

## **CHAPTER-V**

### **SUMMARY AND CONCLUSIONS**

This chapter presents the findings of the study and conclusions drawn from the findings. It also presents the recommendations for policy changes to boost the momentum of micro enterprise promotion and indicates the areas for further research so that the new solutions can be found out to address the ever changing needs in the emerging microfinance sector. There are more number of matured SHGs, which need to be graduated to take up growth oriented micro enterprises, not only livelihood enterprises. The present study primary addresses this problem of enterprise promotion and attempts to find out how the continued access to micro finance has promoted the micro enterprises in the study area and empower the status of women economically and socially.

### **FINDINGS**

#### ➤ Growth of Microfinance Programme

It is found that even though the number of new SHG credit linked keeps on increasing every year, the percentage of growth over the previous year shows a decline, in the last few years. It shows that the programme has made a shift from an expansion phase to a stabilization phase. It is observed that the average loan size per SHG keeps on increasing over the years and it has reached from `10,450 as on 31.3.2011 to `20360.5 as of 31st March 2013, while the average SHG loan availed per family as March 2011 is only `4500, which shows that a wide scope exists for credit deepening.

#### ➤ SHG-Bank Linkage Programme

During the year 2013-2014, the number of SHGs credit linked with banks in Nagaland registered a 41.7 per cent growth over the March 2013, whereas bank loan disbursed during the year 2013-14, marked a 61.6 per cent growth over the March 2013 level. The level of growth of the SHG-Bank linkage programme in Nagaland is one among the better in the North-East India. In the last four years from 2010, Kohima district has recorded a higher per cent of growth (in terms of SHGs linked and SHG-Bank loan disbursed) than that of Mokokchung district.

#### ➤ Women Development Project

In both the districts, the growth in respect of SHGs formed and members enrolled is higher during the year 2010-11. This may be attributed to the fact that the government gave more thrust for forming new SHGs and these SHGs have not received the needed capacity building inputs and hence, they are weak. It is revealed that in some households, multiple membership in different groups were common as the DRDA officials have not used proper screening tests, while enrolling members for their new groups. The savings rotation in Kohima district shows a declining trend from 3.65 as of March 2011 to 2.96 as of March 2014, whereas in Mokokchung

district the savings rotation is increasing from 2.77 as of March 2011 to 3.15 as of March 2014. In Mokokchung district, the loan given by SHGs was used by the SHG members like a venture capital to experiment with launching of new micro enterprises. SHG members face difficulties in accessing the SGSY loans, as the time lag involved was around 8 to 10 months. It is observed that 68 per cent of the total respondents belong to nuclear families.

➤ Socio-Economic Profile of the Respondents

▪ Social Profile

A little above half respondents (51.67 per cent) are participating in SHGs for a period of 1 to 3 years, followed by one third (35.00 per cent) of respondents, who are in SHGs for than 1 year. The younger category (18-35 years) of women constitutes the major share (43.33 per cent) of the respondents, who are eager to participate in trainings and initiate new enterprises. Some of the branch managers hesitate or refuse to give bank loans to SHGs, where more number of old-aged women are members, even though the government norm says that women of up to 60 years of age are eligible to join in a SHG. It is observed that percentage of illiterate respondents is negligible that is a matter of satisfaction. Further, it is observed that 21.33 per cent of the respondents completed primary level of education, 34 per cent of them completed middle school, 40 per cent of them completed high school and 2.34 per cent completed graduation. It is observed that 69.33 per cent of the respondents are married women, which comply with the existing best practice of enrolling married women only in SHGs, as unmarried women's migration is possible to other villages/places after getting married. It is observed that out of the 300 SHG members in our sample, 82.33 per cent of the respondents have nuclear families and remaining 17.67 per cent have joint families. It is observed that 68 per cent of the total respondents belong to nuclear families.

