
Advancement of Loans and It's Repayment behavior- A Study of Self Help Groups in region of Punjab

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ABSTRACT

For Women Empowerment and economically weaker group of people who come together to pool some amount of money from small savings on regular basis which is then deposited in a common pool to meet the immediate and emergency needs of the Self Help Group members by providing them loans free from collateral to fulfill the purpose. Self Help Groups is a homogeneous group who has joined their hands and supports each other to overcome the problems they usually face. The loan amount is decided by the SHG members and also the time period of its repayment. The member who defaults will not be getting another loan till he repays the older one. This study focuses on such groups who are pooling their money, taking loans and repays them within stipulated time period. The study has been done in the highly populated districts of Punjab with the sample size of 500 members. Various statistical tools have been applied such as percentage method and Chi Square to check any the relationships in their attributes.

Key Words: *Collateral, Loan, Self Help Groups, Women Empowerment*

1. INTRODUCTION

The major problem that arises in the credit market is the selection of borrowers due to asymmetric information. Lenders do not have information regarding the nature, intentions and willingness to repay the loans behaviour of the borrowers. The micro finance groups have taken initiative to solve the problem of asymmetric information by different features. Firstly, the women who are residing in the same small geographical area are expected to have complete information regarding the group members. It helps in selection process by screening the members (borrowers). Secondly the members of self help groups have joint liability regarding repayment of loan, so only those members should be selected who properly use the loan amount for productive purpose and repay the loan amount on time.

In India, certain rules are to be followed by lenders which results in the selection of good borrowers. Certain norms which are included in selection are duration of membership, savings behaviour, attendance and repayment behaviour of the members of self help groups.

The loan should be issued to those members only who have been engaged in the group from 3 to 6 months as it helps to study the nature, intentions of the members and such knowledge helps in the selection of sound borrower.

- The selection of members in the group should be based on the attendance of the member which ensures their participation and helps in the utilisation of collective wisdom of the group.
- The lenders must ensure that the amount of loan requested by the members should be in the proportion of their contribution to savings. It helps to ensure that the members are involved in savings, there will not be an excessive demand of credit by the members and to ensure the credit worthiness of the members who are the part of self help groups.
- There should be repayment norms that the members who have repaid the previous amount of loan taken are eligible for the next loan. This norm helps in the timely repayment of loan and maintains the credit worthiness of the members.

2. REVIEW OF LITERATURE

Different studies pointed out that the female members are having less or no control over loan amount availed from the group, the loan amount have been utilized by the male members which results in low women empowerment. By considering above studies, it was found that literature reviews which are available do not give a clear picture of micro finance programme related to its success and impact. So it has been demanded to conduct further new comprehensive studies.

[1]found that women taking loans were essentially used to enhance families' gainful resources and in light of the fact that these are commonly possessed by men, women taking micro credits were the last advantage to their men. Author says that men with their wives involved in the credit program were more energetic to work independently. It should be clear that how women utilize the loan. Ladies who utilize their advances to begin or improve their responsibility for resources are seen to invest fundamentally more energy in independent work.

[2]explored the view of 654 members after joining the SHGs; their confidence level had increased to a great extent. With the help of field survey method the author's concluded that group association and access to financial services certainly brings positive changes among group members leading to their socioeconomic empowerment and also found that poor discriminated and underprivileged women can come out of poverty with the help of microfinance.

Rakesh Malhotra (2000) in his investigation of 174 women recipients, in Rae Bareilly of the condition of Uttar Pradesh, drawn and secured arbitrarily from four formal offices of credit i.e. CB's, RRB's, PACS, and ARDB's uncovered that not as much as a large percentage of female population against 3.5 percent of male population in the study range were customers of the banks. Moreover, just 7.64 percent of the aggregate number of cases financed and just 6.96 percent of the aggregate quantum of credit reached out by RFI's have gone to women. It was watched that 83 percent of advance cases profited by women; male individuals were essentially in charge of the end utilization of credit

[3]in their article titled'Does microfinance empower women? Proof from SHGs in India' reasoned that their investigation demonstrates that SHG members are empowered by taking an interest in microfinance program as they have a more noteworthy inclination to oppose existing sexual orientation standards and culture that confine or limit their capacity to create and make decisions.

