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An analysis of the significant constraints and obstructions faced by rural beneficiary farmers of micro-financing institutions and comparison with money lenders of district Murshidabad of West Bengal

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Abstract
Micro-financial sectors have faced constraints or hurdles which has been a deteriorating factor. The undermentioned study has been instrumental in knowing which problems have stayed as major ones. Few of the enlisted constraints have stayed constant over the years while others evolved during the course of last few years due to the pandemic and various financial crisis. The rural beneficiary farmers getting the privilege of micro-finance have been a victim of these and managed to recover from these to a certain extent. Micro-financial institutions are embodiment of hope in the poverty-driven sector of our country but unfortunately due to the exorbitant number of rules and regulations and the abundance of the paper works it poses few significant hurdles in front of certain population of the beneficiaries. More importantly, the role which this play can be justified through a detailed study conducted within the farming community who serve as the beneficiaries of micro-financial institutions.
The present research entitled "An Analysis of the Significant Constraints and Major Obstructions Faced by Rural Beneficiary Farmers of Micro -financing Institutions of District Murshidabad of West Bengal" was carried out during the year 2022-23. For the present study, 80 farmers were selected randomly from the study area. The main objectives of the study were to analyse the major constraints and hindrance faced by the rural beneficiary farmers. The empirical findings are also followed by a statistical analysis and Garett Ranking Method.

Keywords: Constraints, Micro financing, rural beneficiaries, hindrance, poverty
Abbreviations: MFIs – Microfinancing institutions

Introduction

The entire concept of micro-finance revolves around a borrower and a lender. Mostly we have seen the borrower is the person who is either unemployed or having low-income or facing financial shortage and the lender is preferably another person who is economically sound such as money lenders, commission agents or a financial institution such as Commercial Banks Cooperatives, Regional Rural Banks etc. The main reason behind emergence of poverty is the poor economic development of the country. There was also a lack of economic stability among women in the village. Sudden increase in price of raw materials, shut down of factories and business establishments that affected market linkages.
Singh *et al*. (2017) [1] conducted research in rural areas of Punjab and found that a major constraint is that agricultural labourers were subjected to excess rate of interest as they are still in the control of non-institutional agencies particularly money lenders, large farmers and traders. Hence, that leads to indebtedness as their income remains stagnant with no change in their economic conditions. Swaminathan (2017) [2] suggested that loan waivers should be introduced by the credit agencies to the farmers during the short term as this would come to the rescue of those farmers who cannot repay the borrowed funds due to fall in agricultural prices in spite of bumper produce. Morduch *et al*. (2018) [3] found that poor households face many constraints in trying to save, invest, and protect their livelihoods. They take financial intermediation seriously and devote considerable effort to finding workable solutions. Most of the solutions are found in the informal sector, which so far, offers low-income households' convenience and flexibility unmatched by formal intermediaries. The microfinance movement is striving to match the convenience and flexibility of the informal sector, while adding reliability and the promise of continuity, and in some countries, it is already doing this on a significant scale. Getting to this point-reaching poor people on a massive scale with popular products on a continuous basis has involved rethinking basic assumptions along the way.

One by one, the keywords of the 1980s and 1990s women, groups, graduation, micro-businesses, and credit are giving way to those of the new century–convenience, reliability, continuity, and a flexible range of services. Ghatak M, & Guinnane T W (2018) [4] Concluded that the economic logic of joint liability can mitigate some problems that arise in lending to poor people. The central issue in such credit markets is twofold: the lender does not know much about the borrower, and effective commonly used contractual arrangement for contending with asymmetric information do not work because the borrowers are too poor for the lender to use the financial to achieve repayment loan.

Analysing the constraints faced by the rural beneficiaries has been the prime focus towards conducting the research study and how it has been effective in the past few years including the COVID era. The research paper was distributed into the under-mentioned heads: Materials and Methods, Results and Discussion and ending with Conclusion comprising the scope for future study.

