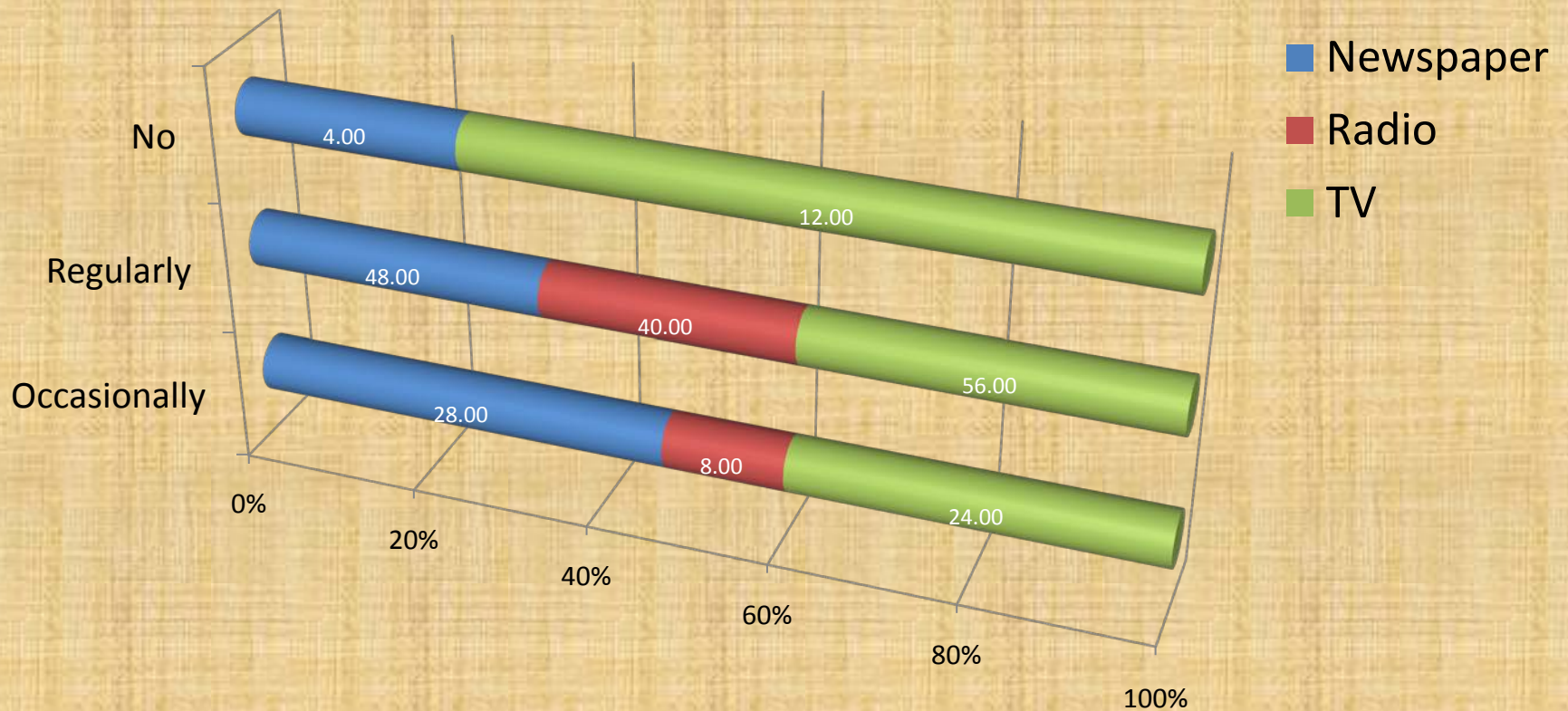


Income

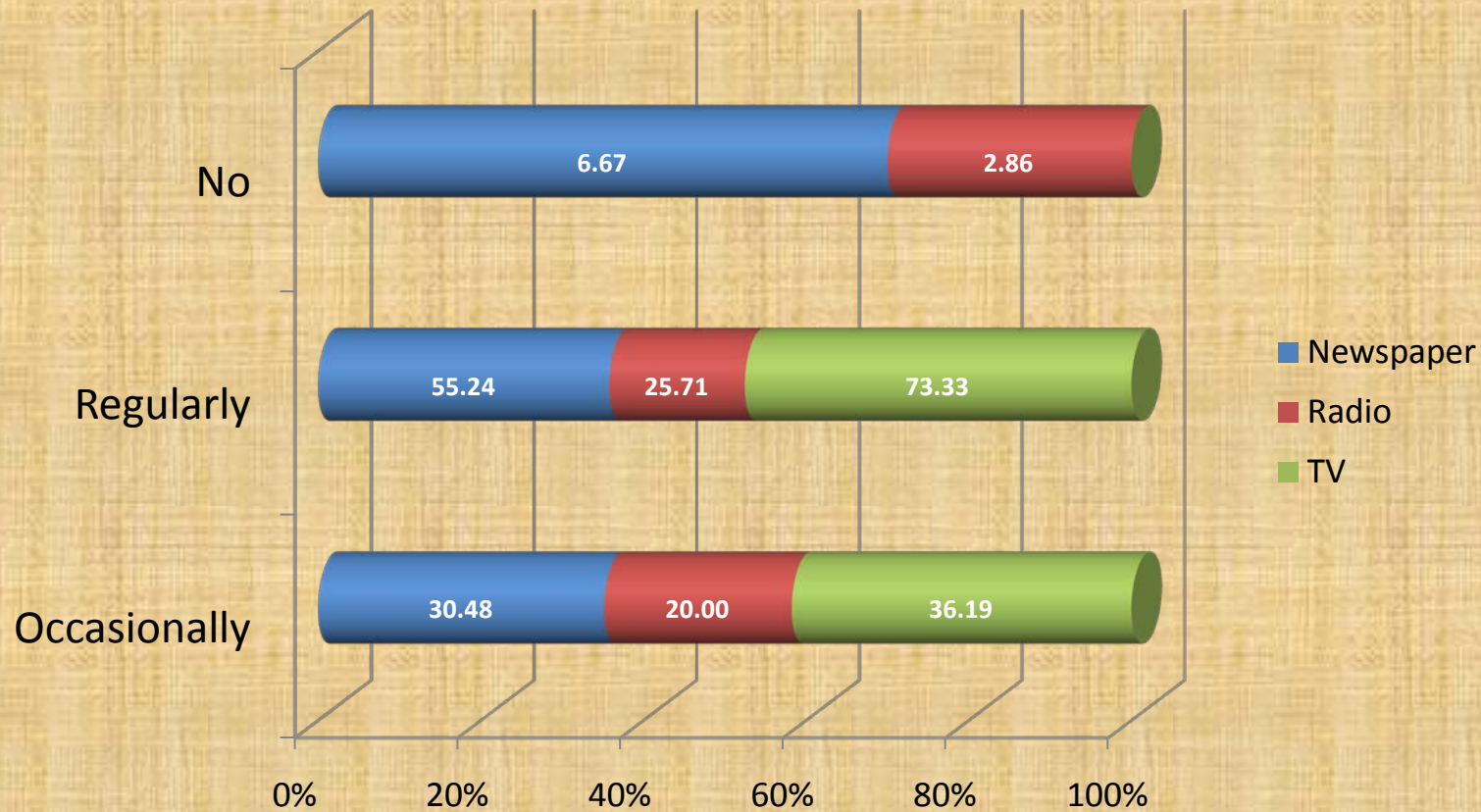
Average monthly family income of respondents is USD 209

	Male	Female	TOTAL
Govt	469	195	226
NGO	224	161	178

Information gathering behaviour

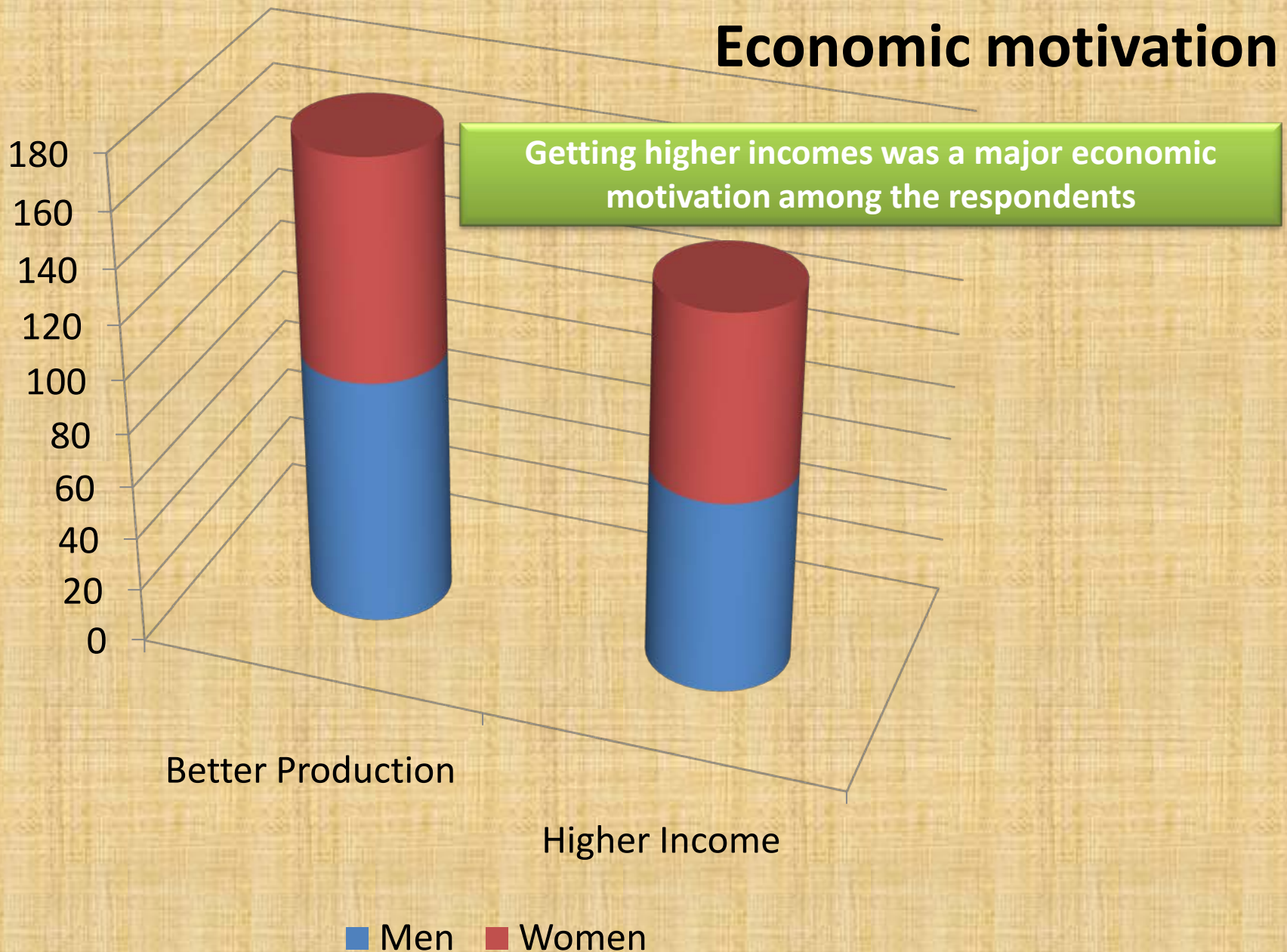


4% of men respondents do not read newspapers & 12% do not watch TV



6.67% of women respondents do not read newspapers & 2.86% do not listen to the radio

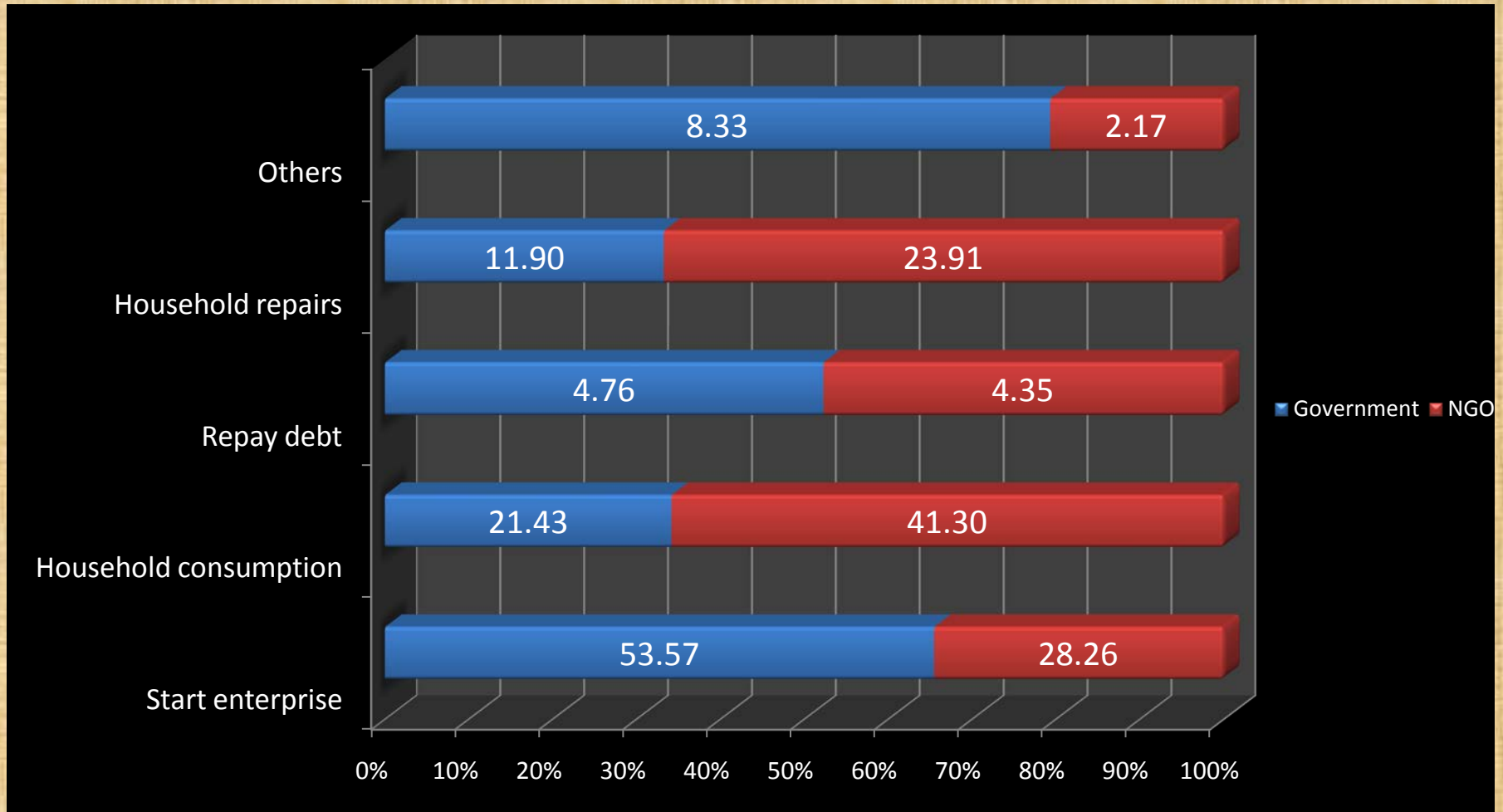
Economic motivation

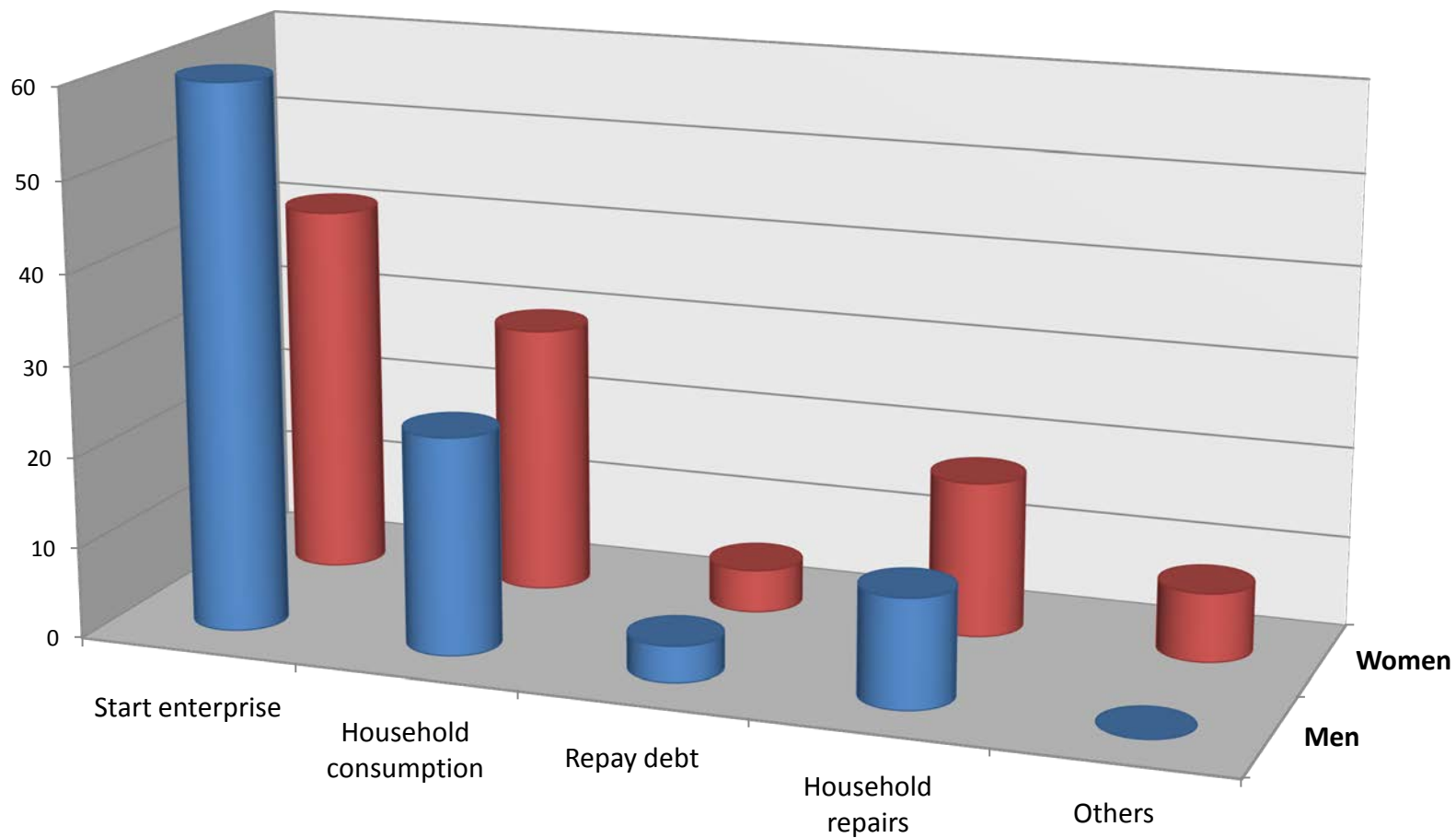


Section II

- Purpose of availing microfinance credit
- Knowledge levels on the schemes
- Benefit from earlier schemes

