

The Role of Credit Society for Upliftment of Unprivileged/ Underprivileged People in Rural Areas

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ABSTRACT

The present paper evaluates the contribution of Credit Societies situated in Vadodara and Bharuch Districts of Gujarat State in India for the upliftment of unprivileged/ underprivileged people residing in rural areas. The data set of two states of India namely Gujarat and Maharashtra reveals that in terms of outreach, these two states cover 50% of the beneficiaries seeking credit support for their socio-economic needs. The Credit Society is a recognised model for Microfinance Institution. The Credit Society Model is therefore explored in this research paper to measure its role to empower unprivileged/underprivileged people staying in rural areas of Vadodara and Bharuch Districts of Gujarat State in India. For the objective set in this study, survey of beneficiaries of the Credit Societies was carried in selected rural areas for the period from 2009 to 2015. The non-parametric tests on surveyed data are made. The conclusion of study brings out positive contribution of Credit Societies and it plays catalyst role to empower unprivileged/underprivileged people.

1. INTRODUCTION

The Co-Operative sector of Gujarat State has developed several Microfinance models with variation working reaching out to the lowest sections of the society. The micro finance activity in Gujarat is distinct from various other states as it is being operated by the Co-operative sector vis-a-vis the Private sector model. These models operate on the co-operative principles that concern to community and provide lending support.

The Co-Operative sector of Gujarat state has designed models that help unprivileged/ underprivileged people in rural and urban areas to meet their financial needs by providing door-to door services, flexible, women-oriented and creative financial services policy framework. The challenges faced by these people are many fold but few of these challenges are worth mentioning such as credit is not easily available, transaction costs of borrowing are high, even transaction costs of using saving facilities are high and inappropriateness of banking system in meeting requirements of these people. The Co-operative societies provide unprivileged/ underprivileged people easy and affordable access for their financial needs.

2. LITERATURE REVIEW

Review of studies on Microfinance in general and WME and CS in particular is brought out below:

Govind Kelkar, Dev Nathan, Rownok Jahan (2004) made an assessment study of the impact activities on women's say in household decision making and their own well being in the paper titled 'Redefining women's 'Sanman' Microcredit and Gender Relations in Bangladesh' and found that there had been definite enhancement of women's status giving them greater voice in deciding household affairs. Though other traditional aspects stood in the way to true realisation of the capabilities of women in family and society, it was strongly emphasised by participants that they would definitely break through the existing hurdles in years to come.

Lynda Mayoux (2002) reviewed the key issues pertaining to microfinance and empowerment of women. Women empowerment should be an integral part of policies and it could not be assumed to be an automatic outcome of microfinance planning, whether designed for financial sustainability or poverty reduction. There was lack of effective ways of integrating microfinance with empowerment interventions including group development and complementary services. Unless empowerment is made integral part of planning process the rapid expansion of microfinance is unlikely to make anything more than a limited contribution to empowerment

Thomas Fisher and M.S.Sri Ram (2002) with contributions from Malcom Harper Ajit Kanitkar, Frances Sinha, Snjay Sinha, Mathew titus made a vivid analysis of Indian microfinance in his book ‘ Beyond Micro Credit Putting Development Back into Microfinance’ Often the development goals are lost behind the technical and managerial solutions to ensure financial sustainability or simply focusing on the poorest. The author made a presentation of how microfinance could be designed so that practice of microfinance promotes social and economic security, building democratic people’s organization, empowering women and changing wider systems within the society.

It also deals with diverse Microfinance practices in India and outreach to the poor. A focus on organization challenges and dilemmas that confront micro-finance practitioners is made with suggestions to manage in practice. In this book a detailed analysis of the fast expanding movement of savings and credit SHGs is made vis-à-vis groups promoted by Grameen Bank in Bangaladesh.

Purna Chandra Parida and Anu Shri Sinha (2010) concluded after making a study on the performance and sustainability of SHGs in six Indian States, the performance of female SHGs is best in terms of loan recovery, per capita savings and also in sustainability.