Materials and Methods

The research work was undertaken in a four-stage sampling procedure. The state West Bengal was considered as the area of study followed by choosing the district and block. The state, district and block were chosen purposively considering the presence of poverty-stricken farming areas in the region which benefitted from the MFIs. The villages and respondents were chosen on basis of random sampling. The respondents were mainly rural people whose main occupation was farming i.e., they were farmers and also were also dependent on MFIs for availing credit. While getting demographical, geographical and agricultural insight of the study area, all kind of secondary data was obtained from the official websites of State Government and the district followed by Census Report of 2011 and an annual report prepared by Krishi Vigyan Kendra in 2020. A list of questions was prepared in the form of a research schedule and beneficiaries were asked to respond accordingly. This was how the primary survey was carried out. The beneficiaries were categorised on basis of land holding: marginal, small, semi-medium and medium. There was absence of large farmers.

Selection of the District: The District of Murshidabad was selected purposively considering the availability of farmers and MFIs in the particular district. Also, the District has high dignity along with many other districts in the State in terms of Agriculture.

Selection of the Block: Out of the 26 Community Development Blocks, Burwan was selected purposively for undertaking research based on the rural poverty level. This block has the rural poverty level of around 27.36 percentage which resulted in better availability of resources for my study.

Selection of the Villages: A complete list of all village was obtained from the selected respective block development officer (BDO) and this villages were arranged on ascending order on the basis of farm size holding of cultivation. There were 155 Villages in the desired block and out of them 5 percent of the total villages had to be chosen and of them 2 villages were selected randomly for undertaking the study namely – Barwan and Belgram.

Selection of Respondents: A list of farmers was prepared with the help of head of the village or head of each select villages in block thereafter, farmers were categorized in 5 size group on the basic of their land holding Out of them 10 percent of the population had to be chosen. About 80 Respondents were selected from the aforementioned villages reportedly – Barwan and Belgram. They were chosen subject to their availability and proportionate allocation to the population.

- **Marginal Farmers:** < 1 Hectare
- **Small Farmers:** 1 -2 Hectares
- **Semi – Medium Farmers:** 2 – 4 Hectares
- **Medium Farmers:** 4 – 10 Hectares
- **Large Farmers:** 10 Hectares and above

Selection of Institutions: Out of all the micro financing institutions functional in the study area, 10 Percent of non-govt. and govt. institutions was selected purposively.

Results and Discussion

After the primary survey, the analysis of the result has been demonstrated in the Table 1 and Table 2. Late repayment of over-dues has been an inevitable problem over the years which became more prominent during the past few years. There was a declination in the performance of MFIs to a lesser extent which was studied by drawing inferences from the various hindrances faced by the respondents of the study area. Table 1 gives an overview as to which is the major constraint facilitating late repayment by beneficiary farmers of the study area. The results revealed that the major problem was Failure of crops and it was given Rank I. Failure of crops was due to insect/ pest infestation, untimely heavy rainfall, sudden change in weather conditions etc. Rank II was assigned to unsatisfactory market management due to greater dominance by middlemen. Farmers faced lack of Technical Support and gave it Rank III. Expectation of getting loan/ interest waiver was given Rank IV. Diversion of proposed amount of credit was quoted as another problem and designated as Rank V. Among the problems enlisted in Table 2, emerging of any one problem led to another. The major problem being over- indebtedness and ineligibility of the farmers to borrow further was assigned Rank I. Livelihood got affected due to reduced subsidiary sources of income during the Covid era and was another major constraint given Rank II. Another problem given Rank III was that there was no savings as most of money was consumed or used in repayment. Decrease in demand and sales resulting in dreadfully low rates were the problem assigned Rank IV. A crucial problem faced was travel restrictions thereby curbing trade & commute to workplaces in the initial months of Covid. This was given Rank V by the respondents. Loss of family member during made a huge impact in the lives of the beneficiaries which got them into trauma and they lost their interest in continuing their work. This problem was assigned Rank VI. Increase in the price of raw materials used in farming was designated as Rank VII. Sudden change in weather conditions affected the daily wage workers that led to loss of crop produce was a common problem amongst all respondents given Rank VIII. Multiple recurring expenditure due to shortage of income was assigned Rank IX. Amongst all constraints, the least major one given rank X was that few of the beneficiaries lacked support from their family members in giving them advice or suggestions regarding availing loans from MFIs.

