

Loan Repayment Performance of Women Self-help Groups in Vellore District: An Empirical Study

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Abstract

This research aims to find out the influence of microfinance loan reimbursement performance of pastoral women self-help groups (SHG) in Vellore district. It focuses on the loan repayment performance in a block in Vellore district. A total of 17,446 women (SHG) microfinance borrowers were randomly selected through a multi-stage random sampling technique. The data was collected by using the questionnaire. Statistical tools such as descriptive statistics and multiple regression analysis were used to examine the data. The results of the study showed that majority of the rural women were married, uneducated, belonged to low-income group and had medium family size. It was found that microfinance influences the loan reimbursement performance.

Keywords: Repayment problem; Self-help group; Pastoral women's; Microfinance programs.



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1. Introduction

Over the past centuries, practical visionaries like Franciscan monks who founded the community-oriented pawnshops of the 15th century and Muhammad Yunus and Al Whittaker, the founders of the microcredit movement in the 1970s have tested practices and built institutions which were designed to bring the kinds of opportunities and risk-management tools to provide financial services at the doorsteps of poor people. In due course, the success of the Grameen Bank has proved difficult to replicate this success especially in nations with lower population densities. In such way, the term "microfinancing" has its root in the 1970s when organizations such as Grameen Bank of Bangladesh were initiated in terms of shaping the modern industry of microfinancing (microfinance, n.d.)

1.1. Self-Help Group

The self-help group concept was initiated in 1989 at Dharmapuri District of Tamil Nadu in a small way with the assistance of International Fund for Agricultural Development (IFAD). The achievement of IFAD project introduced a new scheme called Mahalir Thittam which was launched in the year 1997-1998 with the State Government fund. The success of IFAD project led to a new project called the self-help groups, which has been developed in all districts of Tamil Nadu and stimulating poor people and marginalized sections of the society.

2. Review of Literature

[Enimu et al. \(2017\)](#). Explored the determinants of loan repayment among microfinance group members in Delta state Nigeria. This study focus loan repayment in study area a total of 40 microfinance groups and 300 microfinance borrowers were randomly selected through a multi-stage random sampling technique the data was collected by questionnaire statistical tools such as sampling descriptive statistics like table, frequency, percentages and mean and multiple regression analysis were used to examine the data. Findings the regression resulted demonstrated that the group members loan repayment include the group's members age, household size, income, education, amount credit received length of study in their locality distance to the credit source. Concluded that microfinance groups should carefully examine the significant deterrents loan repayment for the approach viability and suitability and for optimum repayment performance.

[Yogendrarajah and Semasinghe \(2016\)](#). Analyzed as provides of microfinance repayment in Sir Lanka. This study were selected multi-stage stratified random sampling technique was used to receive the data 337 women members of MFI from fine district have selected for collected information regarding repayment of microfinance and the factors which influence of repayment which more amount loan, interest decision-making is households level. statistical tool such as linear multiple regression was used to find out the variable that affected repayment resulted decision making influence lower level then other variable and control over assets significantly negatively influenced on repayment conclude that decision making power and control over assets in household level the repayment will be high.

[Pasha and Negese \(2014\)](#). This study explored the identified and analysed such determining factors of loan repayment rate is vital in the achievement of profitability and sustainability of MFIs the researcher used primary data as well as secondary data and analyzed by using Binary logistic model was used. Totally the researcher determinate

114 are selected for evaluation out of 9 variables are significant and remaining insignificant are found .concluded that based on the analyzed proper training must be given and reasonable amount of loan which must useful to their business.

Mokhtar *et al.* (2012). Investigated the determinate borrowers in TEKUN and TUM institutions in Malaysia. By used logistic regression model. It revealed that borrowers characteristic age, gender and types of business involved and microcredit loan's characteristic mode of repayment one among the factors contribution to microcredit loan repayment problem among in Malaysia borrowers.

Ugbomeh *et al.* (2008). this paper investigated the determinants of loan repayment of loan repayment performance among women self-help groups in Bayesld state Nigeria. The research used structured questionnaire was used to gather information from one hundred and twelve women farmers from eight communities selected through a multi stage random sampling technique with help of 6 variables like cost of loan recover, women as household head, interest rate, household size, price stability of from proceeds, commitment Niques of Barqual (1993) use student t test to test the significant different between the mean volume of microfinance borrowers and mean amount repaid. Multiple regression analysis revealed that to determine the effect of the predictor variable on the loan repayment performance women household heads, interest rate, household size negatively and significantly affected the loan repayment performance while price stability of farm proceeds and commitment to SHS positively and significantly affected the loan repayment.

