

ROLE OF MICRO CREDIT ORGANIZATIONS IN THE MANAGEMENT OF RURAL INDEBTEDNESS IN IDUKKI DISTRICT, KERALA STATE

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Abstract: *Though Gandhiji considered rural economy as the backbone of Indian economy, today the rural people are in a pathetic condition that most of them are utterly faced with the problem of indebtedness. Indebtedness means an obligation to pay money to another party. Rural indebtedness is an indicator of the weak financial infrastructure of a country, which includes inability of the economic system to reach to the needy farmers, landless people in the villages and the agricultural wage labourers and acts as a encumbrance for the overall sustainable growth, thus it is a serious and complex problem of an economy yet to unravel; it causes the rural people to succumb into the stress of debt. The micro credits are considered as the best platform for the development of confidence in the rural poor which never ever demands any collateral security for taking loan and the procedures for taking loan from micro credit are also very simple with affordable interest rate and timely expendable too. It is improved the confidence and knowledge of banking, utilization of savings and credit, taking the self-employment, interaction with the local organisation like – panchayats, Micro Finance Institutions(MFIs), Non Governmental Organisations(NGO), bank staff etc. The recent innovations in microfinance group formation not only satisfied the financial needs of the poor, but also encourage in improving the skills and knowledge of banking and financial literacy. Mobilised group ventures in the Kerala state, comprising Self Help Group (SHG), Microfinance Institution (MFI), Farmer Entrepreneurial Group (FEG), Ayalkoottam (AK), Neighbourhood Groups (NHG) etc., perform an appropriate micro-enterprise with microfinance as essential component ensuring sustainable development.*

Key words: *Rural Indebtedness, Source of loan, Micro credit organisations*

INTRODUCTION

Indebtedness has constituted a serious threat to economic, social and political life of rural Kerala, especially in Idukki district, whatever may be its achievements in different sectors. The growth and development of an economy depend on the smooth flow of rural credit and becomes crucial factor to production if available at the right time, quantity needed and in the required institutional forms. The success of credit oriented development project is significantly dependent upon the soundness of the credit institution and the credit delivery system in the country. The creditworthiness of small rural farmers is viewed with suspicion by formal sector banks because of their inability and unwillingness to provide acceptable collateral like owned land, houses, or buildings as mortgage while taking loan (Puhazhendhi and Jayaraman 1999). In most cases they do not possess such assets, and even lack valid documents to prove ownership also, as land is their major source of income and a secured asset, they hesitate to pledge it for fear of losing it in the event of non-repayment of the loan (Kartick Das 2013). In this crisis the rural people are in a pathetic situation and the wages received by them would be less than for even their survival, it forces them either to remain or to take new borrowing (Anil Kumar Soni and Harjinder Palsingh Saluja 2012).

In Idukki, most of the people mainly depend on formal banking sector for their borrowings, the repayment procedures and rate of interest does not match with their yield pattern and were unable to pay it back (Santhosh Kumar 2013). Taking debt is not a problem, if he/she has adequate asset holdings or income to repay it. But debt became “indebt” when the borrower is incapable of pay it back either from his/her earnings or from his/her asset holdings or the borrowings not generating any income (non productive use of borrowings) (Isabelle Guerin et.al 2009). So here the micro credit organisations, though the name itself indicated, micro in nature, helps a lot for accessing the bank credit easily and to pay it back or helps to reduce the intensity of rural indebtedness, but the problem is it only acts as a boon to the grass root level people of the rural area and the amount are macro in nature too (Srijit Mishra 2008), (Salini 2015). The micro credits are considered as the best platform for the development of confidence in the rural poor, improving the confidence and knowledge of banking, utilizing of savings and credit, taking the self-employment(Christabell and Vimal Raj 2012), interacting with the local organisation like – panchayats, Micro Finance Institutions (MFIs), Non Governmental Organisations(NGO) (Anilkumar 2013), bank staff etc. (Anis Chowdhury 2009). The recent innovations in microfinance group formation not only satisfied the financial needs of the poor, but also encourage in improving the skills and knowledge of banking and financial literacy of them (Susanna Khavul 2010), (Deepa Gupta 2014), (Sangeetha Prathap (2011), (Archana Sinha 2013). The role of NABARD in providing funds for the promotion of self-help groups is indeed commendable (Maheswari and Chockalingam 2009), (Uttam Paul 2014), (Isabelle Guerin et al. 2009), (Veerpaal Kaur Maan and Amritpal Singh 2013). Mobilised group ventures in the country, comprising Self Help Group (SHG), Microfinance Institution (MFI), Farmer Entrepreneurial Group (FEG), Ayalkoottam (AK), Neighbourhood Groups (NHG) etc., perform an appropriate micro-enterprise with microfinance as essential component ensuring sustainable development(Ragavan and Saleena 2008). Whatever may be the connotation, the core is a mobilised group venture with a productive economic activity initiated by thrift deposits and sustained by an appropriate micro-enterprise either independently or by the intervention or linkage with bank without any gender discrimination (Bert D’Espallier et al.2009). Baklouti Ibtissem and Abdelfettah Bouri (2013) viewed micro finance institutions as a development strategic tool by enabling poor entrepreneurs to initiate their own business also.

