

Microfinance: A Source of Living in Garo Hills

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As far as the various sources the Microfinance is defined as a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

For some, microfinance is a movement whose objective is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also saving and fund transfer. Many people who promote microfinance generally believe that such access will help the poor people out of poverty. For other people, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

People find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewelry and precious metals. As Marguerite Robinson describes in *The Microfinance Revolution*, the 1980s demonstrated that "microfinance could provide large-scale outreach profitably," and in the 1990s, "microfinance began to develop as an industry" (2001, p. 54).

Rutherford argues that the basic problem poor people as money managers' face are to gather a 'usefully large' amount of money. Building a new home may involve saving and protecting diverse building materials for years until enough are available to proceed with construction. Children's schooling may be funded by buying chickens and raising them for sale as needed for expenses, uniforms, bribes, etc. Because all the value is accumulated before it is needed, this money management strategy is referred to as 'saving up'

Many people do not have enough money when they face a need, so they borrow. A poor family might borrow from relatives to buy land, from a moneylender to buy rice, or from a microfinance institution to buy a sewing machine. Since these loans must be repaid by saving after the cost is incurred, Rutherford calls this 'saving down'.

Many Garo people face the problem of gathering enough money if they do not have enough money for their needs, they borrow from different sources that is from their relatives, money lenders or from microfinance institutions.

FINCA, the Foundation for International Community Assistance, was formed in Latin America in the 1980s. It set out with the Village Banking Manual with the idea to run a savings-and-loans club run by the poor women clients with initial help from outsiders. It turned savings in to lump sums with support from various NGOs who took on the project and spread it around the world. These villages' banks blended 'hot' (members' savings) and 'cold' (external financing) money to provide these time-based services. It runs multiple savings accounts and grows from interest on loans. Its strategy of financing and blending money allows for the system to become self-sustaining from the NGO after several cycles of loans, aiming for sustainability and long-term services which is of course a huge advantage. The disadvantage of this model is it's assumption that larger loans are needed by their clients, and although that may be true to a certain degree, each group of clients has different needs and maximum loan capacity due to their income. Situations must be tailored to fit the needs of their clients rather than assuming that growth is inevitable. The other disadvantage is the same with many informal and semi-formal financing, and it is that if one defaults on their payments it disrupts the whole system and has the ability to ruin it.

Benefits and Limitations

The benefits of microfinance are that it helps to manage the assets of the poor and generates income. Through microfinance institutions such as credit unions, financial non-governmental organizations and even commercial banks, poor people can obtain small loans and safeguard their savings. The limitations of microfinance are that, through this savings plan participants are losing money by having to pay a fee. The user can also pay back their loans whenever they choose therefore encouraging a borrower to have various outstanding loans. The lender is also vulnerable, that there is no guarantee of the loan being repaid in the given arranged timeframe, and the consequences to defaulting are not defined.

A micro-finance initiative wishes to address these issues in a positive way. For example, micro-finance can be an alternative program to address poverty reduction where the tools needed to raise an individual or a family out of poverty is given to them directly. In a micro-finance project these tools include money primarily, and may also be accompanied with a savings program, and financial help. Along with poverty reduction, a micro-finance initiative can aim to avoid a general sense of mistrust between the citizens and their national banks. The money in this case, is not coming from a bank, but rather within the community which allows those participating to foster social capital and community cohesion. Lastly, a microfinance

initiative can promote larger poverty reduction movements by increasing the financial knowledge of the average citizen.

There are two ways in which the needs of the poor are not being met by micro finance. Firstly, the poor need to store savings for the long run; such as for their retirement, widowhood or their heirs but the examples such as saving up, down and through do not directly meet these needs. Secondly, the poor's ability to save fluctuates with time and so they may not be able to save the fixed rate of saving. These two shortcomings are difficult for the poor and they often get excluded or exclude themselves (Rutherford, 2009). Poor people have to take a risk to turn their savings in to large lump sum of money because there is no perfect system that would protect their deposits. For example, there is a lack of trust among the members and the organizer; most community micro finance projects only include family and close friends and do not reach beyond that. Also, there is no or very little growth in the amount of money that they save if saving up but if saving down, there is an interest rate that the members have to pay.

The major benefit of microfinance projects is that it allows low income families to save their money; most of the poor live day to day with the little money that they earn and cannot afford to save. Poor people need such alternatives in order to turn their savings in to large lump sums or receive large sums and pay monthly with low interest rates. Banks and other money lending institutions have high interest rates and simply won't extend loans to poor people with little or no assets or employment. Microfinance helps the poor people get access or save funds over a period of time with low interest rates. Also, the poor could solve their own issues by working together as a community and this creates trust and social capital in their communities. It also leads to stability and growth in their households, as well as their communities.

Microfinance is considered a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions.

Micro Finance in Garo Hills runs by A·chik Evangelical Association (AEA) NGO:

The Microfinance of AEA NGO was started in November 2009 in West Garo Hills Tura. Microfinance financial services run by AEA NGO in Garo Hills are such as insurance funds and credit provided to poor and low income clients so as to help them increase their income, thereby improving their standard of living.

