



Impact of microfinance on poverty alleviation- A Case study

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Abstract:

Microfinance is a financial service of small quantity provided by financial institutions such as banks, NGO'S etc. to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transfer etc. that is any type of financial service provided to customer to meet their normal financial needs. The present study try to know the awareness of purpose of microfinance programmes/schemes among people in district pulwama and to study the role of microfinance on standard of living and creation of asset. It found that since majority of beneficiaries are of opinion that microfinance has a significant role in poverty alleviation, but still efforts should be made in order to ensure that beneficiaries socio-economic status before and after should show an improvement in significant way

Key words Microfinance, poverty alleviation, low income

Introduction

It is well known fact that in low income countries poor lack credit and they are unable to get sustainable income because they cannot start their own small business which can ensure sustainable income to fulfill their basic needs. They are unable to get loan from formal institution and can borrow from informal institution like traditional money lenders, who charge high rate of interest. So microfinance is a scheme implemented through SHG'S to provide financial assistance while taking their difficulties into account. Microfinance is a financial service of small quantity provided by financial institutions such as banks, NGO'S etc. to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transfer etc. that is any type of financial service provided to customer to meet their normal financial needs. In the Indian context, terms like small and marginal farmers, rural artisans, and

economically weaker sections have been used to broadly define microfinance customers. World Bank defines 'poverty as survival of an individual on less than \$1.25 per day. The poverty line in India measures only the most basic calories intake. It does not records nutrition but the satiation of of hunger. Presently the poverty line in India stands at RS 28 and RS 32 per person per day in rural and urban areas respectively. The official line of Government of India delivers a poverty rate of around 32% of the population as to to 42% according to the World Bank. Still India has one- third of the world's 1.4 billion poor people. It is clear from this statistics that it is all about the line one is drawing, one can scalene it to exclude poor or tighten the line to include people. According to the World Bank report (2008) 43% of the children's in India are malnourished over 35% of the people in India are illiterate and more than 20 million Children's are those who are out of school. The poor people in India are involved in subsistence type of



activities .their earnings are so small that their expenditure for survival exceeds their income. Anyhow, they manage their basic needs with this small income. But at the time of urgent requirement they borrow from the local money lenders. This often results in borrowing small amount of money at high rate of interest of as much as 12% per annum to meet urgent requirements like treatment of ill and sick family members or the repayment of the previous loans. Thus the need for an institutional mechanism was felt. Some individuals tried to address the problem in an organized way in the form of micro-credit. The concept of micro-credit is not new .the credit for the poor people is available from centuries in one form or other. But such availability is not in an organized way. Money lenders and local money lenders of china have existed for a longer time in Chinese and Indian communities to give credit at very high rate of interest .money lenders providing credit on the basis of mortgaging land records, valuable assets like gold and silver and other domestic assets like domestic animals. In case of non-recovery of loans these mortgage items were given a little weight throwing the borrowers to the state of poverty.

Objective of the study.

1. To know the awareness of purpose of microfinance programmes/schemes among people in district pulwama.

2. To study the role of of microfinance on standard of living and creation of asset.

3. To study the impact of microfinance on income of people.

4. To study the impact of microfinance on poverty alleviation.

Methodology

The data required for the proposed study is collected both from primary as well as secondary sources.

Primary data is collected from beneficiaries who have availed various schemes offered by govt. and other financial institution under microfinance .A detailed well designed questionnaire was used for collecting the data from the respondent in the study area.

The secondary data was collected from various journals, magazine, research work carried out by various researchers, NABARD, Grammen bank etc.

Sample Design. The random sampling technique method was used to collect the data from the beneficiaries. Out of total 326 villages of district pulwama 4 were selected on random basis for proposed study.

Sample Size: The sample size consists of 20 beneficiary five from each village.



Analysis and interpretation

Table-1: Age distribution.

Responses	Frequency	Cumulative frequency	Percentage
Below 25 years	2	2	10%
Between 25-35 years	8	10	40%
Between 36-45 years	4	12	20%
46 and above	6	20	30%
Total	20		100%

Table-1 and figures shows the different age groups of the respondents. The respondents below 25 years are 2 and containing 10% ,between 25-35 years are 8 and containing 40% ,between 36-45 years respondents are 4 and containing 20% and the respondents having age 46 and above are 6 and are containing 30%. Thus we can conclude that the respondents between 25-35 years age are more in our project work.

Table-2: Awareness about purpose of microfinance.

Respondents	Aware about purpose of microfinance	percentage
16	yes	80%
4	no	20%
Total = 20		100%

Table-2 shows that 80% of the beneficiaries are aware about the purpose of microfinance and 20% are unaware about the purpose of microfinance scheme.

Table-3: Number of respondents who get microfinance from different MFI'S.