Review of related literature

Nowadays micro credit organizations and its role in the poverty alleviation and women empowerment is a serious matter of debate and a plenty of studies are available on it. Among the available studies, studies examining the role of micro credit organizations in managing the rural indebtedness are rare in number and non-comprehensive too. So the present study is an endeavour for extensive examination of the role of micro credit organizations in the management of rural indebtedness in Idukki district of Kerala state.

Significance of the study

The success of credit oriented development project is significantly dependent upon the soundness of the credit institution and the credit delivery system persistent in the place, but the creditworthiness of small rural farmers is viewed with suspicion by formal sector banks in Idukki district, because of their inability and unwillingness to provide acceptable collateral like owned land, houses, or buildings as mortgage while taking loan. In most cases they do not possess such assets, and even lack valid documents to prove ownership also, as land is their major source of income and a secured asset, they hesitate to pledge it for fear of losing it in the event of non-repayment of the loan. In this crucial juncture, the micro credit organizations came as a boon to the rural poor, who never ever demands any collateral security for taking loan and it imparts the thrift behavior also. The procedures for taking loan from micro credit are also very simple with affordable interest rate and timely expendable too.

At present the formal studies about the rural indebtedness among rural poor in Idukki district are rare. Among the available studies, the studies examining the role of micro credit organizations in the management of rural indebtedness in Idukki are nil. The present study will makes an attempt to examine how far the micro credit organizations act as a remedial measure for the management of rural indebtedness in Idukki district of Kerala state.

Objectives of the study

1. To examine sources and uses of borrowings of rural micro credit borrowers in Idukki district.
2. To analyse the role of micro credit organisations in managing the rural indebtedness in Idukki.

Research Hypotheses

1. The organized formal borrowings is higher than that of unorganized informal borrowings among micro credit borrowers in Kerala and is heterogeneity in the purpose and uses of borrowings .
2. The micro credit organizations help to reduce the intensity of rural indebtedness.

Scope of the study

The major intention of the study is be to examine the nature of rural indebtedness, the sources of borrowings and the role of micro credit organisations in managing the rural indebtedness in Idukki district etc. The study entitled as “Role of micro credit organizations in the management of rural indebtedness in Idukki district, Kerala state” within the geographical boundary of Idukki district alone.

Methodology of the study

Source of Data: Both primary as well as secondary data will be used for the study.

Method of Data Collection: Direct interviews and structured interview schedule are used for collecting primary data and for secondary data, published articles, books, journal articles, Ph.D theses, websites and working papers are used.

Sample Design: The study will be descriptive and analytical in nature. Members of Self Help Group (SHG), Kudumbashree and micro credit organizations are the respondents of the study. Samples of 50 respondents are selected randomly from 4 Taluks through multistage sampling technique.

Sample selection process : In multi stage sampling, firstly on geographical basis, Idukki district is divided into 5 taluks. Secondly, from each taluk, one revenue villages were selected randomly to comprise five villages altogether. In the third stage, two Micro credit organisation was selected randomly from each of the selected villages to constitute 10 micro credit organisations and finally 5 beneficiaries from each of the selected micro credit organisations to compose a final sample of 50 micro credit respondents. The beneficiaries selected for the study have at least 3 years of continuous existence in the group.

Table 1 Sample Selection Process

Stage 1	Stage 2	Stage 3	Stage 4
(5 taluks from Idukki district)	(1 revenue villages from each taluk)	(Number of SHG/Kudumbashree/Micro credit organizations from each revenue village)	(5 members from each SHG/Kudumbashree/Micro credit organizations)
Devikulam (comprising 12 villages)	Kunjithanny	2	10
Peerumedu (comprising 10 villages)	Upputhara	2	10
Thodupuzha(comprising 17 villages)	Velliyamattom	2	10
Udumbanchola(Rajakkad	2	10

comprising 17 villages)			
Idukki(comprising 9villages)	Vathikkudy	2	10
5 Taluks	5 Villages	10 Micro credit organisations	50 Beneficiaries

Period of Study: The present study's field data covers a period of three months from 2017 October onwards.

