

CHAPTER - 6

FINDINGS AND RECOMMENDATIONS

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CHAPTER – 6: FINDINGS AND RECOMMENDATIONS

6.1 Background

This study attempts to identify how the microfinance services are helping the households in the rural areas and what are the constraints still being faced. On the demand side, on one hand, there is a tremendous demand for microfinance services; however, the informal sources are still the most easily accessible source of borrowing. The study brought out that 69% of the households still borrow from the informal sources of borrowing. From the supply side, the Banks, Microfinance Institutions and SHGs are expanding their outreach. At a given time, the households have to borrow from more than one source and for more than one purpose. However, there is still a gap between the demand for microfinance and supply of microfinance services. This study tries to identify the needs, gaps and reasons for the gaps by studying three different economic levels of households, very poor households, poor households and not so poor households.

6.2 Nature and extent of financial needs in the rural areas

The analysis shows that 84% of the households studied had need to borrow. This shows that they have financial needs for which they have to borrow from some source or the other. There are various purposes for which households seek to borrow. These purposes range from consumption needs, social needs, medical needs, livelihood related and needs to purchase assets. The need to borrow, range of borrowing and source of borrowing depends on the income levels of the borrowers. The Chi Square test shows that there is a significant association in income levels of the households and purpose of borrowing. The findings of the financial needs of the households is classified by the levels of income, which is discussed in detail below (6.2.1, 2, 3)

6.2.1 Financial Needs of the Poorest of the Poor Households

Out of the total households studied, 41% are from very poor households with an annual income of less than Rs. 30,000. The poorest of the poor are mainly landless labour and workers, coming mostly from scheduled caste or tribes. The poorest households are either women headed families, having no or very less land for agriculture cultivation or families where with only one person as an earning member, have to feed many members. Their income flow is highly irregular. When talking to the very poor households, they usually say they do not need to borrow money, as by borrowing, they link it to borrowing from banks or micro finance institutions.

The needs of the very poor households are limited and as analysed in Chapter 5, their needs are either for consumption purpose (59.2%) or for social purposes (20.8%). Their borrowing needs are within the range of less than Rs. 10,000, where for consumption needs, they usually borrow within the range of less than Rs. 3,000. For social purposes, they borrow upto Rs. 10,000. Informal microfinance sources, especially friends and relatives help out the poorest of the poor in meeting their requirements for subsistence. These are usually non-interest borrowings provided in the form of cash or kind. This is the most popular means of micro finance support for the poorest households.

This strata of very poor households needs finance for consumption purpose. They find it extremely difficult to have their ends meet and are struggling to meet with the basic needs of consumption. They are also bound by social customs and have to spend a considerable amount of money during festivals, marriage or death. They have to incur this expenditure as per the societal norms and are helpless even if they do not have spending capacity for the

same. They end up borrowing money for social purposes from either friends or relatives or from money lenders.

The food intake of the very poor households is simple, with very less nutritional food intake. They are continuously worried about their next meal and are not able to think about the future. They do not invest on their health as well. Firstly, they do not consume nutritious food; secondly, they do not take care of their health. They ignore their minor sicknesses and continue to do the laborious work as they cannot afford to lose even a day's wage or work. When their health deteriorates, they visit the Primary Health Centres, after of course, trying all the other traditional remedies that are locally available in the village. They think of spending on their health only if the disease is a major one and needs to be consulted to private clinics.

These households have their own ways to save, whatever meager savings they have. They prefer to save in their own houses, even if it is a Kacha house with thatched roofs. Usually, they store their savings in the thatched roofs, hid between twigs, behind the small mirror that is on hung on their wall, stacked below the mattress on their cot.

Since they mainly need finance for meeting their day to day expenses and whenever they need, they need support of less than Rs. 1,000 and their preferred source of borrowing is from friends, neighbours and relatives. They also borrow in the form of buying goods from credit from the local 'Kirana', i.e. provision shop in their village. There have been very few cases where very poor households have been able to get loans from the Banks, when asked how did they qualify for the same, they disclosed that it was under some Government Scheme. These households also benefit from borrowings from SHGs.

