

MICRO FINANCE: EMPLOYMENT GENERATOR FOR RURAL AREAS

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ABSTRACT

Even after the 73 years of our Independence, India is still fighting with Poverty and unemployment. Probably these two problems have contributed in not achieving the strong and survived Economic system of the country. In spite of announcement of number of employment programmes and creating the various road maps for generating and motivating people towards the self originating employment, still India is not able to achieve the economic balancing situation. Perhaps the uncontrolled population is the biggest reason of the same. However due to this massive problem of unemployment and poverty, the other evils are also generating and making a disorder in whole economic and financial structure. These evils are Social Injustice, Disparity between wage structure and wealth Structure, Political misbalancing with regional economic imbalances, and poor fiscal position of the country. The poor employment Generation Mechanism of the country has helped in increasing the problem of the poverty more. In addition to number of other employment generator areas, microfinance has come out with a diversity of varied nature of employment generations. However Microfinance has not been clearly defined any there and there is a lot of difference in the definition of Micro Finance. For example if a Self Help Group grants a loan for an economic activity it is termed as micro finance however on the other hand, if a commercial bank gives the same kind of loan it would not termed as Micro Finance. However going beyond all this differences in opinion of Micro Finance is an activity done by any NGO. Hence loan given by NGO is termed as micro finance but if the Loan is given by any Market intermediary, then it is not treated as Micro Finance. The above study has been undertaken with the intention to come out with results of some objectives, such as the role of Micro Finance in Employment Generation, and how it cater the problem of adjusting the balance in poverty eradication. The study is undertaken by using various past studies, reports and research Papers, as well as using a preset Questionnaire to obtain opinion of different people from a sample of around 500 different class of persons.

KEYWORDS: *Microfinance, Poverty, Unemployment, Social Unbalancing, Poverty Eradication.*

Introduction

In India, the banking Structure plays a vital role in making economy stronger from all prospective. They helped the government in fighting with Low economic growth of the country, and simultaneously provided financial assistance to government, Small Scale and large size industries to boost up the employment level in the country. They also helped the Government of India for its efforts in boosting up the employment and hence reduce the poverty level by financing various schemes of the government such as Prime Minister's Employment Scheme. However our Honorable Vice president once in his speech said that nothing is possible in any country unless there is a Political will and Administrative Skill. However due to lack of proper planning, and effective government schemes, this couldn't happen. This is well known to everybody that the biggest two reasons of poverty in India is unemployment and Population. Population can be controlled only through the strict Population control policies to be implemented by Government such Population Control Bill. However the other measure which is increasing Employment can be adopted with some increased and easy method. Banking and finance, has played a significant role in generating employment in our country. However this has generated direct employment only and that also for highly educated or moderate educated persons. Still the poor people or uneducated or basic educated people are not employed through banking system. However micro finance helped a lot in providing facility of employment through generation of self employment by

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financing the small and micro businesses. Microfinance refers to thriftling, credit and other financial services and products of very lower amounts especially in poor in rural, areas, for making them enable to raise their income levels and improve living standards. Micro Finance is an activity done by any NGO. Hence loan given by NGO is termed as micro finance but if the Loan is given by any Market intermediary, then it is not treated as Micro Finance.

Objective of Study

The present study is conducted with the view to make a detailed analysis through questionnaire pattern to find out the problems of lower and middle skilled poor class workers who has ability and skill to upgrade them and become an entrepreneur by starting their own business but could not due to financial difficulty and crunch they face while initiating and putting their efforts into it. Hence through this paper researcher is trying to find out current position of unemployment in India, as well as current position of microfinance, its significance in poverty eradication and employment generation. The researcher has also tried to put some efforts in finding out what could be possible ways to improve the situation and how Micro finance can contribute more in finding out the possible ways to generate more employment in the country.

Review of Literature

Rajesh Kumar Shastri (2009) In his paper "Microfinance and Poverty Reduction in India" concluded that Microfinance is often advocated as a solution to multiple social problems in India. Low income households are not engaged in regular income occupations and they work like a dependent i.e. they prefer to work like an employee and therefore waiting for job creation strategies to absorb them, they permanently inhabit a dependent segment of the country in which opportunities for jobs or for self employment are almost minimal.

Mayous Linda (1995, 2007) The researcher has suggested two approaches to micro-credit initiatives- market and empowerment. The researcher makes it clear that micro enterprise development for Yamuna (2007) studied the changes in the role and status of Self Help Group participants in Solamadevi village of Coimbatore district. For the purpose of study primary data was collected from 54 different Self Help Group members through an interview schedule. After completion of study they found that all the participants who received bank loans under this scheme started their own businesses. There was an increase in the income level, savings, value of assets and household durables after joining the Self Help Groups. It was also found that SHGs had developed women's relationships with government department and banking institutions.

Sarangi (2007) The researcher in his study analysed three most popular group based microfinance programmes, i.e. government supported SGSY programme, NABARD's Self Help Group bank linkage programme, and World Bank promoted Swashakti programme. 180 participants from two districts, and three programmes were selected through a random sampling method. Based on study, he concluded that credit facility to cater poverty did not seem to be workable, without other corroborative mechanisms which helps in generation of self employment.

Borbora and Mahanta (2008) in their case study of Rashtriya Grameen Vikas Nidhi's credit and saving programme in Assam state has examined the role of credit in generation of employment opportunities for the poor. They also assessed the role of Self Help Groups in promoting the saving habits among the poor people and the contribution of the above mentioned programme in social and economic empowerment of the poor in general and of women in particular. Their analysis has concluded that eighty per cent of the members in the selected Self Help Group were from poor families. The members of the groups were engaged in gainful economic activities. Around fifty seven per cent of the members saved Rs. 250 to Rs. 500 and around forty per cent saved Rs. 501 to Rs. 1000 each through this programme. Around Forty three per cent of the sample beneficiaries expanded their income generating activities.