[4]–[8] have followed the development of miniaturized scale back framework in India. It is watched that smaller scale fund framework can as it were supplement the part of banks and budgetary establishments to take care of the issues of neediness furthermore, joblessness in the nation. Miniaturized scale credit is viewed as perfect to handle the stick issues experienced by the institutional credit organizations serving the poor viz, higher exchange expenses and poor recuperation. Md. Yunus" explore in Bangladesh moved toward becoming achievement in miniaturized scale loaning. In this instrument, the gathering guarantee is substituted for physical security and gathering ensured to reimburse the individual credits. The pilot venture on SHGs began by NABARD has in this way turn into a development. The Government of India has presented national need for the Micro Credit Program.

3. OBJECTIVE OF THE STUDY

1. To study the socio-economic profile of the women who are the part of Self Help Groups.
2. To Study the flow of loans taken and it's repayment behavior.

4. RESEARCH METHODOLOGY

The study has been conducted in the state of Punjab .The study has been taken in the three regions of Punjab namely Malwa, Doaba and MajhaMultistage random sampling technique is adopted for selecting the sample SHGs. The study is Descriptive in nature. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984).The study is based on primary data .The information has been collected through structured non-disguised , self designed, pre-tested and modified questionnaire and the interview schedules has been pre-planned .The aspects covered in the questionnaire is related to socio-economic characteristics likes age ,education ,poverty level, income,expenditure,savings and loans borrowed from various institutional and non- institutional sources. Secondary data has been obtained from different sources: Data collected from government departments and sources like housing records, social security, electoral statistics, tax records, Internet or web searches, Libraries, Progress reports. To compare the borrowing and their repayment and the factors impacting them will be studied through Percentage and chi square

5. SOCIO-ECONOMIC PROFILE

1. Maximum number of Self Help Groups is middle aged.
2. Around 70% of the members have attained an education till primary.
3. 82% of the SHG members belong to nuclear families.
4. 68% of the women members are married, 32% are single, widow or separated.
5. 57% members are engaged in the agricultural occupation, rest is involved in trading, manufacturing units.
6. More number of SHG members are motivated from their friends and other SHG members.

