WHY MICROFINANCE SERVICES HAVE NOT FLOURISHED? A STUDY IN BAKSA DISTRICT OF ASSAM

Mostafizur Rahman

Assistant Professor, Department of Management,
C K College, Chakla, Bongaigaon, Assam, India

Anup Karmakar*

Assistant Professor, Department of Commerce,
Barnagar College, Sorbhog, Barpeta, Assam, India

Research Scholar, Department of Management,
Krishna Kanta Handiqui State Open University, Guwahati, Assam, India

Deepa Karmakar

Assistant Professor, Department of Commerce,
Barnagar College, Sorbhog, Barpeta, Assam, India

Dr. Bhabananda Deb Nath

Assistant Professor, Department of Accountancy,
B. H. College, Howly, Barpeta, Assam, India

*Corresponding Author

ABSTRACT

While microfinance becomes an acute poverty alleviation mechanism in most of the developing countries, the sustainability of its approaches also becoming crucial with the passes of time and to restore sustainability of microfinance members in the district, the problems with members need to be minimized at the earliest. The aim of this paper is to identify the problems with microfinance services in the district and reveal some way-out. The study is based on both primary and secondary data, but mainly focused on primary data, which have been collected using schedule to attain the objective. The study reveal that, members are suffering from many problems, like delays in disbursement of loans, trainings, insufficient amount of credit, small slabs of loans, problems with maintenance of books of accounts, unsatisfactory income, lack of cooperation among the members etc. Further problems with 'micro-credit' is found as the mostly cited problems with sustainability in the district, followed by problems of group management.

Key words: Problems, Microfinance, Services, Baksa District, Assam.

Cite this Article: Mostafizur Rahman, Anup Karmakar, Deepa Karmakar and Bhabananda Deb Nath, Why Microfinance Services have not Flourished? A Study in Baksa District of Assam, *International Journal of Management*, 11(12), 2020, pp. 2467-2475.

<http://iaeme.com/Home/issue/IJM?Volume=11&Issue=12>

1. INTRODUCTION

While microfinance becomes an acute poverty alleviation mechanism in most of the developing countries, including ours, the sustainability of its approaches also becoming crucial with the passes of time. Sustainability is the ultimate aim behind most of the developmental initiatives and that should be the slogan to have permanent development, as when sustainability fails the efforts made towards those initiatives become valueless. Again, real success of a programme is best judged by its sustainability in giving benefits to the targeted people, as such, despite having many policy initiatives from time to time, achievement of those initiatives in real sense remains meager in our country. Sustainability means several things to different people. One concept of sustainability is the continued existence and functioning of groups (i.e. SHGs & JLGs) providing unfettered access to financial services for their members, facilitating access to higher level financial institutions with low costs and high recovery rates. Thus, recognizing two aspects to this; one is the affordability of interest costs to the members of the groups and the second is easy access to services (Srinivasan, 2009).

The small initiative taken in 1992 to link only 500 SHGs with the banks to have better financial services has grown tremendously and becomes a movement, and by the end of March, 2017 the number of SHGs linked to banks reached to 85.77 lakh (NABARD, 2017). Such remarkable growth and development in the microfinance sector definitely able to reach to a section of needy people, mainly the poor and women of our society and in some cases microfinance becomes the only hope for the survival and economic empowerment of those people (Yunus & Jolis, 2007). The sustainability issue of microfinance cannot be generalized from one angle, as it is relating to both sides, as to the members as well as intermediaries and on their support system. For sustainability, the microfinance members have to work as per the system frame for the same. On the contrary, there should be regular follow-up and support from the intermediaries in terms of credit facility; management, training, awareness generation etc. so that members would found remain enthusiastic in their performance.

As members often face problems with access to information and knowledge, as such, the poor of the rural areas are not fully aware of the concept of microfinance. Their loan portfolio is generally dominated by consumption loan, thus struggle to repay the loan and rise in income is just too modest. Studies reveal that, the scheme is not helping the poorest of the poor and conferring benefits on the better-off sections. Moreover, there are huge regional imbalances in respect of growth of MFIs, as of the total SHGs credit linked in Andhra Pradesh only accounted for 30 percent (Sundaram, 2007) and the rest spread over to the country. Again, Northeast Region is the most financially excluded region in India, as the banking and other financial infrastructure is very weak in this region, the region is lagging in almost all critical banking outreach indicators. In June 2009, average population per commercial bank branch for northeast were as high as 21,000, 40 percent higher than the national average. The region also offers less investment opportunity which is reflected from its low credit-deposit ratio. As in March 2009, the C-D ratio of Northeast, as per sanctioned amount, was 35.8 percent, a figure less than half the country average of 72.6 percent. These indicator clearly depicting about the extent of financial exclusion in the region and that gaps

could not be amply filled by the MFIs too, as microfinance in the region has not strongly taken off yet.