Punam and Ryhal (2015) this study focused on poverty alleviation and women empowerment through SHGs in Himachal Pradesh the main objective impact of participation in SHG on empower of women in this approach rural women . Conclude that the economic activities of SGs are quite success in the way of SHGs in Himachal Pradesh are very successfully to develop women empowerment and rural area.

Maity and Sarania (2017) examined the impact of a microfinance SHG programme on financial inclusion and generation of employment and income for alleviating poverty on the district of baksa and udagari in Badoland, Assam empirical analyzed were done through primary data in two selected district period of the study from 30 may 2013 to October 2013 total sample size of 330 respondents conceived 150 SG participated and 180 non participated face to face interview with help of multistage purposive sample design technique t test and regression used. Conclude that the impact evaluated should the programme had positive and statistically significant impact of the monthly income, employment days and financial inclusion increased more SHG households to high level of financial inclusion as compared to non-participants and contributed to poverty reduction and impact on inequality indices way positive but not significant

Chhipa *et al.* (2014) to study problems associated with gender inequality in the demographic composition of Rajasthan and the help of MFI in reducing the gap of gender equality and ensuring women empowerment. This study was mainly focused on secondary sources with help of director rate of economic and statistics censuses of India. Recommended that Rajasthan promotion of literacy among the female population have to be given the priority.

Yogendrarajah (2011) this paper focused the challenges issues of whether the microcredit programmes are tools for empowering poor men identified the self-employment opportunity, health nutrition and poverty alleviation of the women. Finally it's conclude that there is need to complement credit delivery and self-esteem among women. Microcredit does not sufficient in the process of empowering poor women but it is of the very important ingredients in that process.

2.1. Statement of the Problem

One approach to handle the loan reimbursement issue is to examine the variables which influence the credit reimbursement in spite of the fact that advance reimbursement is dictated by enthusiasm, groups' qualities and qualities of the loaning foundations including item plans and appropriateness of their items to borrowers. As to qualities of borrowers, reimbursement of advances relies upon the keenness and ability of the borrowers to reimburse.

2.2. Research Question

1. Which factor influence the repayment performance of microfinance loan borrowers in the study area?
2. What are the sources of repayment of Micro Finance loan for the borrowers?

2.3. Objective of the Study

1. To analyse the factors which influence loan repayment performance of women SHGs borrowers in Vellore district.
2. To identify the sources of repayment of Micro Finance loan used by the borrowers

2.4. Hypothesis of the Study

H₀₁: There is no significant relationship between income source and loan repayment

H₀₂: Selected factors do not significantly influence the repayment performance of microfinance loan of women SHG

2.5. Significance of the Study

The primary objective of micro-financing concept in women self-help groups is providing financial services to improve the living standards of the pastoral women. The self-help groups have rendered certain services on the

permanent basis with profitability and sustainability. However, the profitability and sustainability of SHGs depends on the borrowers' action toward the loan repayment rate which has been determined by various factors.

2.6. Limitations of the Study

During the study, researchers find some limitations. These includes shortage of money, lack of enough time, lack of transportation access, and absence of respondents at planned time during data collection. The study is limited to socio-economic in general, it can be further extended to individual factors.

2.7. Research Methodology

2.7.1. Research Design

The study is descriptive in nature with quantitative and qualitative methods. The quantitative aspect of the data focused on description of socioeconomic, loan, and business-related variables and analysis of relationship among the dependent and descriptive variables of self-help groups for the study.

2.7.2. Data Sources

The investigation is done using both primary and secondary data. Primary data sources are taken from the self-help group borrowers from defaulters and non-defaulters in the select block. In addition to primary sources, secondary sources were gathered from both Mahalia Thittam, branches' pioneers who concerned with different officers and unpublished works.