▪ Economic Profile

Income earners to total members in the household-ratio for the study area are low at 42.05 per cent. Hence, there is a compelling need to undertake more livelihood microenterprises by the SHG members. 45.00 per cent of the respondents are engaged in trading, 36.67 per cent of the respondents is engaged in agricultural activities and 13.33 per cent of the respondents is in service sector. As the trading activities require a very low skill level, a low startup capital and the entry barriers are less, many women opted for this. For the target poor, who are the first generation entrepreneurs, trading emerges as the safest entry point. Being a relatively risk free and traditional activity, agricultural activities like pig rearing are most sought after by the poor rural women. Pig rearing fetched a good supplementary income to the SHG members. Over a period of association with the SHGs, the members become aware of the benefit of networking and mostly SHG leaders represented one or more networks operating in their area. As the women join more number of networks, their exposure increased and they got acquainted with more institutions and officials, which resulted in opening up new opportunities to them.

- 62.00 per cent of the respondents preferred to have a subsidy loan as against 38.00 per cent who preferred direct loan without subsidy. About 15 per cent of investments in micro enterprises was from own sources, 10 per cent from loans from SHGs, 72 per cent from SHG-Bank loans and 3 per cent from other sources. The average SHG-Bank loan per member for urban area stood at '15092 as against '12068 in rural areas. Mean total investments per micro enterprise for urban area amounted to '21050 and as against '16782 for rural area.

The share of bank loan to the total investments and the mean SHG-Bank loan keep on increasing with the increase in length of participation of the respondents in SHGs.

- The respondents through the micro finance programmes have invested in a variety of micr enterprises, both in farm sector (3 economic activities) and non-farm sector (five economic activities). The major activities that have been taken up by the respondents in Mokokchung district are farm activities, like pig rearing, flower cultivation etc. The major activities that have taken up by the respondents in Kohima district are non-farm sector activities, like silk weaving, petty shop, grocery shop, second hand clothing selling etc.
- A special scale was constructed and used to measure the rowth of the micro enterprises and the respondents were asked to choose the stages of growth for each of the five indicators based on their perception on their units'performance during the last one year, on a 3-point scale (High, Moderate and Low). In the study area, about 25.00 per cent of the respondents experienced low growth of micro enterprises, 68.33 per cent of the respondents achieved medium growth and only 6.67 per cent of the respondents achieved high growth. 3.33 per cent of the respondents from Mokokchung district achieved the high growth, while only 10.00 per cent of the respondents achieved the high growth from Kohima.
- Factors Contributing to the Growth of Micro Enterprises:

The following factors contributed to the achievement of medium and high growth by certain micro ewnterprises

- Activity selection purely on demand basis like operating cranes for well deepening and hiring scaffolding materials.
- SHG member or their household members having the required skill and experience in the selected activities like shawl weaving and folk dress making.
- SHG member undergoing the timely EDP training followed by the skill development training and started units like biscuit making.

- Strong will after attending the EDP training backed by the enabling family support for starting units like computer jobs.
- Introduction of latest technology (For example- production of computerised design for weaving).
- Long period of association with SHGs, thereby gaining access to various refresher training programmes (For example, members who have taken up agricultural activities).
- Participation in exhibitions/fairs and knowing the client's expectations and the competitor's strategy (for example, handicrafts making).
- Purchase of raw materials/stock in bulk and at cheaper price.
- Cash purchase of raw materials and stock (For example, timber business)
- Availability of markets nearby.

During the survey, it was found that the following are the main reasons for the low growth of micro enterprises in the study area. In reality, however, one or more of the following, would have influenced the low growth.

