



**A STUDY ON DISBURSEMENT OF BANK LOAN OF WOMEN SHGs IN  
NAGAPATTINAM DISTRICT TAMIL NADU**

**Dr. K. MUTHU, M. Com., M.Phil., Ph.D.,**

*Assistant Professor of Commerce, A.V.C. College (Autonomous),*

*Mannampaldal, Mayiladuthurai, TAMIL NADU.*

**ABSTRACT**

*India's achievements in the development sectors are moderate, even after sixty five years of independence. The major challenges are unemployment and poverty, especially in rural areas on account of reliance of poor on the unorganized sources of credit. The dynamics of rural credit has rapidly changing from time to time. Government has spend huge amount on agriculture and rural development programmes of credit, as it was assured that farmers and poor households are facing liquidity constraints. Most of these efforts are heavily subsidized charging concessional rate of interest and tolerating loan defaults. Self-Help Groups (SHGs) are micro credit institutions, which have emerged at the village level based on self-help, collective perception, decision making and implementation of common programmes. Nagapattinam district is one among the front line districts in the promotion of SHGs, which are developed as a tool for the eradication of poverty. In this district, the role of SHG movement is all the more important for the promotion of economic interest of the inhabitants of the districts especially women. The present study is focused the internal loan among women SHGs in Nagapattinam*

**INTRODUCTION**

India's achievements in the development sectors are moderate, even after sixty five years of independence. The major challenges are unemployment and poverty, especially in rural areas on account of reliance of poor on the unorganized sources of credit. The dynamics of rural credit has rapidly changing from time to time. Local

money lenders occupied a prime position as a source of rural credit, until the co-operative movement was introduced in India. Even though co-operatives have played a vital role in agricultural credit, there were failures in disbursement of rural credit. Rural banking assumed greater importance on account of nationalization of major commercial banks. Nationalised banks are encouraged to provide priority sector lending. Reserve bank of India established Agriculture Refinance and Development Corporation in 1975; subsequently Regional Rural Banks were also started. National Bank for Agriculture and Rural Development was set up by the conversion of ARDC. During the past six decades of planning, Government has spend huge amount on agriculture and rural development programmes of credit, as it was assured that farmers and poor households are facing liquidity constraints. Most of these efforts are heavily subsidized charging concessional rate of interest and tolerating loan defaults.

The direct programmes of credit are proved to be ineffective in achieving the desired goals of rural transformation. Further, institutionalized credit did not cover poor women. Women have less access to resources required to generate stable income. Women are less discriminated when their income is relatively high in household income and women who are capable of being to meet their own needs as well as those of children. The welfare and development programmes are made good when they are focused to address women than men. Hence, all policies relating to development, significantly credit and financial policies had to be revamped to increase the productivity of women's work and their earning capacity to the fullest extent. It is recommended that Government participation in the credit sector as a strategy of poverty alleviation required to focus its importance on women empowerment and help poor women for their mutual help. It is imperative to use credit as an instrument to bring sea change in social, economical and living condition of poor women. To ensure involvement of women in development

process, the poor women need to organize themselves as a separate group and is considered as an important institutional change.

Self-Help Groups (SHGs) are micro credit institutions, which have emerged at the village level based on self-help, collective perception, decision making and implementation of common programmes. SHGs are now occupying a predominant position in the rural credit delivery system. SHGs are playing a vital role in attaining the objectives of economic planning viz., economic, social development of women and thereby bringing empowerment of women. A self-help group consists of 12 to 20 women from homogeneous class, who joined together for solving their common problems. The groups are encouraged to inculcate the habit of thrift and savings. The regular savings of members are pooled and the augmented fund at their disposal is rotated among the members at an agreed rate of interest. Banks are interestingly involved in the provision of credit to SHGs in certain multiples of savings collected by the group. The linkage of Bank credit with SHGs is an innovative programme with the objective of promoting banking habit among those who are not bankable.