6. LOANS AND REPAYMENT BEHAVIOR OF THE MEMBERS OF SAMPLE SHGS

6.1 Source of taking Loan

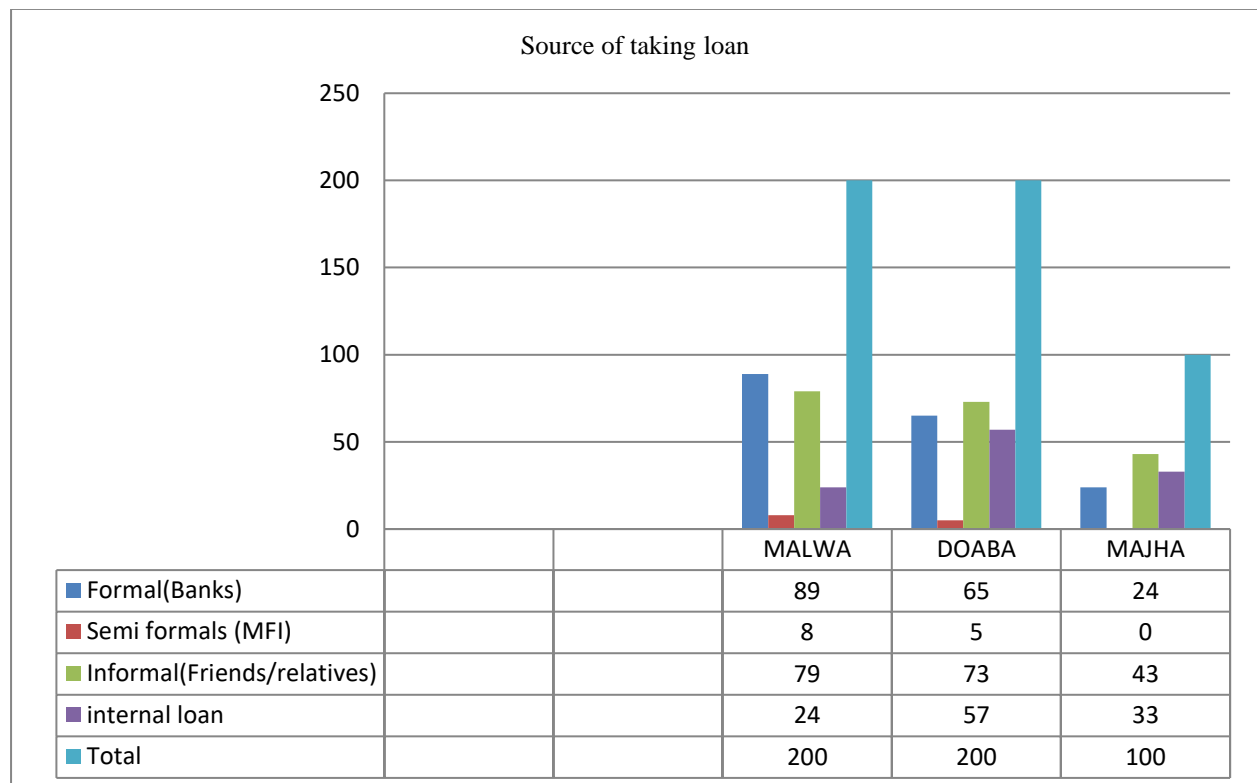
The major sources through which the loans can be available to the members of the Self Help Groups are the formal, semi formal and informal sources and the most common is the internal loan in which the members themselves pool the small savings and give it as a loan to the needful member by charging the interest which act a kind of income to the group. The annual rate of interest charged by the group varies from group to group. The interest rate ranges from 12% to 24% depends on the group members. The borrowing member usually receives the loan within the time span of 1 week if the funds are available in the group savings or in the bank. They can avail loans from the formal sources but for that they need collateral which is again a challenge for them. The other sources are moneylenders but they exploit them by charging high rates of interest from them. The other informal sources are that they can avail loan from the friends and relatives. They can avail loans to satisfy their needs or to start with the new small enterprise which helps them to make independent.

Table 1.1
Source of taking loan

TYPE	SOURCES OF LOAN TAKEN	CHI SQUARE			DF	P VALUE	
SHG IN 3 REGIONS		31.273			6	0.01	
Source of taking loan	MALWA	Percent	DOABA	Percent	MAJHA	Percent	Total
Formal(Banks)	89	44.5	65	32.5	24	24	178
Semi formals (MFI)	8	4	5	2.5	0	0	13
Informal(Friends/relative s)	79	39.5	73	36.5	43	43	195
internal loan	24	12	57	28.5	33	33	114
Total	200	100	200	100	100	100	500

Source: Field Survey

Figure: 1.1 Source of taking loan



We have studied sources of loans taken by workers we had 200 samples in Malwa, 200 in Doaba and 100 in Majha. We have found that in

1. Malwa 89 people have take loans from formal Banks , only 8 people have taken loans from MFI where as 79 people have taken loans from friends or relatives.
2. In Doaba 73 people have taken loans from Friends or relatives and only 65 people have taken loans from banks.
3. In Majha sample set was of 100 people and out of these 100 people 43 have taken loans from friends, where as only 24 people have taken loans from banks .