16. Enterprise promotion not based on the demand from the customer.
17. Cut throat competition reducing the profit margin.
18. Rise in cost of raw materials, labour and overheads.
19. More of credit sales.
20. Lack of product/process innovations.
21. Interest burden due to high cost borrowings from informal sources of borrowing.
22. Obsolete technology.
23. Lack of working capital for the unit.
24. Not able to reach out to the distant markets because of lesser volume of production.
25. Failure of the management.
26. Non-availability of required training.
27. Inadequate power supply.
28. Lack of market information.
29. Diversion of funds.
30. Not devoting full time to the business enterpris

- It has been noted that sixty per cent of the groups were started only to avail loans from other financial institutions, 100 per cent to start income generation activities and 60 per cent to take up community development programme. In the case of rural areas, 75 per cent of the groups had started just to improve the economic status of the members. It is seen that 20.00 per cent of SHG members had availed credit for initiating income generating activities. Their proportion in the rural area was 33.33 per cent and in the urban area, 24.67 per cent.
- The mean incremental number of days employed per annum, mean incremental annual income and mean incremental assets of the respondents are directly proportional to the

number of years of association of respondents with SHGs. Respondents from the above 3 years category of SHGs, have recorded the highest mean incremental number of days employed per annum, which leads to more mean incremental income and mean incremental assets.

- Besides DRDO trainings, another reason for promotion of 87 new micro enterprises by respondents in Mokokchung block is due to the fact that the Indian Banks's Special Unit for Microfinance (IBUM) project at Kohima facilitates linkages between SHGs and development institutions and encourages SHG members to start new enterprises.
- In all the three impact parameters, trained respondents have registered a higher incremental growth namely, mean incremental number of days employed per annum, of trained SHG women is 94 days, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental annual income of trained SHG women is at `13981.13, which is 42.42 per cent higher than that of not trained SHG women. Mean incremental total assets of trained SHG women are `12051.16, which is 65.98 per cent higher than that of not trained SHG women.
- About 74.3 per cent of the respondents in the total study area used the incremental income in a tangible way. The larger share (82.4 per cent) of respondents from Mokokchung district and only 68.5 per cent of the respondents from Kohima district had used the incremental income in a tangible way. Out of the respondents, who used the incremental income in a tangible way, 32.3 per cent of them purchased labour saving consumer durables, 22.2 per cent of them invested in children's education. The SHG-Bank linkage programme has not impacted the respondents in reducing the income inequality among them.
- The multiple regressions run for the farm sector indicates that the co-efficient of determination ( $R^2$ ) is 0.521. It denotes that only 52.1 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis.
- It is found that the three variables-  $X_3$  (Number of children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of sales) are found to be statistically significant. The independent variables, such as number of children and sales have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.
- The multiple regressions run for the non-farm sector indicates that the co-efficient of determination ( $R^2$ ) is 0.849. It is inferred that 84.9 per cent of the total variation of the dependent variable 'y' (Post-SHG income of the respondents) is explained by the independent variables included in the multiple regression analysis. It is found that the four variables-  $X_3$  (number of children),  $X_{10}$  (Sales) and  $X_{11}$  (Cost of sales) and  $X_{12}$

(Number of days employed per annum) are found to be statistically significant. The independent variables, such as number of children, sales and number of days employed per annum have significant positive relationship with the post-SHG income, while the variable cost of sales has significant negative relationship with the post-SHG income.

- About 59.33 per cent of the respondents were in below '10,000 income category during the pre-SHG period and this category has reduced to 6.33 per cent of the respondents during the post-SHG period. It is further found that 5.33 per cent of the respondents were in the category of above '20,000 income during the pre-SHG period and this category has increased to 50.00 per cent of the respondents during the post-SHG period. Hence, it can be concluded that the SHG women who have joined the SHG, when they were in the lower level of income ladder have moved upwards during the post-SHG period.

## **Micro Finance- Operational and Strategic Issues**

### **Operational Issues:**

**Challenge:** In the study, portfolio at risk for Mokokchung district was reported to be 11.03, which is due to the failure of group activity thrusted by the officials.

