



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 3.4
IJAR 2015; 1(4): 165-168
www.allresearchjournal.com
Received: 24-02-2015
Accepted: 27-03-2015

Dr. DV Ingle

Assistant Professor,
Smt. L. R. T. College of
Commerce, Akola. 444001.
Maharashtra, India.

Bridging the Gap between Established and Marginalized Section of Society: A Study of Micro-Finance in Akola (Ms)

DV Ingle

Abstract

Micro finance is the supply of micro credit to people living in utter poverty and has no reach to the formal financial products. It is a support to engage them in productive activities and grow their tiny businesses. Micro financial schemes plays vital role in increasing women's participation in economic activities and decision making. Recent development in Micro finance has brought a fresh focus on the problem of regulation in field of microfinance. The paper discusses the factors and theoretical position associated with evolution of microfinance and its role. This study suggests that microfinance provides key lessons for development in terms of what mechanism and best practices should be adopted and how to make small change that creates a big difference. The paper concluded that poor people in rural areas especially in under developing countries, are in immense need of credits so microfinance programs must make available this credit needs and motivate the poor people to increase their standard of living in study area.

Keywords: Rural Banks, Microfinance, Poverty, Microfinance and Rural development

Introduction

Microfinance refers offering small loans to marginalized section with the purpose of engaging them into productive activities. Microfinance is considered as a tool for socio-economic development when the existing financial products are perhaps not well matched to meet the instant financial needs of the marginalized section. It was experienced that the marginalized section desires improved access to these services and products, more willingly than cheap financed credit. If a person observes an institution to be unfriendly or uncaring to them, they hesitate to move toward it. This has given emphasis on microfinance for improving the access to credit for the marginalized section. MFIs play an important role in bridging the gap between formal financial institutions and rural marginalized section. Lending money to marginalized section is costly activity which affects the financial sustainability of MFIs. MFIs in India are heterogeneous in nature and only a few of them have managed to reach among marginalized section with substantial volume of credit. It is recognized that people living in marginalized section are capable of working their way out of poverty with dignity, and can demonstrate creative potentials to improve their situation when an enabling environment and the right opportunity exists. The marginalized section in Akola has not only low income but they also lack access to basic needs such as education, health, clean drinking water and proper sanitation. This situation limits their capabilities, opportunities to secure employment which results in their social exclusion and exposes the marginalized Section to high risk. The vicious cycle of poverty is heightened when then government efforts are insufficient for the most vulnerable. Poverty in Akola is at 31.8%, which comprises of 22.39% urban and 38.65% rural population in the country.

Review of Literature

Churchill (1995) undertook a study entitled "Get Ahead Foundation Programme" pointed out that micro-credit has a positive impact on the monthly profit but little impact on job creation. Moin Qasi (1997) in his work "Self Help Groups—A Novel Approach to Rural Development," stated that woman Self-Help Groups are more effective than those of others and they have more chances for survival. The author further insisted that while providing support to self-help groups it is necessary to keep in mind the sentiments and emotional values of rural women.

Correspondence:

Dr. DV Ingle

Assistant Professor,
Smt. L. R. T. College of
Commerce, Akola. 444001.
Maharashtra, India.

Nilanjan Sengupta (1998) in his study "Empowerment: A Socio- Psychological Approach to Self Help Groups Formation," identified that to ensure the development of skills and consciousness for sustainability of any activity in the long run social and psychological empowerment is a must.

D. Nagayya (2000) in his paper "Micro Finance for Self-Help Groups", has reviewed the initiatives taken at the national level with a few institutional arrangements to support this programme for alleviation of poverty among the marginalized section, with special focus on women.

T.R. Gurumoorthy (2002) in his work, "SHGs- Economic Empowerment through Self-Reliance", opined Self-help groups have the power to create a socio-economic revolution in the rural areas of the country. In his opinion, members of self-help groups must be prepared to undertake entrepreneurial activities at a smaller level with minimum capital requirements.

A.P. Sebastian Titus (2002) in his study, "Promotion of Women Entrepreneurs through Self Help Groups most of the other Self- Help Groups are not able to reach up to the expectations. Some of the reasons cited were non-availability of funds for investment, dearth of technical and managerial skills, inability to manage the labor force, dual role burden, lack of professionalism and gender bias.

J. Ritu, R.K. Kushawaha, and A.K. Srivastava (2003) in their work, "Socio-Economic Impact through Self Help Groups", examined the functioning of Self-Help Groups in Kanpur District. The results show that there is a relationship between the self-help groups and the socio-economic status of women.

C.S. Reddy (2005) in his work, "Self Help Groups: A Key Stone of Micro Finance in India", Based on the concept of "Self-Help," small groups of women have formed into groups and operate a savings-first business model whereby the members' savings are used to fund loans. The results from these Sell-Help Groups (SHGs) are promising and have become a focus of intense examinations as it is proving to be an effective method of poverty reduction.

Objectives

1. To study basic characteristics of the micro-finance beneficiaries.
2. To analyze the degree of bridging gap through micro-finance in the beneficiaries.

