

Microfinance: A Pathway of Success for Self Help Group

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Abstract:

To bring the under privileged into the economic mainstream of nation, a financial architecture was needed with the objectives of providing small credit and mobilizing small deposits through an effective application of the mechanism.

A meaningful positive growth in GDP always assume to cater to the needs of the people as a whole. This gives birth to the concept of inclusive growth & gender equality which simultaneously conceptualized the SHG model.

Liberalization compelled to bring more women into the purview of different financial services sector & Microfinance concept has widely being getting momentum to bring a complete glory to the mission. Microfinance plays a pivotal role in involving women in different poverty alleviation activities and majority of these are going successfully in their mission.

In view of the above the present study has made an attempt to evaluate the influence of Microfinance activities in eradicating poverty among the rural poor through SHG model.

Keywords: *Financial Architecture, Underprivileged, Inclusive growth, Gender equality, Poverty alleviation.*

1. Introduction:

Towards the millennial goal of accomplishing the all-round socio-economic development of the down trodden financial inclusion and inclusive

growth has emerged as the recognized mechanism which set to be carried on by the vehicle like micro finance and micro credit.

As has been witnessed since its

evolution with a new vision and mission it strengthens the rural urban tie-up by creating employment facilities in rural areas through new business opportunities, self employment, and creation of SHG which provokes the migration from rural to urban areas to a substantial extent.

Microfinance as a multifaceted developmental instrument is characterized to cater to the needs of rural poor by providing small credit at a marginally lower interest rate with a diversified product portfolio in its basket in the form of micro credit for farming, credit to small business, and protecting the entrepreneurial interest by providing micro insurance.

Besides it accelerate the rural-urban connectivity by exploring business opportunity in rural areas through the capitalization of rural resources (human & non-human) which ultimately gave birth to the concept of self help group (SHG). This ultimately reduce the urban migration rate and develop an economic boom in rural landscape.

Definition of Micro-Finance:

Micro-finance as a word signifies the meaning as “Financial assistance and services to the deprived section of the society spread across rural, urban and semi-urban areas to ensure their better livelihood through self reliance.

Micro-Finance and Financial Inclusion:

With the execution of economic reform in 1990s, micro-finance as an effective channel vehicle of poverty alleviation

in rural and urban areas has set its ever shining relevance in establishing Empowerment is defined in combining two words needs of the under privileged.

Micro-Finance and Financial Inclusion of Women:

The initiative of inclusive growth, as a genuine planning process expected to knock the door of untapped women workers would have equally benefited along with the human resources occupying the driver seat otherwise it might have belied by actual grass root development.

Concept of Empowerment:

Empowerment is defined in combining two words “Awareness & Capacity Building” (A & CB) which results into own decision making power for transforming the way of life. As per “DFID” empowerment entails towards access to justice, imposing choice, exercising power & availing knowledge to showcase the individual potential by removing disparities.

Problem of the Study:

The growth of Microfinance in India has witnessed a huge regional disparity as two thirds of the sector being centered around in the southern region of the country, while east and north east is among the least evolved market of the country.

It is sad to state that when compared to other states in the eastern region, Odisha is lacking behind in the provision of microfinance products and services. only few years back some MFIs has become active in the state.

The pace of growth is accelerated with help of State Government, NABARD and other financial agencies along with innovative financial engineering model like SHG-BLP.

Importance of the Study:

Since the advent free market economy participation of people across strata is vital for the economy as a whole. Microfinance is considered as a channel vehicle in this regard. Considering this, the study is of immense importance to prove the credentials of Microfinance in accomplishing financial inclusion and inclusive growth,

Objectives of the Study:

The study has the following objectives to prove the mantle of microfinance in eradicating poverty through the participation of women.

- i. To evaluate the contribution of micro-finance towards economic empowerment of women.
- ii. To study the institutional activities of microfinance in augmenting women empowerment.

2. Review of Literature:

Despite a long past evolution its literature has comparatively developed in the recent past but in a diversified manner. The focal point of literature is based on empirical study on the linkages between SHGs and microfinance and its ultimate impact on the living status of the inhabitants.

K. Manoharan Nair and Girija (2005) in their article, "Microfinance - The New Development paradigm for poverty

eradication and women empowerment", revealed the failure of various credit channels in achieving targeted poverty alleviation. This prompts them the advocacy of introducing microfinance schemes resulted a smooth transition in eradicating poverty and empowering women.

C.S. Reddy (2005) in his work, "self-help groups: A key stone of microfinance in India, states the evolution of microfinance institution in various forms and SHG is one of these, conceptualized with saving-lending model and deriving a promising outcomes for alleviating poverty on a sustainable basis.