Purpose of availing MF credit





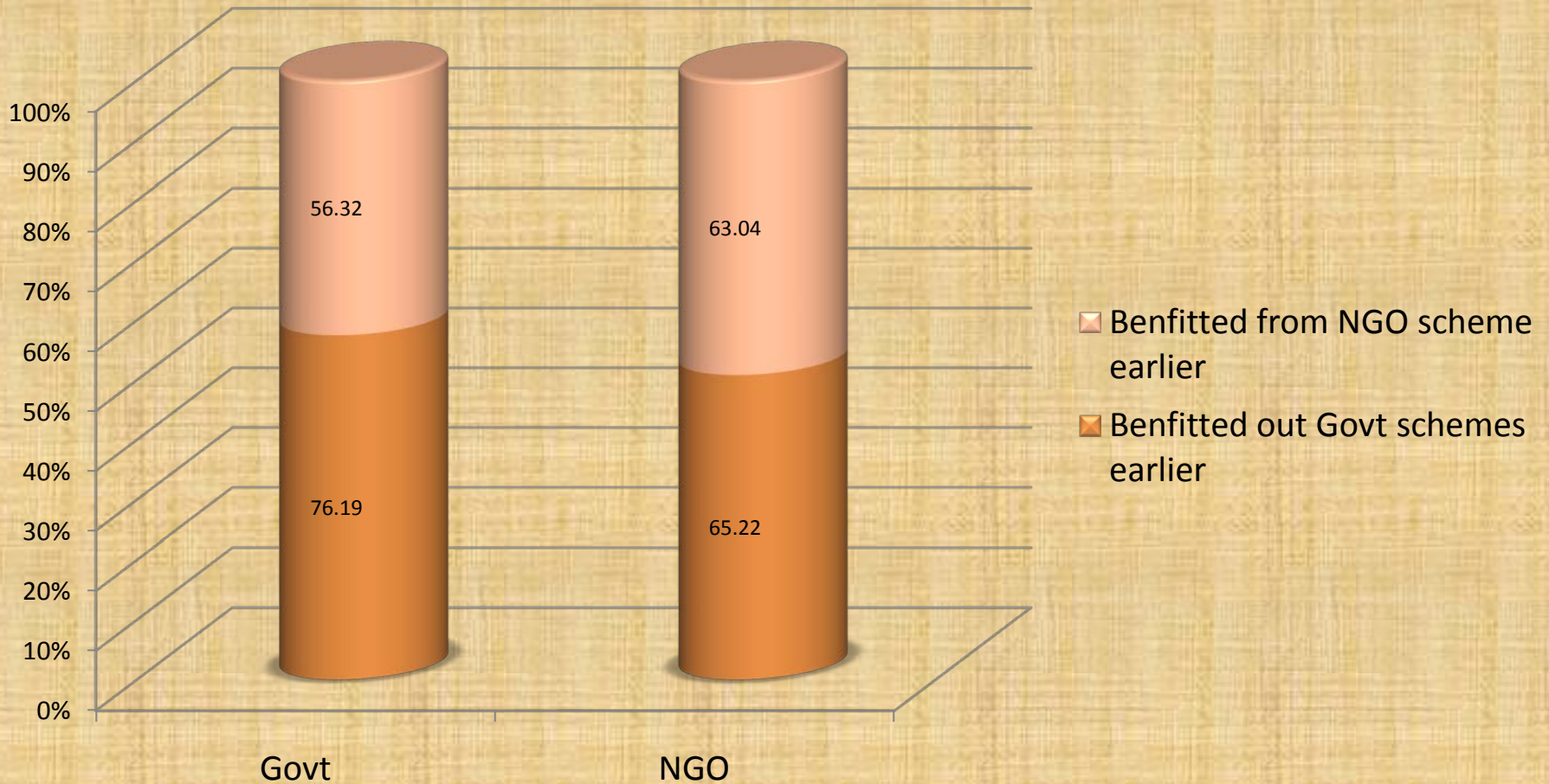
More men than women took credit for starting an enterprise, while women mainly wanted credit to meet household expenditure

Knowledge about MF credit

	Government		NGO	
	Men	Women	Men	Women
Cooperative Society/NGO	6	42	6	16
Neighbours	2	15	2	8
Family	-	4	2	3
Others	3	12	4	5

The agencies operating the schemes were the main source of information about the schemes

Availed benefit of other schemes

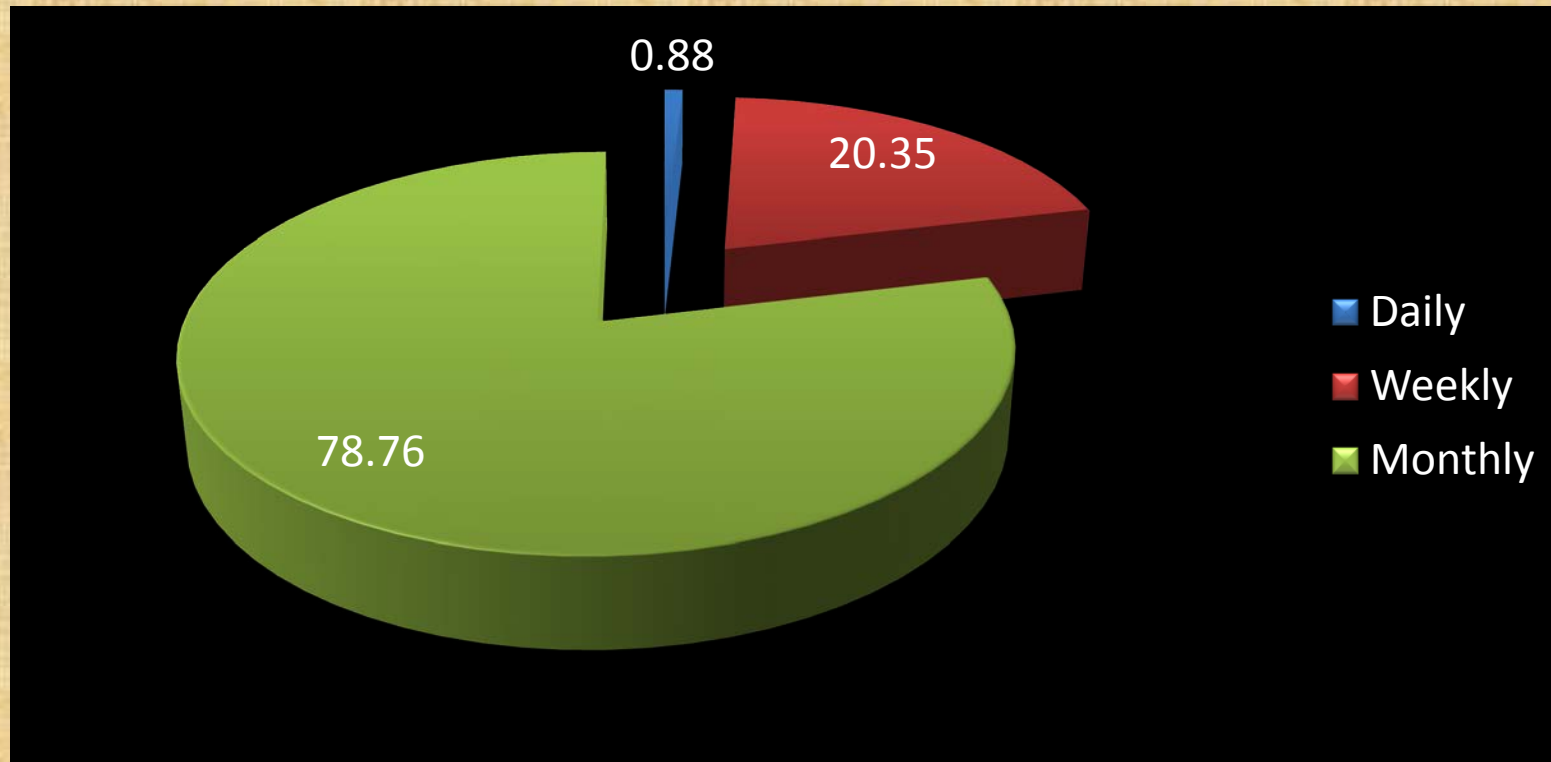


Multiplicity of agencies and schemes in coastal areas has been observed

Section III

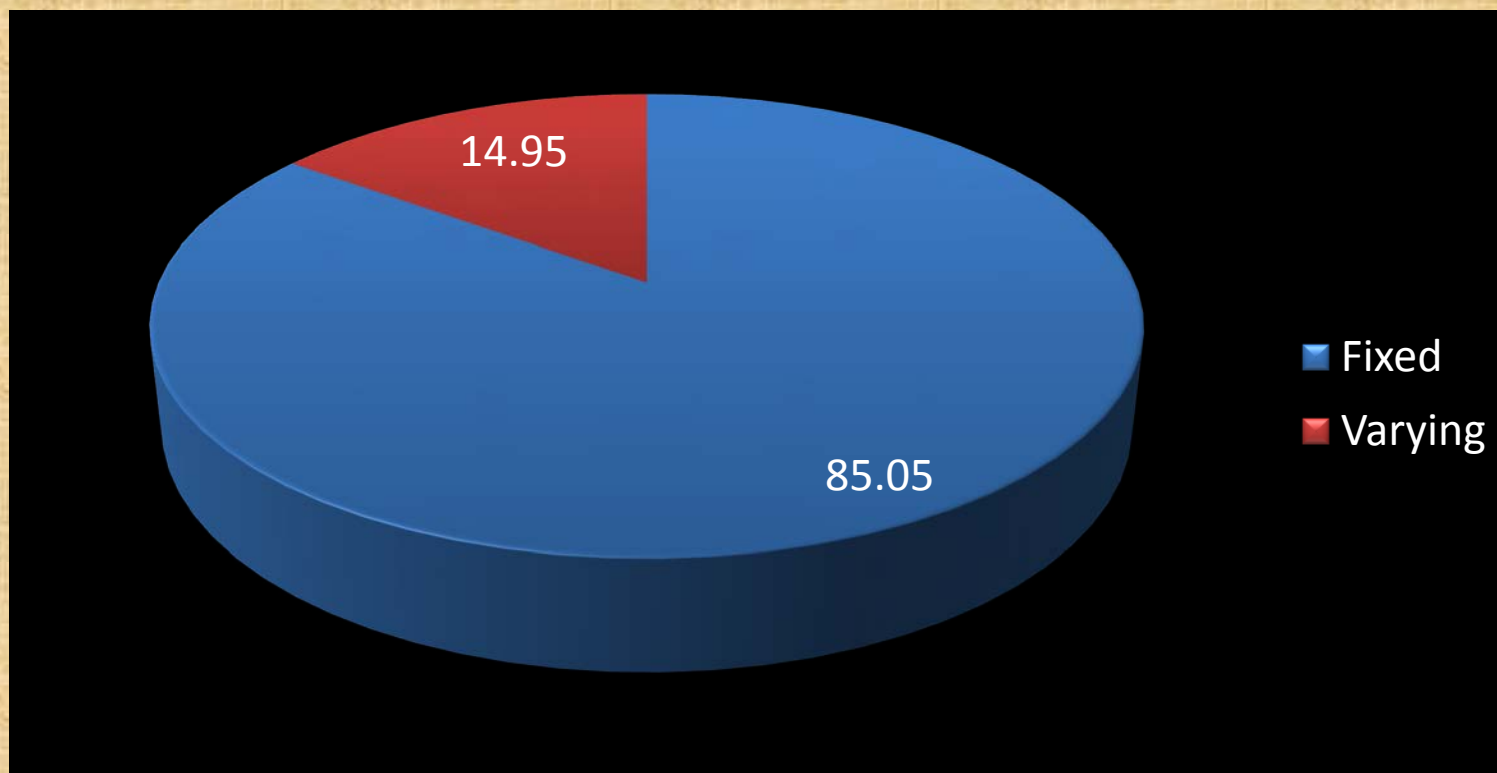
- Credit taken
- Repayment schedules
- Knowledge about the schemes
- Relative risk

- Loan amount taken ranged from five to ten thousand rupees (approx USD 100 to 200)

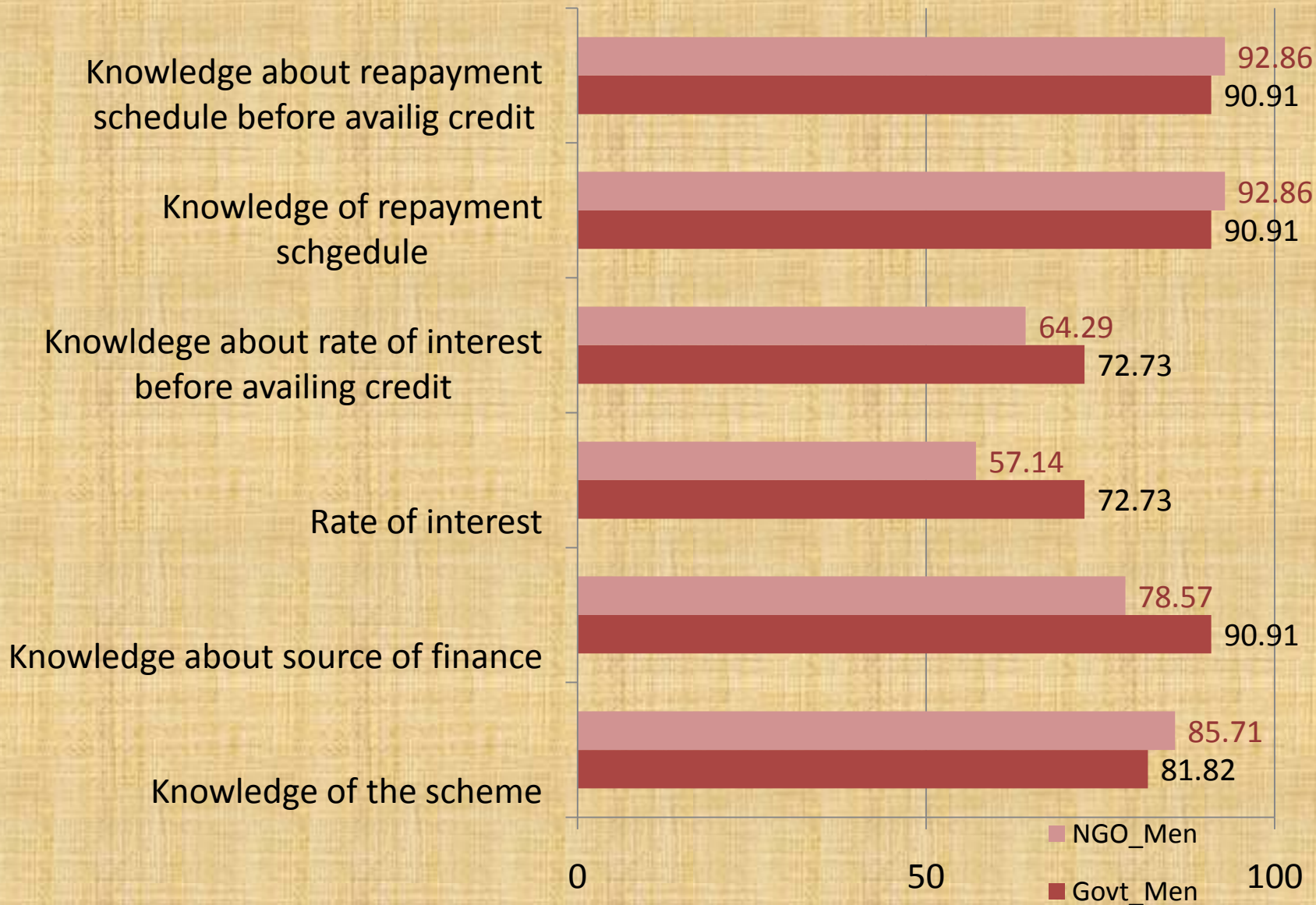


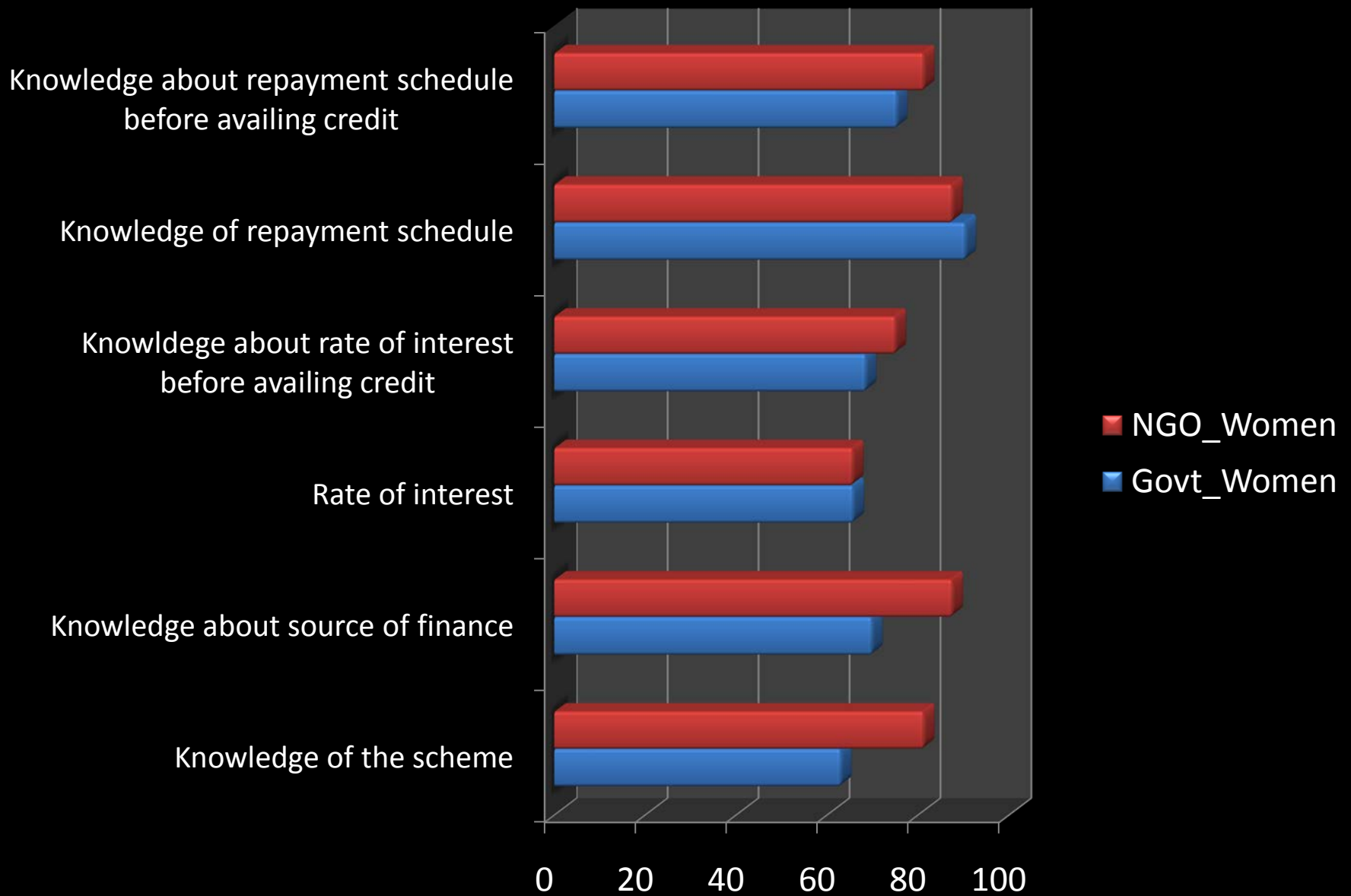
79% of respondents made monthly repayments while 20% respondents repaid every week

