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A Study On Micro Finance With Special Reference To Tamulpur Development Block

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Abstract:

Lack of capital formation is the common characteristic of people of third world countries. Ever deprive people are striving only for minimum financial entity. Emergence of MF have been urged the underprivileged section of people in case of economic empowerment. It is pertinent that to mitigate the poverty in the rural sector MF stands as a noble substitute. In fact, MF is now become instrumental for poverty alleviation and economic sustainability. In this paper, it is trying to explore the accessibility of financial facilities acquired by the people, belongs to the rural area of Tamulpur district. In addition to it, how many MFI have been surviving to assist financial support to small businessman and rural development. Further it is attempted to highlight the challenges for rural development and suggest measures to improve the performance.

Keywords: *Micro Finance, Rural Development, Women Empowerment.*

Introduction:

The vulnerable folk reside in rural area of third world countries had been suffering from formal banking facilities from the very beginning of the economy. Especially poor women were suffering from financial exclusion, because of high risks, high transaction cost involved in small-scale rural lending to a large number of poor households and absence of collateral, securities to be provided by the poor against loan. Therefore, to attain the twin objectives of financial inclusion and poverty alleviation, the concept of microfinance was conceived as an instrument to overcome it.

Micro Finance (MF) refers the financial service provided for the under privilege groups of people resides basically in the rural area of the under develop countries. The poorest country often uses the term MF to eradicate the capital deficiency problem among the low level earner. The MF intends to encompass the ever deprived section of people those who are excluded from formal banking system.

Striving for lack of capital formation by the so far neglected sections of rural folk is not a new phenomenon. The emergence of micro finance can be considered as a revolutionary attempt in case of livelihood promotion by providing thrift and credit technique through financial inclusion mechanism. It is evident that, MF is an old concept, but relatively a new term.

The term MF comprises micro credit, small saving facilities, small insurance, etc. The habituate with MF intends the small producer towards financial awareness, enable to select best investment plan, regular repayment behavior of small loans, thriftiness, financial literacy, etc., along with pursue to social empowerment.

The philosophy of credit without collaterals to the under privilege ever deprived group of people propounded by Professor Mohammad Yunus through Grameen Bank experience in Bangladesh in 1976, got momentum the concept MF, later it was extended to the other countries of the world.

In a nutshell, targeting low income individual and small entrepreneur who are typically excluded from formal banking system, the collateral-free loan and financial facilities are provided is termed as microfinance.

1. Self Help Group:

The SHGs today has become an effective vehicle to pursue the diverse developmental agenda and even for the profit motive. SHGs are effective in reducing poverty, empowering women and rural development. Micro Finance scene is dominated by SHG-Bank linkage program as a cost effective mechanism for providing financial service to the 'unreached poor.' Self help is a strategy for social development places emphasis on self-reliance, human agency and action. It aims to mobilize people, to give them voice and build people's organizations that will overcome barriers to participation and empowerment. Central to the idea of Self-help is the formation of groups, concept of a community and the development of egalitarian relationships that will promote people's wellbeing **Das (2012)**. Drawing capital formation attitude through elevating saving behavior among rural poor women SHGs might be a proper way of financial execution. The SHGs platform renders the income generating ideas to the members as locally applicable. The members able to have the scope to prepare themselves for uplift mindset for all kind of finance related aspects like maintenance of regular saving, capital formation, access credit facility; bank linkage, insurance etc. consequently have the ideas to improve the standard of living.

2. Join Liability Group (JLG):

A group formed with 4 to 10 members from landless farmers or small businessman with mutual guarantee and joint responsibility for collateral free credit is termed as JLG. The JLG is profit oriented group, not saving oriented group like Self Help Group. The members of JLG come forward

with the commitment of collective liability of repayment loan. JLG is facilitated by NABARD, forming a group having similar socio-economic background of people prevailing in the rural sector to fostering the standard of living.

3. **Women Empowerment:**

The word empowerment indicates the enhancement of power. Women empowerment means the all round develop of women folk, i.e., economically, politically, morally, socially, etc. Initially, the micro loan model was executed by Prof. Md. Yunus, forming women groups in the Bangladesh. Accordingly, MF is extended to almost all the countries of the world considering as a weapon for women empowerment.

4. **NABARD and MF:**

To uplift the rural economic development by providing financial support to small entrepreneurs the government of India established the National Bank for Agriculture and Rural Development in 1982. The main focus of NABARD is to supervise the rural banks and cooperative banks to promote rural livelihood and economic growth. Therefore, the MF has been got momentum with the initiative of NABARD. Like RBI establish a micro credit cell in April 1999, NABARD has set up a micro credit innovations department as well.

5. **Micro Finance versus Micro Credit:**

Although MF and MC moves in almost synonyms direction still there is a vast difference between them. Micro Finance includes credit, savings, insurance, remittance, and other financial services whereas, Micro Credit refers only credit. In a nutshell, micro credit is nothing else but a section of MF.