Under the Pradhan Mantri Jan Dhan Yojana, very poor households have also opened their bank account, but very few are using their account. Many said they got lured to open the bank account as they misunderstood the scheme and expected some funds to come in their account from the Government.

Very poor households have benefitted by becoming member of the Self Help Group, but not many are able to actively participate in the group activities. Those who have actively participated in the group activities have benefitted through various trainings provided to them and they have gained self confidence within themselves. SHGs have been the first formal source of borrowing for these households. Since they need small amount of borrowing and mainly for consumption, medical or other emergent reasons, it is easier for them to borrow from their groups as compared to any other formal source of borrowing, where they may not even qualify to get loans. Very poor households from remote and tribal areas are not aware of SHGs functioning in their village and even if they are aware, they are not members of SHG. They do not prefer to get insured, either they are not aware or they do not have enough money to pay the premium.

Out of the total households that experienced increase in income over a period of three years, 41% of the households come from very poor households. They give credit of the increase in income to their membership of group and acquiring trainings.

6.2.2 Financial Needs of Poor Households

Poor households with earning in the range of Rs. 30,000 to Rs. 50,000, need finance to support their livelihood activity and for consumption smoothening. Some also need for medical reasons. They usually need financial support in the range of Rs. 5,000 to Rs. 10,000. Interestingly, it was observed that this strata of households are able to benefit out of borrowings from the MFIs.

These households borrow to spend on livelihoods. MFIs find them matching with their client selection criteria. Households in this strata voiced out that with the MFIs coming in, in their village, they have been able to reduce their dependence on traditional money lenders. A further research on this would help benefit the policy holders and also the MFIs. Although for emergent needs, they still have to seek loan from the traditional lenders and sometimes by mortgaging their jewellery. Majority of the respondents who are members of SHG are from poor households and have bank accounts. Very few are insured, usually, their borrowings are insured, when they borrow from Banks or MFIs. This strata invests in children's education and they also migrate to other places for better livelihood opportunities and new income generating sources.

Out of the total households who have seen an increase in income over the last three years, 40% of them come from the poor households. They attribute this to getting loans from SHGs, MFIs and Banks. They have been able to get timely finance, needed trainings and handholding support of the NGOs to develop their micro enterprises.

6.2.3 Financial Needs of Not so Poor Households

Those within annual income range of Rs. 50,000 to Rs. 80,000, mainly borrow for improving their livelihood, for agriculture and also for purchasing assets, mostly cattle. Not so poor households have at least one buffalo and/or a cow that helps them provide supportive dairy income. They have access to agriculture tools and are able to get irrigation facilities. They also focus on education of their children. They look for borrowing in the range of Rs. 5,000 to Rs. 10,000 and/or more than Rs. 10,000. Their major source of borrowings is through banks. They are still not actively managing savings in their account, but do borrow from banks as they have

the needed documents, they maintain minimum balance in the bank as per the banking norms, seek loan for livelihoods and are able to prove their repayment capability. Households from this strata are generally not part of self help groups, as they do not see any added benefit of becoming a member of SHG. Not so poor households would like to strengthen their livelihoods by borrowing higher range of amount and taking more trainings on use of low cost technology.

In this strata too, households have seen an increase in income over the past three years, however, only a few households (19%) have been able to bring in increase in their incomes as compared to their incomes three years back. Those who had seen an increase in their incomes in the past three years attributed it to better accessibility of information and timely availability of finance.

6.3 Sources providing Microfinance Support in the Rural Areas

This study brings out that only 30.7% of the households are able to borrow from the Banks or the MFIs. The households are still very dependent on borrowing from the informal sources. Households need multiple loans in a given period of time and have to borrow from more than one source.

The source of borrowing depends on the purpose of borrowing and amount of borrowing needed. For social and consumption needs, which are usually lower range of requirements, households usually prefer the informal sources. Borrowing from the SHGs has also been an easy source of funds and has been the first formal source of borrowing for the households. Banks and MFIs give loans for agriculture and livelihood purposes and for establishing or strengthening their micro enterprises.