Significance of the Subject

The profile of micro finance in Akola at present can be traced out in terms of poverty. In Akola there are 3, 19,947 Gross households. 1, 21,899 Families constitute BPL families. This translates to 38.10%. Annual credit demand by the poor in the Akola is estimated to be about more than Rs 20 Cr. crores. A cumulative disbursement under all micro finance programmes is only about Rs. 10 crores. Total outstanding of all micro finance initiative in Akola is estimated to be Rs. 10 crores. Only about 5% of rural poor have access to micro finance. The study is significant in this regards.

Scope of the Study

The present study attempts to examine the socio-economic impact of the micro-finance on the beneficiaries. It examines how far the MF programme has helped in raising the incomes and levels of living of the poor and in enabling them to face the poverty line. The present study is from the standpoint of the finance to the SHGs and their members.

Collection of Data

The present study is empirical in character based on the survey method. The primary data was collected from the selected members of SHGs with the help of a structured interview schedule. The secondary data was collected from the books, journals, magazines and from the record of SHG.

Scope and Limitations

The study is conducted in Akola Tahsil of Akola District. The study may not represent the national status.

Sampling

The study is conducted in Akola Block. In Block the study targeted the areas where micro-credit institutions are working. Total 120 micro-finance beneficiaries were interviewed through convenience sampling. To find out the desired objectives of the research study a comprehensive interviewing schedule was developed to obtain meaningful responses.

What Is Micro Finance?

Microfinance can be called an approach to provide saving and investment facility to the poor. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their asset base, develop their business, enhance their income earning capacity, and enjoy an improved quality of life. In India, microfinance mainly operates through Self Help Group (SHGs), Non Government Organizations (NGOs), and Credit Agencies. It provides poor people with the means to find their own way out of poverty. It put the power directly in their hands, giving them a larger stake in their own success than one time donation of food, goods, or cash. Some important features of micro finance are as follows:

1. Micro finance is a tool for empowerment of the poor section.
2. Micro finance is essentially for promoting self-employment.
3. Micro finance is not just a financing system, but a tool for social change, especially for women.
4. Micro credit is aimed at the poor, micro finance lending technology needs to address the informal lenders rather than formal sector lending.

Analysis and Results

The study was intended to explore the true picture of poverty alleviation through micro-finance in the lives of the finance beneficiaries. The main findings and the results of the study on through micro-finance is discussed in this section. The collected data is analyzed statistically using Chi-square test with the help of SPSS software. For Chi-square test .05 was assumed level of significance.

i. Age and Micro-Finance Granted

Table 1: Age and Micro-Finance Granted

Response	No. of Respondents	% of Respondents
Less than 20 years	09	10.50
21-30 years	21	17.69
31-40 years	46	33.00
41-50 years	29	23.33
50 years and above	15	15.48
Total	120	100.00

Source: Primary Data

It has been found that (Table: 1) that micro-finance had not been granted to the below the age of 20 years i.e only 10.50 %. Micro finance has been given to above 21 years of age i.e 90%.

ii. Education and Micro-Finance Granted

Table 2: Education and Micro-Finance Granted

Response	No. of Respondents	% of Respondents
Less than V	03	02.00
Till VII	50	37.33
Till X	33	26.00
Till XII	19	16.16
Graduation	11	11.85
Beyond Graduation	04	06.85
Total	120	100

Source: Primary Data

Table: 2 shows that mostly the people are less than X class education got finance because the people are the majority who struggles to fulfill their basic needs due to their economic deprivation and marginalization. All of the respondents had not done S.S.C., which clearly manifests the link of education with economic welfare.

iii. Marital Status and Micro-Finance Granted

Table 3: Marital Status and Micro-Finance Granted

Marital Status	No of Respondents	Percentage
Married	99	82.5
Single	03	2.5
Widow	06	05
Divorced	12	10
Total	120	100

Source: Primary Data

It has been found (Table: 3) that most of the married people had taken the loan, as there were only few borrowers (7.5 %) who were unmarried, single and widowed.

iv. Occupation and Micro-Finance Granted

Table 4: Occupation and Micro-Finance Granted

Occupation	No of Respondents	Percentage
Sericulture	13	10.8
Making Eatables	50	40.2
Making Other Product	57	49
Total	120	100

Source: Primary Data

Micro-finance has shown its power because it has enabled the borrowers to establish their own micro-enterprises. As the data shows in the Table: 4 that most of the borrowers were running home based income generating activities, such as; Sericulture, Making Eatables and Other products (dairy, sewing, knitting, embroidery and beauticians) etc..

v. Family Size and Micro-Finance Granted

Table 5: Family Size and Micro-Finance Granted

Family Size	No of Respondents	Percentage
Medium	45	37.5
Large	10	8
Small	65	54.5
Total	120	100

Source: Primary Data

The data in the Table: 5 shows that most of the borrowers (45%) were having medium family sizes, almost 10 holds larger family sizes with more than 5 family members. Majority 65 per cent of the borrowers were having less than five dependents in the household.