Micro Finance Scheme: The Micro finance AEA NGO and the office staff was trained by (NEDFI) The North-Eastern Development Finance Corporation Limited. The NEDFI was originally conceived in the budget speech of 1995-96, by the Finance Minister and was promoted by the financial institution of the

country. NEDFI was incorporated in August 1995, with its headquarters at Guwahati. NEDFI aims to be a dynamic and responsive organization catalyzing the economic development of the North-East. Its prime role is to enhance the wealth of the region and prosperity of the people.

The need of Micro-Finance Scheme

Most of the people in Garo Hills are predominantly in the farming sector. For the trading and production purposes the rural poor is still dependent on local money lenders whose interest rates are normally very high. This is rather heavy on the borrowers; who are often poor and illiterate the intricacies involved in formal lending. Therefore they do not approach banks despite their needs.

The AEA Micro Finance on Garo Hills have the same objective as the NEDFI's Objective

There is a need to target small and mid-sized agriculturists, self-employed people and entrepreneurs; not so much as a measure of poverty alleviation but as an exercise in setting up a productivity/efficiency building mechanism that would support the greater objective of overall development of the region. The financial assistance given will help to generate income, which would allow them to care for themselves and the families.

On-going Activities of Micro finance by (AEA) NGO's are

1. Income generation through agriculture (including farm implements).
2. Other farming activities, mainly: piggeries, poultry, fisheries, dairy farming etc.
3. Tailoring, grocery, vegetables shop, fair price shop, toys shop etc.

The main features of microfinance in Garo Hills:

- Loan given without security
- Loans to those people who live below the poverty line
- Members of SHGs may benefit from micro finance
- Maximum limit of loan under micro finance is Rs 40,000/-
- Terms and conditions offered to poor people are decided by NGOs

The initial financial investor for the Micro Finance was made by the Central member of AEA General. The Micro Finance initially gave a loan of Rs 10,000/ each for the clients at the rate of 2 percent interest. The loan has to be repaid within 1 year. When the client finished repaying the loan of the first installment then he

or she can apply for another installment Rs 20,000/ each at the rate of 2 percent interest. The loan has to be repaid within 2 years and likewise the third installment Rs 40,000/ where the rate of interest is same. The repayment of loan is within 3 years. Only under special consideration Rs 80,000/ is given to one of the client who runs a toy shop in Araimile, Tura based on the satisfied progress.

The Micro Finance run by AEA NGO's covers only the urban areas of West Garo Hills. This NGO has already given a loan for more than 200 members or clients for different activities. There are number of grocery and vegetable shops, in different localities of West Garo Hills who opened with the loan money given by MF. There are number of livestock's mainly; piggery, poultry and fishery also run by some members. The Micro Finance gave Loans based on the activities run by the members that is for the vegetable shops, tea stall, fast food, petty business from Rs 5,000/ to Rs 15,000/. For grocery and fair price shop and livestock the loan limit is up to Rs 40,000/. Maximum different activities run by the member is progressing well which help to uplift themselves and their family members.

The AEA NGO opened a School named Mount Penuel School from class nursery to class-X in Williamnagar, East Garo Hills. At present the salary for the headmaster is paid by the Micro finance AEA NGO office Tura, and the teaching staff salary is run by the school fees.

Success story of Microfinance AEA NGO:

Lospina M. Sangma, 43 years has 6 children residing in Hawakhana locality of Tura. She had a problem of maintaining the family as her husband spent most of the time in drinking liquor and do not support the family members. Once she had only Rs. 500/ in hand but she had a dream to open a small shop in order to support the family for her day to day life. She tried to borrow money from a money lender but they refused as she was poor. From different sources, she heard about the microfinance and approached for a loan where initially they gave her Rs 5000/ and later it was enhanced to Rs 30.000/. With the loan money she started a grocery shop. Microfinance has really helped her to support her family's everyday needs and children schooling. She personally thanked the Micro finance AEA NGO group for helping her and she hope even in future they will give a financial assistance.

New Policy Structure of Microfinance (AEA) NGO West Garo Hills Tura:

Sl/no	Capital Investment	Duration	Interest
1	1 lakh	3 years	8%
2	2 lakh	3 years	8.5%
3	3 lakh	3 years	9%
4	4 lakh	3 years	9.5%
5	5 lakh	3 years	10%
6	6 lakh to 10 lakh	5 years	12%

Villagers convert hyacinth into artistic items:

Recently in July 2013, a team of 15 women were selected by North East Region Community Resource Management Project for Upland Areas (NERCORMP), Ministry of North East Region (DoNER) to undergo training on the Thai technology at Guwahati in Assam. “The idea was conceptualized for the villagers by former secretary of NEC, U .K. Sangma, who help the village with NEDFI for training and sponsorship,” said Atul Chakravarty project manager of West Garo Hills Community Resource Management Society.

