

**“PROSPECTS OF MICRO-FINANCE INSTITUTIONS THROUGH RURAL
DEVELOPMENT IN SOUTH KARNATAKA: SDG’S**

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Introduction:

Micro-finance is one of the important tools in uplifting the lives of rural poor. The rural farmers, artisans and people who are Below Poverty Line expect the financial institution to help them financially, without expecting them for security and the services at a reduced rate of interest. Micro-finance has to act as a decisive player in inclusive development of the poor and rural people. As a part of inclusive development, most of the commercial banks have extended their helping hands to poor by giving small loans. But these small loans as initiative have not resulted in achieving the desired satisfaction to the needy. So, the role of MFIs is indeed increasing in the days to come. Micro-finance institutions across the world are trying their best to help the poor with regard to inclusive development. Though the purpose of MFIs is to uplift the poor, the same can't be done at free of cost. The extent to which it must be free of cost and the extent to which it must be profitable to the institutions is quite a tricky one to decide. Proper understanding of the condition prevailing in the field of finance and the problems faced by the rural poor only help the institutions in solving the problems. Across India, many MFIs are operating, but only a few MFIs have accorded as the institutions with potential for certain contributions to the poor or the institutions which have made impact on the lives of these poor. Unless the institutions understand the exact problems faced by the people or the condition at which they are expecting these institutions to help them, it is not possible for any of the MFIs to fulfill the needs of these people or to accomplish the role which is expected by them to play. Karnataka being South Indian state experiences all sorts of problems, be it climate or geographical adversities or natural calamities. So the farmers or rural poor are mainly dependent on these factors which adversely affect them from making a livelihood. Similarly, like a backward state, the people of Karnataka

too expect the government, banks, financial institution and other agencies to help them financially to overcome their problems. In this regard, over the years we have witnessed various banks and government schemes coming up with the helping hand. But, as the population is growing, the financial need of the people is also growing. All this has led to the entry of MFIs in Karnataka offering varieties of financial and non-financial services to the people in need. Some old MFIs have remained in the business successfully, some have changed the nature of operation and some new MFIs are coming to try their luck. The financial services and non-financial services offered by all these institutions have certainly impacted on the lives of many in Karnataka. The kind of help or service provided by these MFIs has turned fortunes to many. There are many examples or success stories which have been observed over the years because of the services of these MFIs. But the kind of services which have been provided, the kind of services which was expected still remains at a loggerhead. In this regard, this study has made an attempt to understand the services provided by the MFIs in Karnataka, the role played in overcoming the poverty and the impact it has made on these people lives. The study was conducted to know the governance practices of these MFIs which are very important in protecting the interest of all the stakeholders of MFIs.

Any research study is effective only after knowing the practical developments or events taking place in the field. For that purpose with the help of a questionnaire, by choosing the respondents carefully an attempt is being made to draw certain conclusions. The respondents are chosen from different districts of South Karnataka.

OBJECTIVE OF THE STUDY:

The current research is focused to analyze the prospects and issues associated with the Micro-finance institutions in the state of Karnataka with special preference to South Karnataka. Therefore, taking into consideration the importance of Micro-finance institutions, the prevalent eco-system for Micro-finance and the problems faced by the Micro-finance institutions the study titled “**Prospects and Problems of Micro-Finance Institutions in South Karnataka**” is undertaken with the below mentioned objectives:

1. To analyze nature of Micro-finance institutions that are present in South Karnataka

2. To analyze the importance of Micro-finance to the development of the underprivileged
3. To analyze the future prospects of Micro-finance institutions in terms of their growth
4. To analyze the role of Micro-finance institutions for an inclusive growth in south Karnataka
5. To analyze the role of Micro-finance Institutions in the development of various sectors
6. To study the problems faced by Micro-finance institutions in South Karnataka
7. To analyze the issues related to the successful model implementation in the Micro-finance institutions in South Karnataka
8. To suggest a model for the success of Micro-finance institutions in South Karnataka

Hypothesis of the Study:

The following Hypotheses are developed based on two aspects: (1) prospects of Micro-finance institutions in South Karnataka and (2) the issues impacting the Micro-finance institutions in South Karnataka

- H-1: Micro-finance services leads to an increase in household income.
- H-2: Micro-finance services leads to an increase in the dependence of the household on high-return production activities.
- H-3: Micro-finance services leads to an increase in key physical assets.
- H-4: Micro-finance services leads to an increase in personal savings.
- H-5: Micro-finance services leads to cope with the expenditures on the education, training and socio-economic status of household members.
- H-6: Micro-finance services leads to an increase in sources of finance to cope up economic shocks
- H-7: Micro-finance services leads to reduction in BPL households
- H-8: Micro-finance services leads to reduction in poverty gap index
- H-9: Micro-finance services leads to employment generation