- 23.08% of the respondents were regular in repayment, 66.67% of them women



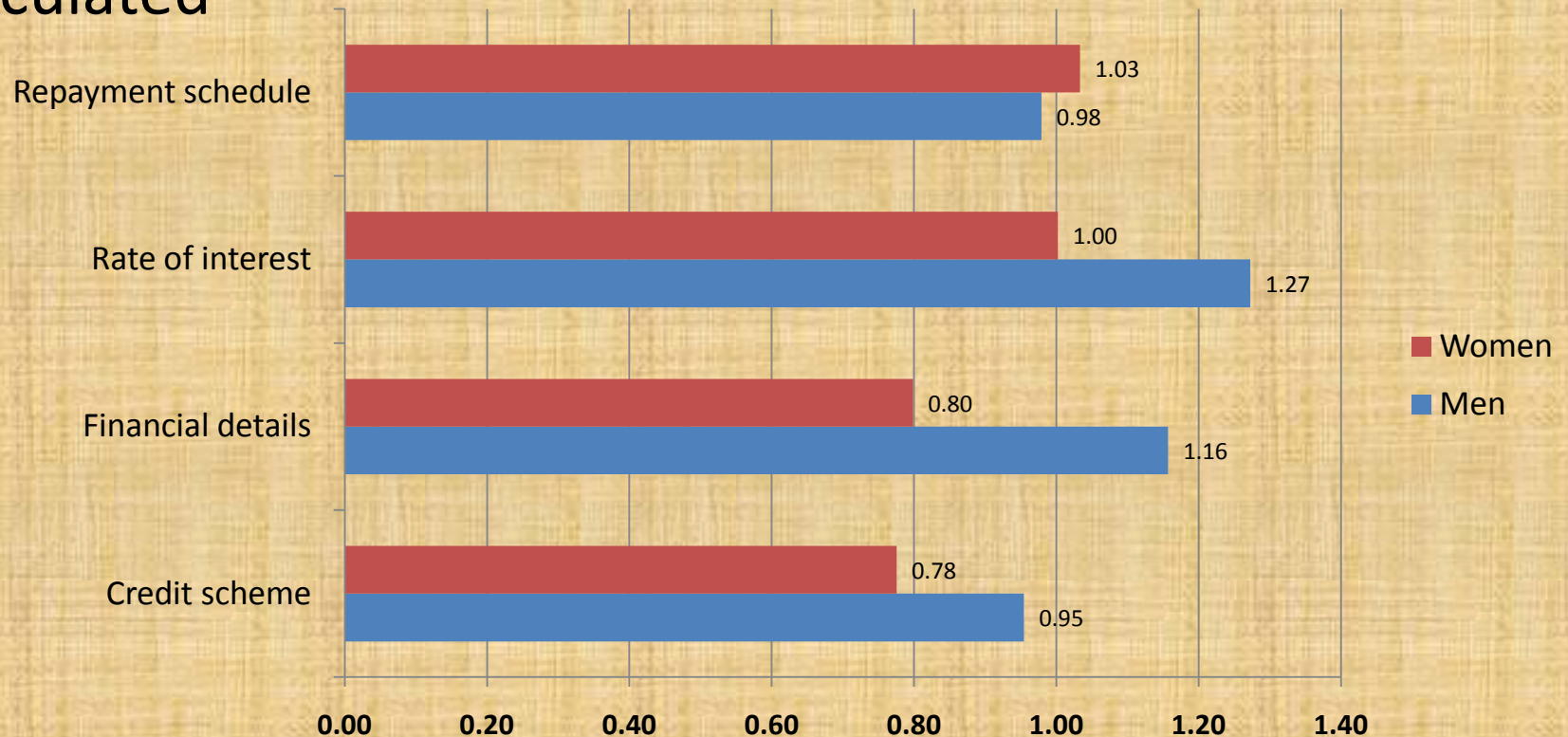
Knowledge about terms of credit





Relative risk

- Based on the contingency table on awareness of credit schemes and related information, relative risk was calculated



Women had less awareness about the various aspects of the microfinance credit schemes and had higher relative risk when compared to men

Section III

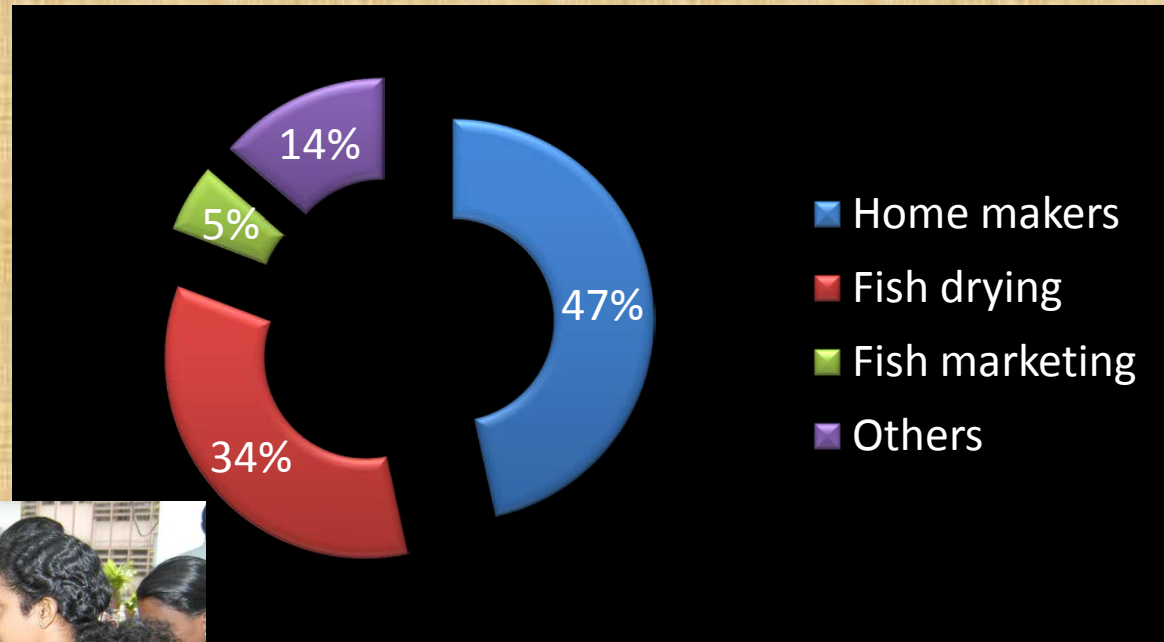
- Perceived Impacts
 - Livelihoods
 - Living conditions
 - Social status
 - Decision making
 - Group dynamics

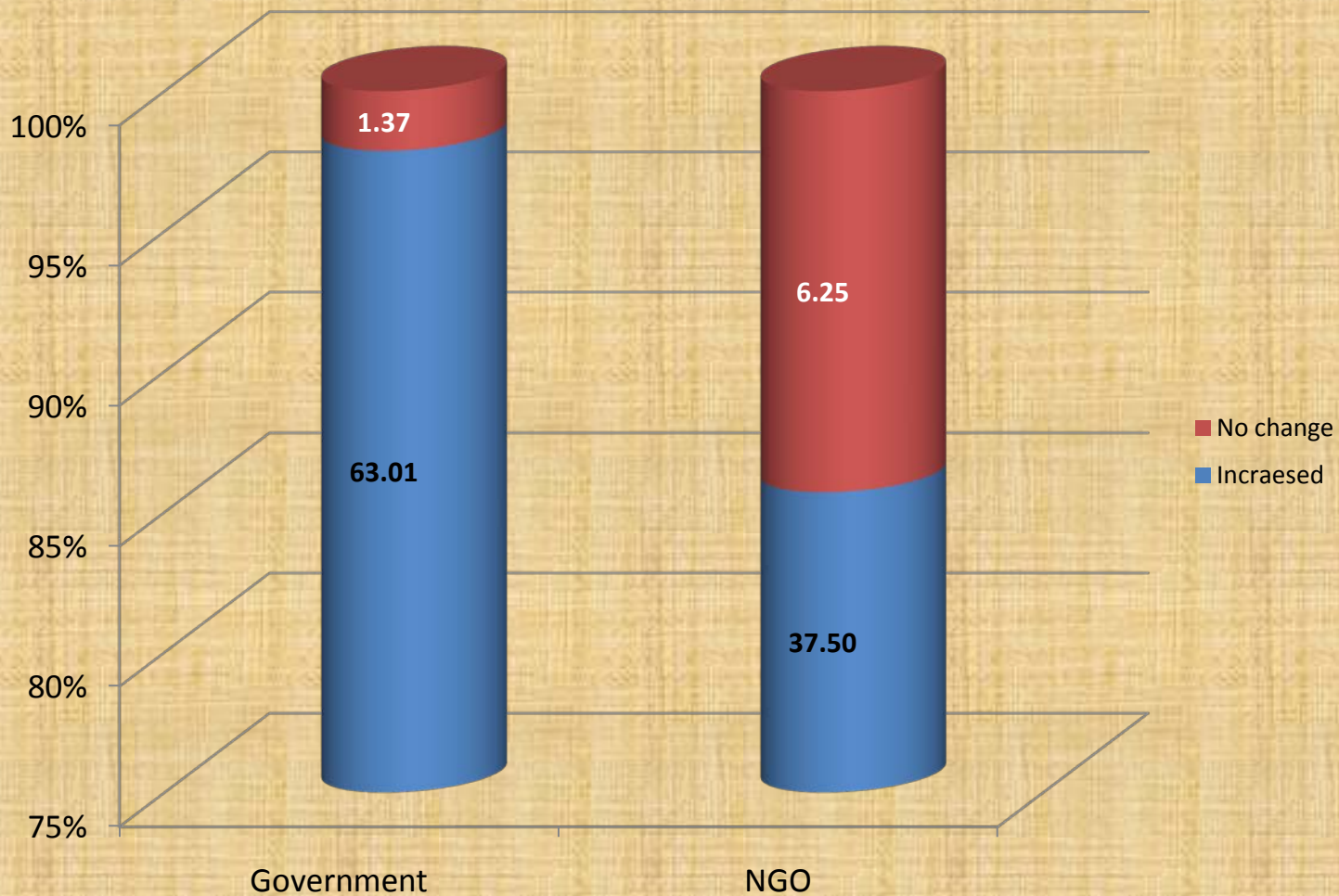
Livelihood changes

- Respondents feel that personal as well as family incomes have increased



Occupations of women respondents





Women respondents who have taken credit from government schemes feel that their incomes have increased when compared to those respondents who have taken from NGOs

Monthly income before starting enterprise using microfinance credit

Nil		3		3
<500	7	19	4	11
500-1000	3	34	8	11
>1000		17		7

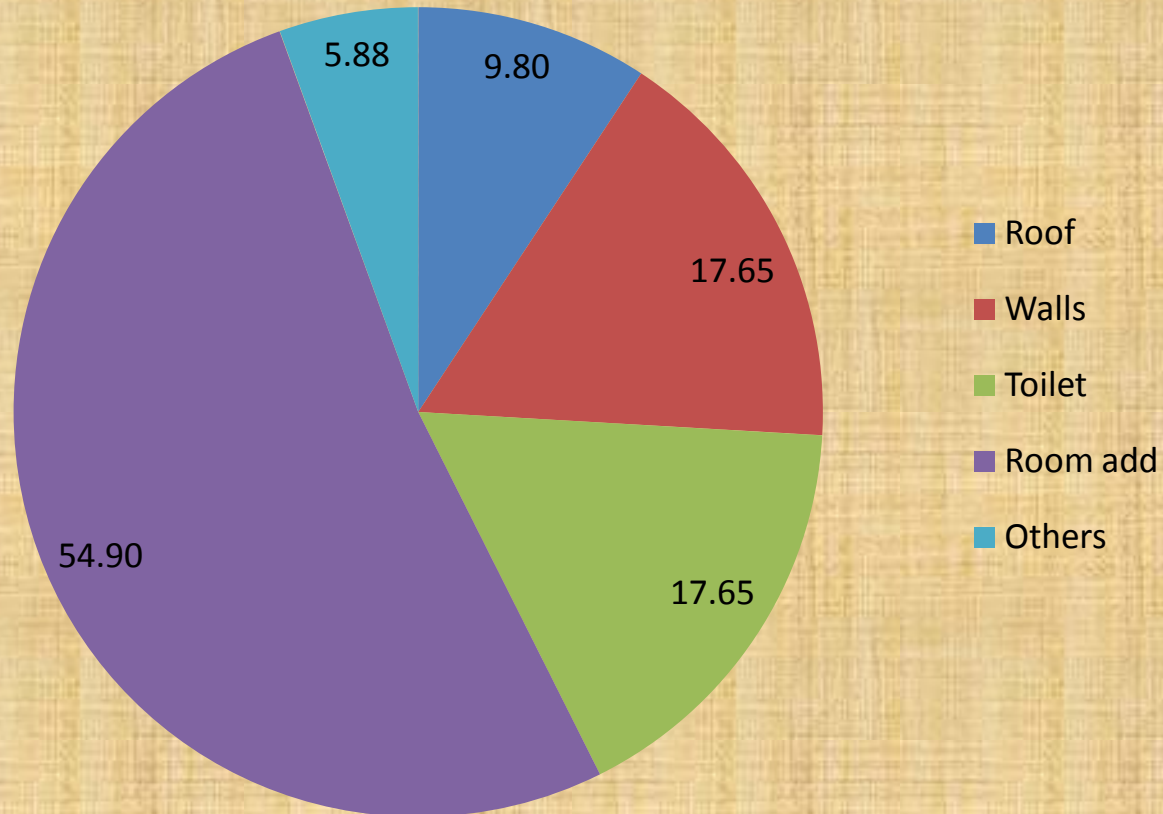
Earnings per month (after credit linked enterprise)

<500		7	1	4
500-1000	2	30	4	18
> 1000	4	23	4	

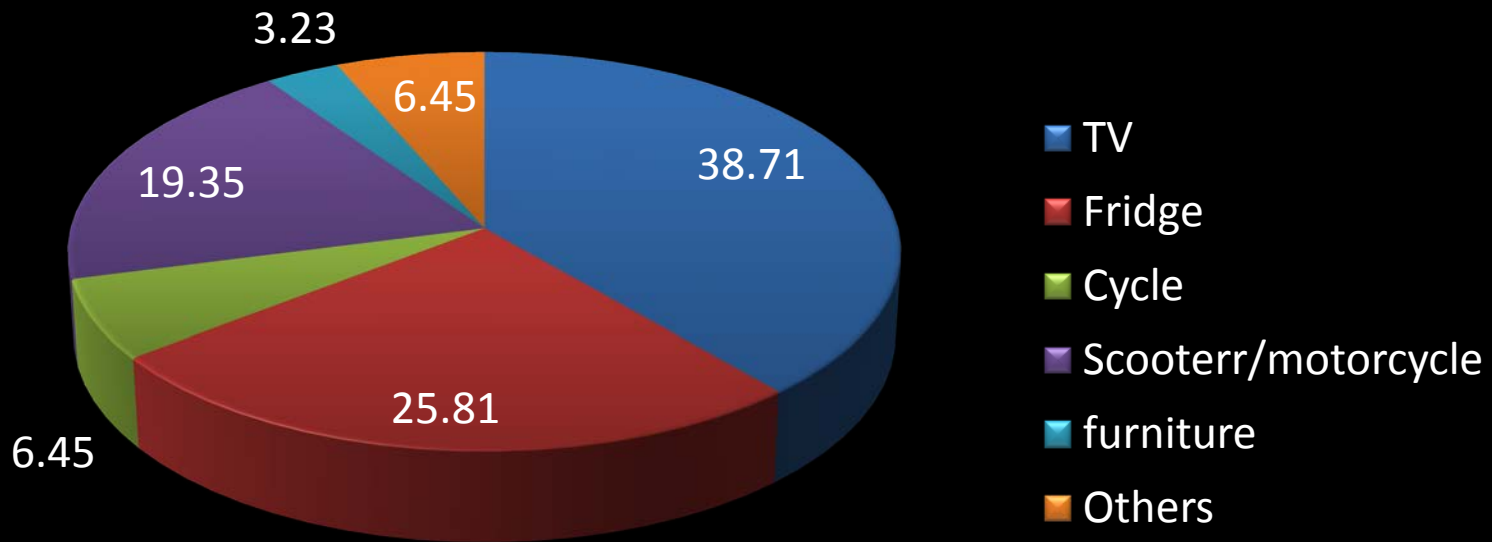
Average earnings from enterprise

- Rs. 3099.85 (approx. USD 62)

