

## ANALYSIS OF LENDING FACILITIES OF MICROFINANCE INSTITUTIONS IN KOLHAPUR DISTRICT OF MAHARASHTRA

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### Abstract

The present study was intended to analysis the purpose and utilization of lending facilities provided by micro-finance organizations in Kolhapur district and to examine the utilization of loans by borrowers. The required data was collected from the barrowers of micro finance institutions and was analyzed using spss software. The results shows that most loans and advances are taken from purchasing domestic appliances followed by fulfillment of day to day domestic expenses. Overall results depicts that there is no gender wise and social category wise difference in the purpose of loans taken by the barrowers from microfinance institution in study area .However, occupation wise there is difference in the intensions of loans taken from microfinance institutions.

**Keywords:** Microfinance, Loan, Intensions, Gender, Social Category, Occupations.

### Introduction

The microfinance organizations are providing loans and advances to the needy persons in the rural and urban areas of the India. These organizations are helping to the persons from various locations and categories to solve their financial problems. However there need to examine the intensions of loan taken from micro finance institutions, why they are taking loans from microfinance, what are the main intensions of the loans and what is difference in the intensions of loans taken from microfinance institutions. Hence, the present study was conducted to know the exact intensions of the barrowers with empirical data and responses.

### Objectives of the Study

The present research was focused on following objectives;

1. To analyze the profile of the barrowers of microfinance institutions in study region
2. To analyze the purpose of loans taken by respondents
3. To analyze the intension of loans by gender, social categories and occupations.

### Hypotheses

- H1 - There is significance difference in the loan purpose across the gender
- H2 - There is significance difference in the loan purpose across the social categories
- H3 - There is significance difference in the loan purpose across the occupation of the barrowers

### Data and Methods

Required data was collected by the microfinance users in Hatkanangale Tahsil of Kolhapur Distract of Maharashtra. Hatkanangale is a town and tehsil headquarters in Ichalkaranji subdivision of Kolhapur district in the Indian state of Maharashtra. Hatkanangale has a close proximity with Kolhapur, Ichalkaranji, Bhadole, and Sangli. For the collection of data schedule has been designed according to the objectives of the research, the required samples was chosen using Judgmental Sampling method, almost all samples was selected with the help of service providers working in this field and specific area of study. Total 150 samples was selected for this study and collected data was analyzed using Microsoft excel and SPSS 21.0.

### Reviews of Literature

. The SHGs are instrumental in the microfinance in Indian economy, Since 1999, Government of India (GoI) has been supporting promotion of the SHGs by way of special budgetary provision. GoI introduced 'Swarnajayanti Gram Swarozgar Yojna' or SGSY from April 1999. Presentably, the government of India and various state governments are making special financial provisions for the SHGs and their members (Nair, 2001). Due to this financial support, the banks and financial institutes are providing re-finance facilities to the SHGs so that the SHGs are providing financial support to their

members. Ahmad (2020) stated that microfinance is a widely promoted developmental initiative to provide poor women with affordable financial services for poverty alleviation (Savita Shankar 2011). According to Ministry of Finance (2017) One popular adaption in South Asia is the Self-Help Group (SHG) model that India adopted in 2011 as part of a federal poverty alleviation program and as a secondary approach of integrating health literacy services for rural women (Dasgupta 2005). The study conducted by Sharif Mohd (2018) revealed that the number of MFIs availing loans from banks during the year 2015-16 and 2016-17 increased from 9.8 per cent to 257.6 per cent. The total loans to MFIs by banks decreased during 2016-17 by 7.2 per cent over the previous year. The loan outstanding against MFIs increased all the subsequent years. It increased by 13.7 per cent and 14.3 per cent in 2015-16 and 2016-17.

The SHGs and microfinance organizations have provided access to the financial services for marginalized and unbanked persons in India. According to the World Bank FINDEX report (Demircug-Kunt & Klapper, 2012), only 35 per cent of Indian adults had access to a formal bank account and 8 per cent borrowed from a formal financial institution in the past 12 months. According to the State wise analysis done by Parijat Dhar (2016) the penetration of SHG and microfinance institutions have been uneven in the country with microfinance services remaining concentrated mainly to the Southern region of the country while the North and the North-Eastern region are still lacking the services of both the formal sources of finance and also the microfinance services.