The study regarding the sources from which the loan has been taken shows that from Malwa , Doaba and Majha region 44.5%, 32.5% and 24% of loans has been taken from formal sources(Banks), 4%, 2.5%, 0 percent of loans has been taken from semi formal sources(MFI), 39.5, 36.5, 43% of loans are taken from friends and relatives (informal source) and 12%, 28.5% and 33% of loans are taken from internal lending (within SHG). Chi Square test reveals the Result as the value of P is less than .05, the variables are not independent of each other and there is a statistical relationship between categorical variables

6.2 Loan amount taken by the members

The analysis has been done by considering different factors influencing the amount of loan demanded by the members of self help groups. The amount of loan received gives us a clue about the selection of the borrowers because 80% of the members joined the group as they need financial assistance for fulfilling their productive need and consumption needs. If the amount of loan and the frequency of taking loans are higher it means the groups and members

are fulfilling the condition of repayment. The amount of loan taken by the members lies between 5000 to 20,000.

Source: Field Survey

Table 2.2
Amount of loan taken by Self Help Group members

TYPE	AMOUNT OF LOAN	CHI SQUARE		DF	P VALUE		
SHG IN 3 REGIONS		34.899		8			
Amount of loan taken	MALWA	Percent	DOABA	Percent	MAJHA	Percent	Total
<5000	23	11.5	7	3.5	12	12	42
5k-10k	39	19.5	64	32	20	20	123
10k-15k	43	21.5	58	29	25	25	126
>15k-20k	79	39.5	42	21	34	34	155
above 20k	16	8	29	14.5	9	9	54
Total	200	100	200	100	200	100	500

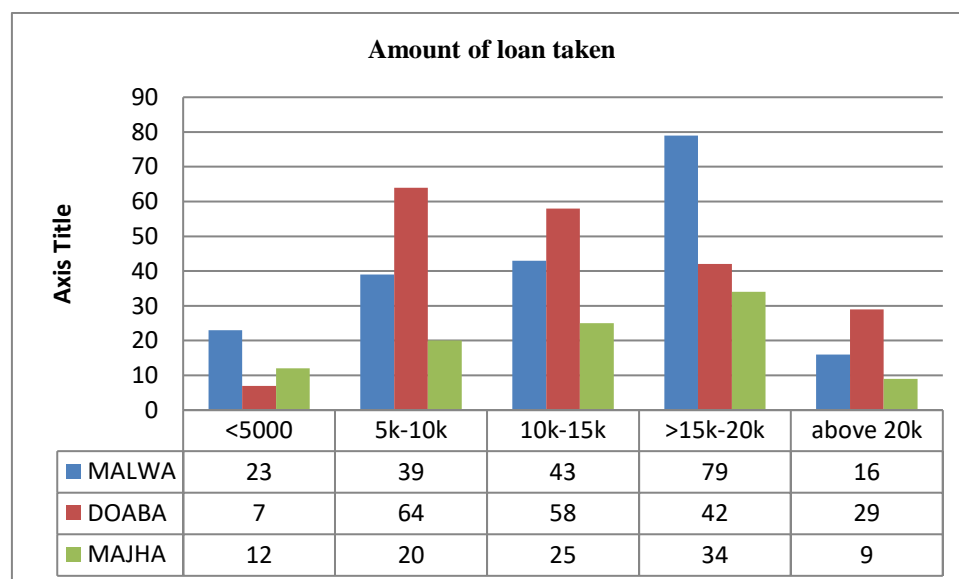


Fig 2.2 Amount of loan taken by Self Help Group members

Loans have been given to self help groups for working and during study it was observed that in all the three regions, loan taking ration was observed as different in all the regions and also amount was varing among regions.

In Malwa, most the group took higher amount like 15 to 20 thousands where as in Doaba they took the more of 5 to 10 thousand. Taking less then 5000 are least in Doaba where as in in Malwa they are 23 the maximum. Also they have taken more then 20,000 and it was observed that in Majha it was only 9 where as in Doaba it maximum as 29.

The amount of loan taken by self help groups shows that 31%, 35.5% and 32% of members from the regions of Malwa, Doaba and Majha respectively have taken loan upto Rs. 10,000. 61%, 50%, 59% of SHG members have taken loan upto Rs. 20,000 and 8%, 14.5% and 9% of females get loan amount above 20,000.