Impact on living conditions

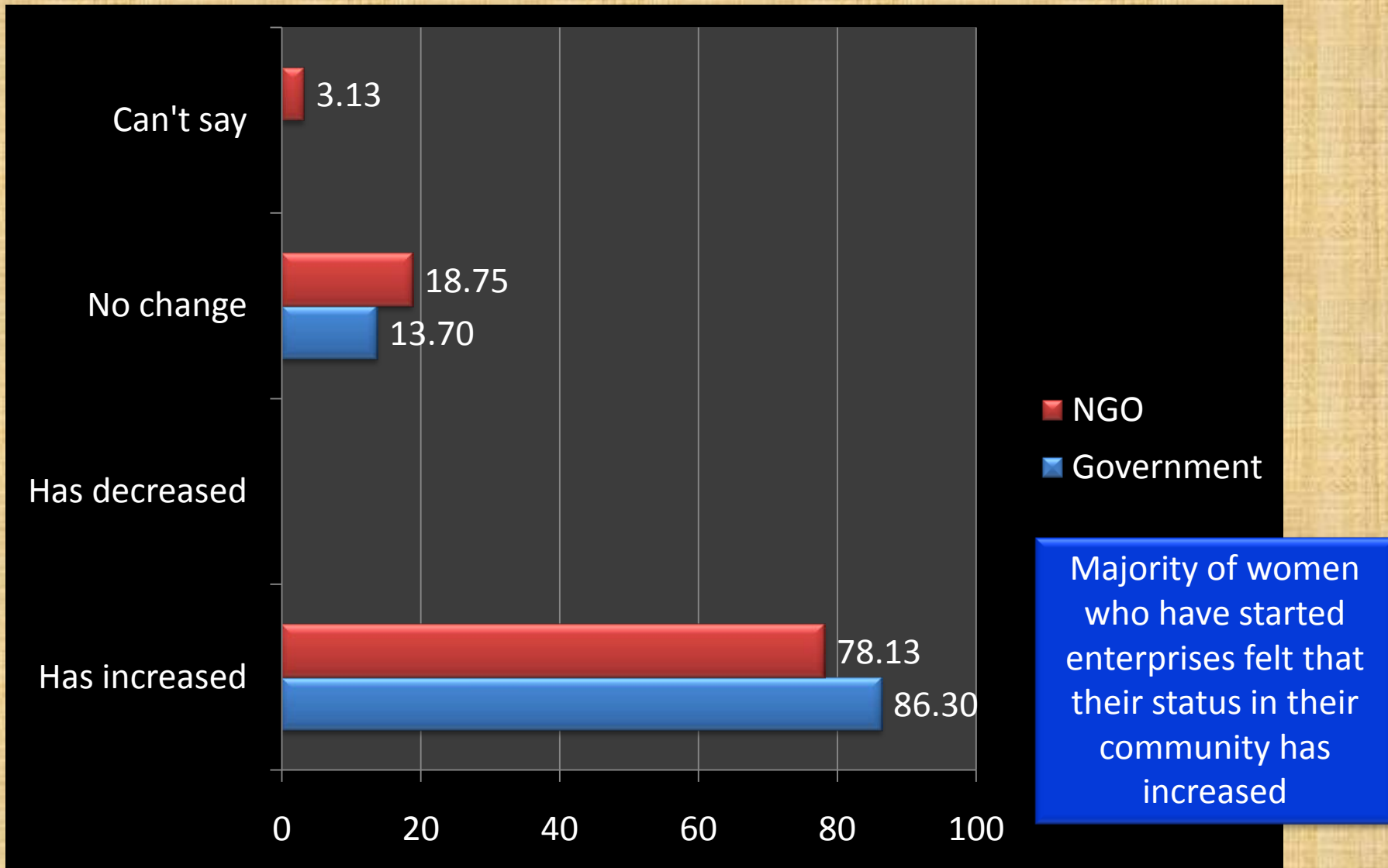


Respondents brought about changes to their houses

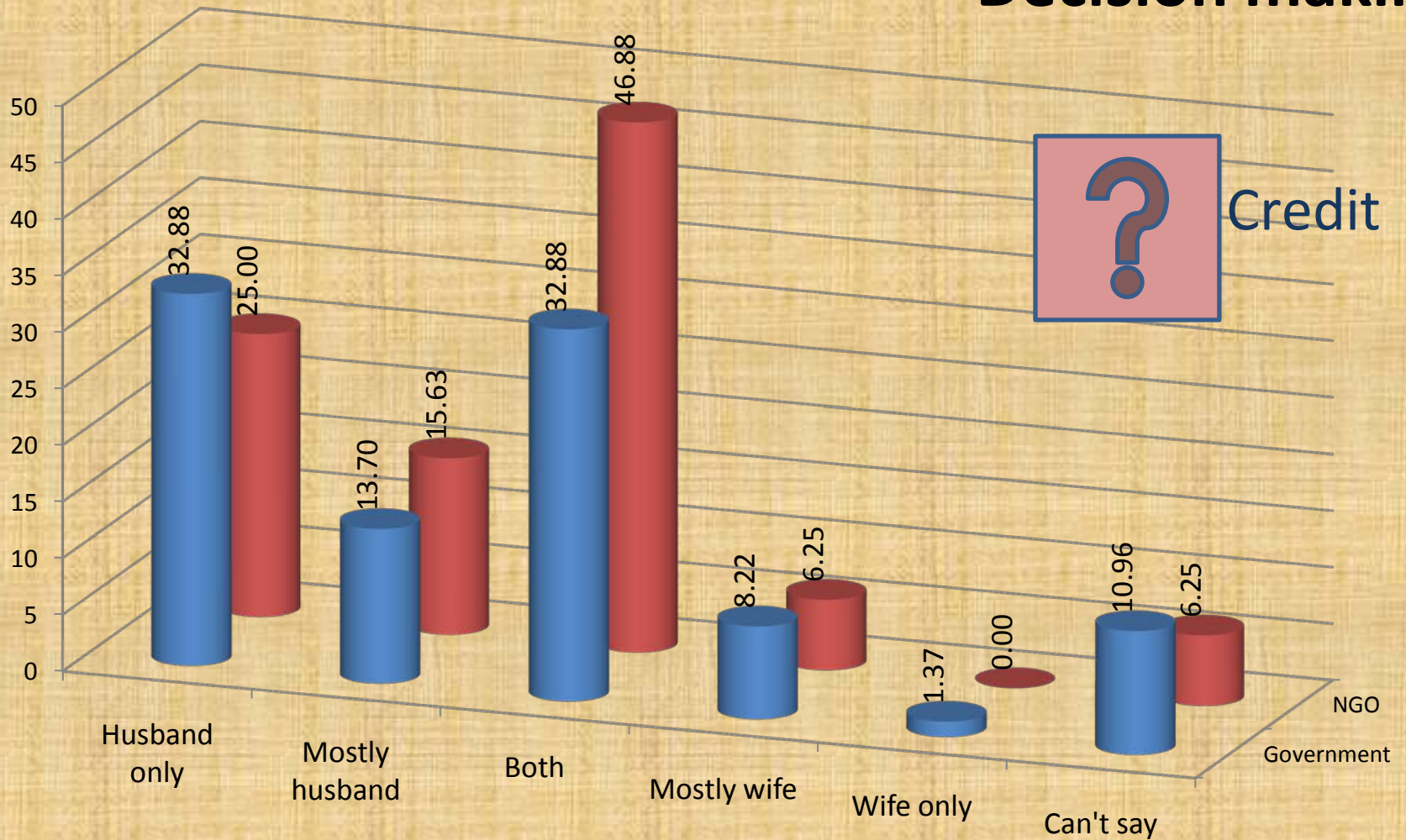


Respondents added household articles

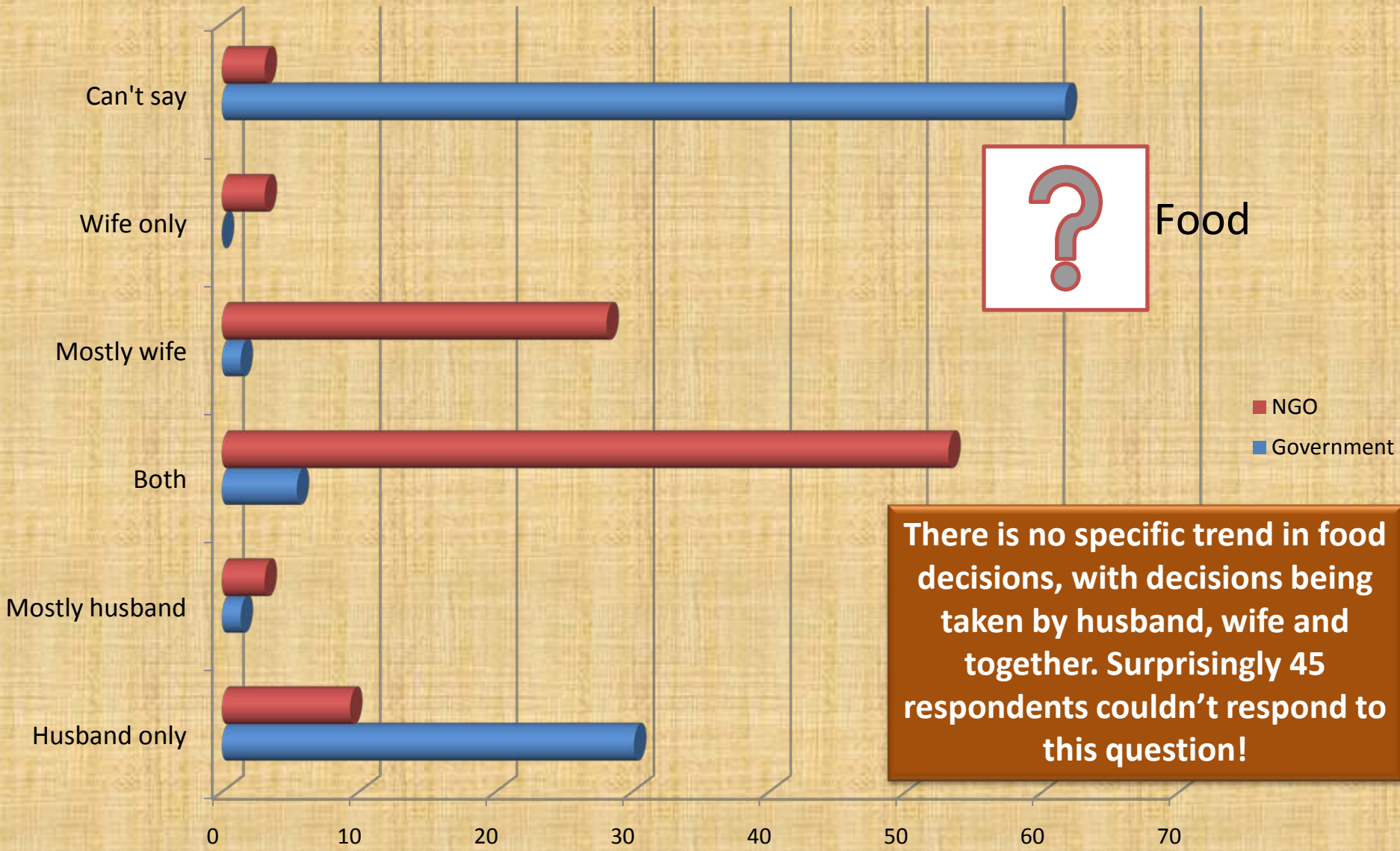
Change in Social Status



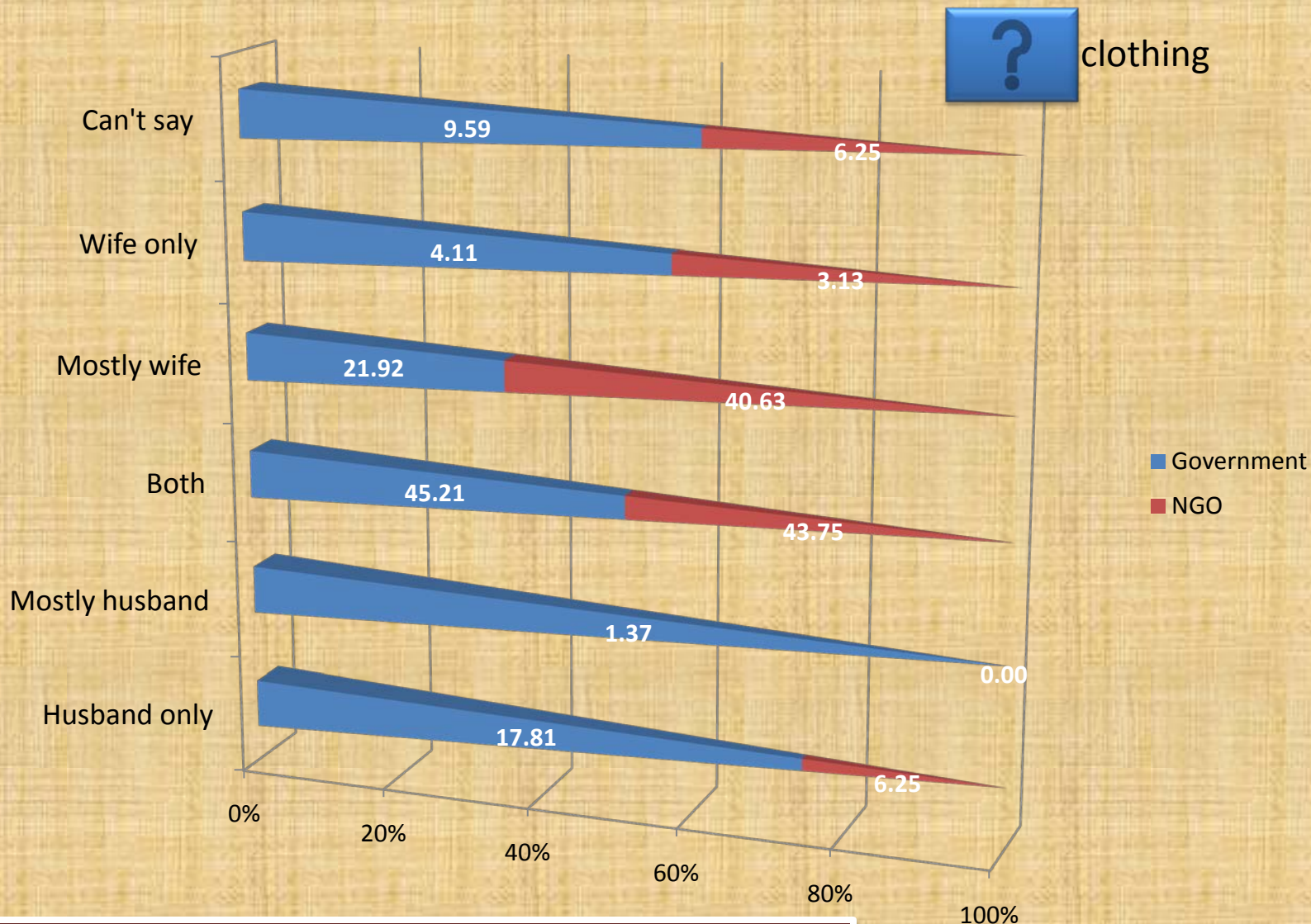
Decision making



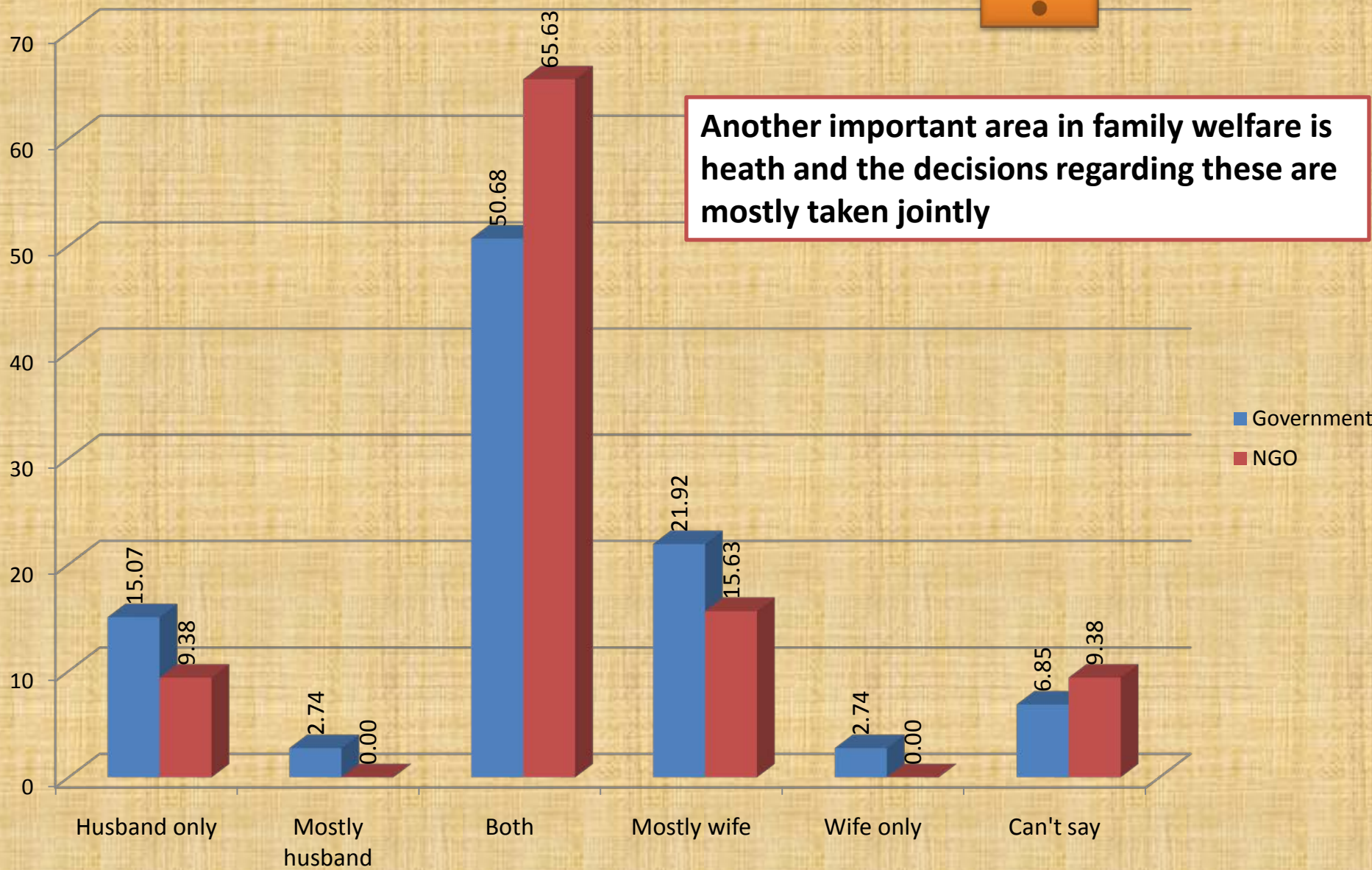
Among 30 to 50% of the respondents the decision to avail credit is taken jointly



There is no specific trend in food decisions, with decisions being taken by husband, wife and together. Surprisingly 45 respondents couldn't respond to this question!