In India, SHG movement was started in early 90s and gained its momentum since 1998. Tamil Nadu, West Bengal, Maharashtra and Andhra Pradesh are performing better in the formation of women SHGs. Tamil Nadu has formed the highest women SHGs numbering 46,43,113 with 76,32,366 members and their pooled saving Rs.5,26,600.21 lakhs during 2014-15. Nagapattinam district, one of the districts in Tamil Nadu, with a large number of poor, has developed SHGs as a tool for alleviation of poverty. Group members improve the financial status of their family by developing linkage with banks. It is learnt that SHGs create more economic opportunities through micro credit, integrating contribution to social and economic infrastructure is utmost important.

### **STATEMENT OF THE PROBLEM**

SHGs have assumed greater importance, which is considered as the most necessary tool to adopt participatory approach for the social and economic improvement of

women. SHG consists of poor women who do not have access to formal financial institution. It develops 'we' feeling among the members and helps to learn to cooperate and work in a group environment. SHG increases the borrowing power and provides strength; it can be antidotes to the uncared and downtrodden poor women. Nagapattinam district is one among the front line districts in the promotion of SHGs, which are developed as a tool for the eradication of poverty. The district is coastal in nature and also surrounded by villages engaging in agriculture. But the district was consecutively worst hit by natural calamities such as Tsunami, flood and cyclone. Now the district proclaimed as drought prone area. In this situation, the role of SHG movement is all the more important for the promotion of economic interest of the inhabitants of the districts especially women. The present study is focused the disbursement of bank Nagapattinam district Tamil Nadu

### **OBJECTIVES OF THE STUDY**

1. To study the bank loan under the various schemes of women SHGs in Nagapattinam District.
2. To analyse the disbursement of bank loan of sample women SHGs in the study area.
3. To study the rate of interest, number of instalment and status of repayment of women SHGs in the study area.

### **METHODOLOGY**

The study is descriptive in nature. Nagapattinam district is purposely selected as the study area. The study is based on the primary data.

### **SAMPLING**

Nagapattinam district comprises of eleven blocks viz., Nagapattinam, Thirumarugal, Kilvelur, Keelaiyur, Thalainayar, Vedharanyam, Mayiladuthurai, Sembanarkoil, Sirkali, Kuttalam, and Kollidam. Each block is designated as stratum. Proportionate Stratified Random Sampling procedure was adopted to select sample self-help groups from all the eleven blocks in Nagapattinam district. The size of sample for

SHGs is calculated with a margin of error at 1 percent level and 99 percent confidence level arrived as 378 groups out of 16548 groups in the district. Further from each stratum (block) the sub sample size is calculated proportionately.

### **DATA COLLECTION**

Survey method has been adopted along with personal interview technique for the collection of primary data from women SHGs. An interview schedule, well structured and pretested was administered for gathering of information from sample SHGs respondents. Further, secondary data were pooled from the office records of TNWDC at Nagapattinam, books and journals. The Simple statistical tools were used for the analysis of the data.

### **LIMITATIONS**

The study is confined to the views of women SHGs only. Views of the Members of women SHGs, NGOs and banks are not taken in to consideration.

### **PERIOD OF THE STUDY**

The primary data collection was carried out in all the blocks during 2016-17. The period of the study was normal, free from abnormalities in climatic and monsoon conditions.

### **LOAN UNDER THE VARIOUS SCHEMES**

Government of India launched SGSY from 1<sup>st</sup> April, 1999. The main objective of the scheme is to assist poor families by providing them income generating assets through blending of bank credit and Government subsidy. TAHDCO provides loan to SC/ST members of SHGs. Direct linkage under NABARD is also available to SHGs. Block wise status of sample SHGs under various schemes are given in Table 1.