**Recommendations:** The eligibility norms for availing group activity loans are to be modified as only the matured groups can manage the group activity, which require more understanding among the members to resolve the conflicts among them in sharing the work or profits or in decision making. The suggested eligibility norms are those SHGs which are functioning more than 5 years, bank loans repaid three times without any defaults, SHGs which have rotated their leadership, SHGs which are maintaining their financial records in a transparent way, duly audited and where the members visit the bank branches in rotation every month.

**Challenge:** Among the respondents, who faced the financial crisis, only 1.60 per cent of the respondents have insurance cover credit ner.

**Recommendation:** Banks shall make tie up with insurers and provide the insurance cover to SHGs Members.

**Challenge:** In the study area, among the respondents, who faced the financial crisis, 17.10 per cent of the respondents have diverted the working capital from their micro enterprises, which affected their liquidity position.

**Recommendation:** Banks shall provide an emergency line of credit to SHGs to pass on instant loans to such SHGs members, who faced the liquidity problem in their micro enterprise.

**Strategic Challenge:** Lack of credit information on sHGs linked, members assisted and other MIS requirements.

**Recommendation:**

Database for SHGs and their members, at the block level on the lines of CIBIL (Credit Information Bureau of India Limited) has to be put in place. Each SHG has to register with the block level database centre through the federation, which is to be made compulsory for availing bank finance and have to submit periodical updates regarding loans obtained and loans repaid. Only those SHGs, which have submitted the updates, need to be taken up for repeat loans. Out of the Micro finance development and equity fund, NABARD shall meet the initial capital costs and operational cost for 2 to 3 years, till the centre becomes self sustaining. Banks may pay user fee and can access the credit information.

**Challenge:** Around 75.50 per cent of SHG members in the study area did not prefer the subsidy loans, as it involves more transaction cost and the loan delivery is also delayed.

**Recommendation:** Subsidized loans may be stopped. Subsidy amount shall be better invested in SHG managed community infrastructure and for capacity building programmes.

**Challenge:** Branch managers hesitate to sanction loans to SHGs, wherein many old aged women are members, even though the government guidelines permit SHG membership upto the age of 60 years.

**Recommendation:** As the life expectancy is going up and even the rural area are also becoming nuclear, the old aged persons also have to carry out some economic activity and have to earn as they are not having access to any pension scheme, government shall raise the upper age limit for eligible membership to 65 years and the banks have to approach the senior citizens with empathy.

**Challenge:** Even though dependence on money lenders have come down after SHGs started playing the financial intermediation role, in the study area, 3 per cent of the investments for micro enterprises of the respondents have come from other sources, which include the agricultural input dealers and traders, who charges always carry hidden costs.

**Recommendation:** Banks may put this traders and input dealers in value chain financing and shall make the credit available to the needy poor through these informal channel also at an affordable rates of interest.

**Challenge:** Nearly 3.14 per cent of the loan amount disbursed was diverted to other purposes. The diversion is mainly for meeting the hospital expenses and home improvements.

**Recommendation:** Banks shall take up credit needs study and roll out customized special products like health loan, sanitation loans (toilet construction) and housing loan for SHG members.

## **Socio-economic Factors**

**Challenge:** Around 24.5 per cent of the respondents are illiterate in the study area'

**Recommendation:** SHGs have to teach their members how to sign. Likewise, SHGs shall take up a campaign to impart functional literacy to their members. At the village level, they may run a special centre with a team of volunteers.

**Opportunity:** About 47.8 per cent of the respondents are young in the age group of 18-35 and they are more eager to participate in training and start new enterprises.

**Recommendation:** NGOs shall target the SHG members in the age group of 18-35, who are more active and necessary training may be arranged to groom them as entrepreneurs.

**Challenge:** Income earner to total members ratio is low at 31.9 in the study area.

**Recommendation:** NGOs and Banks shall facilitate all the adult household members to take up livelihood activities, suitable to their age profile.

**Challenge:** Poorest households during economic shocks, take out children from school and send them for employment in households of the rich to work as servants/maid servants.

