

# Micro finance intervention and peoples' perception- A study on NGOs MF programme

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## ABSTRACT

Access credit without physical collateral and as bottom up model of development approach, micro finance gets worldwide acceptance as powerful instrument of poverty alleviation programme in new economy. Numbers of micro finance institutions in various entity entered as alternative micro finance institutions to fulfil the needs of underprivileged classes. This research article depicts the perception of the clients and non clients of Sonitpur and Lakhimpur districts of Assam regarding the changes they feel about micro-finance services of NGOs. Two NGOs namely, Institute of Integrated Resource Management (IIRM) and Gramin have been purposively selected from Sonitpur and Lakhimpur districts of Assam and sample size comprises 945 numbers of women clients of selected NGOs and 945 numbers of non clients from same area selected randomly through lottery. Survey method was applied to gather the information. Features like, low interest rate in comparison of other non-institutionalised sources, micro finance service at their doorstep plays an important factors in accepting the NGOs micro finance services in the study area. It is widely perceived by the clients, that NGOs microfinance is helping in employment creation and thus increases household income. It is also believed by both clients and non-clients that, access to financial services are likely to make both qualitative and quantitative changes.

## INTRODUCTION

Microfinance emerged all over world as a powerful instrument of poverty alleviation programme in new economy to fulfill the needs of underprivileged classes by providing an opportunity for involving in economic activities. Providing financial services through institutions, to low-income clients, where the market fails to provide appropriate services is primarily focus of this programme. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. Another special feature of this

programme is, as against formal institutions, this programme does not require physical collateral from the borrowers and hence, a large number of borrowers without physical collateral can access credit. The microfinance programme provides a model of development that is based on bottom up approach. Groups emerge locally with the efforts of members and enable the borrowers to improve their situation through their own efforts, rather than relying on external development strategies. Moreover, rather than wage-employment the programme promotes self-employment which leads to sustainable reduction in poverty. These unique features led to the worldwide acceptance of the programme as an

important development tool. Realizing the potential in the field of microfinance, the government of India also allowed various private players to provide microfinance services to needy poor directly in the country. These private microfinance providers, commonly known as MFIs, are various NGOs, Non-banking Financial Companies (NBFCs) and other registered entity. But literature shows that the way clients and non clients perceived microfinance is very diverse and depends on the context in which it grows and on the services they availed. Some people held negative perception and said that microfinance institutions do not performed upto the mark; it simply unproductive and charging high interest rates and primarily focus on earning the profit. In a study Goetz and Sen Gupta (1996) have proved that most of women's loans are directly controlled by male while female borrowers are still responsible for repayment. In many instances, because of pressure for enforcement of loan contracts, women have to reduce necessary household basic needs. On the other side people have positive perception about microfinance and saying that microfinance institutions are helping people to improve their living standard. It is believed by many people that microfinance could conceivably diminish the tendency of worldwide perceptions of gender inequality (Littlefield *et al.*, 2003). Therefore, this study is an attempt to understand the NGOs micro finance programme in study area with following objectives :

- To explore the factors influence people towards NGOs micro finance programme.
- How clients perceived the benefits of their association with NGO- MFI in terms of their development and to know about the services in general for both clients and non clients, their acceptance of such financial services in study area.

## MATERIAL AND METHODS

The study is based on two segments of populations. One segment is clients *i.e.* only female population who have been benefited with micro finance services of sample NGOs namely, Institute of Integrated Resource Management (IIRM) and Gramin which belongs to Sonitpur or Lakhimpur districts of Assam. Clients have been selected from all the blocks where selected NGOs were working. All total 10 blocks from Sonitpur and 2 from Lakhimpur district have been selected purposively for the study, 10% women beneficiaries of each micro

finance lending mode from all the blocks (if available) have been selected randomly through lottery method for the study. Thus total 945 numbers of women micro finance clients have been selected for the present study. Another 945 numbers of non- clients were selected again randomly through lottery from the same area. Clients' perceptions are documented in terms of impact of micro finance on them and overall as service (workings of NGOs) in their area. Non clients' perceptions are documented only in terms of overall NGOs micro finance services in their area.

A structured schedule was prepared and interview method was applied to gather information about peoples' perceptions and to document. Five point traditional 'Likert scale' was used to measure the clients and non-clients perceptions based on few statements to perceive the impact of microfinance and ranking accordingly. '1' represents the lowest level of satisfaction or strong disagreement, whereas '5' represents the highest level of satisfaction or strong agreement. Simple frequency percentage was also used to present the research data. Factors Influence.