Table 1: Constraints for the late repayment

Parameters	Percentage Position	Garett Scores (Sum of the scores)	Mean	Garett Ranking
Diversion of the proposed number of credits	10	3985	49.81	V
Dissatisfactory market management	30	4870	60.87	II
Failure of crops	50	4875	60.93	I
Lack of technical support	70	4400	55	III
Expectation of a loan waiver	90	4270	53.87	IV

Table 2: Major Constraints in the study Area

Parameters	Percentage Position	Garett Scores (Sum of the scores	Mean	Garett Ranking
Lack of support from family members in obtaining loans	5	4177	52.21	X
Multiple recurring expenditure	15	4363	54.53	IX
Loss of family member	25	4665	58.31	VI
Travel Restrictions	35	4684	58.55	V
Increase in the price of raw materials	45	4652	58.15	VII
Reduction in the daily wage	55	4397	54.96	VIII
Inability of savings as most of the money gone in repayments	65	4895	61.18	III
Reduced Income	75	4906	61.32	II
Decrease in demand and sales	85	4819	60.23	IV
Over in debts and inability to borrow further	95	4987	62.32	I

Comparison with Mooney lenders and commission agents

The primary focus behind creating various micro-finance schemes was to protect the rural beneficiaries from exploitation by money lenders/commission agents. These money lenders take advantage of the innocence and constant financial needs of the underprivileged farmers as they are Unable to make both ends meet. They are mostly uneducated and hence. Lured into taking debts from these money lenders/commission agents. As a result, they ended up suffering from higher interest rates. Statements produced in Table 3 are an attempt to compare micro- financing with money lenders/commission agents.

Table 3: Comparison of MFIs with Money lenders and Agents (Figure in parentheses represent percentages to total)

Serial No	Particulars	Responses: Frequency of beneficiary farmers with percentages				
		Strongly Agree	Agree	Disagree	Strongly Disagree	None of them
1	Rate of interest in MFIs is lower than money lenders	41 (51.25)	22 (27.5)	10 (12.5)	2 (2.5)	5 (6.25)
2	The loan is made easily available by MFIs compared to money lenders	22 (27.5)	24 (30)	23 (28.75)	8 (10)	5 (6.25)
3	The additional requirement of money is met by money lenders	16 (20)	18 (22.5)	32 (40)	14 (17.5)	-
4	Beneficiaries are able to pay their inherited debt with the help of MFIs	40 (50)	22 (27.5)	7 (8.75)	5 (6.25)	6 (7.5)
5	MFIs failed to meet the individual financial needs as compared to money lenders	35 (43.75)	17 (21.25)	13 (16.25)	6 (7.5)	9 (11.25)
6	In case beneficiaries fail to pay the instalments, they were pressurized by MFIs	15 (18.75)	21 (26.25)	30 (37.5)	14 (17.5)	-
7	MFIs maintain harmony as compared to money lenders	35 (43.75)	26 (32.5)	9 (11.25)	10 (12.5)	-
8	The rural beneficiaries are exploited by money lenders or agents	37 (46.25)	18 (22.5)	12 (15)	13 (16.25)	-
9	Beneficiaries do not face a problem to arrange a guarantor while taking a loan from MFIs	42 (52.75)	23 (28.75)	8 (10)	7 (8.75)	-