**Recommendation:** SHGs, Federation of SHGs and NGO should closely monitor the potential cases and should prevent drop outs.

## **Promotion of Micro Enterprises:**

**Challenge:** Around 43 per cent of the respondents have not brought in margin money (own money) in their business. If the entrepreneur does not make a part of the investment in micro enterprises from their own fund, then there is a possibility that the entrepreneur may not be interested in the micro enterprises, after some time.

**Recommendation:** SHGs, NGOs and Banks may ensure that a minimum margin (investment) is made by the SHG members, so that they will take active interest in the chosen enterprise.

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**Challenge:** Micro enterprises are not selected based on demand but based on the training they received (Tailoring and Biscuits making training are common).

**Recommendation:** The selection of activity should be based on demand and should not be thrusted. To minimize the risk for the poor people, focus may be given on expanding the existing micro enterprises with better management inputs. Once they stabilize the existing business, then the poor SHG women can go ahead with investments in backward integration or forward integration.

Some SHG member-entrepreneurs lack liquidity, as most of their capital is locked up with the customers, as they offer more of credit sales in activities like cloth selling, grocery selling and vessels selling.

**Recommendation:** While sanctioning loans to such entrepreneurs, banks shall guide the SHGs to take care of these possible credit sales level and then fix the required working capital and adequate credit limit to such units.

### **Entrepreneurial Behavioural Competency**

**Challenge:** The changes in entrepreneurial behavioural competencies in Post-SHG period are not satisfactory in case of competencies, like initiative, goal setting, time management, quality consciousness and persistence.

**Recommendation:** Special training should be organized by NGOs for the SHG members for Developing the EBCS like seizing the opportunities, initiative, goal setting, time management, quality and persistence.

### **Growth and Management of Micro Enterprises**

**Challenge:** Only 4.4 per cent of the respondents in the study area have achieved the high growth rate in their micro enterprises.

**Recommendation:** Government should not focus on number of people trained under EDP, but on the number of units promoted by the SHG women and provide hand holding support to them for a 6 months to one year period.

**Challenge:** Rise in cost of raw materials or non availability of raw materials is faced by many entrepreneurs in the study area.

**Recommendation:**

- (a) SHG member-entrepreneurs may be encouraged to have their own activity based networks, which may take up such common functions like procuring raw materials and distributing it over a period, so that the bulk purchases would result in price reduction.
- (b) Till the activity based networks emerge, this procurement role can be taken up by the federation of SHGs.

**Challenge:** Most of the micro enterprises use obsolete technology.

**Recommendation:** As the technology have the power of transformation and will result in increase in productivity, government and NGOs should source the latest appropriate technology from the research institutions and facilitate the transfer of such technologies to the field. Banks should come forward to finance investments in technology.

Challenge: Lack of product and process innovations among the micro enterprises.

Recommendation:

1. Government and NGOs should sensitize the SHG members on the need to introduce the product and process innovations.
2. SHG members should be given training on how to collect the feedback from their clients on existing products and processes.
3. Some NGOs may be given the responsibility of managing research and development units, which will assist the SHG women in bringing out new products and processes.

Challenge: Because of lesser volume of their micro enterprises, SHG women are not able to reach out to distant markets and most of them face the price fluctuations in case of agricultural products.

Recommendation:

----- NGOs/Activity based networks shall take up bulk marketing, so that better price can be realized.

----- Tie up with fair trade organizations working at different regions, may be made.

----- As the commodity exchanges are emerging in the country, micro-futures may be introduced, which will provide hedge to the price risks faced by the farm households in the rural areas.

Challenge: Potential market information is not available to the SHG women.

Recommendation: Multi-purpose Internet kiosks should be put in place at the main villages so that the SHG women have access to more market information. Banks can play a larger role in financing these Internet kiosks to be put up at the villages.

Challenge: EDP trainings and skill trainings are given before starting the micro enterprise. But, after starting the units, the SHG women face a lot of problems and they do not get any refresher training.