Block	Schemes have SHG availed from bank												Total
	SGSY- Revolving Fund		SGSY- Economic Activity		THDHCO - Revolving Fund		THDHCO - Economic Activity		Direct linkage under NABARD		Others		F
	F	%	F	%	F	%	F	%	F	%	F	%	
Nagapattinam	11	30.56	11	30.56	1	2.78	5	13.89	6	16.67	2	5.56	36
Thirumarugal	4	19.05	6	28.57	4	19.05	3	14.29	2	9.52	2	9.52	21
Kilvelur	5	23.81	8	38.10			4	19.05	3	14.29	1	4.76	21
Keelaiyur	2	10.53	6	31.58	3	15.79	3	15.79	2	10.53	3	15.79	19
Thalainayar	8	33.33	4	16.67	4	16.67	5	20.83	3	12.50			24
Vedharanyam	11	26.19	15	35.71	4	9.52	5	11.90	5	11.90	2	4.76	42
Mayiladuthurai	13	28.26	11	23.91	6	13.04	1 0	21.74	4	8.70	2	4.35	46
Sembanarkoil	14	26.92	14	26.92	8	15.38	9	17.31	3	5.77	4	7.69	52
Sirkali	12	24.49	17	34.69	8	16.33	6	12.24	4	8.16	2	4.08	49
Kuttalam	7	25.00	9	32.14	3	10.71	3	10.71	3	10.71	3	10.71	28
Kollidam	12	30.00	12	30.00	4	10.00	7	17.50	4	10.00	1	2.50	40
Total	99	26.19	11 3	29.89	45	11.90	6 0	15.87	39	10.32	2 2	5.82	378

**TABLE 1 LOAN UNDER THE VARIOUS SCHEMES**

Source primary data; F: Frequency

Table 1 projects that there are three schemes viz. SGSY, TAHDCO and Direct linkage under NABARD, under which SHGs are eligible to get financial assistance from Co-operative and Nationalised banks. Both SGSY and TAHDCO provide financial accommodation to SHGs. Financial assistance under the two schemes (SGSY and TAHDCO) includes provision of revolving fund and disbursement of loan for economic activities. It is analysed from the table 1 that two hundred and twelve SHGs respondents have availed financial accommodation under SGSY scheme of which ninety nine SHGs respondents got accommodation of revolving fund and the remaining one hundred and thirteen have availed financial assistance for economic activities. In regard to TAHDCO schemes one hundred and five SHG

respondents have availed financial assistance, out of which forty five respondents got revolving fund and remaining sixty respondents availed loan for economic activities. In addition to these schemes, NABARD has also made available financial accommodation to SHGs. Only 39 of them borrowed loan under NABARD direct linkage programme. Besides with the assistance of NGOs, SHGs have also got financial help from banks, only 22 of total SHGs respondents have been benefited. The above analysis throw highlight on the financial assistance made available to SHGs. It has been ascertained that Sembanarkoil block assumed first in availing financial accommodation and followed by other blocks. Keelaiyur block registered the lowest number of SHGs financially benefited under these schemes.

### DISBURSEMENT OF BANK LOAN

The main objective of the scheme is to assure sustainable income to the rural poor women through self-employment by promoting SHGs. The amount of credit granted to each member by sample SHGs in the eleven blocks under study are highlighted in Table 2.

**TABLE 2**  
**DISBURSEMENT OF BANK LOAN**

Block	Amount of bank loan distributed per member								Total F
	Up to Rs.5,000		Rs. 5,001 to 10,000		Rs. 10,001 to 15,000		More than Rs. 15,000		
	F	%	F	%	F	%	F	%	
Nagapattinam	15	41.67	10	27.78	6	16.67	5	13.89	36
Thirumarugal	9	42.86	5	23.81	5	23.81	2	9.52	21
Kivelur	6	28.57	7	33.33	5	23.81	3	14.29	21
Keelaiyur	7	36.84	4	21.05	7	36.84	1	5.26	19
Thalainayar	12	50.00	8	33.33	2	8.33	2	8.33	24
Vedharanyam	18	42.86	13	30.95	5	11.90	6	14.29	42
Mayiladuthurai	23	50.00	12	26.09	8	17.39	3	6.52	46
Sembanarkoil	21	40.38	12	23.08	11	21.15	8	15.38	52
Sirkali	21	42.86	14	28.57	9	18.37	5	10.20	49
Kuttalam	7	25.00	7	25.00	9	32.14	5	17.86	28
Kollidam	16	40.00	13	32.50	7	17.50	4	10.00	40
Total	155	41.01	105	27.78	74	19.58	44	11.64	378