In Thailand, Vietnam and Philippines, the water hyacinths are used as braiding material and as source of fiber to create different products, including furniture. During the 10 days of training of NEDFI house sponsored by North Eastern Council (NEC), Shillong, they were given training on these weeds, which can create magic on waves. The stem of the water hyacinth are used for creation of useful items. It is dried, treated with sodium water, changing their colour from green to tan.

“The raw material is easily available, so it is not a problem. It is zero investment initiative where we need to use our creative imagination to make product” said, Memosha Marak an elderly lady, who underwent the training. She is member of a SHG and secretary of Chijangjang Natural Resource Management Group (NaRM-G). She added we trained several other women in the village and all of us are weaving different products. We are catering to local markets and we would like to initiative in due course of time.

A total of 23 women, including a male member of the village are engaged in the craft making. “To weave a purse, we need six to seven hours. It can be sold in the local market at the price ranging from Rs. 250 to Rs. 300, based on its design,” said Marak.

The group is participating in different local fairs and exhibition to display and sell their products. The products do not have any label or brand. The West Garo Hills Community Resource Management Society, an agency working under NERCORMP is devising a strategy to brand and label the items, which can be sold within Garo Hills and outside.

Conclusion:

Thus we can say, Through (NEDFI) The North-Eastern Development Finance Corporation Limited Scheme the Micro Finance give a banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

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Self Help Group (SHG) in Garo Hills

A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can also be found in other countries, especially in South Asia and Southeast Asia.

A self-help group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions. To make the book-keeping simple enough to be handled by the members, flat interest rates are used for most loan calculations.

Self-help groups are generally facilitated by NGOs, and increasingly advise and train members in a variety of on- and off-farm income-generating activities. Indeed, in a number of recent projects, NGOs were substituted by trained facilitators and animators drawn from self-help groups. Through promoting self-help group, IFAD-funded projects have contributed to improving the overall status of women in terms of income, empowerment, welfare, etc.

Self-help groups, also known as mutual help, mutual aid, or support groups, are groups of people who provide mutual support for each other. In a self-help group, the members share a common problem, often a common disease or addiction. Their mutual goal is to help each other to deal with, if possible to heal or to recover from, this problem. While Michael K. Bartalos (1992) has pointed out the contradictory nature of the terms “self-help” and “support,” the former U.S. surgeon general C. Everett Koop has said that self-help brings together two central but disparate themes of American culture, individualism and cooperation (“Sharing Solutions” 1992).

Self-help groups may exist separately or as part of larger organizations. They may operate informally or according to a format or program. The groups usually meet locally, in members’ homes or in community rooms in schools, churches, or other centers.

Goals

Self-help groups are started by non-governmental organizations (NGOs) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrollments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective. This can hinder their development as sources of village capital, as well as their efforts to aggregate locally controlled pools of capital through federation, as was historically accomplished by credit unions.

Self Help Group is a homogeneous group of micro entrepreneurs with affinity among themselves, voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group from which small loans are given to the members for meeting their productive and emergent credit needs at such rate of interest, period of loan and other terms as the group may decide.

Objective of SHG:

To meet the credit needs of the poor by combining flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the formal credit institutions. To encourage banking activity both on thrift as well as credit side in a segment of the population that the formal financial institutions usually find difficult to cover.

Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHG's are 'linked' to banks for the delivery of micro-credit.

The Government of India and state authorities alike have increasingly realized the importance of devoting attention to the economic betterment and development of rural women in India. The Indian Constitution

guarantees that there shall be no discrimination on the grounds of gender. In reality, however, rural women have harder lives and are often discriminated against with regard to land and property rights, and in access to medical facilities and rural finance. Women undertake the more onerous tasks involved in the day-to-day running of households, including the collection of fuelwood for cooking and the fetching of drinking water, and their nutritional status and literacy rates are lower than those of men.

Women's empowerment has long been a central feature of the partnership between IFAD and the Government of India. Key instruments for supporting women's empowerment are self-help groups, whereby 10-20 rural women from the same village, mostly poor women, come together to contribute two-weekly or monthly dues as savings and provide group loans to their members. The self-help group approach was not created by IFAD-supported operations, but IFAD has contributed to the mainstreaming of this approach in India and to financing programmes for promoting self-help groups in states such as Tamil Nadu and Maharashtra supported by the Women's Development Corporation, an arm of the State Government involved in supporting women's development.

In self-help groups, specific modes of social support emerge. Through self-disclosure, members share their stories, stresses, feelings, issues, and recoveries. They learn that they are not alone; they are not the only ones facing the problem. This lessens the isolation that many people, especially those with disabilities, experience. Physical contact may or may not be part of the program; in many support groups, members informally hug each other.

Conclusion:

Thus one possible effect of this peer model is empowerment. Self-help group members are dependent on themselves, each other, the group, perhaps a spiritual power. Together they learn to control the problem in their lives.

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