

MICROFINANCE: A POVERTY MITIGATION INSTRUMENT FOR RURAL INDIA

(A research study conducted with reference to Nagpur district in Maharashtra state of India)

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Abstract: India is a country of Villages; rural India is the heart of India. About 65% of its population resides in villages and their main source of earning is agriculture. Poverty is surely one of the biggest obstacles in achieving higher growth rate, especially for a developing economy like India. Poverty is a condition where people are deprived of basic life's necessities such as food, clothing and shelter. Most of the poor people are incapable of even earning a meal for a day. In the year 2012, Government of India stated that 22% of its overall population is below official poverty limit. Poverty leads to illiteracy, child labour, poor living condition, housing problems, unemployment, hygiene and sanitation etc. Poverty to a great extent affects women, who are deprived in this male dominated society. This paper is a modest attempt to study the changes microfinance has brought in the lives of poor people and to study microfinance's role in mitigating poverty in selected villages of Nagpur district of Maharashtra.

Keywords: Microfinance, poverty mitigation.

INTRODUCTION:

Microfinance is made from combining two words micro and finance. Micro means small and finance means money. So, Microfinance is a type of financial service which provides small loans to low income individuals, who have limited or no other means of getting financial help. Majority of microfinance clients are the people Below Poverty Line (BPL). One of the goals of microfinance is to reduce poverty. Feminization of poverty also exists in the society; women are the worst victims of poverty. Poverty affects larger number of women than men. Causes of poverty in India are poor agriculture, growing population, gap between rich and poor, corruption etc.

Microfinance came up as an instrument to help poor. Majority of microfinance institutions target women. It works on the principle of Grameen Bank of Bangladesh, started by Sir Muhammad Yunus in 1976 to help the poor and reduce poverty; which succeeded with a big bang. Microfinance in India works on group lending system called SHGs i.e Self Help Groups. SHG consists of group of borrowers ranging from 5 to 10/15/18 etc. It is the sole responsibility of each group member to pay the instalments on time. Services to borrowers are offered at their doorstep, which is one of the crucial feature in success of microfinance in India and it becomes convenient for rural people to avail microfinance services. Instalments are collected weekly, fortnightly or monthly. Microfinance is reaching the unreached poor of our nation who have been sidelined since ages.

Microfinance helps the poor financially, the money is utilized by members to start their business, and majority of the women have come up to start businesses to earn a living for themselves and their family.

OBJECTIVES OF THE STUDY:

- 1) To study the role of microfinance in reducing poverty level of respondents.
- 2) To inspect into the changes microfinance has brought in the lives of respondents.

AREA OF THE STUDY:

The research study is carried out in selected five villages of Nagpur district of Maharashtra namely: Ashti, Bahadura, Dahegaon, Dongargaon and Jamtha.

Sr. No.	Name of the Village	Sample Size
01.	Ashti	25
02.	Bahadura	25
03.	Dahegaon	25
04.	Dongargaon	25
05.	Jamtha	25

RESEARCH METHODOLOGY:

- Research methodology explains the complete process of research. For the current research study, both primary and secondary data were used.
- Primary data was collected randomly from 125 respondents, of which 80 were women respondents availing microfinance services. A Structured questionnaire was used for collecting data; various questions related to microfinance services, income, decision making power, standard of living, purchasing power, medical facilities, reduction in domestic violence etc were asked to respondents and their views were collected.
- Secondary data was used to study the available literature on the related topics, so as to know what kinds of studies were carried out earlier and to find out the need for future studies.
- Sample size - 125.
- Sampling method used: Simple Random Sampling.
- Sampling tool: MS EXCEL.
- Five point Likert scale (Strongly Agree, Agree, Can't say, Disagree and Strongly Disagree) was used for collecting view points of respondents.

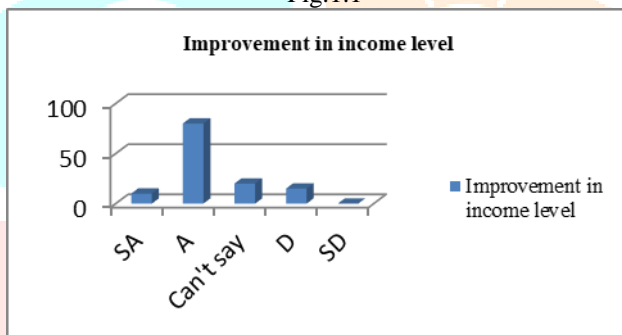
DATA ANALYSIS AND INTERPRETATION:

This fragment of study deals with interpreting the collected data in a tabular form, which becomes easy for any viewer to understand the conducted study. Tabular interpretation has been done through MS EXCEL. All 125 respondents availing microfinance services between the years 2014-2017 were asked to fill up the questionnaire on five point Likert scale. The primary data collected from the respondents was then filled in EXCEL sheets to draw meaningful inferences. Result is shown through bar charts.