Population of the Study: All rural people in Idukki district (**1,056,929** as per 2011 census).

Method of Analysis

Tables used to classify and categorise the collected data, mathematical and statistical tools like percentage and averages used for analysing primary data.

Limitations of the study

1. The study covers only rural people in Idukki district. So the applicability of the results to other districts is doubted.
2. Since the respondents are rural people, they may be septic about the research. So there are chances that their responses are biased.
3. The present study, mainly based on field interview schedule, is subject to many of the limitations of field-based information.
4. Sometimes the respondents overstate their problems and understate the benefits accruing from a particular programme. The information collected from them is based on their memory.

Result and discussion

The data collected from 50 respondents in Idukki district were presented in the following tables.

Table 2 Gender wise classification of the respondents

Gender	Frequency	Percent
Male	16	32.0
Female	34	68.0
Total	50	100.0

Source: Primary data

Tables 2 revealed that majority of the respondents were females, the micro credit organizations primarily meant for women empowerment and poverty alleviation, as it provides an opportunity to women to earn for their livelihood without depending any one.

Table 3 Marital status of the respondents

Marital status	Frequency	Percent
Married	46	92.0
Single	4	8.0
Total	50	100.0

Source: Primary data

From the above table it is clear that most of the respondents are married and have a family of 4 or members, indicating that as family size increases the expenditure level also increased forcing people to borrow.

Table 4 Monthly income of the respondents

Monthly income(Rs.)	Frequency	Percent
2500-5000	2	4.0
5000-10000	6	12.0
10000-25000	12	24.0
25000-50000	20	40.0
above 50,000	10	20.0
Total	50	100.0

Source: Primary data

Table 4 showed the monthly income of the respondents and majority of them have 10000-25000 income class.

Table 5 Sources from which the loan is taken

Sources	Frequency	Percent
Formal banks	15	30.0
Micro credit organisations	18	36.0
Money lenders	5	10.0
Friends and relatives	12	24.0
Total	50	100.0

Source: Primary data

The above table discovered that most of the respondents were taken loan from micro credit organizations and formal banking sector and a least (10 percent) depend informal money lenders that are only for emergency needs alone.

Table 6 Uses/application of the loan

Uses/application	Frequency	Percent
Same purpose	13	26.0
Other purposes(diverting loan)	37	74.0
Total	50	100.0

Source: Primary data

The above table exposed the actual usage or application of the loan which showed that most of the respondents used the loan for meeting the high house hold consumption needs as against the purposes for which it is taken ie, most of the agricultural loans were diverting for consumption loans which were identified as the major reason for indebtedness.

Table 7 Amount of loan taken for family needs from the micro credit organisation

Loan family needs_(Rs)	Frequency	Percent
Below 10000.00	14	28
10000.00	6	12
20000.00	4	8
25000.00	4	8
50000.00	6	12
100000.00	16	32
Total	50	100

Source: Primary data

Table 7 showed the amount of loan taken by the respondents from micro credit organizations and it range up to 100000 Rs, majority of them (16 percent) took the maximum amount which was used mainly for family consumption purpose.

Table 8 Whether Micro credit organisations effective in reducing Rural Indebtedness

Whether Micro credit organisations effective in reducing Rural Indebtedness	Frequency	Percent
Yes	50	100

Source: Primary data

The above table depicted that all the respondents were opinioned the micro credit organizations will effective in reducing the rural indebtedness as the loan amounts are correctly match with their repayment capacity with no legal procedures and low rate of interest.

Conclusion

The study was intended to study the role of micro credit organizations in reducing the rural indebtedness in Idukki district showed that most of the micro credit organizations beneficiaries are women, showing their empowerment and self sufficiency and as women house wives, they are more responsible for their family than husbands for meeting the house hold expenses which can meet from the loan taken from their organizations. The respondents main source of earning was MGNREG wages, they have less to depend others, and if depend on formal banking sector other than micro credit. The informal money lenders were the rare source of loan only for emergency needs only and if no other sources were available too. The actual reason for indebtedness was found to be the diverting nature of borrowers ,ie, they applied the loan for consumption needs irrespective of the purpose for which they taken it, causing no income generation and are unable to repay from their earnings and asset holdings, ultimately lead to indebtedness .So in nut shell, for the grass root level rural people for their micro financial needs depend on micro credit organizations as a perfect alternate for any source by enjoying its varying benefits of no collateral security, low interest rate, simple and manageable repayment, less penalty and procedures etc.

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