This study brings out that the financial needs of the households is growing in terms of the amount of borrowing required. 64% of the households responded that financial support of more than Rs. 20,000

would help them improve their livelihoods and thereby help them increase their income levels.

6.3.1 Informal Sources of providing Microfinance Support in Rural Areas

Relatives, neighbours and friends are the first ones to help and lend money to those in need, especially, when needed for personal or social purpose. Households, especially very poor households also buy provisions from the local store on credit. They purchase very small quantities of spices and flours to cook their daily meal and they buy on credit from the local 'Kirana' store, the local grocery shop.

Many households meet their financial needs by selling their assets, mostly cattle. They also mortgage their land and as a last resort even sell their patch of land. Households are also able to get loans by mortgaging their jewellery. The money lenders keep the jewellery of the household in their custody and give finance upto 70% of the worth of the jewellery. The process of fixing up the amount that needs to be repaid and the period in which the jewellery needs to be demortgaged is very arbitrarily done and heavily depends on the bargaining power of the borrower. The lender does not accept instalments, but asks for full payment only. If the borrower is not able to repay the full amount in the pre-decided period, the jewellery becomes the asset of the lender and is not returned to the borrower at all. During the distress situations, the lenders charge as high interest rates as 5% to 10% per month. When the households need larger borrowings for emergent reasons, for which friends and relatives are not able to help, they have to mortgage their jewellery as this is the second best and easy source of borrowing for them, even though this is the costliest source.

Those who worked as share croppers on Patel's land are financially supported by Patels, who provide them with lower interest loans.

In households, where one of the earning members works in a nearby factory or company, they are also able to borrow from their employers. Usually, it is provided as advance salary and the installments are deducted from their salaries. Normally, there is no interest charged, however, it varies based on the policies of the employers.

Those who migrate to work, usually keep their savings deposited with their employers, as they normally live in temporary shelter and do not have safe place to save. They take the money with them when they go back to the village or send through relative or friend who is going to their village. Very few benefit out of the remittance service of the post office. Those who migrate for part of the year, are usually not preferred clients of MFIs. Since the Joint Liability Group takes up the responsibility of repayment by every member of the group, the JLG prefers not to have such a member in the group, who would not be with them whole year. Self Help Group too does not prefer to have members who migrate for portion of a year, as they are not able to be the regular contributors to the savings and are not able to attend the regular monthly meetings as well.

The tribal households spend a considerable amount of their earnings on social occasions like marriages or death in the family. They invite the whole village and organize feast for all. They use up all their savings on such occasions. There is a typical culture that the tribals follow – Chandla Vidhi (Chandla System). Whenever there is a marriage in the family, or death in the family, all the friends and relatives give Chandla to the bride and the groom, which is in the form of cash. This cash is used by the

members of the family where the occasion is taking place, to meet the cost. They then have to repay the same amount or higher amount as per their will when there is marriage in other families. This is like a social fund that they build based on the trust. It is kind of savings that they are making for their future to be used in times of need. This system has its own limitations. Firstly, it encourages extravagant expenditure on social purposes. Secondly, the 'Chandla' amount that the family has to repay when there is occasion in other family, keeps increasing and almost gets to double, which is quite burdensome. Slowly, the system is changing, but it is still widely prevalent. Some households have started using the "Chandla" money for purposes, other than the social purposes, mostly for repairing of their houses.

6.3.2 Formal Sources of providing Microfinance Support in Rural Areas

Banks, MFIs, SHGs and Cooperative Societies are the major microfinance support in the rural areas.

6.3.2(i) Role of Banks

Majority (72%) of the households studied now have bank account. Many of the households have opened their bank accounts under the Pradhan Mantri Jan Dhan Yojna. 90% of all those who have opened bank account have passbooks. On having interactions with the households, almost all poorest of the poor and poor households voiced out that they were not able to actively use their bank accounts, if they had one. The reason being the nearest bank branch was almost 5 kms away from their village. With the meager savings that they have, it would add up to their costs if they hire a transportation to visit the bank to deposit their savings. The recent approved Payment Banks are expected to meet these banking needs of the households. Households are still not able to benefit out of the borrowings from the banks. They have to

undertake a lot of formalities including documentation wherein they look into the annual income of the household. The discriminant analysis, given in Chapter 5 also validates that the variable which discriminates between borrowings from the banks and non-borrowings from the bank turns out to be the annual income, which means if the annual income is low, borrower will not be able to borrow from the banks.