2. OBJECTIVE AND METHODOLOGY

Microfinance service in the lower Assam districts has occupy a healthy position and its services have been spread well among the needy borrowers, but the service of the same has not been shrouded well in Baksa district as compare to her neighbouring district among the lower Assam districts, in terms of number of branches, volume of business of MFIs and members etc. Thus, pave the way to know the reasons behind such weak performance. So, this paper aims to reveal about the problems of microfinance services in Baksa district of Assam and to reveal some way-out to minimise those problems. The study has been conducted with the help of both secondary and primary data and covers a period of five years. The used data have been collected from reliable sources and a semi-structured schedule has been used for collection of data. The study covers 120 members from its eight development blocks (namely, Baksa Development Block, Mushalpur, Tihu-Barma Development Block, Barma, Dhamdhama Development Block, Baganpara, Jalah Development Block, Jalahghat, Tamulpur Development Block, Tamulpur, Goreswar Development Block, Goreswar, Nagrijuli Development Block, Nagrijuli Gobardhana Development Block, Barpeta Road) of the districts, that includes 15 members from each blocks, which is collected from the MFIs and Block offices where those members belongs.

2.1. Problems of Sustainability of Microfinance in Baksa District

The above facts and stories with the sustainability problems of microfinance s in our country, exposed to know the conditions of microfinance members engaged with SHGs and JLGs in Baksa district. Further, from the survey and records at the block officials and from the branches of MFIs connecting to the district, it is found that, members in the district in all 55 percent are actively working during the period of study. Thus, members' sustainability position in the district is found poor and the sustainability problems are alarming of the members under the supervision of block. So efforts were made during the survey to know the real problems with the members and why such huge percentages of members are inactive in the district? The efforts bring to light some very uncommon and interesting results. A list of some problems prepared before visiting the members in the district (on the basis of pilot survey and with consulting experts ¹⁾). The results obtained have been presented as follows:

Table 1 Analyzing Various Problems Reported by the Members in Baksa District

Sl. No.	Types of Problems ²⁾ faced by the members	No's of Members	% of Members ³⁾
1.	Lack of Co-operation among the members:	38	31.67
2.	Problem with training to the Members:	21	17.50
3.	Loan amount not received in time:	63	52.50
4.	Limited/Poor Amount of Credit/loan:	99	82.50
5.	Problems with attending group meetings:	17	14.16
6.	Re-payment of loan/loan installments:	18	15.00
7.	Interest rate charged on credit/ loan:	6	5.00
8.	Pressure from promotional agencies:	12	10.00
9.	Domestic work-load of the members:	28	23.33
10.	Unwillingness & lack of support of family:	6	5.00

Source: Field Survey

Other problems are also there, but they are not such acute, but affecting in their smooth functioning. Thus, the major problems which have come-out are described as follows:

- Most of the members of Baksa District have reported that, they get Limited amount of loan and that has been reported by 82.50 percent members of the district, which affected them in their functioning and because of this they fails to take timely decision.
- Next to that, 52.50 percent members have reported about the ‘Loan amount not received in time’, which creates problems to take decision in time and investment in time.
- Accordingly 31.67 percent respondent said about the problem with lack of co-operation among the members, 23.33 percent said about the domestic work-load are the problems faced by the members.

2.2. Analyzing Problems with the Core Factors ⁴⁾ of Microfinance in the District

An analysis has been made to know problem with core factor of microfinance, on analysis, it is found that, 52.50 percent members have reported as they are having problems with the very fundamental factors of microfinance i.e. with ‘Micro-Credit’. As per their report they did not get adequate amount of loan from the intermediaries as required by them and inadequate amount of credit have weaken their performance. The response to other core factors is presented in the following table:

Table 2 Analyzing Problem of Groups with the Core Factors of Microfinance

Members of Dev. Blocks of Baksa District	Some Core factors				Total Members
	Thrift	Micro-credit	Group (Demographic)	Management	
Members	11	63	21	25	120
% of members	9.17	52.5	17.50	20.83	100

Source: Field Survey

The problem with management of members is also reported by 20.83 percent members. Though a group leader exists in every group, even the groups are often suffering from group management like quarrel among the members, distrust, misappropriation of funds, absent or late arrival of members in the regular group meeting etc. The demographic factors like caste, language, social background, religion etc. of members also matters and stand as reasons to problems of members in the district as reported by 17.50 percent members.