6. **Background of MF in the study area:**

Although, a total of 2400 women SHGs were formed under the government initiatives during their evolution described above, only 600 among them were able to sustain till the inception of SGSY. Initially they introduced aromatic plantation (Chitnella) and the groups were assisted by providing seeds by the government agencies. In the direction of inclusion in the formal financial services, certain MFIs such as- Rastriya Gramin Vikash Nidhi (RGVN), Bandhan, Udjiban, etc., came forward to encourage women group formation for providing microcredit facility in Tamulpur area, especially during the last two and half decades.

Review of Literature:

Certain literature can be stated relating to the proposed topic, a study on micro finance with special reference to the Tamulpur development block.

Das, D. C.(2023). Found that the MF becomes complementary with formal banking system in case of rural development, still supply of MF is not sufficient to meet the demand to mitigate the poverty in India.

Vijaylakshmi, R. (2014). Reveals, MFI often target women as customers. Since, MF is related basically with home base activity, it is convenient to pursue more for women. Further, it has the impact on both household consumption as well as the quality life of children.

Sowmya, B. V. S. & Reddy, R. (2022). It is found that, there is a significant association between respondent's annual income and their repayment levels of existing loan is execute. It is observed that there is a strong relationship between respondent's years of existence in microfinance and income after participating in microfinance, i.e. microfinance led to improvement in the financial standards of the members and has led to the rise in their income levels especially during short run. The respondent's standard of living has grown since they started using microfinance because of increase in their financial wealth.

Shahnawaz, M. (2017). It can be concluded from the paper that Microfinance plays a very decisive role in providing financial services to the needful sections of the society. It is the requirement of the time from MFIs to eradicate poverty from the country. It is also expected to contribute towards women empowerment in the society. In the follow-up of this poor people will become more stable and a step forward towards formal banking services and making them more approachable towards long-term formal debts and credit services. Microfinance has several factors to contribute towards nation building process and by developing the unbanked rural population of the country. By bringing the marginalized section of the society into the mainstream through the provision of financial services including credit and savings is amongst the most effective way of rural development.

Vetrivel, S.C. & Kumarmangalam, S. C. (2010). First of all, the poor repay their loans and are willing to pay for higher interest rates than commercial banks provided that access to credit is provided. The solidarity group pressure and sequential lending provide strong repayment motivation and produce extremely low default rates. Secondly, the poor save and hence microfinance should provide both savings and loan facilities. These two findings imply that banking on the poor can be a profitable business.

Lamichhane, B.D. (2022). Found that MF act as a grassroots for rural development and act as a powerful instrument of poverty alleviation and empower the women economically and socially.

Das, E. K. & Baishya, D. (2015). It is found from this study, that micro finance through self-help group is helping the poor and upgrading women empowerment by making them financially strong. SHGs have increased their habit of savings and investment in some developmental activities. Thus it is universally accepted that SHGs and Bank linkage programme has profound influence on the economic status, decision making process and level of dependence of women in India.

Objectives of the Study:

To achieve the result it can be summarized with the following objectives.

1. To study on the working MFI prevailing in the entire study area.
2. To assess the impact of Micro finance in rural development.
3. To find out the lacunae and suggest measures for improving utilization of MF.

Hypothesis of the Study:

1. There is a positive relationship between Micro Finance and rural development.
2. The MFI has a positive impact to enhance the income level in the rural area.

Research Methodology:

As the objectives suggest, my study would be analytical and descriptive type of research based on mainly on primary data. It will be visited in all the financial institutions surviving under the block to collect the information regarding MF. The secondary information proposed to be collected from various published sources of Central and State books, magazines, newspapers, reports, seminar papers etc. Information would be gathered from Block Development Office, different layers of employees, NGOs field level workers, SHG members etc.

The reason behind selection of this block is that it is one of the backward areas of newly formed Tamulpur district and since I am presently belongs to this area it will be convenient for me to study deeply in field level work.

A sample of 215 women would be selected randomly from 2400 (as on June 2024) Self Help Group (SHG) as sample unit for the study. Since the execution of MF mainly pertaining with women Self Help Group, therefore, women SHG members are preferred as respondents. Required information would be gathered from the chosen sample unit using a questionnaire schedule in the final phase of survey. Some statistical tools such as tables, ratios, percentages will be used to summarize the result.

Data Analysis:**Status of MF provided by Financial Institutions:**

The MFI disburse loan to the small investors by composing some group having members 10 to 30. The reason of forming group is binding with repayment liability. i.e., the responsibility of repayment is bonded equally among them. Although the loans are disbursed individually but each and everybody are equally responsible for repayment of money of other clients of the groups.

Table-01 highlighted the amount of loan facilities have been accessed by the members of group from the MFIs survived in the study area in last financial year 2024-2025. Further, it comprises that, how much clients covered from different villages of study area.