Rational of Study

In India the poor skilled labour has always encountered the problem of finance even for an amount as small as Ten Thousand, which perhaps the basis minimum fund requirement for the start of any Business. Government has never put its stress and efforts in developing that area where not only people will get the direct employment but also self employment at large level by getting fulfilled their financial needs. Microfinance probably is the best way to get out of it. By having their own economic business activities they will be able to get not only employment but their share in production and

employment generation as much as equal to the large businesses. This will also reduce the burden of the government. Hence a study is required to analyse and develop a model study to enhance the role of Microfinance in the total economy. This study has been conducted with the above mentioned objective.

Hypothesis for Study

H₀1: Null Hypothesis: There is no significant impact of Micro finance in generation of Employment.

H₀1: Null Hypothesis: There is no significant impact of Micro finance in Poverty Eradication.

Research Methodology

Research Methodology is a process through a process of data collection, their analysis and conclusion using some Statistical methods, researcher finds out certain analysis based on which a further suggestions are recommended for improvement and sometime leaving scope for further study. Present study is based on Primary as well as Secondary data.

Sampling Technique

For the present study Average Method, Ratio analysis and linear programming method has been used to analyse the data collected through Questionnaire and personal interview in some cases (exceptional Cases where questionnaire is responded by respondent).

Sampling Method

Using Stratified random sampling, few strata's has been created. For the study the secondary data is collected from various studies available either published or unpublished, reports, other citations available online as well as offline. For the primary data, Around five Hundred unorganised skilled workers have been interviewed either on the basis of questionnaire or personally. Questionnaire have been filled in the supervision of Researcher himself with few assistants having Post Graduate and above level qualification.

Sampling Design

Presently Workers, who are skilled in manufacturing, assembling, repair and value addition, rickshaw pullers and roaming vendors, want to start their own ventures at local level with the help of outside financial help. 761 unorganised skilled workers, who do not have capital or much savings to start self owned business:

Table1: Sample Size and Design

Computer Job workers	40
Vegetable and Fruit Vendors	45
Labour used in Construction field	100
Various types of general Shops	35
Factory Labour	200
Rickshaw puller	30
Ferry rounder's	25
Misc. workers engaged in various independent works	25
Total	500

Results and Analysis

For the analysis few data has been collected and analysed using above mentioned techniques

Table 2: Percentage and Number of Poor using Mixed Reference Period (MRP)

	Poverty Ratio			Number of Poor		
	Rural	Urban	Total	Rural	Urban	Total
1. 1993-94	50.1	31.8	45.3	328.6	74.5	403.1
2. 2004-05	41.8	25.7	37.2	326.3	80.8	407.1
3. 2011-12	25.7	13.7	21.9	216.5	52.8	269.3
4. 2018-19 (Estimated)	19.06	10.06	19.7	210.4	42.80	253.20
Annual Average Decline: 1993- 94 to 2004-05 (percentage points per annum)	0.75	0.55	0.74			
Annual Average Decline: 2004- 05 to 2011-12 (percentage points per annum)	2.32	1.69	2.18			

Source: Annual Report: Data & Statistic (2018)

From the above statistics, we can see that in 1993-94 the total poverty in India stands at 45.3 per cent while in 2004-05, it stands at 25.7 per cent. It further fell down in 2011-12 to 21.9 per cent. It means there is a reduction of 0.74 percentage points in 2004-05 and 2.18 percentage points in 2011-12 in the Poverty. At the same time poverty reduction in numbers, we observed that overall poor population increased over the years from 403.1 million in 1993-94 to 407.1 million in 2004-05. It further declined to 269.3 million in 2011-12. However of we look into the estimated data of 2018-19, it shows a further decrease in percentage of Poverty ratio as well as Number of Poor's.

Now the question is how Micro finance can help to come out from this. Based on our survey of 500 persons, few questions on their financial need have been asked. We observed that around Seventy Eight Percent respondent need financial help. Around Fifty Six Percent respondents have approached to Bank but could not succeed. Around thirty Two percent of all respondents have tried to get loan from other financial institutions. Around thirty percent took finance from local moneylenders or *sahukars* or other on which they are paying a high rate of interest. In spite of high rate of interest, due to easiness of borrowing people borrowed the same. According to those who are eligible to obtain loan from Bank, has not taken because of wrong attitude of Bank officials. These all indicates that however there is drastic need of finance in the market specially to small vendors and entrepreneurs' but due to non development and regularization of micro finance, and not availability in all places, it is becoming a hurdle in creating employment opportunity. If these all worked out the Micro finance could cater the problem of Employment and poverty to some extent. Hence the null hypothesis has been rejected.

Conclusion

From the above mentioned discussion it is found to be clear that the role of micro finance in generating the employment and poverty eradication is immense. However there are various obstacles in building up a sound commercial industry for microfinance such as non availability of subsidies, lack of proper regulation and supervision, limited profit hence limited funds to cater the need of strong management, and staff. Also the expansion in rural areas is little difficult. The poverty line decreasing from year to year basis shows that some where the micro finance helped out the India to come out from the problem of unemployment and poverty. However still an organized sector has to be developed for micro finance like for Banks and Non Banking Finance companies, are available, than only the whole problem can be sought out. A road map need to be designed to remove out the obstacles in making micro finance as landmark in Banking Sector with Poverty Eradicator and employment generator.

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