2.3. Analyzing Multiple Memberships as a Problem of Sustainability

The growing service base of microfinance and involvement of various MFIs big or small with profit models developed competition among them and the spirit of ‘rush to grow’ to have more client base for profit, brings some choice among the people involving in microfinance to think for an alternative to take more benefit (Ghate, 2009). As such, members are also involving with other or in multiple groups to have more financial assistance, which is against the spirit of SHG & JLG. They even do not realize about their re-payment and cost of credit. So, efforts were made during the period of study to know, whether the members of the groups also belong to some other groups or do they have multiple memberships? And they were asked, with some direct and indirect approach and the results obtained are present in the following table:

Table 3 Analyzing whether Members are having Multiple Memberships?

Members of Dev. Block of Baksa District	Response of Members				Response of Members
	Yes	May be	No idea	No	
Members	108	04	02	06	120
% of Members	90.00	3.33	1.67	5.0	100

Source: Field Survey

Though multiple membership is not encourage, because of limited credit-worthiness of the members, even most of the members i.e. 90 percent have more than one membership and have taken loan from more than one source. Again, for linking with multiple groups the members like to give more quality time and effort to those groups where they find group-cohesiveness and other groups suffer.

2.4. Efforts made to Mitigate the Problems with of Members

After going through the problems of members in the district, it is found that members are suffering from many such problems which are detrimental for the members to sustain for a long time. So, efforts to mitigate those problems are equally important for the sustainability. Thus, effort were made during the survey to know, how far the intermediaries i.e. MFIs, Blocks, Banks other agencies made effort to mitigate those acute problems of sustainability, so that members of the district can be sustained for long period of time. The results obtained from the respondent groups are presented in the following table:

Table 4 Analyzing the Effort Made or not by the Intermediaries to Short-Out the Problems

Members in Dev. Blocks of Baksa District.	Effort Made? Response of Members.		Total Members
	Yes	No	
Members	81	39	120
% of Members	67.50	32.50	100

Source: Field Survey

As depict in the table, that 67.50 percent members said efforts were made to short-out the problems relating of members in the district. Thus, the frequency and qualities of those efforts made by their intermediaries towards sustainability of members in the district leaves question marks as, are the effort made by the intermediaries were sufficient? The Members in the district were asked about the 'frequency' of the efforts made for them to mitigate their problems or how many time they have obtained such supporting services. The results obtained in this regard have been presented in the following table:

Table 5 Analyzing How Frequently Effort Made by the Intermediaries to Short-Out the Problems

Members of Dev. Block of Baksa District	Frequency of Efforts made by the Intermediaries ⁵⁾				Total Members
	Very Poor (up to 25%) Once in entire period	Seldom (from 25 to 50%) (Once/twice p.a.)	Sometimes (from 50 to 75%) (Quarterly)	Always (from 75 to 100%) (Every month)	
Members	40	63	10	7	120
% of members	33.33	52.50	8.33	5.83	100

Source: Field Survey

So, very surprisingly the members in the district have reported as they have obtained such support of efforts made only once during the period of study and some have received such service once during their entire period up-till now. Thus, 33.33 percent members have received such service once during the period of study, 52.50 percent members have received such services either once or twice yearly or 8.33 percent members have obtained such services quarterly in the district during the period of study.

2.5. Analyzing Sufficiency Level of those Measures taken for the Members in the District

Again, the members in the district were asked about sufficiency level of the supporting measures taken by the intermediaries towards solving the problems with sustainability of members in the district and mixed response were found and the details of result found from the members on the issue are given in the following table:

Table 6 Analyzing Level of the Supporting Measures taken towards Solving the Problems with Sustainability of members

Members of Dev. Block of Baksa District	Efficiency factors at 5 point scale:					Total Members ⁶⁾
	Not Sufficient (Up to 20%)	Seldom & Sometimes (Poor) (From 20% to 40%)	Partly Sufficient (From 40 to 60%)	Sufficient (From 60 to 80%)	Very Effective (If, 100 %)	
Members	23	17	27	22	10	99
% of Members	23.23	17.17	27.27	22.22	10.10	100

Source: Field Survey

It is revealed from the table that, members are mostly reported as effort made for them are 'seldom and sometimes' so sufficiency level is very poor for them as a total of 23.23 percent members have expressed the sufficiency level of the supporting measures made is 'very poor'. Followed by 27.27 percent members said they feel partially sufficient about those measures taken for mitigating the problems with sustainability of members. Again, 22.22 percent and 10.10 percent members feel those measures as 'Sufficient' and 'Very Effective' and helpful for mitigating the problems with sustainability.