Source: primary data; F: Frequency

The Table 2 reveals the amount of bank loan disbursed to a member by the sample SHGs. Normally based on the demand, the amount of loan was shared among the members and such loans are utilized by the members for economic activities. 155 sample SHGs shared the loan proceeds with their members up to Rs.5,000 each, similarly 105 SHGs distributed the amount between Rs.5,001 and Rs.10,000 to their members. Further, more than Rs.15,000 each was paid by 44 sample SHGs in the study area.

It is ascertained that less than one-third of the sample SHGs disbursed the bank loan to their members above Rs.10,000. Further, more than two-third of them disbursed been subject to a maximum of Rs.10,000. It indicates majority of the sample SHGs shared meagre amount of bank loan among the members. It is suggested that the SHGs will have to improve their performance for getting huge amount of bank credit in Nagapattinam district. It is probed that majority of the sample SHGs of Keelaiyur and Kuttalam blocks have disbursed loan exceeding Rs.15,000 per member. Further, one-half of the sample SHGs from Thalainayar and Mayiladuthurai disbursed a very low amount to their members up to Rs.5,000 only.

### **RATE OF INTEREST**

The interest is the main component in the credit management of SHGs. The rate of interest varies from one percent to three percent per month. The interest rate is considered higher. It was probed during the course of study and the results obtained from sample SHGs are projected in Table 3.



**TABLE 3**  
**RATE OF INTEREST**

Block	Rate of interest								Total
	1 %		2 %		3 %		More than 3 %		F
	F	%	F	%	F	%	F	%	
Nagapattinam	28	77.78	5	13.89			3	8.33	36
Thirumarugal	10	47.62	7	33.33	2	9.52	2	9.52	21
Kivelur	14	66.67	5	23.81	1	4.76	1	4.76	21
Keelaiyur	12	63.16	5	26.32	1	5.26	1	5.26	19
Thalainayar	15	62.50	3	12.50	1	4.17	5	20.83	24
Vedharanyam	25	59.52	11	26.19	3	7.14	3	7.14	42
Mayiladuthurai	31	67.39	8	17.39	2	4.35	5	10.87	46
Sembanarkoil	36	69.23	8	15.38	3	5.77	5	9.62	52
Sirkali	33	67.35	10	20.41	3	6.12	3	6.12	49
Kuttalam	19	67.86	3	10.71	4	14.29	2	7.14	28
Ilidam	27	67.50	7	17.50	4	10.00	2	5.00	40
Total	250	66.14	72	19.05	24	6.35	32	8.47	378

Source: primary data; F: Frequency

Table 3 projects, the monthly rate of interest fixed by block wise sample SHGs on bank loan disbursement to their members. Generally, the interest rate ranging from 1% to 5% per month. Out of 378 sample SHGs 250 of them fixed at 1% interest, whereas 32 sample SHGs fixed the rate of interest more than 3% per month.

It is seen from the above analysis that two hundred and fifty of the sample SHGs from all blocks fixed monthly rate of interest on bank loan disbursed to their members as 1%. Further, ninety six SHGs charged the rate of interest between from 2 to 3 percent per month and the remaining thirty two SHGs charged interest more than 3 percent. It indicates that majority of the sample SHGs charged interest at more than three percent on bank loan disbursement. It has been ascertained that micro financing interests are higher which ranged about 24 percent.