## OBSERVATIONS AND ANALYSIS

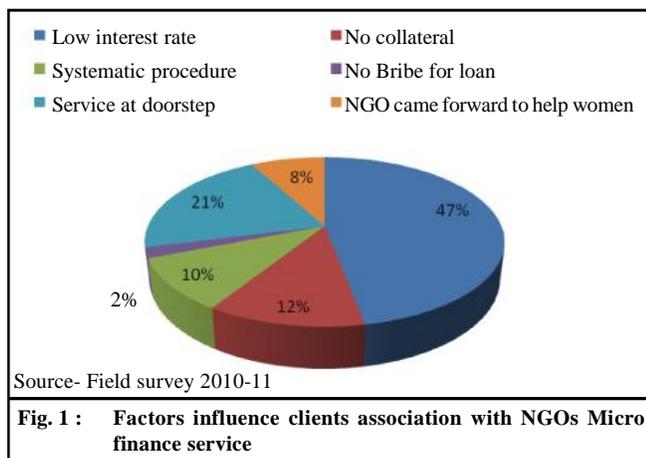
Results of the study presented in the form of what are the factors influence clients to be associate in NGOs micro finance programme, Clients' perception on Quantitative and Qualitative influence of NGOs micro finance programme on them, Perception about Micro finance services of NGOs by both Clients (Beneficiaries) and Non- Clients and Overall attitude of clients towards micro finance service.

### **Factors influence:**

Keeping aside poverty alleviation and women empowerment, various other factors have been associated with NGOs micro finance service which influence people to be a part of this service and help them to continue in future is presented in Fig. 1. The aim of finding out the factors is to understand the reasons, which made them to accept the micro finance services of NGOs in study area.

Fig. 1 indicates that the loan with low interest in comparison to other existing informal sources is one of the main factors that attract clients to this programme (reported by 47% of total clients), followed by 21% reported NGOs micro finance service at their doorstep is main factor of their association. 12% clients reported

that No collateral as main reason which made them to associate with NGOs micro finance programme. 10% of total clients reported systematic procedure as main factor of their association with NGOs micro finance programme and 2% clients reported that as NGOs loan does not require any bribe at any level, made them to attract towards this and feel is the strongest factor of their association with NGOs Mf programme. One interesting findings in the figure shows that 8% clients reported that as NGO came forward to help them they are part of it. Das (2001) conducted a study in Tamil Nadu and Andhra Pradesh, found similar reasons of clients joining NGOs micro finance programme.



**Clients’ perception on quantitative and qualitative influence of NGOs micro finance programme on them:**

To explore how clients perceive the benefits of their association with NGOs micro finance in terms of their own development, (their access to credit, income earning capacity, decision making capabilities) households development and as service, a five point Likert scale with 5 = strongly agree and 1 = strongly disagree was used. Those who strongly agree on the point are awarded with point five and reducing by one point to the subsequent lower grade opinion. Since the clients’ relationship with the NGOs is mostly focused around the access to loans, thus to understand whether their association with the NGO-MFIs could bring any qualitative/ quantitative changes in their life such as self-esteem, self development etc. clients were asked to accept or reject in varying degree of various statements in Likert scale and rank their responses accordingly based on mean value. Statements

were made both in quantitative and qualitative aspect to examine the perception of clients.

Responses were set in the category of economic, personal and social development of women. In case of economic development responses like women become self employed, helps in raising family income by involving themselves in IGA and helps in acquiring household assets are considered. Development of self confidence, leadership quality, able to think and act independently, decision making capacity at household level are considered as personal development and increase participation in meeting, taking decision at community level, increase social interaction are considered in the category of social development. In this section, attempt was made to explore how clients perceive the changes in certain unobservable qualitative aspects of their lives in view of their association with the NGOs micro finance programme. Their perceptions about how they feel the changes as compared to the time before they took loan from NGO-MFI are presented in Table 1.

As per clients perception association of micro finance is helping more in economic development than personal and social development. Cumulative mean of responses under this category has highest score of 3.641. IFMR (2012) conducted a study and revealed that large fraction of clients feel that MFIs play a catalyzing role in increasing their income generating capacity. Responses associated with social development scored lowest mean than personal development. Das (2001) revealed in her study that loan raised by the clients from the NGO’s have i) helped a sizable section to witness some rise in income, ii) proved to be useful in accruing some productive assets as well as household items, iii) helping in meeting medical exigencies occurring within the family, iv) contributed towards repayment of debts raised from other sources including that of money lenders, v) reduce dependence to money lender to some extent. NGO’s efforts are appreciated by clients because of its lower rate of interest and easy accessibility. They consider this as an useful mechanism of sustaining support to their livelihood.

In economic development category statement of Help in raising family income by involving themselves in income generating activities scored highest, in personal development category statement of Able to think and act independently and in social development category statement of increase social interaction scored highest.