Table-01**Name of Financial Institutions, Amount Disbursed MF and Client Covered (2024-2025)**

Sl. No.	Name of Institutions	Amount Disbursed (2024-25)	Total Number of Clients	Total Village Covered
1	SBI	3,68,00000	102	12
2	UCO	9,20,00000	1370	14
3	AGVB	21,78,00000	7140	14
4	Canara Bank	19,00000	40	7
5	HDFC Bank	2,50,00000	132	16
6	Bandhan Bank	73,406915	1850	14
7	Slice Small Finance Bank	10,91,00000	2164	14
8	Axis Bank	6,50,00000	100	16
9	Indian Bank	Nil	Nil	Nil
10	Post Office	Nil	Nil	Nil
11	Other Sources			

Source: *Field data*

The figures in the brackets indicate percentage of the total.

The above table-01, shows that highest amount of money disbursed among women members i.e., 21.78 crores to the 7140 clients of 14 villages by Assam Gramin Vikash Bank (AGVB) whereas only 19 lakhs amount disbursed to 40 members of 7 numbers of villages by newly settled branch of Canara Bank. There are two financial institutions namely; Indian Bank and Post Office don't provide micro finance to the rural

women investors. The field study reflects another fact that there are some local mutual financial depository fund societies constructed by the members which facilitate micro loan at a very minimum rate of interest to the rural women folk investors. The accurate data of such accessibility cannot be brought in to account as a whole.

Utilization of Fund and Impact on Income Level:

The small loans received from the MFIs by the targeted women group members, invest in different productive cum non-productive areas which are categories as below. Further, it is intended to explore the impact on their income levels in last financial year (2024-2025) as reflected in the below mentioned table-02.

Table-02

Utilization of Funds and Level of Income (2024-2025)

Sl No	Sector of Utilization of Funds	No of Client	Annual Income of Client			
			Below Rs.50,000	Rs.50,000 to 1,00,000	Above Rs.1,00,000	
1	Farming	133 (61.86)	29 (21.80)	92 (69.17)	12 (9.02)	
2	Non-Farming	33 (15.35)	06 (4.51)	23 (17.29)	04 (3.00)	
3	Training Oriented	49 (22.79)	11 (8.27)	29 (21.80)	09 (6.76)	
4	Consumption	00				
5	Unutilized	00				

Source: *Field data*

The figures in the brackets indicate percentage of the total.

Table-02 shows the utilization of funds in different direction of economic activities by the rural investor in Tamulpur Block. Most of the investor opted economic activities belonging to farming i.e., agriculture and allied sector. Out of 215 investors 133 are engaged with farming sector activities i.e., 61.86 per cent. It is followed by training oriented activities that are 49 (22.79 per cent) of the total 215 investor. In the next columns, it is categorized the income levels of the investor. The annual personal incomes of most of the investors are seen between Rs. 50,000 to Rs. 100,000. It can be affirmed that it is a positive sign for rural women investors those had almost nothing any formal bank relationship before MFIs emerged. Further, above table able to reflect that not single investors are seen in the category in consumption and unutilized part, spend the fund received from MFIs.

Findings:

1. The financial inclusion initiatives taken by the government as well as NGOs able to brought an awareness regarding financial market. Not only the SHGs member, JLGs member able to access the benefits of diversified pathway of income but the common villagers are also engaged with some innovative ideas of income.
2. The women folk resides in the rural area are seen interested to earn an additional amount of income along with execution of daily scheduled works.
3. Regarding the rate of miss implementation of small loan, i.e., used in consumption purpose gradually decline to zero, as reflected by the field data. Therefore, it is clear from the field survey that people are not like to use any amount of money received from micro loan either in the consumption purpose or keep as unutilized form.
4. Further, no inter lending-borrowing is taken place among the villagers only on sympathetic ground as prevail in the traditional society. It's a progressive sign from economic point of view. The transaction executed among the villagers only on the basis of the economic profit or lost attitude.

The two **hypotheses** as stated above can be accepted after analyzing the findings.

Suggestion:

1. Financial literacy programme should be constituted among the common people lived in rural area.
2. Training programme should be conducted frequently that the villagers could aware to acquire with some highly profitable productive techniques.
3. Financial inclusion and bank-linkage drive should be implemented rapidly so that people could able to acquire the facilities of financial market.
4. A strong awareness drive must be executed regarding the mechanism of MF especially in the village level.

Conclusion:

It is evident that, a huge numbers of people are depriving from formal banking facilities in all over the world. People those are out of access banking facilities, almost 20 percent live in India which attack on national income as well as per capita income. Emergence of MF it is executed in the productive arena as well as admissible for almost all sections of the people in the society.

Of late, to attacking poverty among the so far neglected society MF is considered as a strategic weapon. The MF urges to enhance the confidence level to involve with entrepreneurial activities. It intends to come forward towards self sufficiency among the poor people. Enabling to grow a business mentality people are facilitating to convert morally to boost up economic well-being along with conscious living standard. In

fact, from this study it can be affirmed that MF is an instrumental weapon for rural development of study area Tamulpur.

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