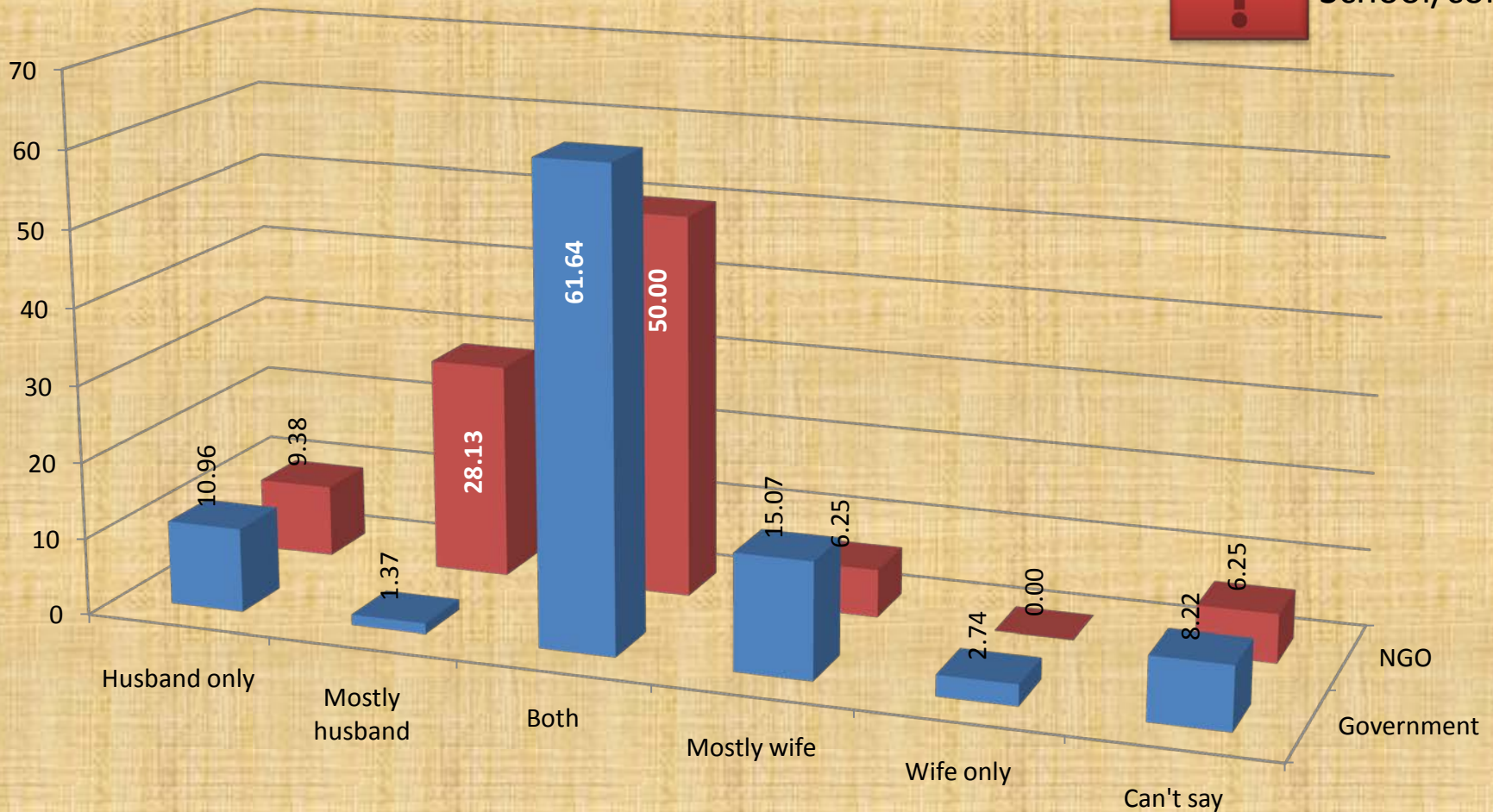


Decisions on purchase of clothing is usually taken jointly as is seen in 45% of respondents





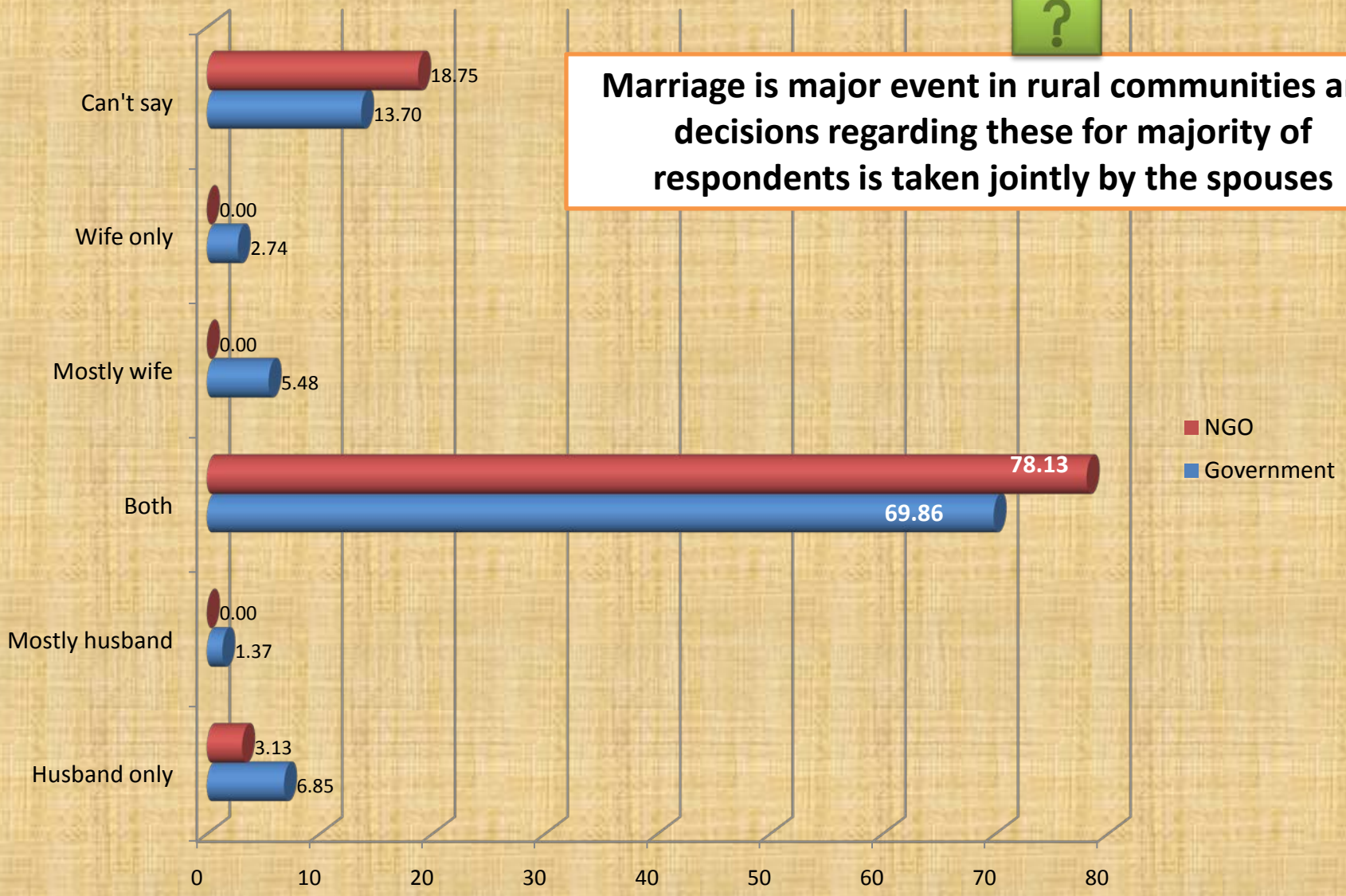
School/college



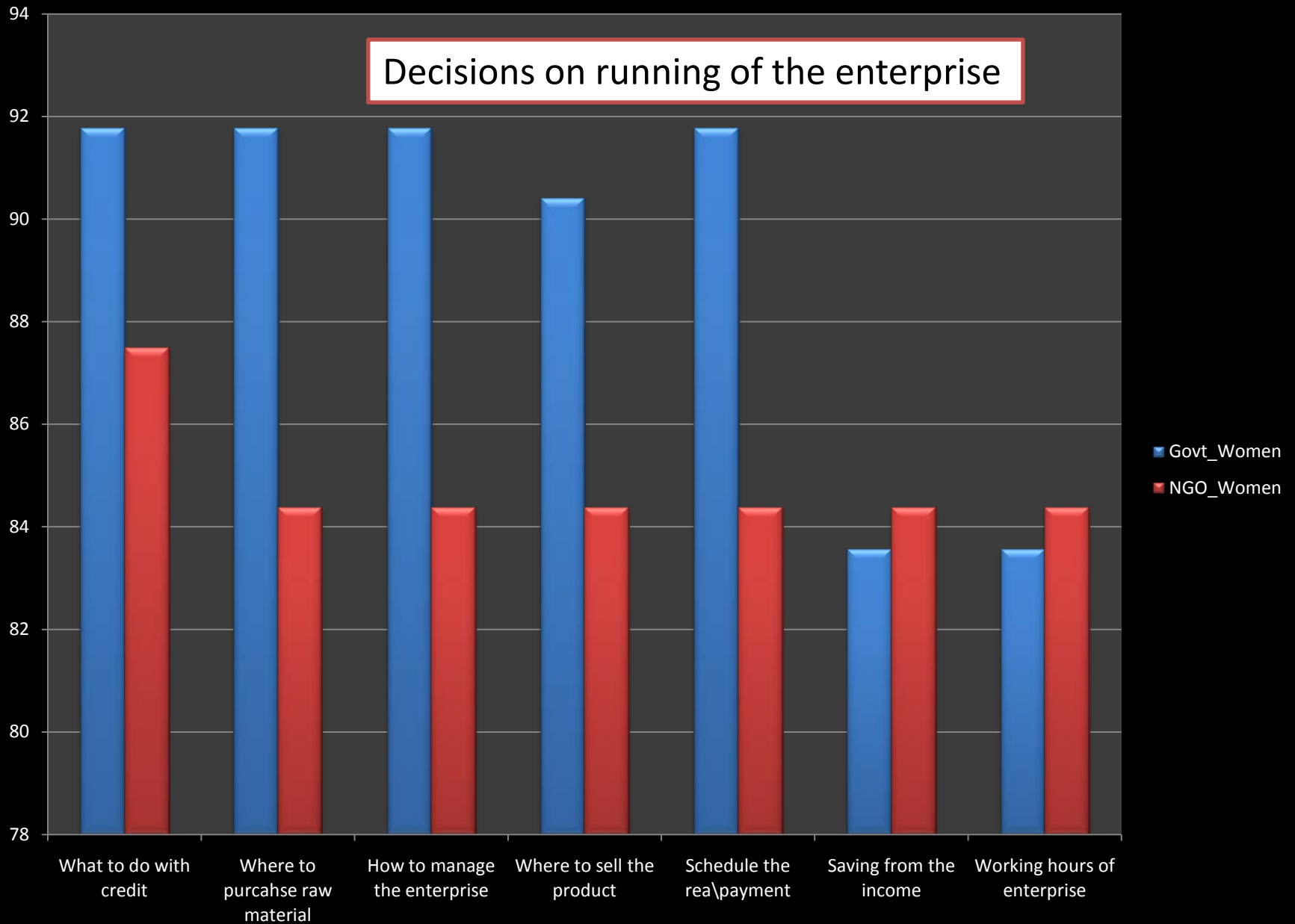
Decisions regarding education are also mostly taken jointly, but the domination of men in this case is visible in case of 40% of the respondents where these decisions are mostly or almost entirely taken by men.



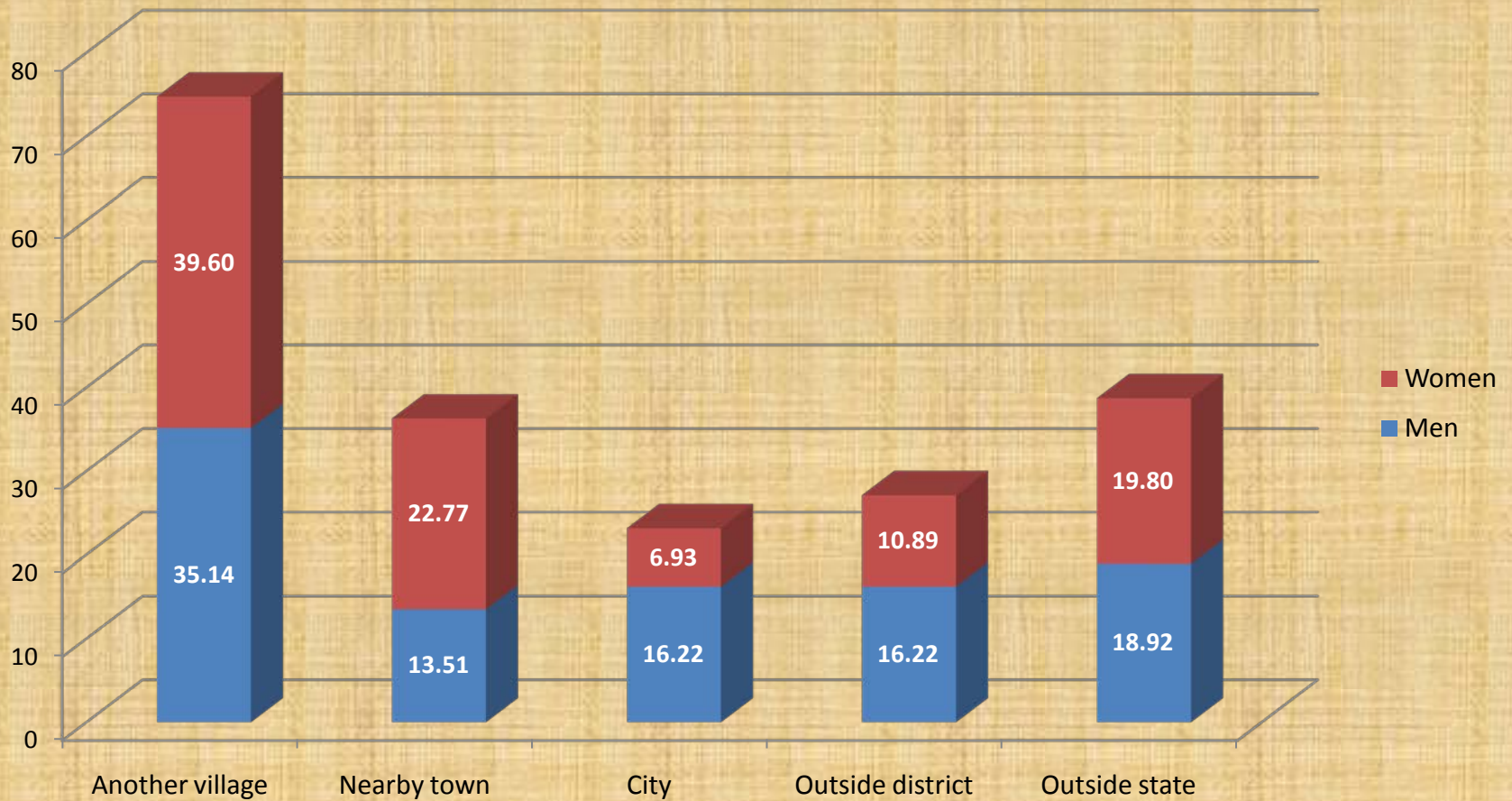
Marriage is major event in rural communities and decisions regarding these for majority of respondents is taken jointly by the spouses