MFI'S	Respondents	Percentage
Grameen bank	12	60%
Nabard	5	25%
Commercial bank	3	15%
NGO'S	0	0%
	Total = 20	100%



Table -3 and figure shows that the number of respondents who avail microfinance scheme from Grameen bank are 12 and therefore contains 60%.the number of respondents who get microfinance from NABARD are 5 and contains 25%. While the number of

respondents who availed the scheme from commercial bank are 3 in number and contains 15% out of 100%.therefore we can conclude that in our project work we have more respondents who availed the microfinance scheme from GRAMEEN BANK

Table-4 Project Undertaken By Beneficiaries

Respondents	Project undertaken	Percentage
9	Handloom	45%
5	Agriculture	25%
3	Poultry	15%
3	Jams	15%
Total=20		100%

Table-4 and figure shows that the number of beneficiaries who invested the microfinance loan in handloom are 9 and consists of 45%.the beneficiaries who invested the scheme in agriculture are 5 and contains 25%.the beneficiaries who

undertaken the project of poultry are 3 and 3 and consists 15% and 15% respectively.therefore we can conclude that we have more beneficiaries who have undertaken the project of handloom.

Table-5: Change In Savings by availing Microfinance.

Respondents	Change in savings	Percentage
20	Increase	100%
Total=20		100%

Table-5 and pie figure shows that the savings of all beneficiaries have increased by availing the microfinance.

Table-6 : self-sufficiency.

Respondents	Self-sufficiency	Percentage
14	Increases	70%
6	Neither increase nor decrease	30%



Table-6 shows that 14 beneficiaries that is 70% beneficiaries had increased the self sufficiency by getting the microfinance and 30% beneficiaries do not have increase or decrease in their self-sufficiency through microfinance. Therefore we can conclude that we have more respondents who have increased self-sufficiency by getting microfinance scheme.

Table-7: standard of living.

Respondents	Standard of living	Percentage
16	Increase	80%
4	No change	20%
Total = 20		100%

TABLE-7 shows that standard of living has been increased to 80% of the respondents by undertaken the project through microfinance and 20% respondents are those on which the microfinance scheme does not impact on standard of living. We can conclude that we have more beneficiaries whose standard of living has increased.

Table-8: Impact of Microfinance on Education of Children.

Respondents	Education	Percentage
18	Increased	90%
2	Decreased	10%
Total = 20		100%

Table-8 indicates that 90% beneficiaries agree that through microfinance the education of our children's have increased and 10% agree that the education of their children's have decreased because we engage them in the work which has been started by availing microfinance. Therefore we can conclude that we have more beneficiaries whose children's education has increased by microfinance scheme than whose children's education had decreased.

Table-9 : Change In Income.

Respondents	Income	Percentage
20	Increase	100%
0	Decrease	0%
Total = 20		100%

Table-9 represents that the income of all the beneficiaries have increased that is 100%



Table-10: Impact on employment.

Respondents	Income	Percentage
20	Increase	100%
0	Decrease	0%
Total=20		100%

Table-10 shows that employment of all the respondents have increased that is 100% respondents get employment.

Table-11: poverty eradication.

Resondents	Poverty	Percentage
17	Eradication	85%
3	No eradication	15%
Total=20		100%

Table-11 represents that there are 85% of beneficiaries whose poverty has been eradicated and 15% are those whose poverty has not been eradicated.therefore we can conclude that we have more respondents whose poverty has been eradicated than those whose poverty has not been eradicated.

Table-12 : Asset acquisition.

Respondents	Assets	Percentage
13	Increased	65%
7	No change in assets	35%
Total=20		100%

Table-12 shows that there are 13 beneficiaries out of 20 whose asstets have been increased by availing the microfinance scheme that is 65%.while there are 7 beneficiaries whose assets have nor decrease neither increase that is 35%.therefore, we can conclude that there are more beneficiaries whose assets have been increased than those whose assets have remained same.

Conclusion and suggestions

The study found that majority of the respondents in the study area is awarded

about purpose of various programmes/schemes offer under microfinance. On the basis of feedback by respondents from the study above, majority of the beneficiaries are of opinion that after availing facility there is improvement in standard of living that is health facilities, sanitation, education has been improved. Most of the beneficiaries are of the opinion that by availing the microfinance scheme there is a substantial increase in their income. Most of the beneficiaries said that by getting the microfinance scheme, their



assets have been increased which in turn increase their income and ultimately reduced the poverty.

Suggestions:

Since majority of beneficiaries are of opinion that microfinance has a significant role in poverty alleviation, but still efforts should be made in order to ensure that beneficiaries socio-economic status before and after should show an improvement in significant way. On the basis of feedback from beneficiaries it is suggested that amount of loan provided is not sufficient for entrepreneur to undertake project, which require higher capital. The microfinance loan should be provided to beneficiary without any barrier that they should be encouraged to use this facility for income generation and standard of living. Finally I suggest that all stakeholders should come forward in a big way so the facility under microfinance should reach those for whom it is meant.

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