The borrowings from the Banks would be the cheaper and most preferred source by the households, however, due to the current constraints, they are not able to avail the benefits of bank borrowings.

6.3.2(ii) Role of Microfinance Institutions

In all the villages studied, at least one MFI is present and they provide loans to the rural households for business and micro-enterprises. Equitas Microfinance Private Ltd., Bandhan Micro Finance, Pahal Financial Services Pvt. Ltd, Suryodaya Microfinance Private Limited, Disha Microfin Services Ltd., Peerless Finance and Investment Company, Ujjvan Financial Services, Arman Financial Services, SKS Microfinance Ltd., SAATH Charitable Trust are some of those whose presence was seen in the study areas.

Most of the MFIs offer similar products, with initial lending to the Joint Liability Group, where the group is the guarantor of the loan. Initial loan of Rs. 10,000 to Rs. 15,000 is given to the group members. Repeat loans are given to the groups on satisfactory repayment of loans. Once, the individuals in the group have a good track record with the MFIs, individual loans are also given subsequently, usually after a period of three years of their successful group borrowing. The initial loan amount offered is usually small. The loans are given on fixed periodical instalments, which is usually decided by the group members themselves. MFIs follow the repayment and other terms and conditions as per the

RBI Guidelines. Before granting the loan, an officer from the MFI visits the client's (borrower's) house and assesses their repayment capacity. Though, it was observed that practically, this is not being done. MFIs are currently providing lending to those who are willing to borrow, form their groups and submit the needed documents. Their documentation requirement is to the minimal, needing the Adhaar card, residence proof and one photo identification proof. Before sanctioning loan to them, they scrutinize the past lending history of the borrower. Generally, MFIs sanction loans for business purposes. They do not monitor where their client spends the money. They are mainly concerned with the repayments. MFIs provide financial literacy and vocational trainings to the clients. Most of the MFIs lend only to women, though this is not the practice followed by all.

Three years back, the situation was very different. The borrowers who had borrowed from MFIs had bitter experiences to share. They had to forcibly repay the borrowings as the MFIs used to resort to violent ways for recovering their dues. There were cases when even if one instalment was missed out, the MFI representative would threaten the borrower. Gradually, things have changed. With the RBI Guidelines and the MFIN Code of Conduct in place, the functioning of MFI is becoming transparent.

There have been instances where borrowing from MFI has helped them reduce their dependency on the traditional money lenders. When the need for amount of borrowing increases, households now look at the MFIs. This is also supported by the discriminant analysis presented in Chapter 5, where the discriminant variable is the range of borrowing that discriminates the borrowings and non-borrowings from MFIs.

There is a concern that since the easy loans are offered, poor households may get lured into borrowing even if no productive

need for the same and may get more trapped in the debt cycle. Some Non-NBFC MFIs are engaged into developing savings habit. However, more focus is only on lending.

6.3.2(iii) Role of Self Help Groups

Fifty one percent of the households studied, had women as members of the self help group and through the borrowing from SHGs, they are able meet their microfinance needs. Borrowing from SHGS is simpler and faster and have shown to be very beneficial to the poor households. Their small and emergent borrowing needs are easily met by the SHGs. The members of the group benefitted through getting several opportunities of learning new things and acquiring trainings. They were well informed and aware of the government policies, schemes and many other developments happening in the area. Those who were not members of SHGs were less empowered.

The older and matured SHGs that have been running for more than three years, function democratically, have built up good capital and are able to benefit the members of the group.

There were instances when many groups closed down, restructured and new groups were formed. This happens in the cases where some groups have been formed under a particular government scheme or some groups are formed by NGOs in a project, the group functions only till that project or scheme runs, but once the project or scheme is over, the group becomes dormant and subsequently closes down. There were also cases when due to internal fights amongst the group members, the group had to close down. This happened more when the groups were not harmoniously formed and when there was no transparency amongst the members. However, those groups that were formed with proper awareness and were nurtured well, showed less chances of closing down or restructuring. It has been observed

that those SHGs which are formed and supported by NGOs are more matured, operated and managed well and become self sufficient in the long run.