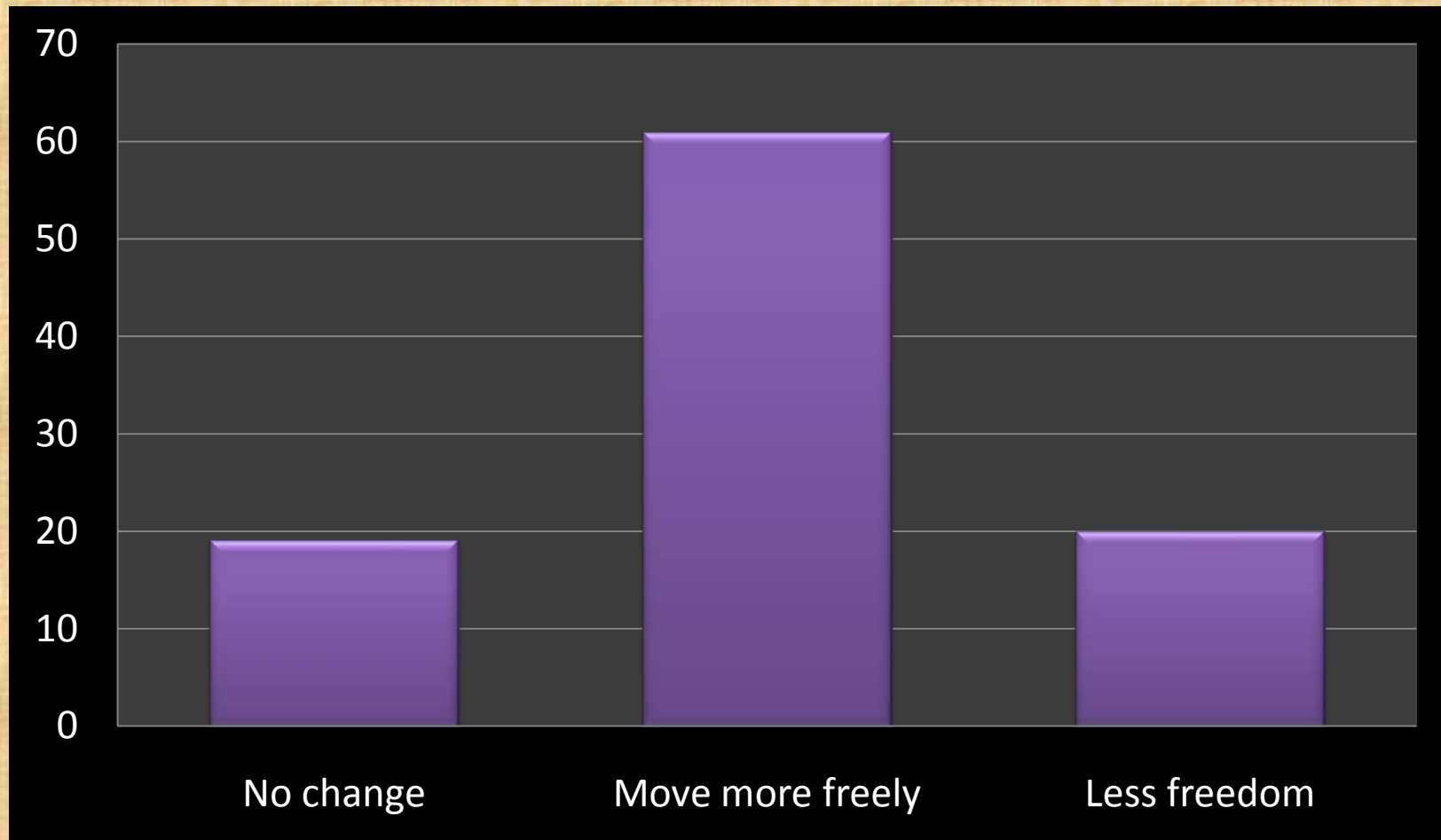
Decisions on running of the enterprise



Physical Mobility



While locally the mobility of women is more, men have more mobility towards the city

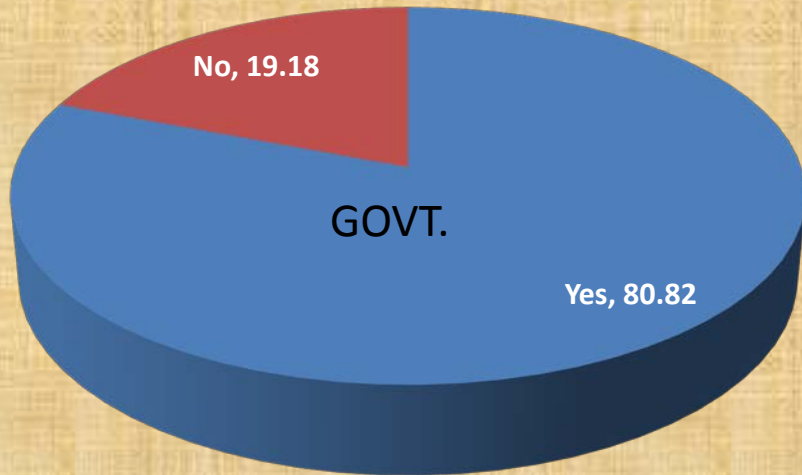


61% of women felt that their mobility has increased than before, while 39% feel that there has been no change or restrictions have increased



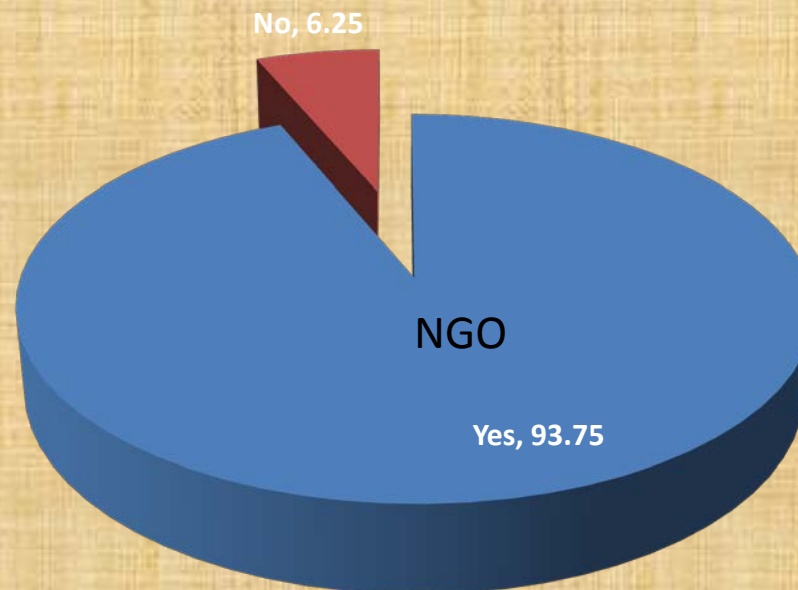
More women who have availed microfinance under government schemes have travelled outside the state.

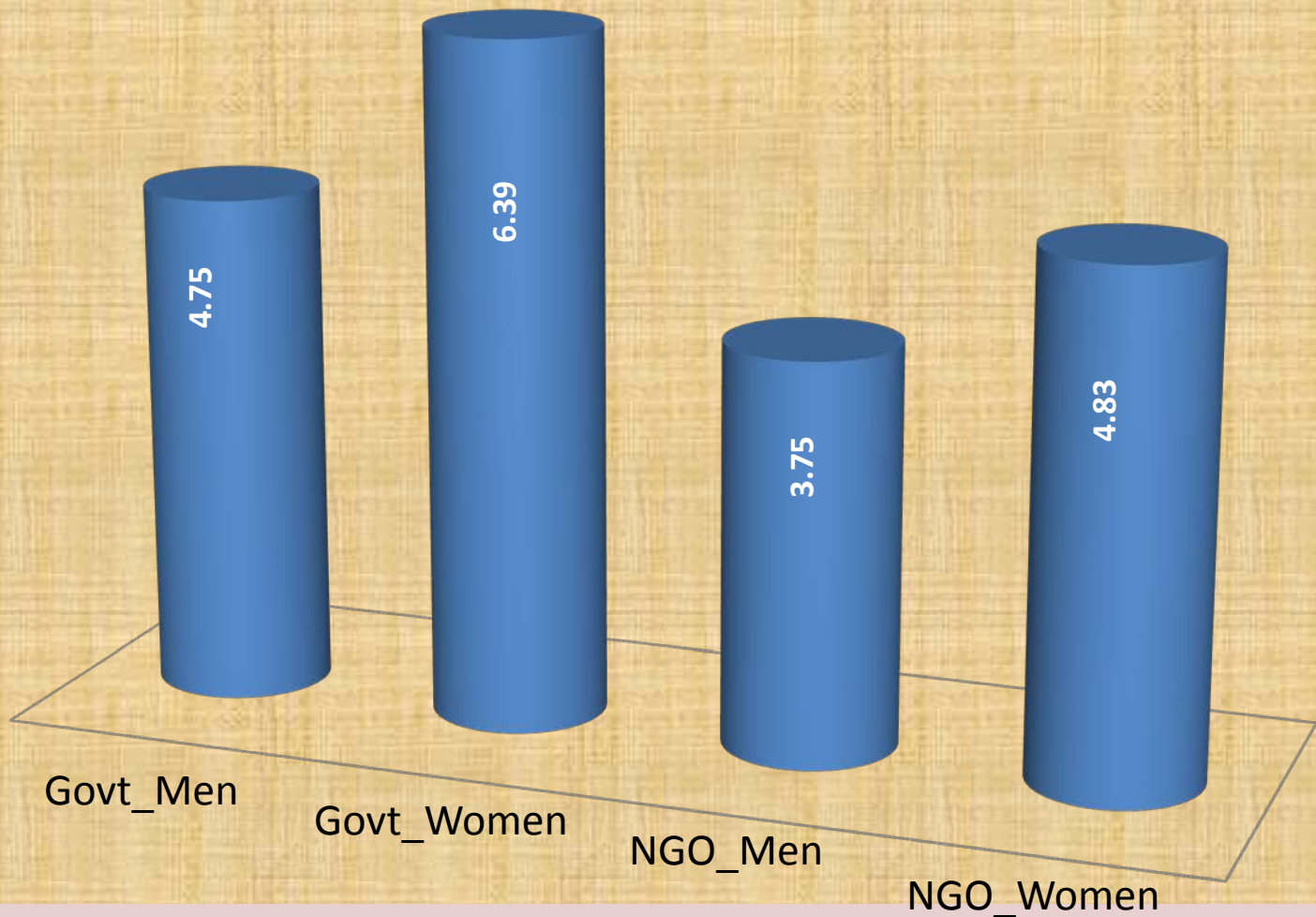
Group dynamics



Member of SHG

81% - 94% of women are members of one organisation or other

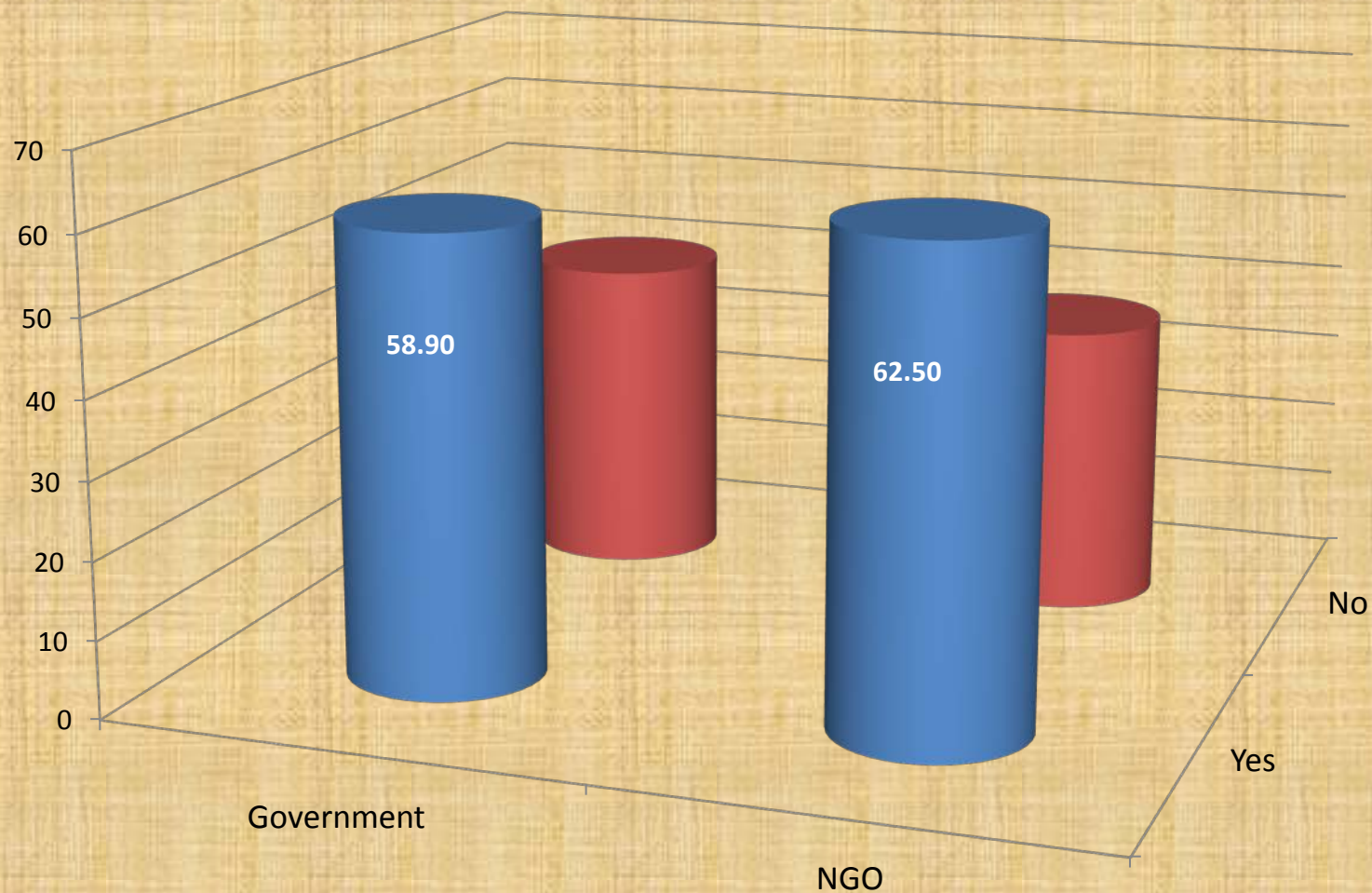




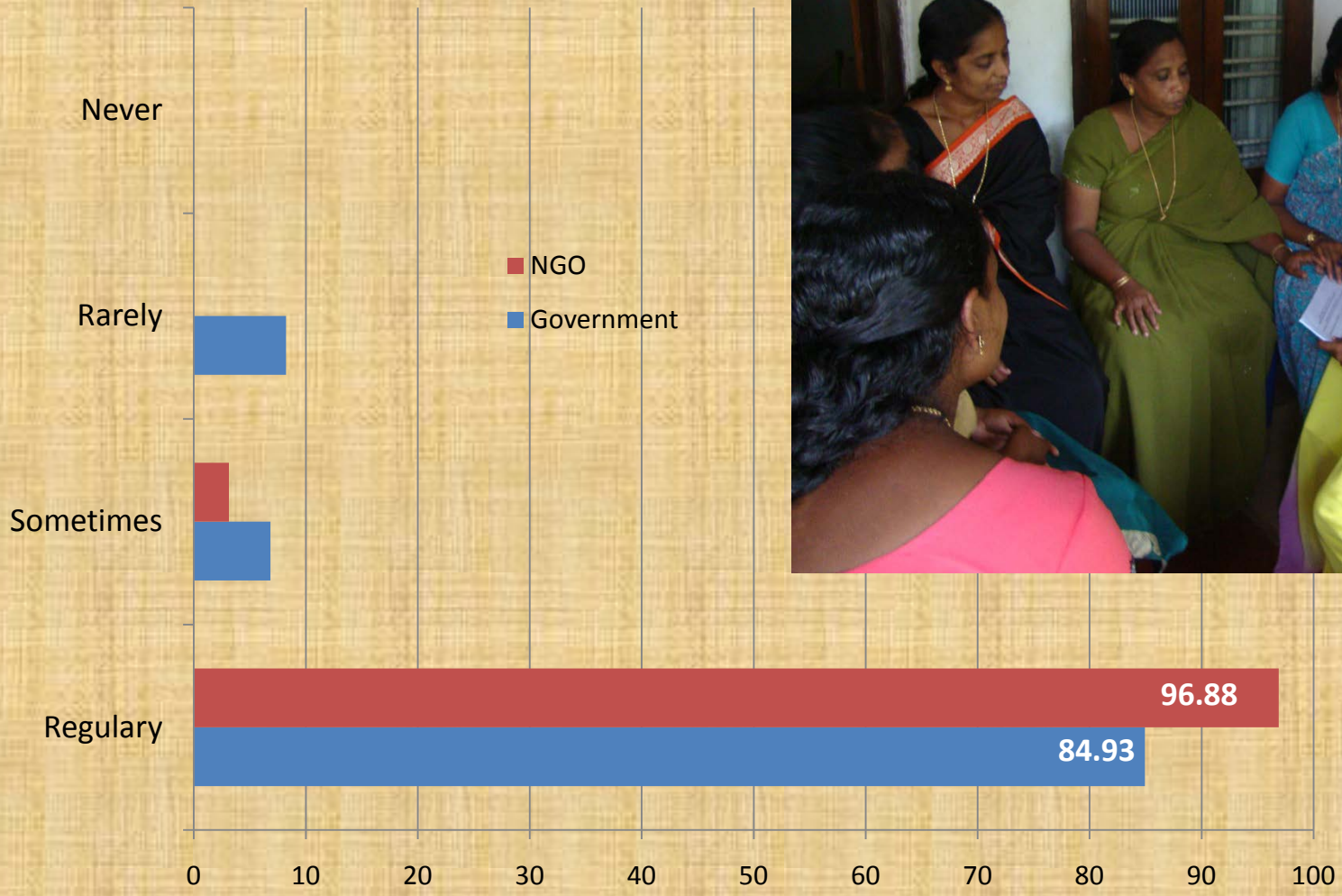
Duration of membership

Varies from 3.7 years to 6.93 years

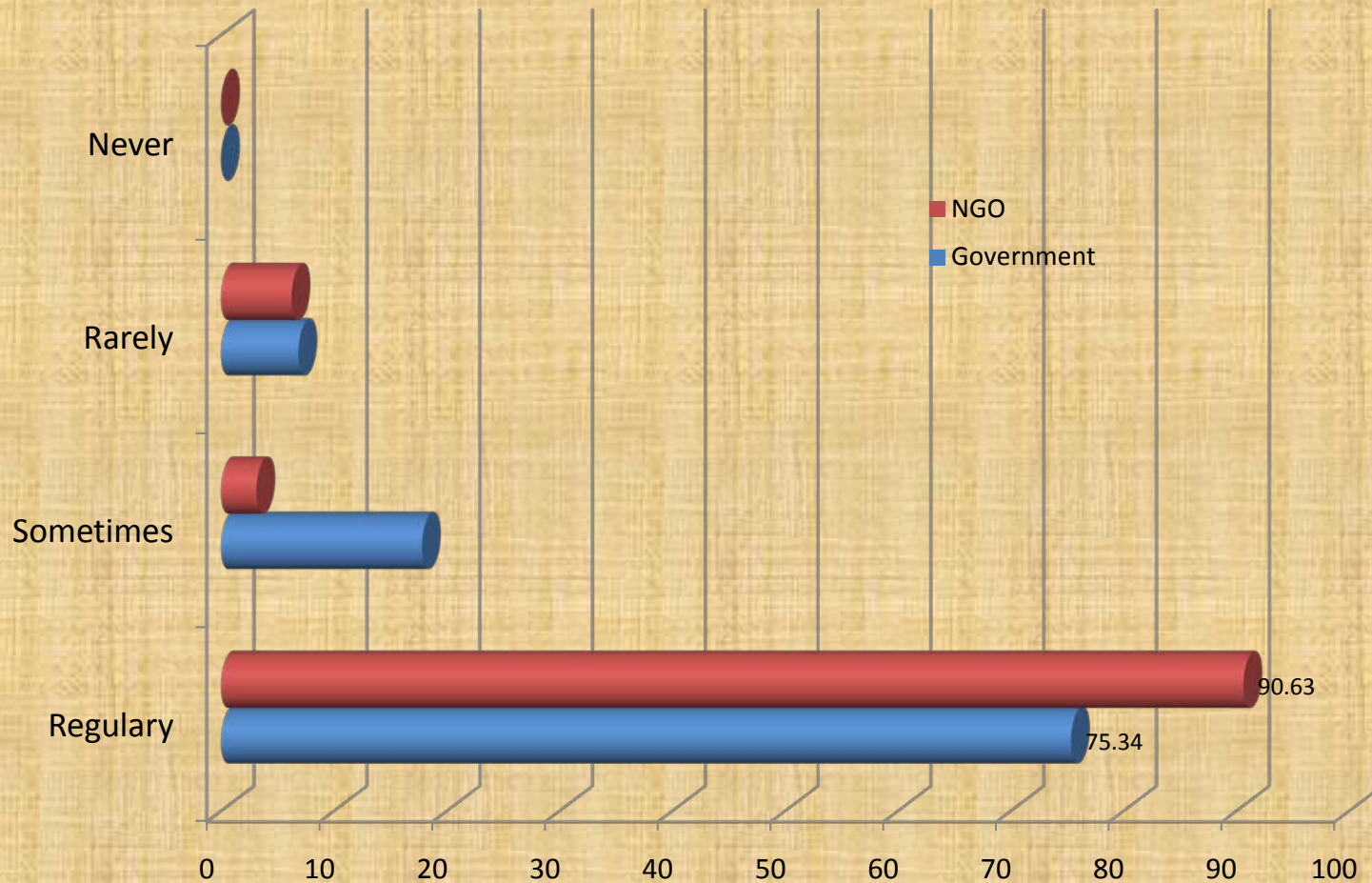
Women have more years of experience in SHGs than men