Isabelle Guerin and Jane Palier (2004) in their book Microfinance Challenges: Empowerment or Disempowerment of the poor made an attempt to nourish the debate by combining theoretical reflections and case studies on one hand by engaging practioners and researchers from various backgrounds. The book is organized in to three parts. The first part considers the definitions of empowerment and concludes that there is no one universally accepted concept of empowerment. The relation between microfinance and empowerment is understood to be more subtle and unforeseeable in a complex enviornment of economic, socio-cultutal and political context and are to be understood and analyzed as endogenous process. The third part relates to evaluation. The results are sometimes positive while elsewhere the same are considered mixed and worrisome. Finally it is concluded that French concept of ‘solidarity-based economy’ which is theoretical and normative, consists a framework for analysis and action.

Muhammad Yunus (2003) presented at the international seminar on “ Attacking Poverty with Micro Credit”, exhorting the imperative need for expanded outreach of microfinance with due support from information technology in attaining MDG of reducing global number of poor to half by 2015.

Susy Cheston Lisa, Kuhn (2002) from the studies and experiences of microfinance institutions in Africa, Asia and Latin America, holds that properly designed microfinance programs can contribute to women’s empowerment, based on several evidences of changes relevant and important for women empowerment across range of cultures and regions.

According to Sharma et. al, (2005), Co-operative societies as part of rural finance providers ‘ is a cost effective model for providing financial services to those segments of the poulation that have little or no access to other financial services.

Sizya (2001) argued that cooperatives have been the leader in development interventions that aim to alleviate the poverty level of poor in rural areas.

Financial cooperatives are described as Larocque et.al (2002) as an avenue for the introduction of formal banking to rural areas.

3. OBJECTIVE OF THE STUDY

The main objective of the research paper is to evaluate the contribution of CS (Credit Society) for improvement in socio-economic condition of unprivileged/ underprivileged people of India.

4. RESEARCH METHODOLOGY

4.1 Research Plan and Design

4.1.1 Universe of the Study

The data includes 284 members of CS for the period 2009-2015.

4.1.2 Sample Size of the Study

104 Members of CS staying for the period 2009-2015. Sampling Technique used: Convenience Sampling.

4.2.3 Variables of the Study

The major concept in this study is to assess credit society's impact in rural areas of Vadodara District and Bharuch District for the poor people in rural areas. For this purpose, dependent variables considered are increase in income, quality of life, risk bearing capacity of the beneficiaries. The independent variables considered are family type-joint or nuclear, SES of participants-BPL or APL, Gender-male or female.

4.1.4 Questionnaire

A Structured questionnaires were prepared to collect data from the respondents in borrowers and non-borrowers category of the CS. Questions are designed to collect data from participants to measure contribution of CS on a 5 point Likert scale (Q.1 through Q. 9).

Q.1	CS interventions have contributed/will contribute to my employment opportunity
Q.2	CS interventions have contributed/will contribute to interdependency with others.
Q.3	CS interventions have contributed/will contribute to my social and family upliftment.
Q.4	CS interventions have improved / will improve my standard of living.
Q.5	CS interventions have improved/ will improve my economic condition.
Q.6	CS interventions have contributed/ will contribute to my sources of income.
Q.7	CS interventions have contributed/ will contribute to women family members sources of income.
Q.8	CS interventions have contributed/will contribute to women family members education.
Q.9	CS interventions have contributed/ will contribute to women family members health awareness,

Note: Have for Borrowers. Will for Non-Borrowers.

Surveyed data are entered in Excel file, codified and analyzed through SPSS Software.

4.1.5 Hypotheses

With reference to objective of the study, hypotheses and sub hypotheses are derived. These hypotheses and sub hypotheses are tested at 0.05 significance level.

H_o = Microfinance Intervention of CS have not made Socio-economic improvement in living standards of individual beneficiaries in selected rural areas.

H_a = Microfinance Intervention of CS have made Socio-economic improvement in living standards of individual beneficiaries in selected rural areas.

This complex hypotheses is further sub divided in to sub hypotheses on the basis of variables considered for the Study.

$H.1_o$ = Microfinance intervention of CS have not made economic improvement in living standards of individual beneficiaries in selected rural areas.

$H.1_a$ = Microfinance intervention of CS have made economic improvement in living standards of individual beneficiaries in selected rural areas.

$H.2_o$ = Microfinance intervention of CS makes no difference to family type of the participants.

$H.2_a$ = Microfinance intervention of CS influences family type of the participants.

$H.3_o$ = Microfinance interventions of CS makes no difference to gender of the participants.