The five point Likert scale was used for analysis in which SA signifies strongly Agree, A: Agree, Can't say, D: Disagree and SD: Strongly Disagree respectively.

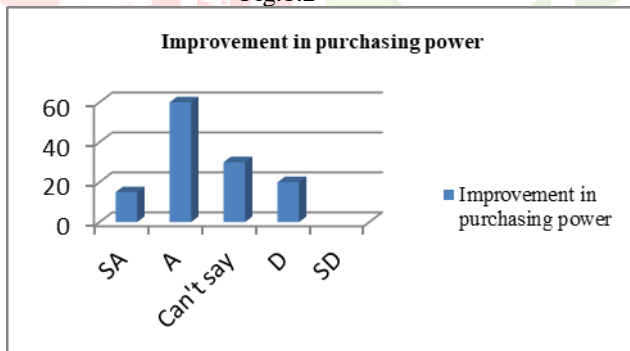
- 1) Improvement in income level.

Fig.1.1



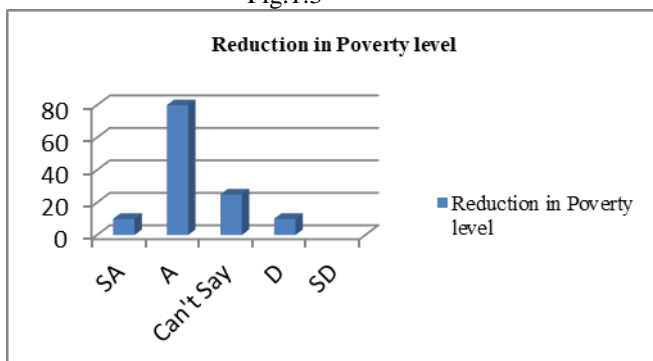
- 2) Improvement in purchasing power.

Fig.1.2



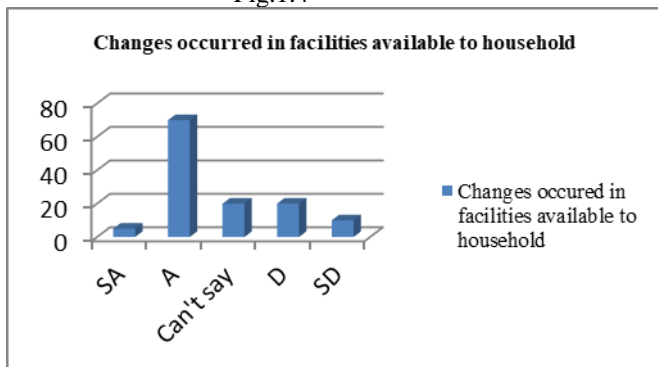
- 3) Reduction in poverty level.

Fig.1.3



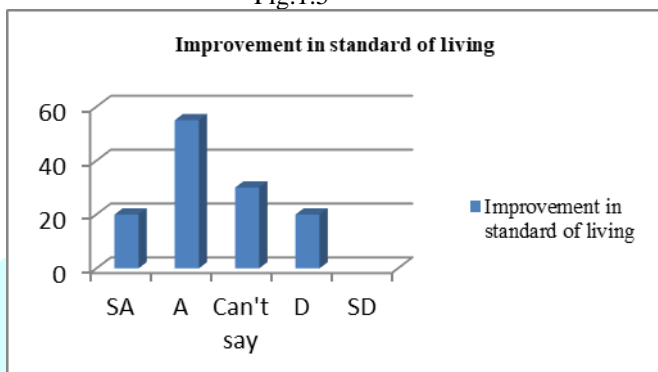
4) Changes occurred in facilities available to household.