Chi Square test reveals the Result as the value of P is less than .05, the variables are not independent of each other and there is a statistical relationship between categorical variables.

6.3 Need of Loan Undertaken

The analysis has been done to ensure the purpose of loan undertaken. The loan is generally taken by the members for the consumption purpose or for productive purpose. The loans taken for the productive purpose ensures the employability of the members hence results in their earnings which ensures the easy repayment of loan amount. Loans demanded for the productive purpose

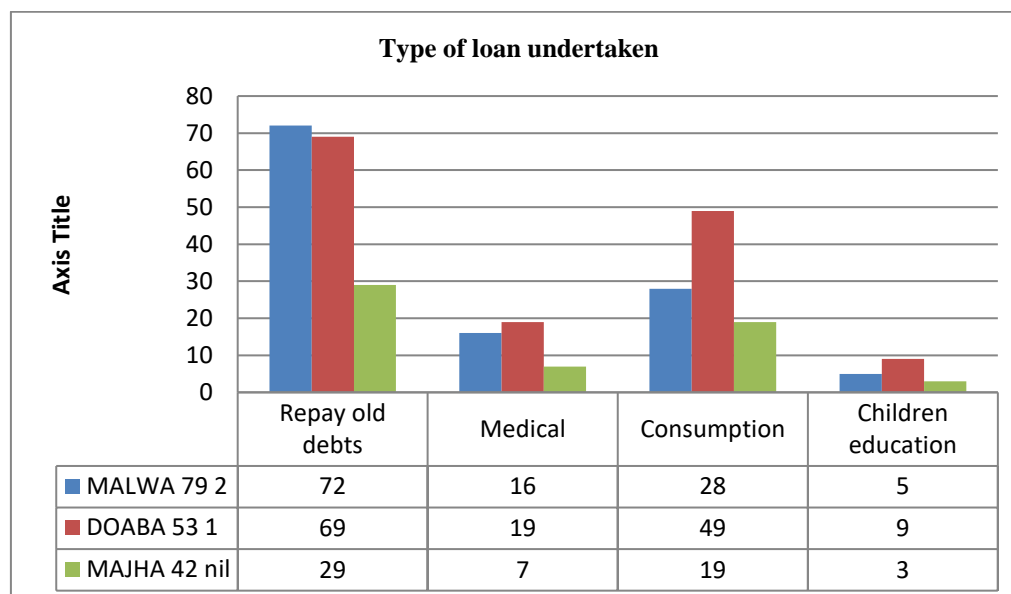
avails in easy manner. If the amount taken from the external source for productive purpose i.e. income generating activity falls short then the members can avail the second loan for the same reason from the internal source i.e. group saving funds, the reason is credit for productive activity leads to asset base and economic empowerment. But for the other purposes like marriage, repayment of old loans no second loan should be provided to the member for the same purpose from different sources (internally- group savings or externally). The members can avail one loan i.e. externally or internally for such purpose as the amount of loan may be big and there is a risk of repayment of loan.

Table 2.3
Type of loan undertaken by Self Help Group members

TYPE	TYPE OF LOAN	CHI SQUARE		DF		P VALUE	
SHG IN 3 REGIONS		15.885		8		0.03	
Type of loan undertaken	MALWA	Percent	DOABA	Percent	MAJHA	Percent	Total
Business	79	39.5	53	26.5	42	42	174
Marriage	2	1	1	0.5	Nil	Nil	3
Repay old debts	72	36	69	34.5	29	29	170
Medical	14	7	19	9.5	7	7	40
Consumption	28	14	49	24.5	19	19	96
Children education	5	2.5	9	4.5	3	3	17
Total	200	100	200	100	100	100	500

Source: Field Survey

Figure 2.3 Type of loan undertaken by Self Help Group members



We have also studied the type of loan they have taken , it means, it can be of the type business need or marriage purpose or also for repaying the old debts.