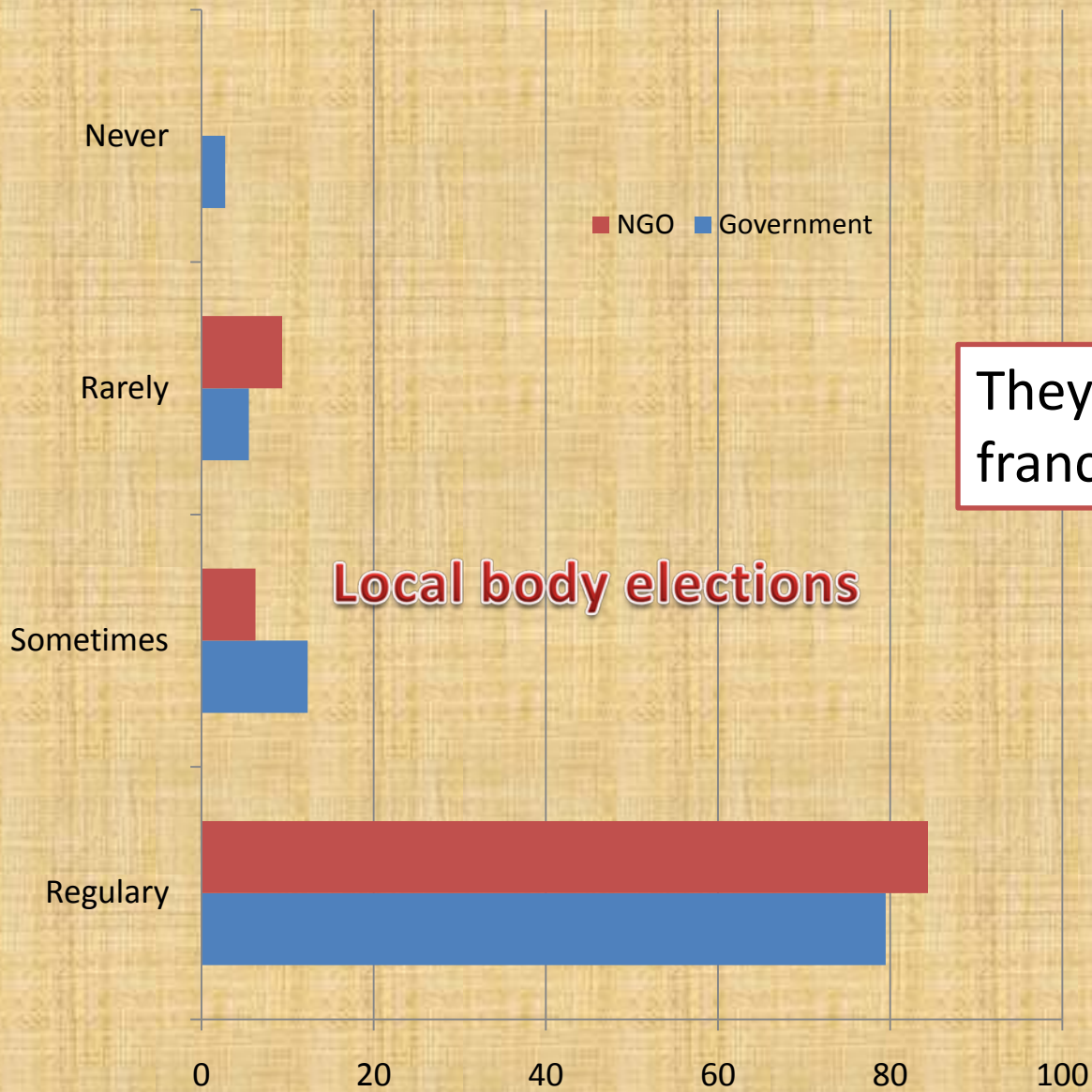
Almost 60% of women have held some position or other within their group



The women are regular in attending meetings of their respective groups

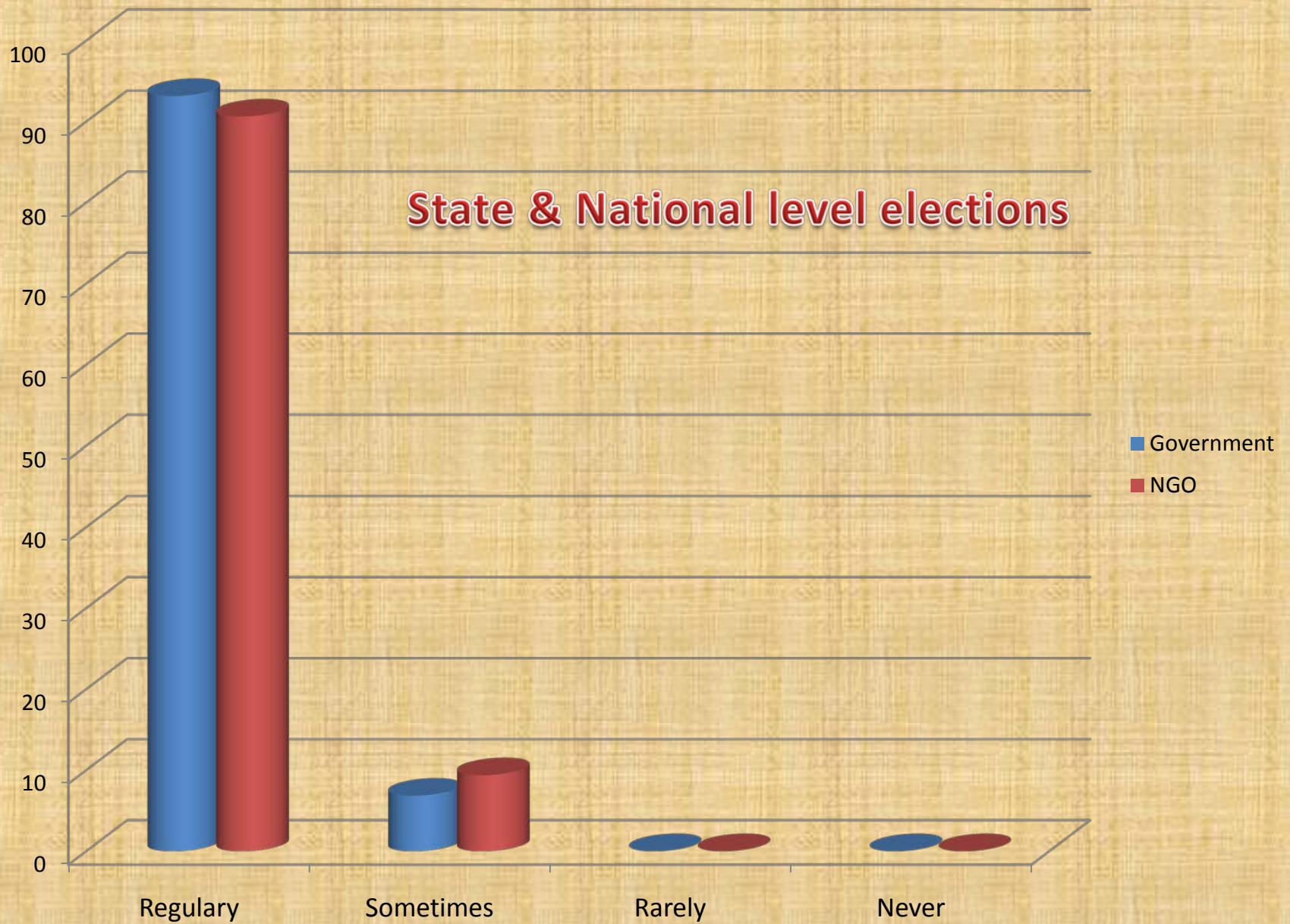


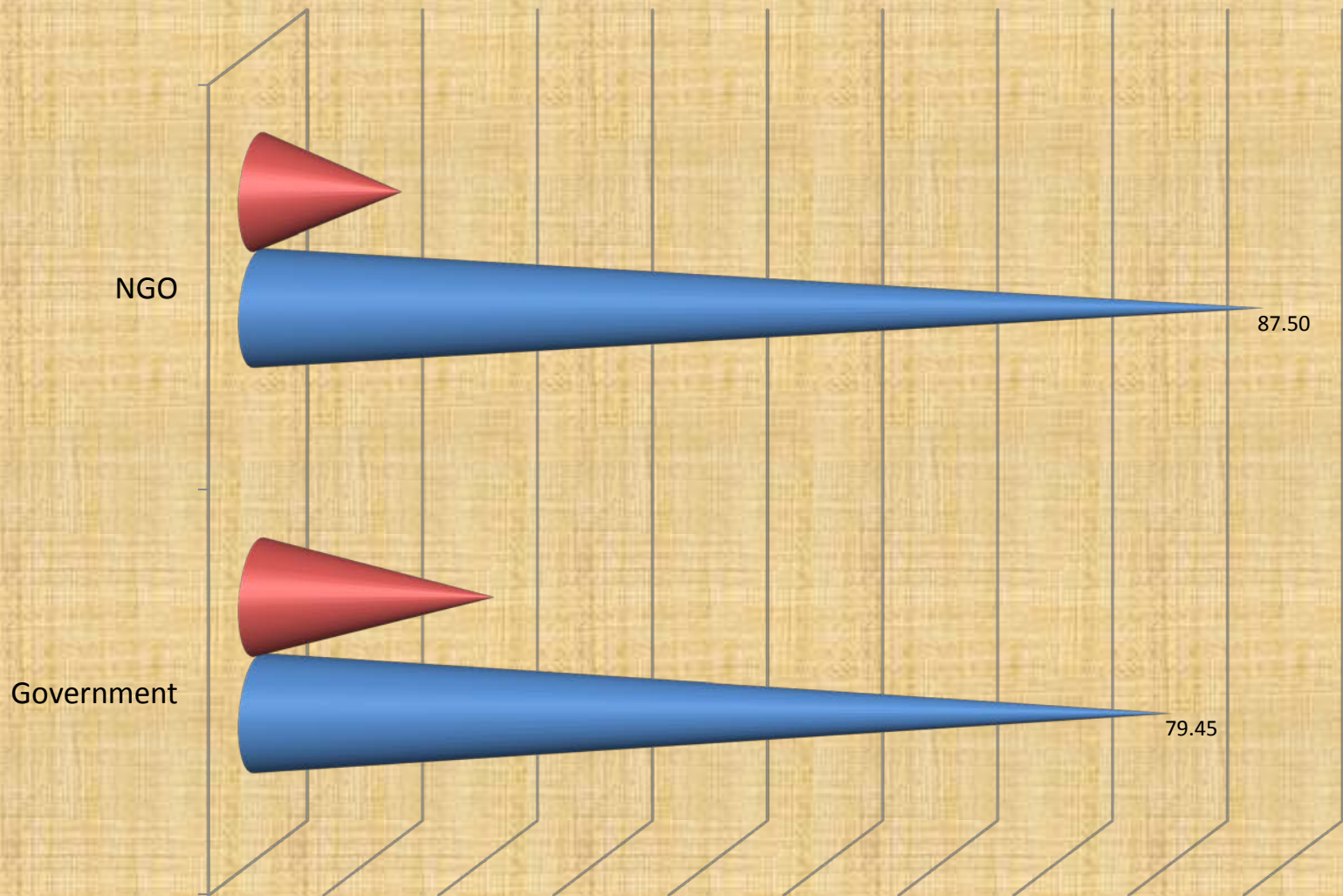
The women also participate in discussions regularly



Local body elections

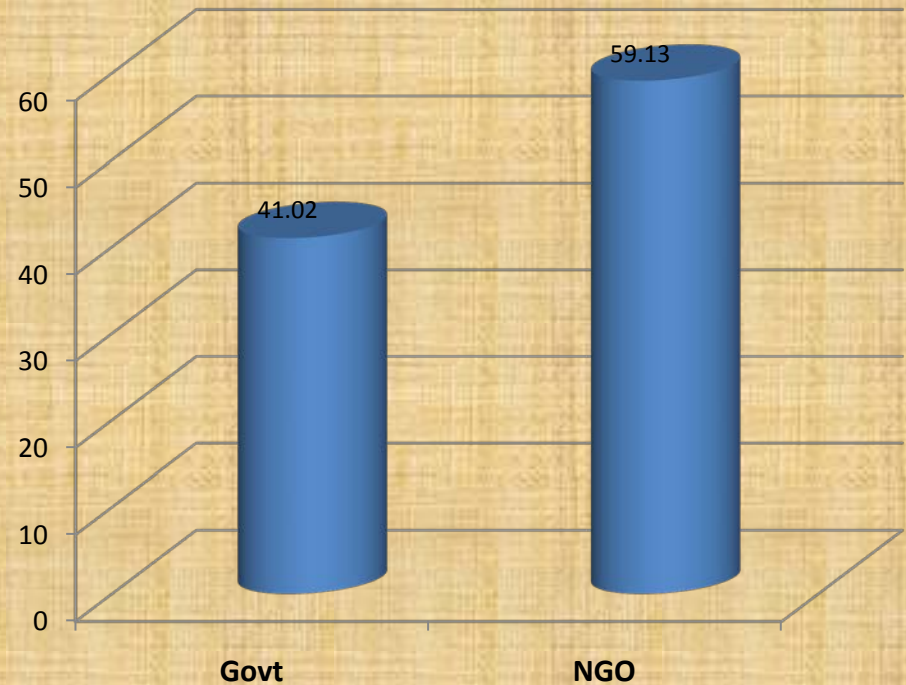
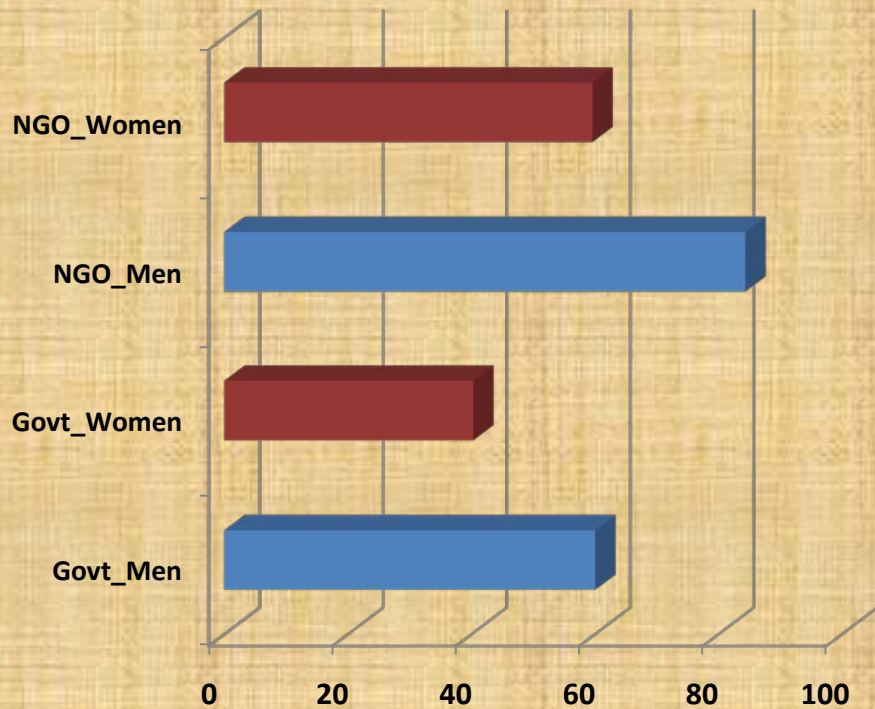
They also exercise their franchise regularly





Political awareness was also high among the women with 80-88% of the women having knowledge about which political group is in power at the local government