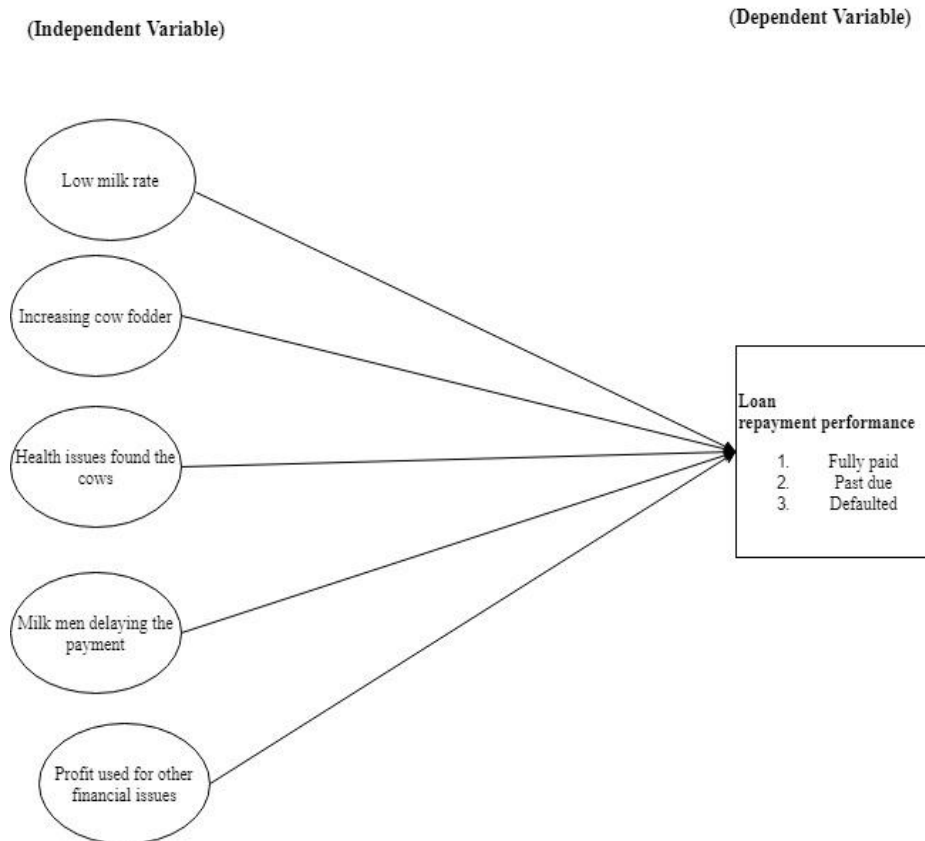
2.7.3. Sampling Techniques

Initially, the pastoral **women** in self-help groups were chosen purposively for the fact that there is no logical investigation has been taken in regards to advance reimbursement execution so far. Then 20 blocks of self-help groups were selected based on their group member's high-level populations. Finally, populations of the blocks were stratified as borrowers, from total population of **17,446** and **150** sample respondents were selected through using simple random sampling technique.

2.7.4. Use of statistical tools

In this study researcher used simple statistical tools like tables, Percentage, Mean, Standard deviation, logistic regression analysis, and diagrams.

3. Conceptual model



SHGs Member Social Category Wise(Block Level)										
S No	Block Name	Category Wise SHG	Minority Category Wise Member							
			New	Revived	Pre-NRLM	Sub Total	SC	ST	Minority	Others
1	Alangayam	8	0	926	934	2276	1506	226	7988	11770
2	Anaicut	244	0	699	943	2684	378	88	8324	11386
3	Arakonam	125	0	551	676	3444	109	185	4868	8421
4	Arcot	177	0	450	627	1373	24	1353	6646	8043
5	Gudiyatham	30	0	1431	1461	5236	155	180	9294	14685
6	Jolarpet	286	0	467	753	1093	154	126	8285	9532
7	Kandhili	572	1	559	1132	1933	98	124	12254	14285
8	Kaniyambadi	174	0	395	569	1210	16	177	5746	6972
9	Katpadi	153	0	392	545	1680	170	333	4631	6481
10	Kaveripakkam	159	0	935	1094	4924	258	79	7329	12511
11	K.V. Kuppam	192	0	668	860	3161	259	988	9063	12483
12	Madhanur	9	0	822	831	4174	559	35	4869	9602
13	Natrampalli	127	0	356	483	979	137	44	4848	5964
14	Nemili	203	0	880	1083	3782	125	298	10006	13913
15	Pernambet	38	0	1090	1128	3695	91	296	4552	8338
16	Sholinghur	113	2	1088	1203	3306	217	246	11010	14533
17	Thimiri	4	0	1144	1148	4118	107	111	7870	12095
18	Thirupathur	504	0	909	1413	5329	701	313	11416	17446
19	Vellore	101	0	223	324	1507	65	23	2255	3827
20	Walajah	241	0	697	938	2263	115	55	10507	12885
	Total	3460	3	14682	18145	58167	5244	5280	151761	215172