There is a need for the reduction of rate of interest which ranges between 12% and 36% charged by SHGs for bank financed by banks. The best way to reduce the rate of interest, would be to encourage more MFIs because, the more competition will make them to innovate idea for the reduction of interest rates by means of lowering the management cost.

### RE-PAYMENT IN INSTALMENT

The repayment of bank loan in instalments should be in time and credit repayment was still in progress with some instalments left to be paid. An assessment over the issue was made and the results are indicated in Table 4.

**TABLE 4**  
**RE-PAYMENT IN INSTALMENT**

Block	Number of instalments fixed by the SHGs								Total F
	One		Two		Three		More than 3		
	F	%	F	%	F	%	F	%	
Nagapattinam	6	16.67	2	5.56	5	13.89	23	63.89	36
Thirumarugal	2	9.52	1	4.76	2	9.52	16	76.19	21
Kivelur	6	28.57	1	4.76	3	14.29	11	52.38	21
Keelaiyur	1	5.26	2	10.53	3	15.79	13	68.42	19
Thalainayar	1	4.17	1	4.17	4	16.67	18	75.00	24
Vedharanyam	7	16.67	1	2.38	4	9.52	30	71.43	42
Mayiladuthurai	4	8.70	4	8.70	5	10.87	33	71.74	46
Sembanarkoil	7	13.46	4	7.69	4	7.69	37	71.15	52
Sirkali	8	16.33	3	6.12	4	8.16	34	69.39	49
Kuttalam	5	17.86	4	14.29	3	10.71	16	57.14	28
Kollidam	4	10.00	2	5.00	5	12.50	29	72.50	40
Total	51	13.49	25	6.61	42	11.11	260	68.78	378

Source: primary data; F: Frequency

Banks disbursed short term and medium term loan to SHGs under various schemes. Of which, SHGs are disbursed to their members. SHGs fix number of instalments for re-payment of the loan by the members within the stipulated credit period. 51 sample SHGs fixed at single instalment, similarly two and three instalments fixed by 25 and 42 SHGs respectively. On the other hand, 260 SHGs allowed their members to repay the loan amount in more than 3 instalments.

It is seen from the analysis that majority of the sample SHGs from each block fixed more than three instalments for recovery of bank loan from their members. It is suggested that SHG will have to be allowed to fix more than 3 instalments within the prescribed time. It will be easy for the borrower to make repayment without any difficulty, as equated instalment is small amount.

### **STATUS OF RE-PAYMENT**

The SHGs in the country have reached to 1.62 crore poor families and 8.01 crore poor people by giving them small loans<sup>1</sup>. It has been reported that 95% repayments have been made by SHGs across the country regularly and on the time given and there have nil NPAs. Nearly 90% of SHGs linked with banks are exclusively women SHGs comprising poor women. The SHGs – Bank linkage programme has emerged as a dominant micro finance dispensation model in the country. The status of repayment of bank loan in respect of sample SHGs in eleven blocks are given in Table 5.

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<sup>1</sup> Southern Economist January 15, 2010 - Page.7

**TABLE 5**  
**STATUS OF RE-PAYMENT**

Block	Status of re-payment of the bank loan by the members								Total
	Paid before the due date		Paid on the due date		Paid after due date		No prompt re-payment		
	F	%	F	%	F	%	F	%	
Nagapattinam	8	22.22	17	47.22	7	19.44	4	11.11	36
Thirumarugal	4	19.05	12	57.14	4	19.05	1	4.76	21
Kilvelur	4	19.05	11	52.38	5	23.81	1	4.76	21
Keelaiyur	5	26.32	9	47.37	3	15.79	2	10.53	19
Thalainayar	7	29.17	9	37.50	6	25.00	2	8.33	24
Vedharanyam	9	21.43	22	52.38	9	21.43	2	4.76	42
Mayiladuthurai	12	26.09	22	47.83	9	19.57	3	6.52	46
Sembanarkoil	14	26.92	24	46.15	10	19.23	4	7.69	52
Sirkali	12	24.49	25	51.02	10	20.41	2	4.08	49
Kuttalam	6	21.43	17	60.71	4	14.29	1	3.57	28
Kollidam	13	32.50	18	45.00	7	17.50	2	5.00	40
Total	94	24.87	186	49.21	74	19.58	24	6.35	378