Soundarapandian (2006) in his paper, growth of SHGs and the role of microfinance in developing the rural entrepreneurship has revealed a positive growth of SHGS in states but emphasizing an uniform practice between states of India in terms of SHGs. He also pointed the Bank SHGs linkages an impossible affairs. Kalavat Kamble and Gangadhar B. Sonar (2006) in his work, "The Role of SHGs in Women Empowerment study on selected SHGs promoted by voluntary organization in Gulbarga District of Karnataka" Have observed that there is a significant improvement in the socioeconomic status of women despite having with diversified backgrounds. They started to expose to the society by conducting meeting interacting with Government agencies and specifically they are healthy maintaining the right amount of liquidity in themselves. The SHG model have attracted younger women who have relatively more assertive capacity,

free from atrocities and a mere claimant of self-sufficient human beings.

Swain and Wallentin (2007) studied Self Help Groups in 5 states (Orissa, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Maharashtra) and during the study it has been revealed that there is a remarkable development of women empowerment in these states but with varying degrees. SHG women have empowered with a higher degree compared to non-SHG women as per the study.

Rajagopalan (2009) studied micro finance in Africa. the study revealed that African countries have occupied the back benches in exercising the microfinance platform for its poverty alleviation programme in comparison to rest of the world, despite a phenomenal growth trend during the recent past.. Micro finance in Asia is the largest both in terms of MFIs and outreach. The Asian countries are in top in capitalizing the microfinance platform the concluding remarks in his study has stressed the need to encash the microfinance platform for alleviating the chronic diseases of poverty by the African nations.

IIPO Economic Intelligence Unit (2010) in its studied “self-help groups (SHG): means of women empowerment”, concluded the essence on the growth of SHGs for empowering the women their by dismantling gender discrimination and accomplishing a growth oriented society.

Reeta Rautela, Gaurao Pant and Other (2011) in their study “Microfinance - A

New mantra for rural development”, –states that though microfinance has emerged as a power full tools in eradicating poverty , it should not be confined within the quantitative aspects of reaching to people rather its qualitative assessment in respect to evaluating the transformational impact on the lives of beneficiary should be made.

3. Methods & Data Collection:

Sources of Data:

(a) **Secondary Sources:** To explore some population related data the study was used census report of 2011 and 2001 besides exploring data from research books, journals, and internet.

(b) **Primary Sources:** To collect some vital primary information a field survey through structured questionnaires was made which satisfy the basic purpose of the study.

Sample Size:

To study the impact of microfinance a field survey through structured questionnaire was made in two blocks of Cuttack district in Odisha. Twenty-five SHGs were interviewed with the purpose of evaluating their financial status before taking microfinance assistance and after taking microfinance assistance.

Periods of Study: A time period of three financial year has been taken for the study to satisfy the objectives of the study.

Statistical Tools: To analyze the obtained data statistical tools like ‘t’ test

for evaluating the coefficient correlation and to test the autonomy among different variables a simple descriptive statistics have applied..

Variables: The study has taken three variables while analyzing the impact of microfinance on the financial status of SHGs. The variables are as follows;

V_1 = Average Monthly Income of SHG Members.

V_2 = Average Capital Position of SHG Members.

V_3 = Average Asset Position of SHG Members.

Hypothesis:

H_{01} : Micro-finance assistance and Average Monthly Income of the member of SHGs are independent of each other.

H_{02} : Micro-finance assistance and Average Capital Position of SHGs are independent of each other.

H_{03} : Micro-finance assistance and Average Assets Position of SHGs are independent of each other.

4. Analysis & Interpretation:

Table-1

| Analysis & Interpretation of Co-relation Matrix Before Availing Microfinance Assistance | | | | |
|---|------------------------|---------|-----------|---------|
| | | AMI-BMF | A.Cap-BMF | AAP-BMF |
| Avg. Monthly Income-Before Micro Finance | Pearson Correlation | 1 | .077 | .384 |
| | Significance (2tailed) | | .746 | .115 |
| | N | 25 | 25 | 25 |
| Avg. Capital Position –Before Micro Finance | Pearson Correlation | .077 | 1 | .194 |
| | Significance (2tailed) | .746 | | .412 |
| | N | 25 | 25 | 25 |
| Avg. Asset Position Before Micro Finance | Pearson Correlation | .364 | .194 | 1 |
| | Significance (2tailed) | .115 | .412 | |
| | N | 25 | 25 | 25 |