Internal lending from the groups is easier and members get good benefit out of these borrowings. These are the borrowings that are made available from the savings amount collected by each of the group member. These borrowings are easier to get, at lesser rate of interest and with flexible repayment terms. Moreover, the interest on the borrowings also goes back to the group, strengthening the capital of their own group. Through the borrowings from SHGs, households have been able to buy cattle, repair their houses, educate their children, smooth their consumption, and meet their medical requirements. Since the women in the group know each other, they understand each other's needs, and are able to prioritise and give loans to the needy members. SHGs have strongly inculcated the savings habit amongst the women. The members of SHGs facilitated by SEWA, have also been able to take benefit of insurance, health and pension schemes.

Chi Square analysis shows that there is a significant association between the occupation of the households and membership of SHG. Membership of SHGs depend on the income levels of the borrower and the likelihood of their getting loans from SHGs. Logistic regression presented in Chapter 5, proves this significant impact.

The limitation of SHG borrowing is that they are not able to provide big amount of loans, as they already have limitation of capital within their groups and moreover the available limited capital is divided into more than one member who is in need of borrowing.

When the income of the members increase, they are motivated to borrow more with an anticipation that their income will still rise further in future. SHGs are not able to meet up with their increasing needs for larger borrowing. This is statistically confirmed with logistic regression where SHG is a significant variable having inverse relationship with increase in income, indicating that the borrowers will initially borrow from SHG and then move towards MFIs and Banks for a higher amount of borrowing. In the discriminant analysis presented in Chapter 5, the variable that discriminates between borrowing from SHG and non-borrowing from SHG is the annual income of the households. This also strongly proves that with an increase in annual income of the households and their increased needs for borrowing, they move to other formal sources of borrowing than SHG.

Those who were not members of SHGs were aware of the SHGs in their villages. 89% of the households feel that if information on trainings and timely credit support is provided to the groups, they would be willing to join the SHGs. Households, who need to migrate for part of the year, find it difficult to become member of the group and thereby benefit out of the SHG membership.

6.3.2(iv) Farmer Groups and Dairy Cooperatives

Dairy Cooperatives and Farmer Groups also provide loans to their members, primarily to buy agriculture inputs, cattle and fodder. Cooperatives also provide loans to start or support the micro enterprises. The loans provided by the Cooperatives are insured and they are able to repay the loan in regular instalments from dairy income.

6.4 Impact of Trainings and other support

The study shows that the trainings have a positive impact on the income levels of the households. The trainings also provide information to the

households that help them in increasing their bargaining power and also in increasing their income levels. 64% of the households said that they had been trained and 64% of those trained said they were able to increase their incomes after taking the trainings. 54% of the households were able to start their microenterprise. 78% of the households were of the opinion that it is easier for the members of the self help group to get trainings, as they are well informed and aware of the upcoming training opportunity. They also said that for women it is easier to go in groups for taking trainings and if they are part of a self help group, many members are able to attend the training programme together.

Majority of the households, 70% of them were not aware of any technology that could be used in their livelihoods. Those aware, were aware of the tools that could be used in their livelihoods, but were not much aware of other technologies that could support them in the livelihood. Today, mobile phones have gained an important place in every household. Interestingly, 68% of the households made use of mobile phones to improve their livelihoods. Since, households even in the rural areas are becoming mobile usage savvy, mobile related interventions could be used to deepen the outreach of microfinance.

6.5 Impact on Income levels

This study shows that out of the 375 households, 36% experienced increase in their incomes over the past three years. Out of those who have been able to increase their incomes, 41% come from very poor households, 40% from poor households and 19% from not so poor households.