Research Methodology:

The Research Methodology is divided into the following phases:

Sampling Design:

The sample of the study was based on multi-stage random sampling technique. South Karnataka region is consisted of 15 districts – Bengaluru Urban; Bengaluru Rural; Chamarajanagar; Chikkaballapur; Chikkamagaluru; Chitradurga; Davanagere; Hassan; Kodagu; Kolar; Mandya; Mysuru; Ramanagara; Shivamogga; Tumkur. The region provided the 1st stage of sampling unit, while Self-help groups and respondents became the 2nd and 3rd stage of sampling unit respectively.

(a) Selection of Districts:

Using Judgmental Sampling, we selected 8 districts in Stage-1 of sampling, on the basis several factors like cropping pattern, rainfall, humidity, temperature, soil texture, soil quality, underground water table and quality, etc.

(b) Selection of Self-Help Groups:

The contact and postal addresses of Self-Help Groups working in different zones were taken from the office of Additional Deputy Commissioner Development, Child Development Program Office, NGOS, Progressive youth forum etc. Zone wise SHGs were listed and randomly an approximate proportionate number of SHGs were selected from each of these 8 districts using Stratified Random Sampling.

(c) Respondents Selection:

A sample of 1200 consisting of both beneficiaries and non-beneficiaries (150 respondents from each district) was taken from all eight districts of the South Karnataka. The members of SHGs were listed for each zone. Then approximately proportionate number of respondents from SHGs was selected for the study. In addition to the above, 37 Micro-finance institutions were selected for the study using Convenience Sampling and one representative of each selected. Micro-finance institutions were taken for the purpose to examine their perception about the policies, procedures and products offered to the beneficiaries.

PRE-TESTING THE QUESTIONNAIRE:

After the formation of a questionnaire, a kind of pilot survey is necessary to gain specific knowledge of the subjects, possible difficulties in procedure of interview and kind of responses that are likely to be available. In order to validate and find out the reliability of the questionnaire, a pilot study was conducted before processing with the actual survey. Appropriate modifications in contents and format of the questionnaire were then incorporated in the light of experience gained during the pilot study to finalize the questionnaire.

DATA COLLECTION:

Both primary, as well as secondary data were collected for the study.

Primary Data:

Primary data were collected from the respondents on a specially structured, pre-tested questionnaire through personal interview method. The data were related to the year of formation of SHGs, group size, age of the respondents, educational level, religion, marital status, type of family, family size, family income, land ownership pattern, quality of life, food buying behavior, access to health care services, knowledge and awareness as a group member, impact of SHGs on orientation and exposure of respondents, development and growth aspects, problems faced by SHGs, voice concern, mobility, freedom, network, political empowerment, people's perceptions towards working women, attitude related problems, psychological problems, family problems, etc.

Another questionnaire was developed to collect the data from MFIs officials. The data were related to meeting of the group, membership of the group, financial management, utilization of earnings, group auditing, awareness about group activities, basic services, purposes of saving, decision-making power, etc. The data from MFIs officials were also collected through personal interview method.

Secondary Data:

Although the result of the research is highly dependent on the primary sources that have been gathered from the structured interview, but it also required some secondary sources to understand the concepts, definitions, theories and empirical results. We have used several books, research literatures, articles, journals and thesis, as secondary sources for our study. Internet sources were also used as a secondary source for the thesis. Since the internet sources are less reliable, therefore, the researcher had limited use of those sources to the web pages of prominent organizations like Grameen Bank. Most of the sources are reliable and are acceptable almost everywhere. Further, we have also used the handbooks and annual reports of NABARD. The present study concentrates on Micro-finance to the Self Help Groups functioning in the South Karnataka region. Hence, it is relevant to have an overview of different aspects of loans advanced to SHGs, loan outstanding against them and NPAs against loan outstanding.

Statistical Framework:

Both simple as well as advance Statistical Techniques will be used to analyze the data. Simple tools like Averages, Frequencies, Percentages, etc. will be used while advance techniques like Chi-Square Test, ANOVA, t-test, Regression Analysis and Z-test are also planned to be applied to analyze the data appropriately.

LIMITATIONS OF THE STUDY:

Every research has certain limitations and this study is no exception. The present study is based on the primary data - there may be bias in the responses of the respondents while collecting the data in spite of extreme care and skilled supervision. The present study is limited to districts of South Karnataka, so findings cannot be generalized for SHGs working in other regions/districts. Similarly, financing pattern to SHGs through MFIs also cannot be generalized for other regions or districts.