Recommendation: The module can be developed based on the common problems faced by the first generation entrepreneurs and a refresher training may be given once in every six months to keep them updated in their activity chosen.

Challenge: Some of the areas lack sufficient infrastructure in terms of power, water, communication and even roads.

Recommendation: Infrastructure constraints should be addressed by the local government and the people should take up such requirements at the Village Council/Village Development Board meetings and at the other developmental forums at the district level.

**Challenge:** About 47.5 per cent of women in the study area take the help of their spouse in managing their enterprises and they confine themselves to the indoor works (production function) due to limited mobility.

**Recommendation:**

- Such SHG women should be guided on how to take over procurement and marketing functions also from their spouses.
- Two wheeler driving training may be imparted as the SHG women in the study area reported that they have saved time after they started using the two wheelers for their business.

**Challenge:** Around 49.5 per cent of the SHG women do not maintain their micro enterprise's accounts'

**Recommendation:**

- SHG women should be sensitized by the NGOs and Banks to maintain the business accounts.
- Banks shall give weightage to the account maintenance, while they consider higher loans limits to micro enterprises.
- In case of illiterates, the account maintenance function should be taken up by other household members or it should be ousted.

**Challenge:** Selling at the lower price to face to cut throat competition (for example, in cloth selling business, margin is coming down as more people enter into the same business in the particular area).

**Recommendation:**

- (a) NGOs shall sensitize the SHG women to avoid such selection of same activities by more number of women in a particular area.
- (b) Among the SHG women in the area doing the same activity, an understanding may be reached on a floor price level so as to ensure a minimum margin to them.

**Challenge:** Many SHG members are involved in making in food processing works and their packing is not professional. This acts as a handicap for them to sell their products in supermarkets in the towns.

**Recommendation:**

---- Packing machines may be given as a common facility infrastructure at the block level under the charge of a federation. SHG members shall pay a user fee and use the machines.

---- Business Development Services on packaging design may be given to the SHG women.

**Challenge:** About 49.25 per cent of SHG women in the study area have not used ICT in business and more particularly Internet was not used by anybody.

**Recommendation:**

Loan schemes for cell phones may be launched by the banks.

Use of Computers and Internets may be encouraged at the community level.

## **Suggestions for Future Studies**

### **Art of Individual Micro-lending**

In a SHG, when few members take the larger size of loan limit because of their business level or their influence with the SHG leaders, while allocating the bank loan availed by their groups, it has the potential to breed the conflicts with the group members and may explode into a big problem shaking the very existence of SHG, if not addressed at the appropriate time. So, there is an emerging need to graduate the mature SHG entrepreneurs to the Individual micro-lending stream of mainstream institutions. But, the bank's current individual loan schemes are all traditional ones based mostly on collaterals. Hence, it needs further research on how to design the customized individual micro-lending products suitable for SHG entrepreneurs.

### **Reduction in Income Inequality**

The study revealed that the SHG-Bank linkage programme has not reduced the income inequality among the SHG women between the pre-SHG and the post-SHG period. It indicates that the economically active SHG women use the microcredit effectively for production activities and increase their income and assets, while some of the SHG women, who are averse to taking risks, continue to confine to their traditional livelihood activities and not seizing the opportunities and hence the income inequality continues. Hence, further research may be focused on why some of the poor households are averse to risk taking and the ways to evolve strategies to reduce the income inequalities among the SHG women, as growth with equity would be the desirable option for a sustainable development of the poor.

### **Research on Reasons for Closure of Micro Enterprises**

It is noticed during the survey that SHG women find no entry barrier in many activities (grocery, cloth selling, tailoring and so on) and like that many women were not able to withstand the competition in the industry and come out or drop out of the activity within a short period. It will give lot of insights, if a research study is focused on why the units are dropped or closed, in which activities; closures are common and the way to address these problems.