Analysis Made through the Application of SPSS

Table-2

| Analysis & Interpretation of Co-relation Matrix After Availing Microfinance Assistance | | | | |
|--|------------------------|---------|---------------|---------|
| | | AMI-AMF | A.Capital-AMF | AAP-AMF |
| Avg. Monthly Income-After Micro Finance. | Pearson Co-relation | 1 | .137 | .380 |
| | Significance (2tailed) | | .564 | .099 |
| | N | 25 | 25 | 25 |
| Avg. Capital Position –After Micro Finance. | Pearson Correlation | .137 | 1 | .073 |
| | Significance (2tailed) | .564 | | .759 |
| | N | 25 | 25 | 25 |
| Avg. Asset Position After Micro Finance. | Pearson Correlation | .380 | .073 | 1 |
| | Significance (2tailed) | .099 | .759 | |
| | N | 25 | 25 | 25 |

Analysis Made through the Application of SPSS

Table-3

| Impact Analysis Of Microfinance Assistance Proposition: Microfinance Assistance & Women Empowerment Are Independent | | | | | | | |
|---|-------------------|-----------------|------------------|---------------------------------------|----------|--------------------|--------------------|
| Dependent Sample Test | | | | | | | |
| | Paired Difference | | | | t VAL-UE | Degree of free-dom | SCIENCE (2-Tailed) |
| | MEAN | STD. Devia-tion | STD. ER-ROR MEAN | 95% confidence interval of difference | | | |
| | | | | LOWER | UPPER | | |

| | | | | | | | | |
|--------------------|---------|----------|---------|----------|----------|-------|----|-----|
| AMI-AMF AMI-BMF | 2862.65 | 1242.40 | 281.25 | 1987.88 | 3027.12 | 11.32 | 24 | .05 |
| ACP-AMF ACP-BMF | 31550 | 12654.36 | 2728.75 | 21351.99 | 30648.01 | 12.46 | 24 | .05 |
| AAP-AMF AAP-BMF | 41735 | 10543.65 | 2115.25 | 31098.89 | 38601.11 | 19.79 | 24 | .05 |

Analysis Made through the Application of SPSS

Interpretations

Assumption -1: Micro-finance assistance and Average Monthly Income of the member of SHGs are independent of each other.

Null Hypothesis (H0): There is no influence of microfinance assistance over the income of the members of SHG group.

Alternative Hypothesis (H1): There is substantial influence of microfinance assistance over the income of the members of SHG group.

Average Monthly Income: The observation from table—3 revealed that the average monthly income of the members of the sample SHGs has improved significantly after obtaining micro-finance assistance. The calculated value of 't' is 11.32 at 5% level of significance with 24 degree of freedom and the critical value of t is 2.064. Therefore the null hypothesis is rejected and we come to the conclusion that microfinance assistance has significant influence on the monthly income of members of SHGs.

Assumption II: Micro-finance assistance and Average Capital Position of SHGs are independent of each other.

Null Hypothesis (H0): There is no influence of microfinance assistance over the average capital position of the SHGs.

Alternative Hypothesis (H1): There is substantial influence of microfinance assistance over the average capital position of the SHGs.

Average Capital Position: The observation from table—3 revealed that the average capital position of the SHGs has improved substantially after obtaining micro-finance assistance. The calculated value of 't' is 12.46 at 5% level of significance with 24 degree of freedom and the critical value of t is 2.064.

Therefore the null hypothesis is rejected and we come to the conclusion that microfinance assistance has significant influence on the average capital position of SHGs.

Assumption III Micro-finance assistance and Average Assets Position of SHGs are independent of each other.

Null Hypothesis (H0): There is no influence of microfinance assistance over the average capital position of the SHGs.

Alternative Hypothesis (H1): There is substantial influence of microfinance assistance over the average capital position of the SHGs.

Average Assets Position: The observation from table—3 revealed that the average asset position of the SHGs have improved significantly after obtaining microfinance assistance. The observed value of t is 19.79 at 5% level of significance with 24 degree of freedom and the critical value of t is 2.064. Therefore the null hypothesis is rejected and we come to the conclusion that microfinance assistance has significant influence on the average asset position of SHGs.

Findings:

After analyzing the collected data by applying the above mentioned statistical tools the present study has revealed the followings:

The average monthly income of the members of SHGs have witnessed a healthy improvement during the study period after availing microfinance assistance.

The average capital position and average asset position of the SHGs have influenced significantly by microfinance assistance during the period of study.

Conclusion:

In the concluding remarks it is the obvious feeling that micro-finance act as a vehicle to transform the economic fortune of the rural masses especially the women and micro credit ensures a sea change in the mission of financial inclusion and inclusive growth.

Being bridging the gap of development, both in rural and urban areas. It has to overcome the obstacles of governmental and bureaucratically complexities and at the same time it has left no stone unturned to ensure micro-credit as a human right.

Despite having different models of microcredit the onus always lies with the governance model to accomplish the outcome of all-round development through micro credit of the marginalized masses.

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