$H.3_a$ = Microfinance intervention of CS influences gender of the participants.

$H.4_o$ = Microfinance interventions of CS makes no difference to SES of the participants.

$H.4_a$ = Microfinance intervention influences SES of the participants.

4.2 Research Methods

The tests are considered keeping in view data captured for Q variables are Cronbach's alpha test (Test for reliability of data), Test for Normality, Top Box Analysis, and Spearman's coefficient of correlation.

5. RESEARCH ANALYSIS AND INTERPRETATION

5.1 Data Domain

The sample size is 104 members of CS in rural areas of two districts, 52 male members and 52 female members classified as follows:

Membership Year	Borrower	Non Borrower	Total
2009	12	4	16
2010	2	4	6
2011	10	2	12
2012	14	2	16
2013	14	6	20
2014	8	1	9
2015	22	3	25
Total	82	22	104

5.2 The Cronbach’s Alpha for (Q variables) data the survey is 0.852 and Cronbach’s Alpha based on standardized item is 0.856 which is excellent and most reliable to internal items consistency.

5.3 The ordinal data captured do not fit in to normal shape. As it violates assumption of normality in the t-test, non-parametric tests are used.

5.4 Top Box Analysis:

The important data of survey question (e.g. Q 1 thru Q 9) is converted in five point scale *Likert Scale* format i.e. 1 = Strongly Disagree, 2= Disagree, 3 = Neutral, 4= Agree and 5 = strongly Agree respectively
In the absence of any benchmark or historical data top-box and top-two-box scores calculated.

Table 2: Frequency and Top Box Analysis of Responses Received (Cases =104)

Variable	SAG	AG	N	DAG	SDAG	Median	Top Box Calculation@						CV%
	5	4	3	2	1		%H	%A	%L	TB	LB	NTB	
Q1	71	11	18	2	2	5	78.85	17.31	3.85	68.27	1.92	66.35	61.24
Q2	71	12	17	2	2	5	79.81	16.35	3.85	68.27	1.92	66.35	61.03
Q3	77	10	13	2	2	5	83.65	12.50	3.85	74.04	1.92	72.12	62.41
Q4	76	10	14	2	2	5	82.69	13.46	3.85	73.08	1.92	71.15	62.32
Q5	60	11	26	5	2	5	68.27	25.00	6.73	57.69	1.92	55.77	59.30
Q6	54	16	28	3	3	5	67.31	26.92	5.77	51.92	2.88	49.04	56.94
Q7	47	12	37	5	3	4	56.73	35.58	7.69	45.19	2.88	42.31	53.89
Q8	28	35	36	4	1	4	60.58	34.62	4.81	26.92	0.96	25.96	41.75
Q9	20	36	44	3	1	4	53.85	42.31	3.85	19.23	0.96	18.27	36.71
All	504	153	233	28	18	5	53.85	24.89	1.92	70.19	4.91	51.92	24.59

Table 3: Interpretation of variability of responses

Descriptions	5-point observations
Percent Agree	70%
Top 2-Box	79%
Top-Box	54%
Net Top-Box	52%
Z-score to %	57%
CV	25%

The analysis of data shows that for all parameters responses towards agree are more. This results in to rejection of null sub hypotheses H.1_o.

5.5 Spearman Rank Correlation:

Spearman Rank Correlation is a non-parametric test that is used to measure the degree of association between two variables. Spearman rank correlation does not make any assumption about the distribution of the data and is appropriate correlation analysis when the variables measured are ordinal.

Table 4: Correlation between categorical variables (Spearman's rho)

Correlation between Categorical Type of data (codified data)											
Parameters	Family Type	Caste Category	Poverty Line	Age	District Type	Age Group	District	Gender	Qualification	Profession	Total Value
Poverty Line	0.62*	-0.09									
Age	-0.04	-0.17	-0.05								
District Type	0.00	0.31*	0.00	-0.07							
Age Group	0.04	-0.14	0.00	0.84*	-0.20*						
District	-0.54*	0.01	-0.62*	0.19	0.15	0.08					
Gender	0.54*	-0.01	0.62*	-0.19	-0.15	-0.08	-1.00*				
Qualification	-0.09	0.21*	0.05	0.00	-0.03	-0.04	0.24*	-0.24*			
Profession	0.07	0.23*	-0.04	0.26*	0.07	0.30*	0.18	-0.18	0.33*		
Family Income	-0.18	-0.19	-0.07	-0.13	-0.42*	-0.04	-0.38*	0.38*	-0.18	-0.18	
Total Value	-0.16	0.09	-0.10	0.02	-0.28*	0.10	-0.16	0.16	0.32*	0.54*	0.66*