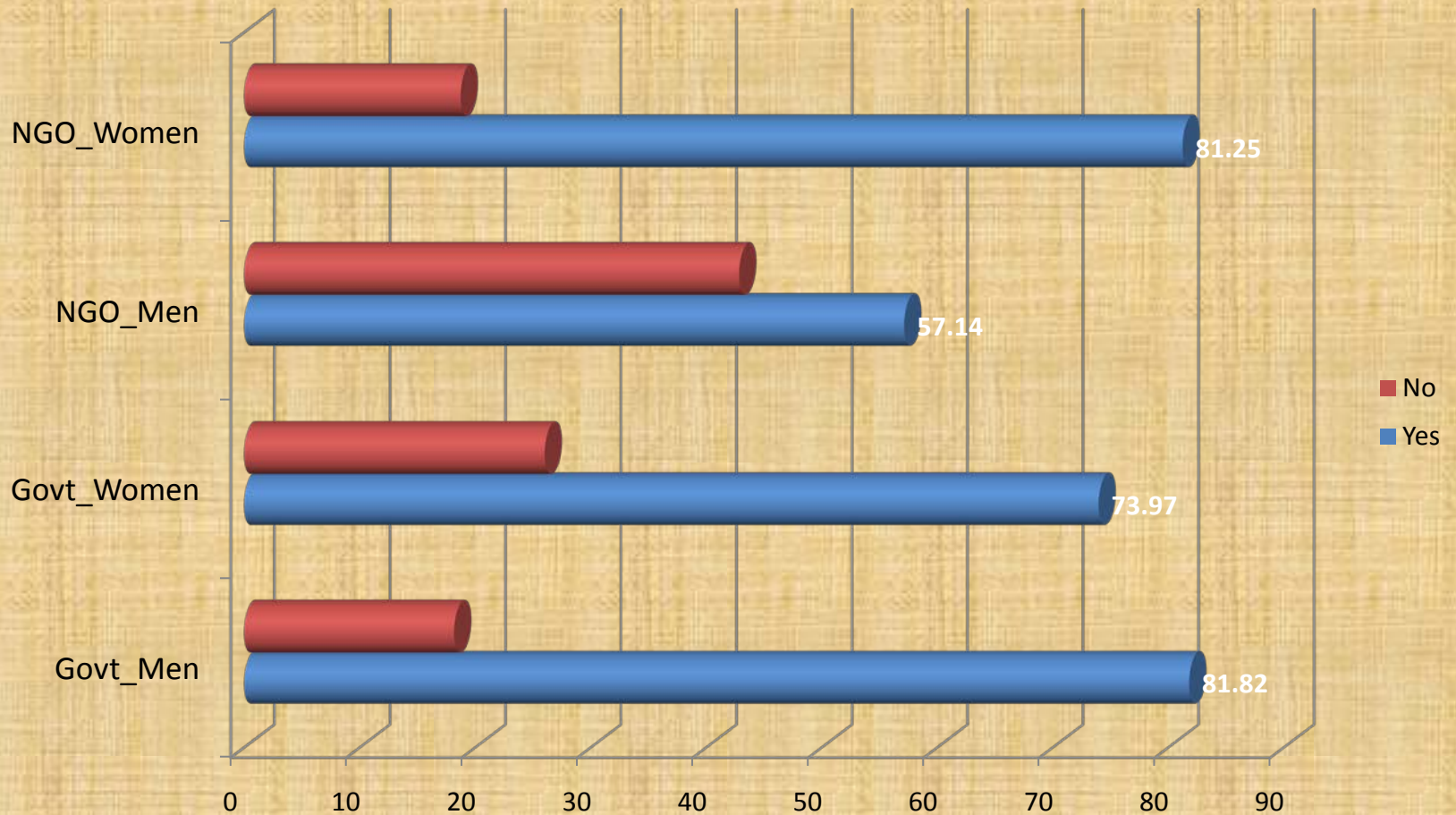
Group Dynamics Index



Group Dynamics Indices (GDI) were higher for men than women
Among both men & women, it was higher for women availing credit from NGO schemes
The overall GDI was also higher for respondents in the NGO group

Section IV

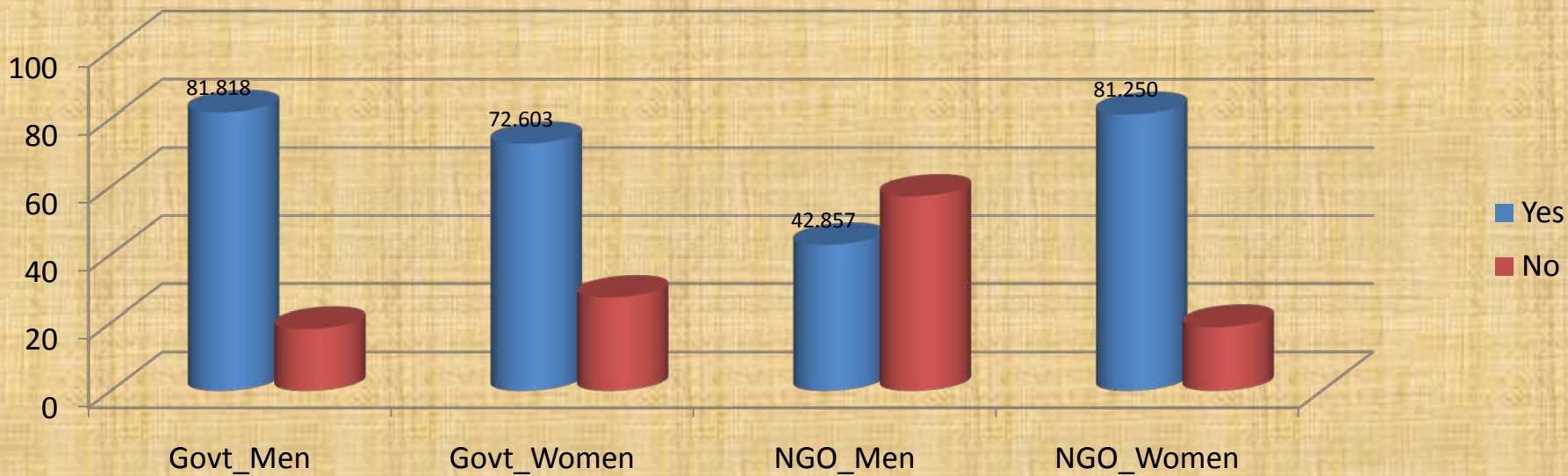
- Savings & Financial inclusion
- Operating accounts
- Dealing with institutions



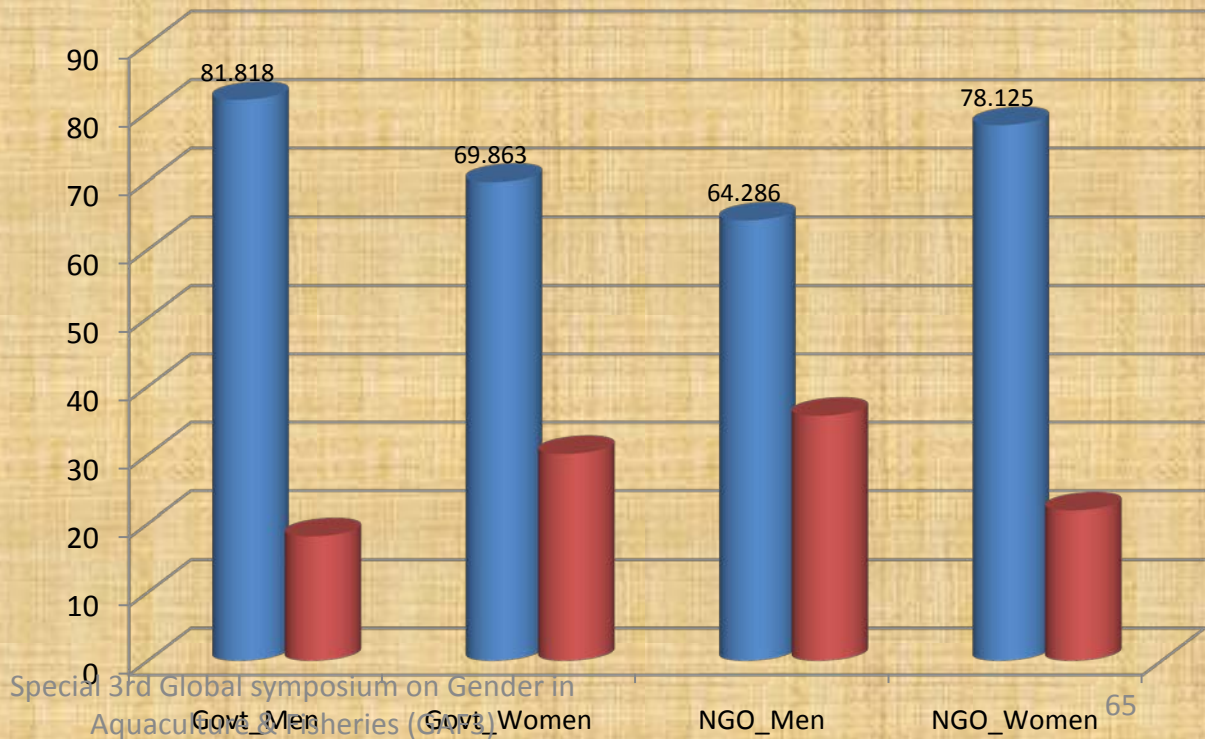
Having an account in a nationalised bank is becoming more common among the coastal communities. Monthly savings ranged from Rs. 700 to 1500 (USD 14 to USD 30)

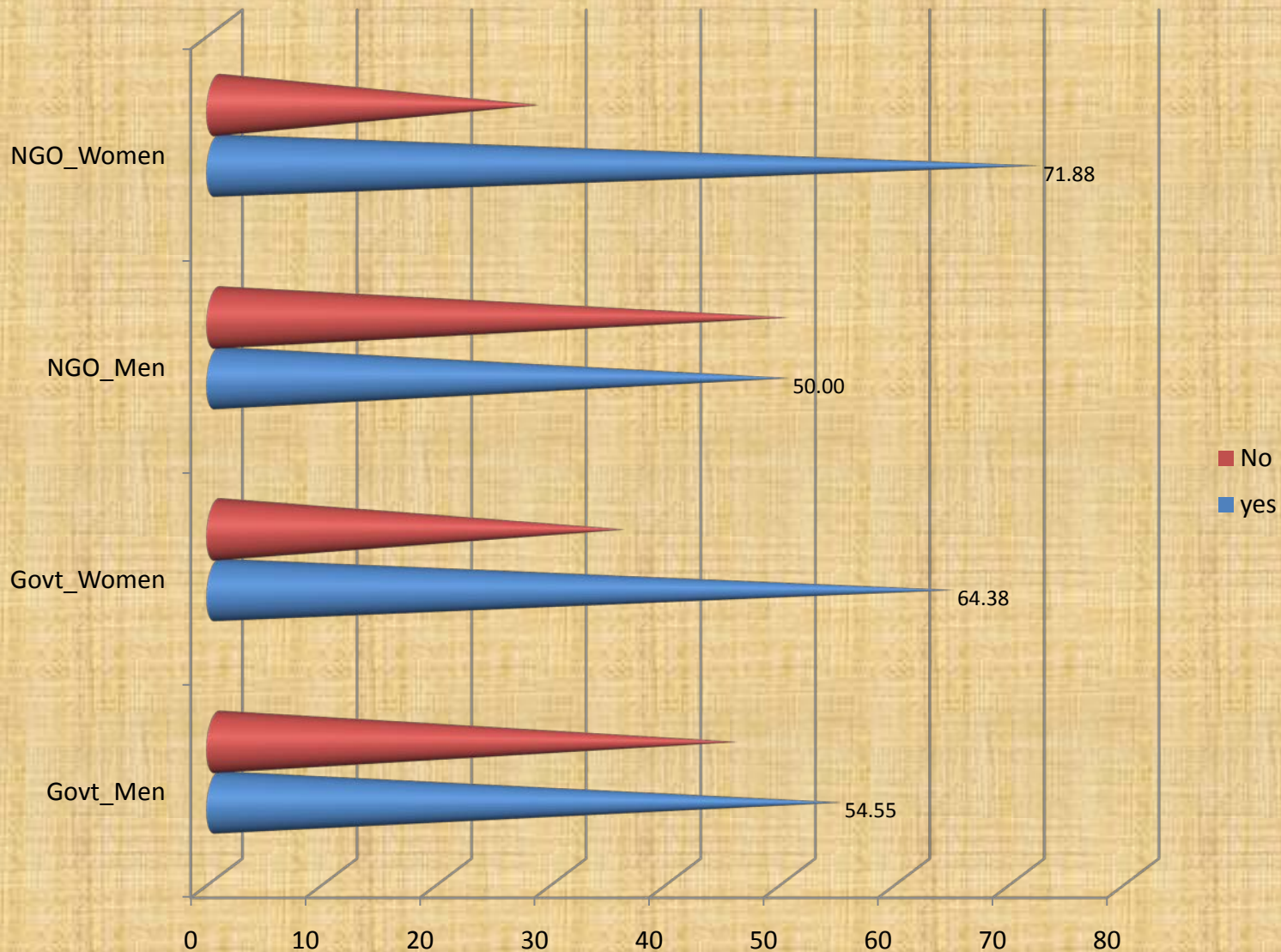


Perceived confidence levels among respondents have increased in almost 80% of the respondents

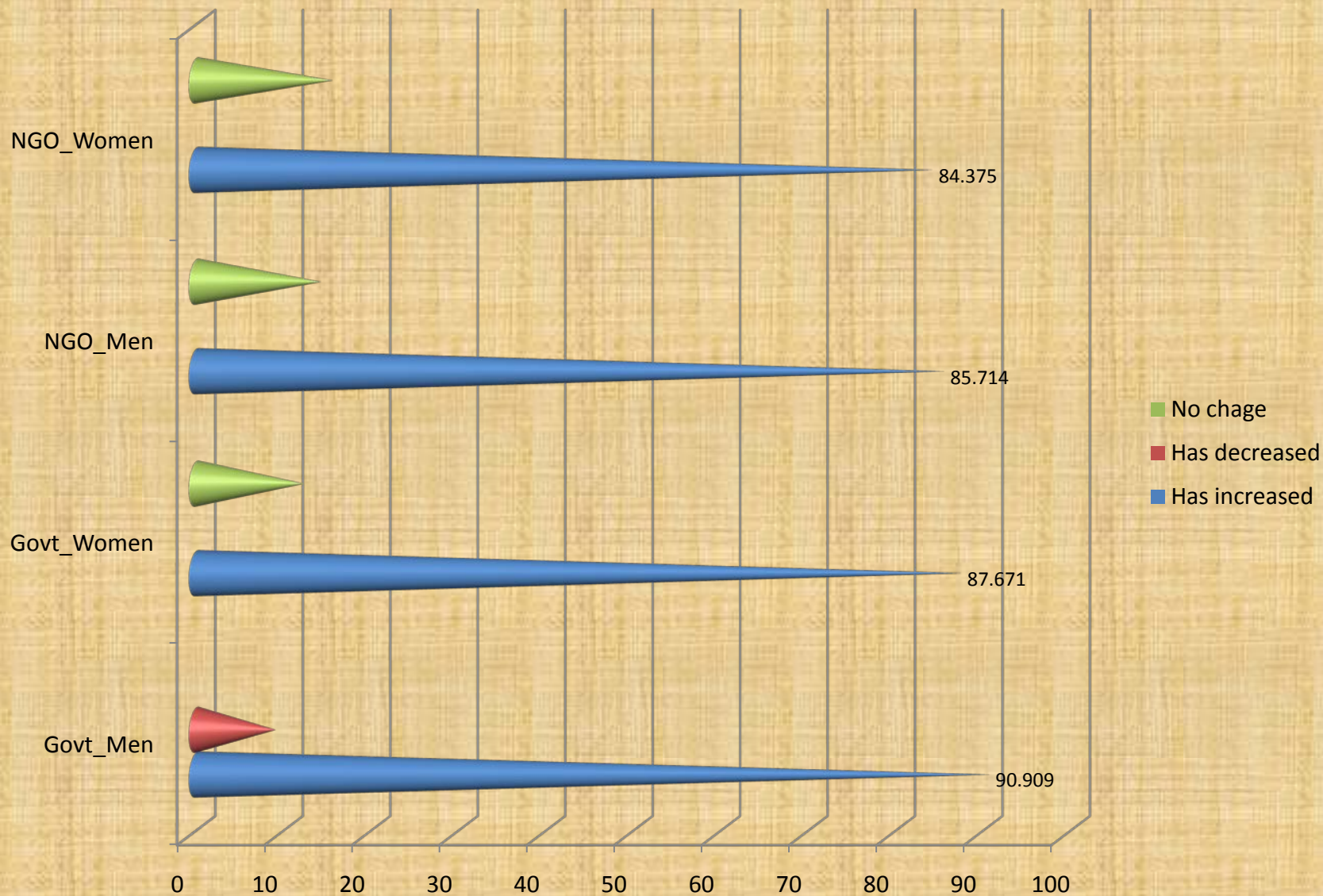


Less than 20% of the respondents had trouble operating their accounts & understanding entries in their bank books





However, a majority of respondents needed help in filling up official forms. 50% of the men and 60-70% of the women.



The confidence level in approaching organizations has also increased in almost 90% of the respondents.

This study.....&.....Future

CONCLUSIONS

- From the beneficiaries point of view, microfinance is a good option for meeting the consumption needs of the rural poor, and this is true for the coastal areas as well.
- The emergence of small scale livelihood options for fisherwomen as a result of availing microfinance loans, has had a positive impact on the income of the family.
- Financial discipline – conceptual framework on many studies- observed here also seen mainly in repayments.
- Instruments operated through groups- so higher group activity and group dynamic indices.
- Has had a positive impact on decision making within the family and within enterprises.

- Credit in many cases has gone into meeting immediate household expenditure
- Only in certain schemes, especially government schemes, has credit been linked to enterprise and compulsory savings.
- Main drawback has been poor asset creation.
- Unless there is creation of tangible entrepreneurial assets, the income and employment generating activities will not be sustainable in the long run.
- Beneficiaries taking credit from multiple agencies, and repayment of credit taken from one agency from credit taken from another agency, is becoming common place.
- Microfinance credit linked to well defined asset creation for livelihood enhancement, is an option that needs to be explored.

- Future direction:

- Actual number of agencies involved
- Extent of penetration of various agencies in coastal communities
- Exploration of the various instruments
- Monitoring & Quantification of impacts – economic terms

ICAR

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Shri. K.D.Jos, Technical Officer

Shri. K.D.Santosh, Technical Assistant

Shri. Ajith Chellappan, Technical Assistant

All the respondents of the study...

THANK YOU