Households who are aware of formal microfinance sources have been able to bring in an increase in their incomes. The reasons could be their increasing awareness, getting various vocational trainings and subsequent loans to start their micro enterprise or to buy cattle and their ability to diversify their income sources. This is particularly noted in the members of SHG. They have been able to increase their sources of income

with the trainings imparted to them and the financial support given to them. Logistic regression also confirms the significant impact of borrowing from SHG on increase in income.

The focus group discussions and indepth interviews also support the benefits of the SHG model. SHG is a low cost microfinance model that can be easily upscaled. SHG empowers the members, provides easy accessibility to financial services and develops the financial management skills of the members, that make it a sustainable model in the long run.

SEWA model of need based approach has helped in developing its products as per the members' needs. SEWA focuses on inculcating savings habit amongst the households and continues to encourage them to regularly save. This is their focus for a period of six months to one year. It is only after the households start saving regularly, they are linked with loan facilities. SEWA invests on capacity building and trainings. The entire group operations and management is done by the group members, which brings in a strong sense of ownership and also in efficient low cost functioning of the groups. This can be easily wide spread to reach out to more poor households. SEWA's saving product has a portion towards insurance premium and also towards building a livelihood security fund, that also provides financial support to the poor households in times of emergencies. This also brings in a strong sense of ownership that leads to sustainability. The group federation acts as Small Banks for the households. This low cost integrated model needs to be promoted. The MFI model might not be sustainable in the long run as they lend funds from their own funds rather than the savings from the members, which leads them to open up branches in different villages, thereby increasing their operational cost. Being merely lenders rather than asset builders and capacity building of the group, they need to come up with new products and distribution strategies for penetration to a larger market and to sustain themselves in the long run.

6.6 Conclusions and Recommendations

This study brings out that microfinance helps in reduction of poverty. This is in confirmation with other studies that too brought this out. This study shows that the coverage of formal microfinance sources in Gujarat is still not adequate. There are still 30.7% of households surveyed who are not able to access formal microfinance sources. Those who are able to access to the formal sources, have shown improvement in their living standards and increase in their incomes.

The efforts now needs to be focused on increasing the outreach of the microfinance institutions to reach out to poorer and very poor households and also spread its network in remote and tribal areas.

As has emerged out of various studies conducted in this regard and has emerged out of this study as well that very poor households too need safe place to save. They need borrowings for consumption and social purposes. While the social purpose expenses may not be encouraged, however measures need to be taken to help them smooth their consumption. Appropriate products need to be designed for them that could help them meet their daily expenses and then focus on their nearby future. Payment Banks are looked upon to help the households for this support.

The study also brings out that with the increase in income, the need for borrowing amount increases and their preference moves towards the formal sources of borrowing. Products may be designed keeping in view the number of members in the household, the number of earning members of the household and family life cycle stage of the household besides income, range of borrowing and purpose of borrowing.

The formal sources of microfinance have shown positive changes in the incomes of the rural households and have also empowered the community members. SHG model brings in money management in the hands of the community which helps them become sustainable. MFIs too

are reaching out to those poor households who are not able to access the Banks for borrowings. Once they develop good credit history with MFIs, they also become good clients for the banks. SHGs and MFIs are making the households bankable, by slowly providing them with the financial literacy trainings. MFIs had some examples to share where the client with the support of MFI funds was able to come out of the clutches of the traditional money lender, who charges abnormally high rates of interest from the households.

Trainings are being imparted by both these models and trainings have had very positive impact on the households.

The SHG model should be promoted as entry point to accessibility to formal microfinance, with a special focus of forming SHGs of very poor households. Once they are nurtured upto a certain level and acquire maturity, they can be graduated and linked up with MFIs and subsequently with Banks. NGOs have an important role to play in forming, nurturing, training and handholding of the SHGs and taking them to this level of maturity. This is a slow process. As has been voiced by SEWA and SAATH, this is like changing the mindset of the households, encouraging them to save and not get lured into easy borrowing.

The groups then can become the delivery tools of the social protection schemes of the Government. A significant amount of the household expenditure goes in medical costs, which could be avoided through improving the functioning of the Primary Health Centre and at the same time, the nutritional levels of the women. The groups can become the service delivery models for ensuring effective implementation of various government schemes.