Some of the people have taken the loans for medical expenses and some have taken for children education. We have observed that loans have been used for day to day needs.

The study reveals the purpose of taking loans for business purpose with percentage of 39.5%, 26.5%, 42% from different regions of Malwa, Doaba and Majha respectively , for marriage purpose is 1%, 0.5% , 0% , for repayment of old debts is 36%, 34.5% and 29%, for medical purpose the percentage is 8%, 9.5% and 7%, for consumption purpose is 14% ,24.5%, 19% and for children education members have taken loans in the ratio of 2.5%, 4.5%, 3% respectively. Chi Square test reveals the Result as the value of P is less than .05, the variables are not independent of each other and there is a statistical relationship between categorical variables.

6.4 Status on Repayment of Loan amount

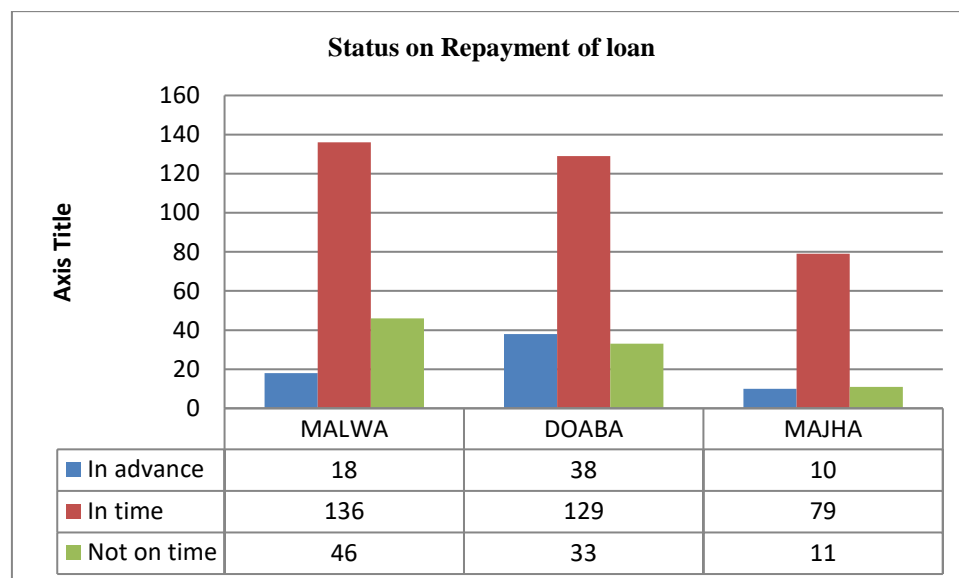
Repayment of loans leads to the completion of credit process (loan taken) as it is the final process. The expectations are always there that members repay the loan amount on time with the help of income generation activities. Some groups who are earning really well from their activities have paid the loan amount in advance and on time. But some members reported that they have spent all the earnings in their family affairs which results in the lag of repayment of the loan amount. As a result if a single member makes a default then it has to be borne by the group as it may become difficult to demand more or further loans from the banks.

Table 2.4
Repayment of Loan amount by members

TYPE	STATUS ON REPAYMENT OF LOAN	CHI SQUARE		DF		P VALUE		
SHG IN 3 REGIONS		16.36		4		0.026		
Status on Repayment of loan	MALW A	percen t	DOAB A	percen t	MAJH A	Percen t	tota l	
In advance	18	9	38	19	10	10	66	
In time	136	68	129	64.5	79	79	344	
Not on time	46	23	33	16.5	11	11	90	
	200	100	200	100	100	100	500	

Source: Field Survey

Figure 2.4 Repayment of Loan amount by members



As we discussed regarding repayment of loans, it was found that in all the three regions in time repayment was the prime concern, people are well aware to repay the amount that they have taken for business activities, This was the region why banks are showing positive response towards these SHG's as for any bank repayment is the primary concern.