Source: Mahalir Thittam 2017

4. Data Analysis and Interpretation

Table-1. Analysis of Demographic variables

S. No	Particulars	No of respondents	
1	Age	Below 25 Years	28
		25 – 34 Years	46
		35 – 45 Years	57
		Above 45 Years	19
2	Educational Qualification	Graduate	22
		Higher secondary	26
		SSLC	37
		Illiterate	65
3	Marital status	Single	27
		Married	79
		Divorced	19
		Widow	25
4	Income	Less than Rs. 3,000	26
		Rs. 3,001 to Rs. 6,000	57
		Rs. 6,001 to Rs. 9,000	36
		Above Rs. 9,000	31
5	Family size	1-3	18
		3-5	96
		5-7	23
		Above 7	13

Source: Primary data

Table.1 shows that nearly 57% of the pastoral women belong to the age of 35 – 45 years, 46% of the pastoral women belong to the age between 25 – 34 years, 28% of the respondents are below 25 years of age and 19% of the pastoral women are above 45 years respectively. From the above table, 65% of the pastoral women are Illiterate, 37% of the respondents are completed SSLC and 26% of the pastoral women are higher secondary. From the above

table, 57% of the pastoral women are earning Rs. 3,001 to Rs. 6,000, 36% of the pastoral women are earning Rs. 6,001 to Rs. 9,000 and 31% of the pastoral women are earnings above Rs. 9,000 and 26% of the pastoral women are earning less than Rs. 3,000. With respect to family size, the results show that 96% of the pastoral women family size include 3-5 members, 23% of the pastoral women family consist of 5-7 members, nearly 18% of the pastoral women family have 1-3 members and 13% of the pastoral women have family members above 7.

4.1. How Many Cows Do You Own?

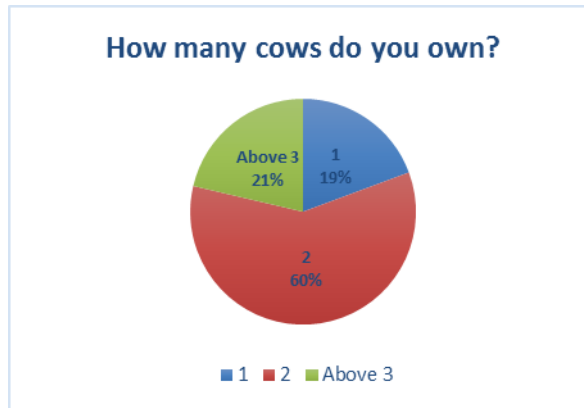


Fig.1 shows that the result of respondents having own cows. 60% of the responders had 2 cows and 21% of the responders had above 3 cows and 19% of the responders had 1 cows. The Pie chart shows that the most of the responders had 2 cows respectively.

4.2. Do You Have Insurance For Your Cows?

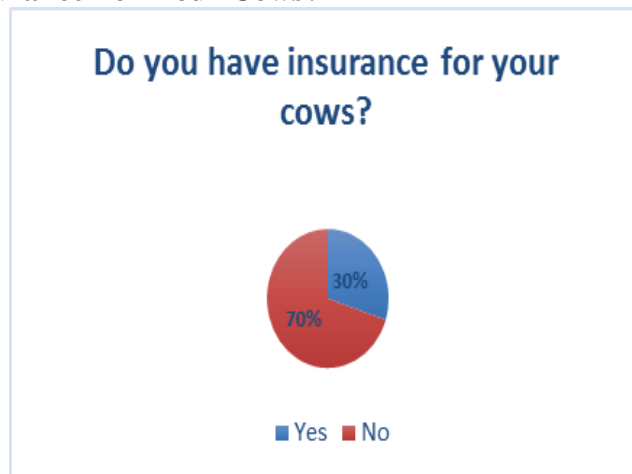


Fig.2 shows the result of respondents who do not have insurance for their cows. In the above chart, 70% of the pastoral women do not have insurance for their cows and 30% of the pastoral women have insurance for their cows and most of the pastoral women do not have insurance for their cows.

4.3. Loan Size

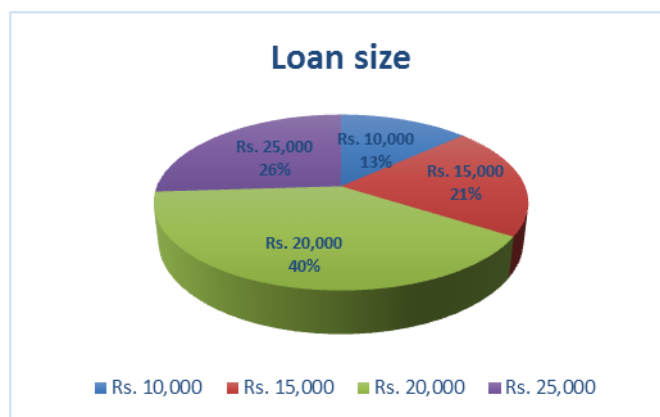


Fig.3 shows that the result of 40% of the respondents have loan amount Rs. 20,000 and 26% of the defendant have loan amount Rs. 25,000. Majority of the people have loan amount Rs. 20,000