Source: primary data; F: Frequency

Table 5 depicts the status of repayment of loan. As it has been exhibited in the table, majority of sample SHGs (280) made prompt repayment of loan to the bank. The burning problem of institutional agencies is overdue. But the loans granted to SHG are repaid on or before the due date. Such a repayment culture prevailed in majority of SHGs in the sample district. Prompt repayment ensures sound financial condition of financing institution and availability of fresh credit to borrowers.

Only six percent of sample SHGs showed that their repayments are delayed and did not make prompt repayment. It has been ascertained the causes for delayed repayment during the course of study. Inadequate loan to carry out economic activities, leads to diversion of loan for family expenses. Usually the loan is to be advanced for productive purposes. When the loan is utilized for the purpose which

will generate income, the income earned will be used to repay the loan. It is suggested that banks and lenders of SHGs jointly draw efforts to enlighten the members for proper utilization of loan. For which, effective supervision over the utilization of loan is to be made by bankers.

### **FINDING OF THE STUDIES**

1. It has been ascertained from the study Sembanarkoil block assumed first in availing financial accommodation and followed by other blocks. Keelaiyur block registered the lowest number of SHGs financially benefited under these schemes.
2. It is ascertained that less than one-third of the sample SHGs disbursed the bank loan to their members above Rs.10,000. Further, more than two-third of them disbursed been subject to a maximum of Rs.10,000. It indicates majority of the sample SHGs shared meagre amount of bank loan among the members. It is suggested that the SHGs will have to improve their performance for getting huge amount of bank credit in Nagapattinam district. It is probed that majority of the sample SHGs of Keelaiyur and Kuttalam blocks have disbursed loan exceeding Rs.15,000 per member. Further, one-half of the sample SHGs from Thalainayar and Mayiladuthurai disbursed a very low amount to their members up to Rs.5,000 only.
3. It is seen from the above analysis that two hundred and fifty of the sample SHGs from all blocks fixed monthly rate of interest on bank loan disbursed to their members as 1%. Further, ninety six SHGs charged the rate of interest between from 2 to 3percent per month and the remaining thirty two SHGs charged interest more than 3 percent. It indicates that majority of the sample SHGs charged interest at more than three percent on bank loan disbursement. It has been ascertained that micro financing interests are higher which ranged about 24 percent.
4. It is seen from the analysis that majority of the sample SHGs from each block fixed more than three instalments for recovery of bank loan from their members. It is suggested that SHG will have to be allowed to fix more than 3 instalments

within the prescribed time. It will be easy for the borrower to make repayment without any difficulty, as equated instalment is small amount.

5. Only six percent of sample SHGs showed that their repayments are delayed and did not make prompt repayment. It has been ascertained the causes for delayed repayment during the course of study. Inadequate loan to carry out economic activities, leads to diversion of loan for family expenses. Usually the loan is to be advanced for productive purposes. When the loan is utilized for the purpose which will generate income, the income earned will be used to repay the loan. It is suggested that banks and lenders of SHGs jointly draw efforts to enlighten the members for proper utilization of loan. For which, effective supervision over the utilization of loan is to be made by bankers.

## CONCLUSION

In order to increase the repayment rate of loans on due date, members of the SHGs may be advised to use the loan for economic activities for this purpose proper monitoring of utilization of loan should be brought in force. Women SHGs has a significant role to play in Tamil Nadu economy for boosting the group activities for creating productive assets coupled with employment generation. Disbursement of bank credit and internal lending to sample respondents were inadequate.

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