Regarding repayment of loans it is evident that 2.5%, 4% and 2% of self help group members in districts from Malwa, Doaba and Majha have paid less than 25% of loan, 15%, 6% and 6% of members have paid 26-50% of the total loan amount, only small portion of members have fully paid their loan amount on time with the percentage of 9%, 19% and 10% respectively Chi Square test shows the Result as the value of P is less than .05, the variables are not independent of each other and there is a statistical relationship between categorical variables.

6.5 Amount of repayment of Loan

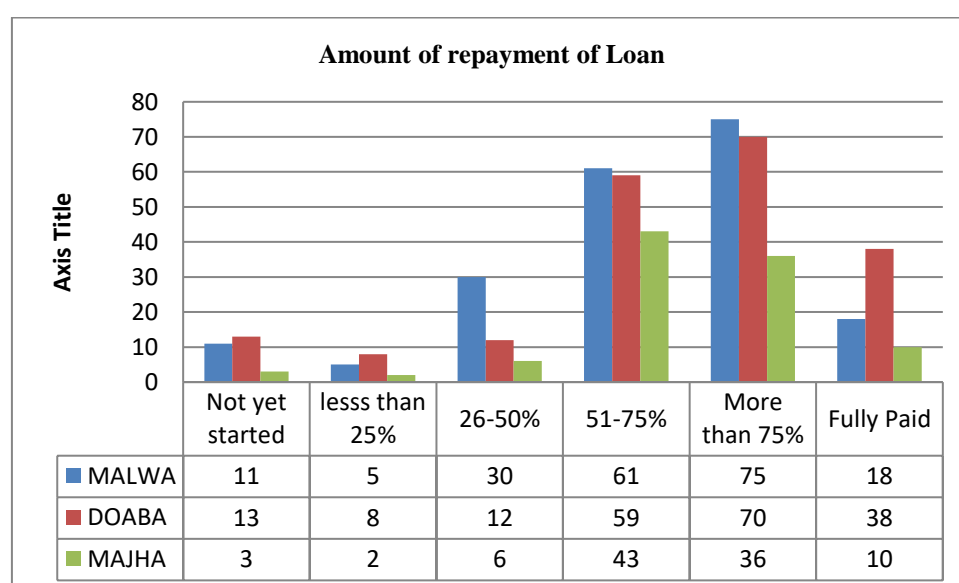
Under SHG- Bank linkage programme, the groups may receive loans directly through the linkage or by NGO- Facilitating agency. Nearly 44% of the self help group members initiates loans through bank linkage or through NGO's and the amount of loan is usually bigger by the banks or NGO's as compare to the loan through internal lending(group periodic savings) and revolving funds. As the amount of loan is bigger the group will get more time for the repayment as per the guidelines of distributing agency before disbursing the loans to the members. The access of taking the second loan depends on the repayment behaviour of the members of the first loan taken.

Table 2.5
Amount of repayment of Loan by members

TYPE	AMOUNT OF REPAYMENT OF LOAN	CHI SQUARE			DF	P VALUE	
SHG IN 3 REGIONS		25.708			10	0.0042	
Amount of repayment of Loan	MALWA	Percent	DOABA	Percent	MAJHA	Percent	Total
Not yet started	11	5.5	13	6.5	3	3	27
less than 25%	5	2.5	8	4	2	2	15
26-50%	30	15	12	6	6	6	48
51-75%	61	30.5	59	29.5	43	43	163
More than 75%	75	37.5	70	35	36	36	181
Fully Paid	18	9	38	19	10	10	66
Total	200	100	200	100	100	100	500

Source: Field Survey

Figure 2.5 Amount of repayment of Loan by members



As we have studied and discussed above regarding repayments of loans , it was found that people are aware regarding repayments of loan amount to the concerned banks or societies , we have observed that in all the regions most of the people have paid the full amount or more then 50% of the loan amount in time. Only less then 10% of the people have been observed who reported that they have not yet started but are willing to pay it at the earliest.