2.6. Analyzing Needs for Changes in the Services for Members Sustainability

After thorough analysis of the problems of sustainability with the members in the district, the members were asked about the need for change in the existing system to strengthen the existing microfinance services. And the response obtained from them is presented in the following table:

Table 7 Analyzing the Need for Change and Service Demanded by the Members of Baksa District

Members of Dev. Block of Baksa District	Factors of Service Demanded by the SHGs:						Total Members
	Easy Credit flow	Prompt Loan	Increase Loan slabs	Training	Mobile Micro-credit	Re-structure of Re-payment system	
Members	26	86	110	39	5	33	120
% of members	21.67	71.66	91.66	32.50	4.17	27.50	100

Source: Field Survey

It is clearly revealed in the table that, members in the district are mostly demands to increase the loan slabs and that have been reported by 91.66 percent. Followed by the factor 'Prompt Loan', i.e. members wants they should be provided the amount of loan in time and as promptly as possible and unnecessary delays should be avoided, if possible spot payment of loan is more preferable. Bandhan has already stated the practice of spot delivery of loan to their members in the district. Effective 'Training' facilities should be provided as it is reported by 32.50 percent members and amount of credit should be easily provided to them as reported by 21.67 percent.

2.7. Problems with the Members and Microfinance Intermediaries in Baksa District

As reported by the members and from the findings of other studies, the role of those intermediaries who involves in the formation of groups to link and to other follow-up activities it is not clear and reported as 'inactive' in most of the cases in the district. Thus, the point arises, whether those intermediaries/MFIs/agencies etc. are not-willing to work with the members or they got some problems in this regard? The results obtained from them are present in the tabular form as follows:

Table 8 Analyzing Officers/Staffs feedbacks on Microfinance Members

Sl. No	Questions	Feedbacks in %				
		Poor	Below Average	Average	Good	Excellent
1.	What is your overall feedback on the performance microfinance members?	00	00	30	50	20
2.	What is the loan re-payment behaviour of the members?	00	00	10	65	25
3.	How far microfinance is helpful in giving access to income generation to the members in your area?	10	05	05	70	10
4.	How far Microfinance is successful in providing Self-Employment to members in your area?	05	15	25	55	00
5.	How microfinance is performing in developing of economic conditions of members in your area?	00	05	15	60	20
6.	How microfinance is performing in forming Savings habits of members in your area?	10	20	50	20	00
7.	How the Microfinance is performing in women Empowerment in your area?	00	00	10	50	40
8.	How microfinance is performing in meeting financial needs of the people in your area?	10	05	35	30	20

Source: Field Survey

2.8. Analyzing the Officers Feedbacks on the Problems with Sustainability of Microfinance Members in Baksa District

Recognizing various problems of sustainability with members in Baksa District as mentioned above, the officers who deals in microfinance and actively connected with microfinance in the district were asked about the problems and mixed responses were found from them which are present in a tabular form.

Table 9 Officers ⁷⁾ Feed-backs about the Problems of Sustainability with Members in Baksa District

Problems of Sustainability	Officers Feedback					Total
	No	Less	Moderate	Rigorous	Beyond Control	
Problems as regard formation of Groups:	12	03	04	01	00	20
Problems as regard Management of Groups:	01	03	03	12	01	20
Problems with Size of Groups:	14	03	03	00	00	20
Problems in providing loan to members:	02	01	06	10	01	20
Problems with recovery of micro-credits/loans:	00	02	05	13	00	20
Problems with Savings of Members:	00	00	05	10	05	20
Problems with maintenance of Accounts & Records of groups:	00	02	04	12	02	20
Problems regarding willingness of members to work:	03	00	17	00	00	20
Problems in providing training to members:	00	00	12	06	02	20
Problems from male counter-part for women members:	12	02	03	03	00	20
Problems with your work-loads for members:	00	03	05	10	02	20
Pressure of work-done from upper-levels:	03	02	06	09	00	20

Source: Field Survey

2.9. Suggestions from Official/Expert towards Minimizing the Problems of members in the District

After recording their feed-backs on issues of problems of members in the district, the officers were also asked for their suggestion to mitigate and minimize those problems relating with members in the district and they provide some valuable suggestion to cope with the problems.

- Proper training should be provided to all the member of groups and preferably training should be arranged in the local areas of members, so that all members can attend the same. Training needs to be more realistic, training on small project, small/micro industry formation etc. is very important.
- Amount of loan should be increased with timely disbursement; further accessibility and availability of loans have to strengthen.
- Some provisions regarding awareness generation about microfinance is important for the growth and development of microfinance and to bring more and more needy people.
- MFIs/NGOs/Agencies deal in microfinance need to act in coordination, for extending more quality and needful services including marketing facilities, product design and development, value added products etc. and along with these members education, environmental protection etc. as auxiliary activities can also be shoulder for having overall sustainability, rather relying only with the financial services.