SHG has limitation on the amount of loans that it could provide to its members. At this stage, MFIs could step in and fill this gap. Spreading too thin for small amounts of loan, proves to be costly for the MFIs, just as it is for the Banks. MFIs and SHG federations working jointly can overcome

this constraint and can reach out to more households in a cost efficient manner.

This study has also brought out that households are in need of multiple loans for genuine reasons, like health and other emergencies. Since, as per the guidelines, the borrower is not able to borrow more than 3 loans from a formal source, they still have to borrow from the traditional money lenders. In order to help them to bring them out of the clutches of the traditional money lenders, the product design should take into consideration these genuine needs of the borrower. There should be some mechanism worked out, which provides them support if their loan repayment history has shown a regular pattern.

MFIs do not provide loans to migrants as they do not stay back in the village whole year through. Sometimes JLGs and SHGs also do not want such members in their group who do not stay in the village all through out the year. Hence, they are left out. Special savings, loan and remittance products should be developed for migrants. Households have a hope from the Payment Banks and the second phase of the Jan Dhan Yojana to take care of the financial needs of the migrants.

The available infrastructure in the village needs to be used optimally, and all service providers need to work hand in hand to improve the financial inclusion and thereby help in reducing poverty. SHGs, existing federations, MFIs, cooperatives, NGOs, post offices, rural bank branches and block level offices may work collectively and not have separate parallel schemes being implemented in the same village.

More flexibility needs to be brought in for repayment. Since the main source of earnings in the rural areas is agriculture, the repayment cycle can be planned to based on the period when they are able to sell their agro produce. If households have regular dairy income, repayment needs to be coincided with their dairy income cycle. SEWA model takes into consideration the earning cycle of the households and accordingly devises the repayment cycle.

Banks and MFIs need to work on using technology to reach out to more clients. More efforts and research needs to be done by them on developing such products that could reach out to more clients at low costs. There are successful pilots, especially using the mobile technology. Now since almost every household has a phone, even a smart phone, services could be catered through using technology. However, it would need lots of training to the households.

With the increasing growth of MFIs in Gujarat, the loans are freely available to the households. There have been instances that SHGs are now becoming JLGs, leaving behind their savings habit and only borrowing since easy loans is now available to them. This is an area of concern and all efforts should be made not to repeat the history of Andhra Pradesh crisis in Gujarat.

The savings first and credit plus approach of SEWA is found to be effective and also sustainable. Some other MFIs, who are registered as cooperatives or trusts, but not as NBFCs, have also adopted the approach of building the capital of the households by encouraging them to save first and then borrow. This model would prove to be successful and sustainable in the long run.

The findings of this study can be used by microfinance industry in general to enable them to develop products that are more suitable to the poorest and which can then be delivered to the poorest households to meet their microfinance demands and thereby help in increasing the outreach of microfinance. This study will also be relevant for policy makers in designing appropriate policies for financial inclusion, and inclusion of households still left so far from the ambit of microfinance, which will ultimately help in reducing poverty of a broad range of people in the country.

6.7 Scope for Future Research

The study brings out that there is significant impact of income on access to microfinance. This study shows that there has been an increase in income levels, however, there might be other factors which might influence the increase in income levels which can become a future scope of study. The poorest of the poor households are not able to access to formal microfinance services, while poor households are slowly increasing to borrow from the MFIs. They are the potential clients of microfinance institutions. There is potential for future research on developing innovative models of microfinance products that would suit the needs and demands of poorest of the poor and attract more poor households. Secondly, future research could be conducted on making use of technology to increase the outreach of MFIs and reducing the operational costs. Thirdly, this study also brings out that now with the increasing outreach of MFIs, the dependence on Sahukaars is gradually reducing. Future research could be undertaken to analyse the impact of outreach of MFIs on access to borrowings from Sahukaars. Fourthly, there is a scope for future research on microfinance taking into consideration a larger number of variables, such as number of members in the household, number of earning members in the household and the family life cycle stage of the household and analyse the impact of these variables on accessibility of microfinance. Fifthly, a future research could be conducted to study how far the Banks have made an impact on increasing the outreach and improving the standard of living of poor households.