* Significant at $p < 0.05$

Family type (Joint or Nuclear) is having significant correlation with SES/Poverty Line (BPL or APL) and Gender (Male or Female). This shows that H.2_o is rejected. Gender (Male or Female) is not having significant correlation with Family type (Joint or Nuclear) and SES/Poverty Line (BPL or APL). This shows that H.3_o is accepted. SES/Poverty Line (BPL or APL) is having significant correlation to Gender (Male or Female) but not with Family Type (Joint or Nuclear). This shows that H.4_o is partially rejected.

Note: Demographic parameters of the participants ignored for interpretation.

Table: 5 Code Structure

District and Village Combination Code					District Codes		
Dist Code	District Name	Place of Visit	U/R classification	U / R Code	Code	Description	Remarks
1	Vadodara	Karjan	Rural	2	Area of Residence Codes		
1	Vadodara	Manjushree	Rural	2	Code	Description	Remarks
2	Bharuch	Amod	Rural	2	1	Urban	
					2	Rural	
Education Codes					Family Type		
Code	Description	Remarks	Kuppuswamy Code		Code	Description	Remarks
1	Illiterate		1		1	Joint	
2	Primary		2		2	Nuclear	
3	Secondary		3		Type of Residence		
4	Higher Secondary		4		Code	Description	Remarks
5	Diploma		5		1	Katcha	
6	Graduate		6		2	Semi Pucca	
7	Post graduate		7		3	Pucca	

-Code Structure of Data used in survey						
Age Group Codes				Type of House Ownership		
Code	Description	Remarks	Mid Value	Code	Description	Remarks
1	<= 20	code 1 will be for Age 18 or 20	18	1	Rented	
2	21 - 25	code 2 will be for Age 21 or 25	23	2	Owned	
3	26 - 30		28	Cast Codes		
4	31 - 35		33	Code	Description	Remarks
5	36 - 40		38	1	General	
6	41 - 45		43	2	SC	
7	46 - 50		48	3	ST	
8	> 50	code 8 will be for Age > 50	53	4	OBC	
Occupation Codes				Total Score for Kuppuswamy		
Code	Description	Remarks	Kuppuswamy Code	Score	Class	Remarks
1	Unemployed	No job / work at all	1	0 - 4		Lower (V)
2	Farmer	Owns the agriculture land also	5	5 - 10	Lower	Upper Lower (IV)
3	Trader	owns shop also	5	11 - 15		Lower Middle (III)
4	Vocational	carpenter, lohar, sunar etc.	6	16 - 25	Middle	Upper Middle (II)
5	Service Provider	landing labourer or machinery or transporter	10	26 - 30	Upper	Upper(I)
6	Labourer	agriculture or shops or other activities	3	Family Income Code for Kuppuswamy		

7	House wife	no outside work	2	Cod e	Description	Remarks
8	Any Other	work not classified	4	1	< 2301	
Reasons for loan				2	2301 - 6850	
Code	Description	Remarks	Alpha code	3	6851 - 11450	
1	Income generating		IG	4	11451 - 17150	
2	Skill Development		SD	6	17151 - 22850	
3	Agriculture		AG	10	22851 - 45750	
4	Agriculture Allied		AA	12	> 45750	
5	Small Business		SB	Introduction Codes		
6	Repayment of early loan		RD	Cod e	Description	Remarks
7	Consumption Self		CS	1	Government office	
8	Consumption family		CF	2	Relatives	
9	Social Occasion		SO	3	Neighbours	
10	Any Other		MS	4	Advertisement	
11	Nil (in place of blank)		NIL	5	Any Other	

The interpretation of the analysis brings out partial acceptance of the hypotheses that microfinance interventions of Credit Societies bring socio-economic improvement in the economic conditions of CS participants.

6. CONCLUSION

This paper examined the outcome of the Microfinance interventions in improving socio-economic conditions of the CS participants in rural areas. The study shows interdependency of factors having varying degree of influence in relation to Microfinance interventions.

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