3. CONCLUSION

Thus, to restore microfinance services in the district, the problems with members need to be minimized at the earliest. As members in the district are suffering from many problems as mentioned above, but most importantly a few of them which have been identified from the study are delays in disbursement of loans, trainings of members, insufficient amount of credit, small slabs of loans, problems with maintenance of books of accounts, unsatisfactory income and savings, lack of cooperation among the members, repayments of loans and domestic work-loads are stand as main problems with sustainability of members in the district during the period of study. Further, among the selected core factors of microfinance i.e. micro-credit, savings, groups and management, the problems with 'micro-credit' is found as the mostly cited problems in the district, followed by problems with group management and groups or demographic factors.

KEYNOTES

- 1) Expert here means the person with knowledge of microfinance and working with microfinance for long time includes Blocks Officials, MFIs staffs etc.
- 2) The list of problems have ascertained and fixed from the pilot survey, talking with the dealing officials, staffs, connecting branches of MFIs of Baksa District, experts, as well as from various studies on sustainability as secondary source of information.
- 3) This percentage has been calculated for each response individually, because members reveal multiple problems as faced by them.
- 4) Core factors identifies and considered here are the generally considered important factors for proper working of members and without these basic factor groups will not be sustained.
- 5) Here only those members have been considered who replied as 'Yes' or 'Effort Made' by their intermediaries to remove their problems as per Table-5.3 (A) above.
- 6) Here only those members of the district have been considered which falls in the category of 'Seldom' & 'Sometimes' as per table-3 (A) above.

7) Officers' feedback here includes the Blocks official engaged in microfinance service and staffs & officers connecting MFIs providing services the people of Baksa District, and in all 20 such people were surveyed with a schedule specially designed for the purpose to record their feedback.

REFERENCES

- [1] Arora, S., & Meenu. (2012, March). *Microfinance Services through SHGs: An Emerging Initiative for Poverty Alleviation*. Retrieved January 2014, from AJRSH, Asian Journal of Research in Social Science and Humanities, <http://www.ajrsh.org: http://www.ajrsh.org/setup/socialscience/paper130.pdf>
- [2] Bateman, M. (2010). *Why Doesn't Microfinance Works? The Destructive Rise of Local Neoliberalism*. New York: Zed Books.
- [3] Bhagawati, S. K. (2013 (January-December). Microfinance for Rural Development in India: Issues and Realities. *Journal of Economics & Commerce, An Annual Reffered Research Journal Published by Public College of Commerce, Dimapur, Nagaland, India.*, 5, 33-64.
- [4] Bhattacharjya, P. K. (2014, June 18). Credit Deposit Ratio and Development. *The Assam Tribune, Guwahati*, p. 6.
- [5] Das, D. (n.d.). *Informal Microfinance in Assam: Empirical Evidence from Nalbari and Baksa Districts*. Retrieved July 2013, from IFMR, Centre for Microfinance Research: <http://www.inmrlead.org/cmfr/wpcontent/uploads/attachments/csy/1685/informal%20MF%20in%20Assam.pdf>
- [6] Deb Nath, B., & Shil, P. (2013). Women Empowerment Through Microfinance in Tribal Society: A Case Study of Gobardhana Block of Barpeta District, Assam. In P. C. Dutta, & K. Singha (Eds.), *Ethnicity, Resources and Institutions for Development of North Eastern States of India* (pp. 50-62). New Delhi: Akansha Publishing House.
- [7] Ghate, P. (2009). *Indian Microfinance: Challenges for rapid Growth*. New Delhi: SAGE Publications India Pvt. Ltd.
- [8] NABARD. (2017). *Status of Microfinance in India 2016-17*. Mumbai: Micro-Credit Innovation Department.
- [9] Srinivasan, N. (2009). Sustainability of SHGs. In K. G. Karmakar (Ed.), *Microfinance in India* (pp. 176-187). New Delhi: SAGE Publication India Pvt. Ltd.
- [10] Sundaram, I. S. (2007). *Microfinance in India*. Delhi: B.R. Publishing Corporation.
- [11] Vento, G. (n.d.). Sustainability and Outreach: the Goals of Microfinance. In M. L. Torre, & G. A. Vento, *Microfinance* (pp. 54-69). Hampshire, England: Palgrave Macmillan.
- [12] Yunus, M., & Jolis, A. (2007). *Banker to the Poor: The Story of the Grameen Bank*. New Delhi: Penguin Books.