



ISSN (E): 2277-7695
ISSN (P): 2349-8242
NAAS Rating: 5.23
TPI 2022; SP-11(6): 1483-1485
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www.thepharmajournal.com
Received: 07-04-2022
Accepted: 10-05-2022

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Study of constraints and major hindrances faced by beneficiary farmers of micro-financial institutions during COVID-19, West Bengal

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Abstract

COVID has demolished the country and other parts of the world. 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 Covid-19. 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.

Keywords: COVID, constraints, micro-finance, rural beneficiary

1. 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, Co-operatives, 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.

Prarthana *et al.* (2021) ^[1] has summarized that women of the SHGs in Nilgiris were the most affected post Covid-19 lockdown as tourism is the main source of livelihood in that area. The MFI branches assisted the people by reducing the interest rate from 24% to 23.68% as well as rescheduling the repayment of loans for those who took loans after August 2020. However, after this survey was carried out, a suggestion was put forward by the authors, which stated that MFIs should issue fresh loans as per the request made by the clients. This, in turn would help them compensate the amount outstanding from previous loans especially to those who had to mortgage their belongings to moneylenders. Bull & Ogden (2020) ^[2] has mentioned methods which would help the MFIs to recover from the post-pandemic situation such as reconstructing the existing loan contracts, providing subsidies on interest rates and also flexibility in repayment schedules. Singh & Sharma (2020) ^[3] has mentioned that surprisingly agricultural sector in India was not hit as massively as other sectors with the emergence of Covid-19. However, during the span of lockdown, the MFIs and their beneficiaries have been subjected to problems which are at par with the challenges that demonetization had brought in during 2016. Suggestions from this survey come out as understanding the client psychology and dealing with them in an appropriate manner. Singh *et al.* (2017) ^[4] 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) ^[5] 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 inspite of bumper produce.

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 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.

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2. 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, Burdwan in 2017. 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. The problems have been classified into two parts as listed in Table 1. Respondents were asked to rank the problems accordingly.

For carrying out the above mentioned research work analytical tool i.e. Garrett's Ranking Technique has been used to analyse the enlisted problems.

3. 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 Covid-19. Covid-19 didn't come as a blessing. 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 lockdown causing 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 Covid-19 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 leading to late repayment

Sl. No.	Parameters	Mean	Garrett Ranking
1.	Failure of crops	60.93	I
2.	Unsatisfactory market management	60.87	II
3.	Lack of technical support	55	III
4.	Expectation of getting loan waivers	53.87	IV
5.	Diversion of the proposed amount of credit	49.81	V

Table 2: Major constraints during covid-19

Sl. No.	Parameters	Mean	Garrett Ranking
1.	Over-indebtedness and ineligibility to borrow further	63.45	I
2.	Livelihood affected due to reduced subsidiary sources of income due to Covid-19	61.32	II
3.	No savings as most of money is consumed or used in repayment	61.18	III
4.	Decrease in demand and sales resulting in dreadfully low rates	60.23	IV
5.	Lockdown causing travel restrictions thereby curbing trade & commute to workplaces	58.55	V
6.	Personal trauma/ loss of family member due to Covid-19	58.31	VI
7.	Increase in the price of raw materials used in farming	58.15	VII
8.	Weather conditions affecting daily wage workers and also loss of crop produce	54.96	VIII
9.	Multiple recurring expenditure	54.53	IX
10.	Lack of support from family members in obtaining loans from MFIs	52.21	X

4. Conclusion

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.

5. References

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