4.4. Period of Repayment

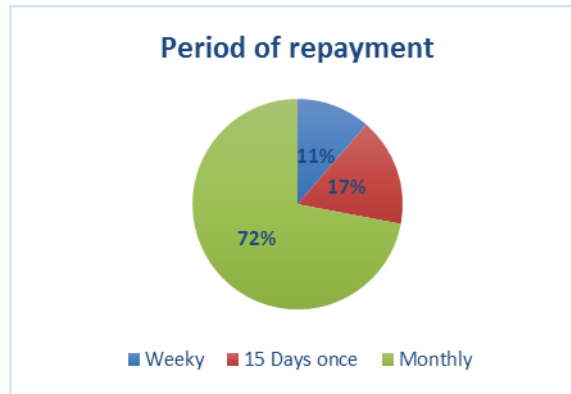


Fig.4 indicates the results of loan repayment of pastoral women which include 72% of the responders refund their loan amount monthly, 17% of the responders repay their the loan amount 15 days once and 11% of the responders paid the loan amount weekly.

4.5. What is the Source of Income to Repay Your Loan?

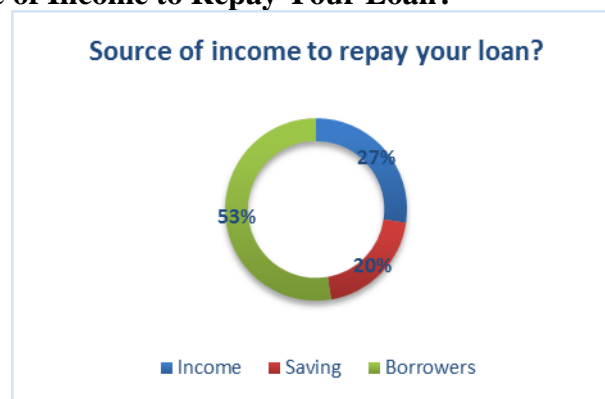


Fig.4 indicates source of income to repay their loan amount. 52% of the pastoral women are repaying their loan amount by borrowing, 27% of the pastoral women give back the loan amount through income and 20% of the responders are refunding the loan amount from profit of their business.

5. Results of Logistic Regression Analysis

Table-2.

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.754	.569	.554	.900	.904

Table 2, Showed R Square of 0.5669 and Adjusted R Square of 0.554 also indicated that the model is reasonably good. Result from the model summary indicates that about 55% of the variations in the dependent variable have been explained by the independent variables of the model used in this study.

Table-3.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.098	.370		-.266	.791
	Low milk rates	.355	.062	.389	5.726	.000
	Increasing cow fodder for cow	-.010	.054	-.010	-.185	.854
	Health issues found the cows	-.027	.061	-.024	-.437	.663
	Milkmen delaying the payment of amount	-.028	.048	-.033	-.593	.554
	Profit is used for other financial issues	.593	.089	.451	6.689	.000

Table-3 the calculated value is less than 0.05 of (0.000) low milk rate and profit used for other financial issues. Hence, the null hypothesis is rejected only the two variables. Others variables more than (1.05). Hence, the alternative hypothesis is rejected. It is inferred that increasing cow fodder for the cow, health issues found the cows, milkmen delaying the payment of amount significant influence the repayment performance highly and low milk rate and profit used for others issues significant not influence the repayment performance.

6. Findings

- Most of the respondents are pastoral women of age group between 35 – 45 Years.
- Most of the respondents are Illiterate.
- Most of the respondents are married.
- Most of their income level is Rs. 3,001 to Rs. 6,000.
- Most of them owned 2 cows.
- Pastoral women have insurance for their cows partially.
- Majority of the respondents have loan amount Rs. 20,000.
- They usually repay the loan amount by monthly turn.
- Most of the respondents repay their loan amount form the borrowers.

7. Conclusion

The causes of loan repayment performance among rural women self-help groups was investigated among selected blocks in Vellore district of Tamil Nadu. The results of the study showed that majority of the rural women look over were married, uneducated, belonged to low-income group and had medium family size. Most of the respondents do their repayment performance through borrowers within the period of the survey. It is inferred that increasing fodder cost of cow, and their health issues, delayed payment of milkman, rate of milk sale and profit in it significantly influence the repayment performance. It was recommended that the government should increasing milk rate.

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