### Data Analysis and Discussion

**Table -1** indicates that there are total 385 respondents from study region and 32.7 percent respondents are from Karvir, 22.9 percent from Kagal, 18.7 percent from Radhanagari, 17.7 percent from Shahuvadi and 8.1 percent from Bavda. These respondents are taken based on proportionate population of the concern Tahsil of Kolhapur district.

Tahsil	Frequency	Percent
Bavda	31	8.1
Shahuvadi	68	17.7
Radhanagari	72	18.7
Kagal	88	22.9
Karvir	126	32.7
Total	385	100.0

**Table 2** indicates occupation of the respondents, total 34 percent are farmer, 13 percent are casual labours, 14 are industrial labour, 3.1 percent are self employed, 28.6 percent are house waifs and 7.3 percent are employees. This table also reveals that most of the respondents are farmers and house wives followed by casual and industrial labours.

		Farmer	Casual Labour	Industrial Labour	Self Employed	House Wife	Employee	Total
Tahsil	Bavda	13	3	6	1	7	1	31
	Shahuvadi	30	3	10	0	25	0	68
	Radhanagari	19	16	11	2	16	8	72
	Kagal	26	12	10	4	27	9	88
	Karvir	43	16	17	5	35	10	126
Total		131	50	54	12	110	28	385
Percentage		34%	13%	14%	3.1%	28.6%	7.3%	100%

Source : Primary Data

**Table 3** indicate that the most of respondents are belongs to OBC (Other backward class) and General Category, followed by VAA and NT as well as SC category. However, very few respondents are belongs to ST and SBC category.

		SC	ST	OBC	SBC	VJA & NT	Gen	Total
Tahsil	Bavda	5	2	3	0	3	18	31
	Shahuvadi	9	4	23	7	2	23	68

	Radhanagari	4	0	33	4	11	20	72
	Kagal	11	0	22	6	23	26	88
	Karvir	13	0	35	9	27	42	126
Total		42	6	116	26	66	129	385
		10.9%	1.6%	30.1%	6.8%	17.1%	33.5%	100%

Source : Primary Data

**Purpose of Loan Taken from Microfinance Institutions**

Table 4 shows that 28 male and 55 female respondents has taken loans for agriculture purpose, 21 male and 74 female respondents has taken loans for Small Business purpose, 24 male and 65 female respondents has taken loans for Repayment of existing loans, 46 male and 8 female respondents has taken loans for fulfillment of Domestic Expenses, 30 male and 90 female respondents has taken loans for purchasing Domestic Appliances, 12 male and 33 female respondents has taken loans for fulfill the Medical Expenses and 25 male and 45 female respondents has taken loans for Educational Expenses. Some of the respondents have taken multiple loans and also taken loans multiple times.

		Male	Female	Total
Agriculture	Count	28	55	83
Small Business	Count	21	74	95
Loan Repayment	Count	24	65	89
Domestic Expenses	Count	46	98	144
Domestic Appliances	Count	30	90	120
Medical Expenses	Count	12	33	45
Educational Expenses	Count	25	45	70
	%	35.7%	64.3%	100.0%

Source : Primary Data

**Hypothesis -1**

- H0 - There is significance difference in the loan purpose across the gender (Accepted)
- H1 - There is significance difference in the loan purpose across the gender (Rejected)

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Loan for Agriculture is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.386	Retain the null hypothesis.
2	The distribution of Loan for Small Business is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.057	Retain the null hypothesis.
3	The distribution of Loan for Repayment of Existing Loans is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.495	Retain the null hypothesis.
4	The distribution of Loan for Purchasing Domestic Appliances is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.492	Retain the null hypothesis.
5	The distribution of Loan for Domestic Expences is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.161	Retain the null hypothesis.
6	The distribution of Loan for Medical Expences is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.618	Retain the null hypothesis.
7	The distribution of Loan for Education is the same across categories of Gender.	Independent-Samples Mann-Whitney U Test	.238	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Overall results depicts that there is no gender wise difference in the purpose of loans taken by the barrowers from microfinance institution in study area.