Fig.1.4



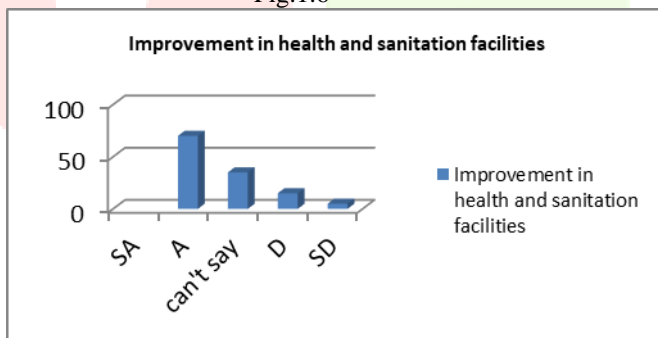
5) Improvement in standard of living

Fig.1.5



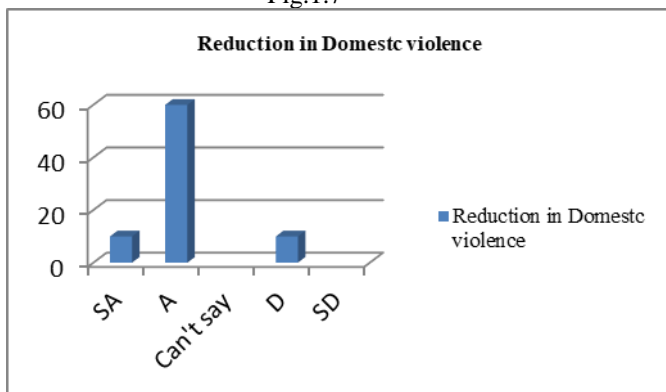
6) Improvement in health and sanitation facilities.

Fig.1.6



7) Reduction in Domestic Violence.

Fig.1.7



RESULTS AND DISCUSSIONS:

- Fig.1.1 clearly signifies the positive responses of respondents, who feel that microfinance has brought improvement in their income level.
- Fig.1.2 shows that almost 60% respondents agreed that their purchasing power has increased after being a part of microfinance.
- Fig.1.3 clearly shows 72% respondents agreed that microfinance has brought reduction in their poverty level.
- Fig.1.4 depicts that there is a mixed response when it comes to changes occurred in facilities available to households.
- Fig.1.5 shows that 60% respondent feels that their standard of living has been raised after being associated with microfinance.
- Fig.1.6 says that more than half of the respondents feel improvement in health and sanitation facilities.
- Fig.1.7 depicts that out of 80 women respondents, 70 agreed that microfinance has brought reduction in domestic violence, which they use to face earlier, because now they have started earning and they are not wholly dependent on their husbands' financially.
- In this study, questions related to age, income group and educational qualifications were also asked. Among 125 respondents, 25 belong to the age group of 20-30 years, 65 belong to the age group of 31-40 years and remaining 35 belong to the age group of above 40 years.
- Most of the respondents above 40 years of age were illiterate, still they were earning more than 3K per month on an average, rest respondents were literate some were below SSC, while some were below HSSC, earning an amount between 2K-6K per month.

CONCLUSION:

- This paper has made a sincere attempt to study the microfinance's role in mitigating poverty. No doubt, microfinance is playing a giant role in changing lives of people.
- Microfinance has provided them an opportunity to use their skills by providing finance in establishing business activity and earn a living to become financially independent.
- From the above data interpretation, it can be clearly concluded that Microfinance have been proving itself helpful in improving income level, purchasing power, better living standard, gaining better health and sanitation facilities and reducing domestic violence. These poor sections of society have found a ray of hope in microfinance, as they get financial assistance without any collateral and as they have started earning, better recognition in family, community and in village as well are experienced by them.
- Microfinance has helped them in taking better decisions, they enjoy better standard of living, they are able to help their children in studies financially and they have started saving for themselves.
- It was not possible to reach every person in villages, so the study was limited to 125 respondents, out of which 80 were women respondents, who represent people of their village, as most of them belong to same society, have same financial status.
- Thus, as microfinance is proving to be a powerful instrument in changing lives of poor people, who have no access to credit, women are also coming in front to grab such opportunities. Microfinance needs more effort to reach every single poor to make them financially literate, financially independent. Future of microfinance seems to be bright, which is great news for such a developing economy that can trust its huge population to move ahead.
- Government also comes up with many poverty mitigation programmes from time to time, but none of them have reached every single needy person. Major steps should be taken by government also, such as rising population should be checked, family planning schemes should be introduced. Agriculture must be made profitable; farmers must get all facilities for irrigation at minimum cost.
- Microfinance has got a long way to travel; it is just a medium, not an end.

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