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
Personal interviews based on questionnaires

Descriptive statistics, Group Dynamics Index for group behaviour, Risk analysis on awareness of microfinance schemes
RESULTS & DISCUSSION

The findings........
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.
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.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fish Marketing</td>
<td>49.49</td>
</tr>
<tr>
<td>Ornamental fish culture, fishing tools, net making, fishing allied activities, pickling units</td>
<td>19.70</td>
</tr>
<tr>
<td>Coconut products, curry powders, flours, mat making, milk, oil, paper bags, rice marketing, soap making, tailoring unit, vegetable cultivation</td>
<td>17.17</td>
</tr>
<tr>
<td>Small businesses, provision stores, bakeries</td>
<td>9.09</td>
</tr>
<tr>
<td>Cloth business</td>
<td>4.55</td>
</tr>
</tbody>
</table>
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

Average age of respondents

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt</td>
<td>41.91</td>
<td>43.81</td>
</tr>
<tr>
<td>NGO</td>
<td>46.71</td>
<td>44.69</td>
</tr>
<tr>
<td>Education Level</td>
<td>Govt.</td>
<td>NGO</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Illiterate</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Can read and write</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Primary</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td>Middle</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td>Secondary</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Collegiate</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>
All respondents were married

- Nuclear: 78%
- Joint: 22%

<table>
<thead>
<tr>
<th></th>
<th>Govt.</th>
<th>NGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>5.18</td>
<td>4.57</td>
</tr>
<tr>
<td>Women</td>
<td>4.45</td>
<td>5</td>
</tr>
</tbody>
</table>

Average family size:
- Govt: 4.55
- NGO: 4.87
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.
Average monthly family income of respondents is USD 209

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt</td>
<td>469</td>
<td>195</td>
<td>226</td>
</tr>
<tr>
<td>NGO</td>
<td>224</td>
<td>161</td>
<td>178</td>
</tr>
</tbody>
</table>
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
Getting higher incomes was a major economic motivation among the respondents.
Section II

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

- **Start enterprise**: 53.57% (Government 28.26%, NGO 25.31%)
- **Household consumption**: 21.43% (Government 41.30%, NGO 56.30%)
- **Repay debt**: 4.76% (Government 4.35%, NGO 0.41%)
- **Household repairs**: 11.90% (Government 23.91%, NGO 75.09%)
- **Others**: 8.33% (Government 2.17%, NGO 6.16%)

Special 3rd Global symposium on Gender in Aquaculture & Fisheries (GAF3)
More men than women took credit for starting an enterprise, while women mainly wanted credit to meet household expenditure.
Knowledge about MF credit

<table>
<thead>
<tr>
<th></th>
<th>Government</th>
<th>NGO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Cooperative Society/NGO</td>
<td>6</td>
<td>42</td>
</tr>
<tr>
<td>Neighbours</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Family</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>12</td>
</tr>
</tbody>
</table>

The agencies operating the schemes were the main source of information about the schemes.
Availed benefit of other schemes

- Benfitted from NGO scheme earlier: 56.32%
- Benfitted out Govt schemes earlier: 76.19%

- Benfitted from NGO scheme earlier: 63.04%
- Benfitted out Govt schemes earlier: 65.22%

Multiplicity of agencies and schemes in coastal areas has been observed

Special 3rd Global symposium on Gender in Aquaculture & Fisheries (GAF3)
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 were women.
Knowledge of the scheme

Knowledge about source of finance

Rate of interest

Knowledge about rate of interest before availing credit

Knowledge of repayment schedule

Knowledge about repayment schedule before availing credit

Knowledge about terms of credit
Based on the contingency table on awareness of credit schemes and related information, relative risk was calculated.

<table>
<thead>
<tr>
<th>Credit scheme</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of interest</td>
<td>0.80</td>
<td>1.00</td>
</tr>
<tr>
<td>Repayment schedule</td>
<td>0.78</td>
<td>0.95</td>
</tr>
</tbody>
</table>

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.

- **Women:**
  - Increased: 39.13%
  - No change: 6.52%

- **Men:**
  - Increased: 64.29%
  - No change: 1.19%
Occupations of women respondents

- Home makers: 47%
- Fish drying: 34%
- Fish marketing: 14%
- Others: 5%

Special 3rd Global symposium on Gender in Aquaculture & Fisheries (GAF3)
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

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Earnings per month (after credit linked enterprise)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>3</td>
<td>&lt;500: 7, 500-1000: 3, &gt;1000: 17</td>
</tr>
<tr>
<td>&lt;500</td>
<td>19</td>
<td>&lt;500: 7, 500-1000: 34, &gt;1000: 17</td>
</tr>
<tr>
<td>500-1000</td>
<td>8</td>
<td>&lt;500: 7, 500-1000: 30, &gt;1000: 23</td>
</tr>
<tr>
<td>&gt;1000</td>
<td>11</td>
<td>&lt;500: 7, 500-1000: 30, &gt;1000: 23</td>
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### Earnings per month (after credit linked enterprise)

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<th>Category</th>
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</thead>
<tbody>
<tr>
<td>&lt;500</td>
<td>1</td>
<td>&lt;500: 7, 500-1000: 30, &gt;1000: 23</td>
</tr>
<tr>
<td>500-1000</td>
<td>4</td>
<td>&lt;500: 7, 500-1000: 30, &gt;1000: 23</td>
</tr>
<tr>
<td>&gt;1000</td>
<td>18</td>
<td>&lt;500: 7, 500-1000: 30, &gt;1000: 23</td>
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</tbody>
</table>

### 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

- **Has increased**: 78.13% (NGO), 86.30% (Government)
- **Has decreased**: 18.75% (NGO), 13.70% (Government)
- **Can't say**: 3.13%

Majority of women who have started enterprises felt that their status in their community has increased.
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
Another important area in family welfare is health and the decisions regarding these are mostly taken jointly.
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 a 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

- What to do with credit
- Where to purchase raw material
- How to manage the enterprise
- Where to sell the product
- Schedule the repayment
- Saving from the income
- Working hours of enterprise

Govt_Women
NGO_Women
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

GOVT.

Yes, 80.82

No, 19.18

NGO

Yes, 93.75

No, 6.25

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.
They also exercise their franchise regularly.
State & National level elections

- Regularly
- Sometimes
- Rarely
- Never

Government
NGO
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 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.
CONCLUSIONS

This study......&......Future
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
Director, CIFT
FAO

Smt. P. Jeyanthi, Scientist
Shri. V. Chandrasekhar, Scientist

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