Regarding repayment of loans it is evident that 2.5%, 4% and 2% of self help group members in districts from Malwa, Doaba and Majha have paid less than 25% of loan, 15%, 6% and 6% of members have paid 26-50% of the total loan amount, only small portion of members have fully paid their loan amount on time with the percentage of 9%, 19% and 10% respectively.

Chi Square test shows the Result as the value of P is less than .05, the variables are not independent of each other and there is a statistical relationship between categorical variables.

7. FINDINGS OF THE STUDY

1. The study regarding the sources from which the loan has been taken shows that from Malwa , Doaba and Majha region 44.5%, 32.5% and 24% of loans has been taken from formal sources(Banks), 4%, 2.5%, 0 percent of loans has been taken from semi formal
2. Sources(MFI), 39.5, 36.5, 43% of loans are taken from friends and relatives (informal source) and 12%, 28.5% and 33% of loans are taken from internal lending (within SHG).
3. The amount of loan taken by self help groups shows that 31%,35.5% and 32% of members from the regions of Malwa, Doaba and Majha respectively have taken loan uptoRs. 10,000. 61%, 50%, 59% of SHG members have taken loan uptoRs. 20,000 and 8%, 14.5% and 9% of females get loan amount above 20,000.
4. The study reveals the purpose of taking loans for business purpose with percentage of 39.5%, 26.5%, 42% from different regions of Malwa, Doaba and Majha respectively , for marriage purpose is 1%, 0.5% , 0% , for repayment of old debts is 36%, 34.5% and 29%, for medical purpose the percentage is 8%, 9.5% and 7%, for consumption purpose is 14% ,24.5%, 19% and for children education members have taken loans in the ratio of 2.5%, 4.5%, 3% respectively.
5. Regarding repayment of loans it is evident that 2.5%, 4% and 2% of self help group members in districts from Malwa, Doaba and Majha have paid less than 25% of loan, 15%, 6% and 6% of members have paid 26-50% of the total loan amount, only small portion of members have fully paid their loan amount on time with the percentage of 9%, 19% and 10% respectively.
6. The study shows that maximum of two loans have been taken by members in malwa and Doaba, maximum of three loans have been taken by members of Majha region.

8. SUGGESTIONS

1. The study reveals that there would be more knowledge and awareness regarding work, bank linkages and dealings, market information etc as they are the significant contributors in the development of the programme.

2. Women are getting more empowered with the increase in the level of awareness, increase in confidence level regarding work, enhanced bank linkages, more of self income and active participation in decision making both in family and at work. The above mentioned factors and aspects like orientation and exposure should be kept in mind while formulating the action plans of MFIs and SHGs.
3. Under this programme all the members of SHGs are entitled to avail the same amount of loan irrespective of their needs. In some cases needy persons are deprived of taking loan as much there is requirement whereas some un-needy people take advantage of taking more loan amount than their requirement. So some guidelines should be there to distribute loan amount as per requirement.
4. NABARD provides training sessions for the members of SHGs but only for pre decided activities like candle making, soap making, pickles, papadsetc but they are not providing trainings for some vocational courses like beauty parlour, opening of some cafe, tea products etc. There is a need to train the members or participants regarding vocational courses so that they can compete better.
5. There is lack of marketing support of the products made by the members of SHGs. They are facing tough competition in the market because of their high cost of production. There are many international brands available in the market of candles, soaps etc. There is only self marketing of the products made by the participants. So proper marketing should be there and the subsidies should be available to their products to curtail the production cost.

9. CONCLUSION

Self help group is a formation of small group of poor people who are provided with the micro loans with specified interest rates but without any collateral. The amount of loan may be used by the group in establishing a micro enterprise with the purpose to satisfy their individual needs and for income generation. There is always a pressure within a group to repay the loan, as the group will get the second loan only after the repayment of first loan. Broadly, In India, there is a delivery of Micro Finance with the help of two models: Micro finance institution (MFI) model, SHG- Bank linkage model. But in Punjab, the delivery model used for micro finance is SHG- Bank linkage model and there is no role of Micro finance institution(MFI) model.

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