Table 4: Comparison of MFIs with Money lenders and Agents

Serial No	Particulars	Chi Squared Value
1	Rate of interest in MFIs is lower than money lenders	63.37
2	The loan is made easily available by MFIs compared to money lenders	20.87
3	The additional requirement of money is met by money lenders	32.5
4	Beneficiaries are able to pay their inherited debt with the help of MFIs	57.12
5	MFIs failed to meet the individual financial needs as compared to money lenders	32.49
6	In case beneficiaries fail to pay the instalments, they were pressurised by MFIs	30.12
7	MFIs maintain harmony as compared to money lenders	50.13
8	The rural beneficiaries are exploited by money lenders or agents	45.37
9	Beneficiaries do not face a problem to arrange a guarantor while taking a loan from MFIs	70.13

Rate of interest in MFIs is lower than money lenders

Views of the beneficiaries as produced in Table 3 and 4 showed that majority of them either agreed (27.5%) or strongly agreed (51.25%). About 15% disagreed to the statement. The chi- square value is 63.37 which is significant at 0.05 significance level. It can thus be concluded that MFIs have lower rates of interest than money lenders and Commission agents.

The loan is made easily available by the MFIs than money lenders/commission agents

The responses as demonstrated in Table 3 & 4 show that there is more concentration towards the agreement side (57.5%) and comparatively less on disagreement side (38.75%). The chi- square value is 20.87 which is significant at 0.05 significance level.

In case beneficiaries fail to pay the instalments, they were pressurised by MFIs.

Views of the respondent's state that only 45% agreed to the statement while 55% disagreed. chi-square value is 30.12 which is significant at 0.05 significance level. It can be thus concluded that it was completely a false notion that rural people were pressurised by MFIs in case of failure to repay the instalments.

The rural beneficiaries are exploited by money lenders or agents.

The aim behind choosing MFIs over money lenders/commission agents is that the beneficiary farmers have been extensively exploited by these money lenders. In the tables mentioned above majority of the respondents (68.75%) have either agreed or strongly agreed on this statement while 31.25% have disagreed. Chi-square value is 45.37 which is strongly significant at 0.05 significance level.

The additional requirement of money is met by money lenders/commission agents

Uncertainties are inevitable. To cope up with that, respondents required additional money to suffice for their needs and wants. The Tables help us to analyse that 42.5% either agreed or strongly agreed to the statement while majority (57.5%) disagreed. Hence, there was more inclination towards the disagreement side. The beneficiaries rather preferred taking help from commercial banks as they felt that was more reliable than money lenders/commission agents. Chi-square value is 32.5 which is significant at 0.05 significance level.

Conclusions

Constraints that were paramount and needed to be studied and looked after were listed as: failure of crops, unsatisfactory market management, over-indebtedness and ineligibility to borrow further, late repayment, loss of livelihood due to reduced sources of income, trauma due to death of family member. The hurdles that were considered minor and could be got off easily were: diversion of the proposed amount of credit, multiple recurring expenditure and lack of support from family members in obtaining loans from micro-financial institutions. The possible suggestive measures were: MFIs should work towards introducing lowering interest rates to a greater extent and Repayment schedules should be revised and relaxed keeping in view the destruction the pandemic had caused. Conclusion can be drawn that most of the respondents agreed that the rate of interest is lower in MFIs, loan is made easily available to them by MFIs than money lenders. Majority of beneficiaries said that they were able to pay off their inherited debts with financial assistance from MFIs. However, they disagreed on the following: that for additional credit demand they have to approach money lenders since they would prefer Commercial Banks for the same purpose. They also agreed on the fact that MFIs didn't pressurize them in case of failing to repay from time to time compared to money lenders. MFIs maintained harmony with them with officials visiting them annually to help them manage their farming or small businesses which in return insisted trust upon the micro financing Institutions. Thus, an interference can be drawn that MFIs came as a saviour to protect the rural peoples from the exploitation of the money lenders.

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