<b>Table 1: Distribution of clients perception about micro finance programme of NGOs</b>		
Responses	Mean	Rank
<b>Personal development</b>	3.209	II
Increase self confidence		
Develop leadership quality		
Helps to realise own value		
Improve status in case of decision making at household level		
Able to think and act independently		
Sense of achievement		
<b>Economic development</b>	3.641	I
Helping women become self employed		
Help in raising family income by involving themselves in income generating activities		
Helps in acquiring assets in households		
Increase expenditure power of household items		
Increase access to financial resources like credit, saving and insurance		
Helps in reducing trade barriers		
<b>Social development</b>	3.077	III
Increase participation in meeting		
Increase social interaction		
Increase opportunities to meet people of different field for exposure		
Improve status in case of decision making at community level		
Increase opportunities to go out from house as and when required		
Increase opportunities in equal participation at community programme		

Source: Field survey 2010-11

Responses like develop leadership quality Helps in reducing trade barriers Improve status in case of decision making at community level scored lowest in personal, economic and social categorise, respectively.

**Perception about micro finance services of NGOs by both clients (Beneficiaries) and non- Clients:**

It is vital to analyse the crucial factors of NGOs micro finance programme and to understand how people perceive this programme as service , keeping that in mind a set of statements about workings of NGOs micro finance service were drawn for both client and non clients.

**Composite perception index(CPI) :**

In order to quantify the level of perception on micro finance services of NGO in study area a Composite Perception Index (CPI) is prepared. Statements indicating perception are both quantitative as well as qualitative in nature. These indicators represent the factors like economic and socio-cultural. Perception of statements includes: NGOs loan is low in interest rate, Easy and systematic procedure of lending, Able to Discontinue agent/money lender, Good step for women economic empowerment, preferring loan only for IGA is right

purposes, Prompt on system etc. and then the scores of these indicators are added together. The respondents total score ranges between 6-30. The respondents who score between 13-18, 19-25 and 26-30 are classified as less positive perception, moderately positive perception and strong positive perception on NGOs micro finance as service, respectively. Respondents scored in between 6-12 are classified as not having any positive perception towards NGOs micro finance as service. The results of the CPI are exhibited in Table 2.

Perusal of Table 2 shows that In the study area 48% clients (beneficiaries) and 25% non-clients have strong positive perception on NGOs micro finance service. Forty seven per cent of the clients and 42 per cent of the non-clients fall in the category of having moderately positive perception on NGOs micro finance service. Twenty per cent of non clients are found having less positive perception and 13% of non clients are found in the category of not having any positive perception towards micro finance services of NGOs, whereas this percentage in case of clients(beneficiaries) are just 4% and one per cent, respectively in study area. In perception analysis it was assessed that clients strongly perceived that NGOs loan under micro finance has lower interest rate in comparison to other existing non govt sector. This

**Table 2: Composite perception index of clients and non- clients**

Level of perception	CPI score	Clients	Non-clients
Strong positive perception	26-30	424 (48)	211(25)
Moderately positive perception	19-25	402(47)	503(42)
Less positive perception	13-18	102(4)	143(20)
No positive perception	6-12	17(1)	88(13)
Total		945(100)	945(100)

Source: Field survey 2010-11.

Note: The figures indicate percentages of clients and non-clients

**Table 3 : Distribution of clients as per their overall attitude towards Mf programme**

Clients attitude on NGOs MF	Sonitpur		Lakhimpur		Total	
	Number of clients	%	Number of clients	%	Total nos. clients	% of total
Highly favourable	55	8	8	3	63	7
Favourable	641	92	241	97	882	93
Total	696	100	249	100	945	100

Source : Field survey 2010-11

findings is similar with IFMR (2012) conducted a study in four states of India where clients perceived that the other alternatives sources are much more expensive than the MFIs – often demanding more than 3 times of the interest rate charged by the MFIs. Thus indicate that the availing MFI loans may have helped the clients reduce their interest burden quite significantly.

**Overall attitude of clients towards micro finance service:**

Usually perceptions, needs and wants represent the clients’ attitudes towards the microfinance programme. In order to ascertain the overall utility of NGOs micro finance service, clients were asked to express their attitude about how they perceived services of NGOs micro finance programme as a whole by expressing in the way of highly favourable, favourable and non favourable.

The Table 3 shows that overall perception of maximum beneficiaries is favourable *i.e.* 93% which was followed by beneficiaries who have highly favourable attitude *i.e.* (7%) no respondents found with non favourable attitude in study area. This is partially supported by (Singh *et al.*, 2008) findings of positive attitude of highest percentage of clients on micro finance services conducted in Hoshangabad district of Madhya Pradesh.

**Conclusion:**

Low interest rate in comparison to other non-institutionalised sources, micro finance service at their

doorstep plays an important role in accepting the NGOs micro finance services in the study area. It is widely perceived by the clients, that microfinance is helping in employment creation and thus increases household income. It is also believed by both clients and non clients that, with access to financial services are likely to make both qualitative and quantitative changes. Clients perceived micro finance as service more positive than non clients. 93% clients favourable attitude and rest 7% of clients highly favourable attitude towards NGOs microfinance services found quite encouraging.

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