Table 6 indicates that the social category wise borrowing and their intension of loans taken from microfinance institutions in the study region.

**Table 6 : Purpose of Loan Taken from Microfinance Institutions**

Intension of Loan	SC	ST	OBC	SBC	VJA & NT	Gen	Total
Loan for Agriculture	10	1	27	5	18	22	83
Loan for Small Business	10	1	30	8	12	34	95
Repayment of Existing Loans	7	0	26	6	12	38	89
Purchasing Domestic Appliances	19	1	44	9	24	47	144
Loan for Domestic Expenses	9	4	36	9	22	40	120
Loan for Medical Expenses	5	0	13	4	9	14	45
Loan for Education	9	2	23	6	10	20	70

Source : Primary Data

**Hypothesis -2**

- H0 - There is significance difference in the loan purpose across the social categories (Accepted)
- H1 - There is significance difference in the loan purpose across the social categories (Rejected)

As per the table 7 Independent-Samples Kruskal-Wallis Test leads to reject alternative hypothesis and accept null hypothesis. Hence, the null hypothesis is accepted, it shows that there is no difference by social categories. The tendency of taken loan and its purpose is almost same in all borrowers from various social categories.

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Loan for Agriculture is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.652	Retain the null hypothesis.
2	The distribution of Loan for Small Business is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.774	Retain the null hypothesis.
3	The distribution of Loan for Repayment of Existing Loans is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.250	Retain the null hypothesis.
4	The distribution of Loan for Purchasing Domestic Appliances is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.795	Retain the null hypothesis.
5	The distribution of Loan for Domestic Expenses is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.341	Retain the null hypothesis.
6	The distribution of Loan for Medical Expenses is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.914	Retain the null hypothesis.
7	The distribution of Loan for Education is the same across categories of Social Category.	Independent-Samples Kruskal-Wallis Test	.719	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Table 8 reveals that the occupation wise purpose of loan taken by the barrowers in the study region. Most of farmers has taken loans for Loan Repayment, Domestic Expenses and Domestic Appliances. The overall data indicates that there are different intensions of loans taken by barrowers from different occupation.

Intension of Loan	Agriculture	Small Business	Loan Repayment	Domestic Expenses	Domestic Appliances	Medical Expenses	Educational Expenses
Farmer	42	25	34	44	35	17	6
Casual Labour	8	12	12	27	14	6	2
Industrial Labour	8	4	15	32	12	5	0
Self Employed	2	12	3	3	3	1	11

House Wife	16	35	19	30	48	10	44
Employee	7	7	6	8	8	6	7
Total	83	95	89	144	120	45	70

### Hypothesis -3

- H0 - There is significance difference in the loan purpose across the occupation of the barrowers (Rejected)
- H1 - There is significance difference in the loan purpose across the occupation of the barrowers (Accepted)

In Table 8 the results of Independent-Samples Kruskal-Wallis Test indicates that intensions for taking loans from agriculture, small business, Purchasing Domestic Appliances, Loan for Domestic Expenses and Loan for Education are not same however, intensions of taking loans for Repayment of Existing Loans and loan for Medical Expenses is same across the occupations.

**Table 8 : Hypothesis Test Summary**

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Loan for Agriculture is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.013	Reject the null hypothesis.
2	The distribution of Loan for Small Business is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.
3	The distribution of Loan for Repayment of Existing Loans is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.631	Retain the null hypothesis.
4	The distribution of Loan for Purchasing Domestic Appliances is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.
5	The distribution of Loan for Domestic Expenses is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.039	Reject the null hypothesis.
6	The distribution of Loan for Medical Expenses is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.558	Retain the null hypothesis.
7	The distribution of Loan for Education is the same across categories of Occupation.	Independent-Samples Kruskal-Wallis Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

### Conclusions

The intensions of the taking loans and advances from the banks and financial institutes are different in the different nations, different regions and states also. Even though the intensions of the loans and advances are different in different locality also. The present study indicates that the most loans and advances are taken from purchasing domestic appliances followed by fulfillment of day to day domestic expenses. Overall results depicts that there is no gender wise and social category wise difference in the purpose of loans taken by the barrowers from microfinance institution in study area .However, occupation wise there is difference in the intensions of loans taken from microfinance institutions.

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