vi. Amount of Finance Disbursed

Table 6: Amount of Finance

Finance Amount	No of Respondents	Percentage
5000-10000	84	70
Over 10000	36	30
Total	120	100

Source: Primary Data

Table: 6 shows that most of the borrowers got loan for over Rs.10, 000/- which is considered enough to initiate a small enterprise. In case of the loans ranging from Rs. 5000-10,000/- most of the borrowers invested the amount in an already initiated business, whereas most of the women bought sewing machines, or equipment for beauty parlors.

vii. Repayment Regularity and Micro-Finance Granted

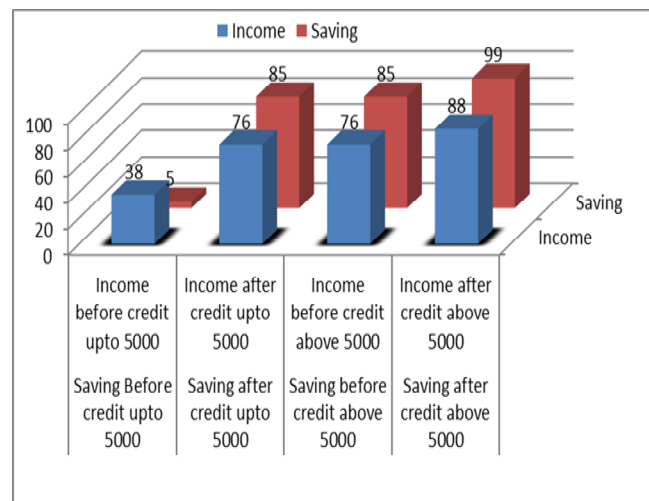
Table 7: Regularity and Micro-Finance Granted

Repayment Regularity	No of Respondents	Percentage
Regular	90	75
Irregular	30	25
Total	120	100

Source: Primary Data

Data shown in Table: 7 that the majority of the borrowers (75%) were regular in repaying their installments. The rest were unable to pay one or more installments on time due to illness of a family member, fees of children, etc.

Graph 1. Comparison of Incomes and Savings (Before And After Taking the Micro-Finance)



Graph 1: Comparison of Incomes and Savings (Before And After Taking the Micro-Finance)

Source: Primary Data

viii. Comparison of Economic Status (Before and After Micro-Finance)

Table 8: Comparison of Economic Status (Before and After Micro-Finance)

Association	Economic Status After Micro-Credit Utilization		
	Chi-square	d.f.	Significance
Age	12.470	6	.050
Family Size	8.157	3	.043
Total Income After Credit Utilization	11.990	3	.007

Source: Primary Data

There is a significant association between respondents' total number of family members and their economic status after utilizing the micro-credit. It has been found that the beneficiaries with smaller family size had significant increase to their economic status after utilizing credit as compared to those having greater family size. This could be due to less economic pressure on the smaller families.

There is also a significant association between respondents' monthly household income and their economic status after utilizing the micro-credit. Further, it has been found that respondents' with greater monthly household income had better economic status after utilizing the credit, as compared to those with lesser monthly household income.

Findings

The main findings of the research are as follows:

- Most of the respondents (75%) were regular in repaying the installments on time.
- All of the respondents utilized the whole amount of loan in the enterprise.
- Most of the respondents (70%) had taken a loan prior to the current loan.
- Most of the respondent's percent owned their businesses.
- Most of the respondents were having fulltime business. In part-time businesses (05%) some were taxi drivers, working in a factory (night shifts) and photography.
- Most of the respondents were gaining profits earned through businesses.

Conclusion

The Micro finance institutions have enormous economic and social impact on marginalized section. Microfinance provides both savings and loan facilities. In order to bridge the gap between established and marginalized section, microfinance lending should be fixed on market principles because large scale lending cannot be completed through financial support. A core conclusion of this paper is that microfinance can contribute into solving the problem of insufficient amenities and services to marginalized section which is an integral part of employing the marginalized to play a vital role in the society. Micro Finance Industry has the huge potential in future. However, slow progress of MFI members, poor quality of group functioning and withdrawal of members from groups have also been reported. Bridging the gap between established and marginalized section has to be recognized as a priority goal of the microfinance and efforts should be made to identify the critical areas of interventions for greater success of the initiatives in the future

References

1. Minimol MC. Banking and Micro Finance in India, Neha Publishers & Distributors, Mumbai, 2015.
2. Pitt Mark M, Shahidur Khandker R. The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of the Participants Matter? *Journal of Political Economy*. 1998; 106(5):958-996.
3. Rajakutty S. Development of Women and Children in Rural Areas: Are we in the right course?" *Journal of Rural Development*, 1997; 16(1):85-11.
4. Robert Cull, Asli Demirguc-Kunt, Jonathan Morduch. Microfinance Meets the Market, *Journal of Economic Perspectives*. 2009; 23(1):167-192.
5. Das SK. Microfinance in India: A Performance Evaluation, Neha Publishers & Distributors, Mumbai, 2011.
6. Teki S, Mishra RK. Microfinance and Financial Inclusion Hardcover – Academic Foundation, 2012.