

## ROLE OF MICRO FINANCE COMPANIES IN WELFARE OF BELOW POVERTY LINE PEOPLE KNOWLEDGE TO YOUTH

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### ABSTRACT

*This study focuses on microfinance firms' tremendous effect on improving the lives of people who are below the poverty line. It is through such organizations that individuals can access financial facilities as well as small credits which help foster inclusive finance systems for marginalized communities. The report also examines ways in which these institutions contribute towards knowledge in money matters thereby enabling persons to make logical choices about their finances while managing them prudently too. It brings out this point by using real-life examples and proofs from research showing that not only do micro-financial initiatives reduce pauperism but they also trigger the growth of economies and development socially in areas where banking services are not available considering that such regions tend to be underserved by other financial institutions. This article stresses the significance of giving credit to poor people because it breaks unnecessary dependency on welfare thus creating sustainable livelihoods for less privileged members within society.*

**KEYWORDS:** Research Paper, Microfinance, Financial Literacy, Small Loans, Poverty.

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### Introduction

In this day and age, when the emphasis is on inclusion for economic development, microfinance organizations stand out as key players in the support of people living below the poverty level. They do this by making sure that the services they offer suit them such as loans, savings accounts, and insurance policies thereby enabling them to recover from being marginalized while at the same time including them financially. It is important for future leaders who will drive social change and economic growth to recognize how important micro-financing is in eradicating poverty. I would like to emphasize my point on the power of microfinance in driving transformative changes and also encouraging active involvement among people toward projects that enhance inclusive growth as well as reduce poverty.

Additionally, given wider gaps between different groups within societies nowadays; it becomes very relevant what these companies can do to uplift those below the poverty line further. Being young persons responsible for shaping tomorrow's world; we need to understand how a micro-financing institution works so that we may be knowledgeable enough about tackling such imbalances. What this research seeks to discover is ways through which companies engaged in lending small amounts of money can improve the lives of poor individuals thus giving us an opportunity as youth advocates for inclusive development strategies.

It has come to my attention from various journals and articles published recently that most youths lack information about microfinance companies.

### Scope of Study

The goal of this paper is to study what microfinance companies do to help people living under the poverty line while also teaching young people about money. It is possible for small loans given through microfinance systems, which don't require traditional bank accounts to be opened, may be used as a way out of poverty. This report examines how programs that offer financial services at very low rates can change lives for those struggling with extreme poverty, especially teenagers. Moreover, it considers

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whether or not teaching people basic finance skills (through their lender) helps them get themselves together financially forever — or if it only gives them temporary relief until they fall back into old habits again. Finally, we will also look into other things like small credits and knowing about money to help reduce the problem. In such poor neighborhoods where nobody ever has any extra cash lying around all these years anyway – does it work at all

### **Need and Significance of the Study**

Microfinance firms play a role, in India by assisting individuals below the poverty line with services like loans, savings, insurance, and other products. They focus on low-income people in areas, who face barriers to traditional banking due to factors such as limited income, lack of collateral, and low financial knowledge.

Studying the impact of microfinance companies is important because it can help reduce poverty and enhance inclusion. Firstly by offering loans, these firms empower individuals to start businesses or expand existing ones, which can lead to increased income and job creation in their communities. This does not boost borrowers' financial well-being. Also contributes to local economic growth.

Additionally, microfinance institutions encourage saving habits among the poor so they can build assets and protect themselves from crises. Access to insurance products further safeguards them against risks like illness or crop failure.

Furthermore examining microfinance companies helps uncover challenges and opportunities, in reaching populations. Understanding the effects of microfinance programs can guide policymakers and practitioners in developing strategies to combat poverty and foster sustainable development.

### **Literature Review**

**Icía García-Pérez:** In conclusion, small enterprises hold immense potential for poverty reduction, offering avenues for job creation, income generation, and inclusive growth. However, challenges like limited access to finance, skills gaps, market constraints, and regulatory barriers persist. The International Labour Organization (ILO) actively addresses these issues through technical assistance, research, capacity building, and partnerships. By promoting an enabling environment and advocating for policies that support small enterprise development, the ILO contributes to sustainable and inclusive economic growth, empowering individuals and communities worldwide.

**Subrata Chakrabarty; A. E. Bass:** In conclusion, SFPI stands as a beacon of hope in poverty reduction through microfinance. By facilitating access to financial services, nurturing entrepreneurship, empowering women, fostering social cohesion, ensuring sustainability, and forging strategic partnerships, SFPI drives transformative change in marginalized communities. Through its multifaceted approach, SFPI not only uplifts individuals economically but also fosters resilience and inclusivity, paving the way for sustainable development and brighter futures for those traditionally excluded from the formal banking sector.

**Vikas Rajesh Chaudhary:** In conclusion, education and microcredit programs hold significant potential in fostering young adults' independence. Their efficiency depends on factors like program quality, socio-economic context, and individual motivation. Integrating both can create synergies, equipping young adults with knowledge, skills, and financial resources. Nonetheless, effectiveness varies, influenced by cultural norms, policies, and resource accessibility. Rigorous evaluations assessing short and long-term outcomes are crucial for program refinement. By identifying best practices and addressing challenges, policymakers and practitioners can optimize these programs, empowering young adults to break the cycle of poverty, achieve economic independence, and contribute meaningfully to their communities.

**Ruth Stewart, Kelly Dickon:** In conclusion, microfinance institutions serve as catalysts for poverty alleviation among unemployed women by granting access to credit, fostering entrepreneurship, and promoting social and economic empowerment. Through tailored financial services, training, and community development initiatives, MFIs enable women to break the cycle of poverty, achieve financial independence, and contribute to the growth of their communities. By addressing both the financial and social dimensions of poverty, MFIs play a pivotal role in creating lasting positive impacts on the lives of unemployed women and their families, ultimately leading to sustainable development and improved quality of life.

**Ritu KC:** In conclusion, microfinance stands as a vital instrument in the fight against poverty, offering pathways to economic empowerment and inclusion for marginalized communities worldwide. Through facilitating access to credit, fostering entrepreneurship, promoting financial inclusion, empowering women, and targeting rural poverty, microfinance contributes significantly to poverty reduction efforts. Its social impact extends beyond financial gains, fostering community development and breaking the cycle of intergenerational poverty. While acknowledging its importance, it's crucial to recognize that microfinance complements broader interventions in education, healthcare, and infrastructure to address the multifaceted nature of poverty effectively. Together, these efforts pave the way for sustainable and inclusive development.

### Objectives

- Investigate the social impact of microfinance on poverty-stricken communities, considering aspects such as education, health, and overall well-being.
- Identify challenges faced by microfinance institutions in reaching and serving individuals below the poverty line.
- Investigate the long-term effects of microfinance on poverty alleviation and economic development in targeted communities.

### Hypothesis

**H<sub>0</sub>:** Microfinance creates debt traps that prolong poverty and make people financially insecure.

**H<sub>1</sub>:** Microfinance increases entrepreneurship, education, health, and community development.

**H<sub>0</sub>:** Limited infrastructure hinders access to microfinance by the poor.

**H<sub>1</sub>:** Financial inclusion leads to economic empowerment among poor communities.

**H<sub>0</sub>:** Microfinance perpetuates debt cycles, inhibits savings growth & fosters dependency.

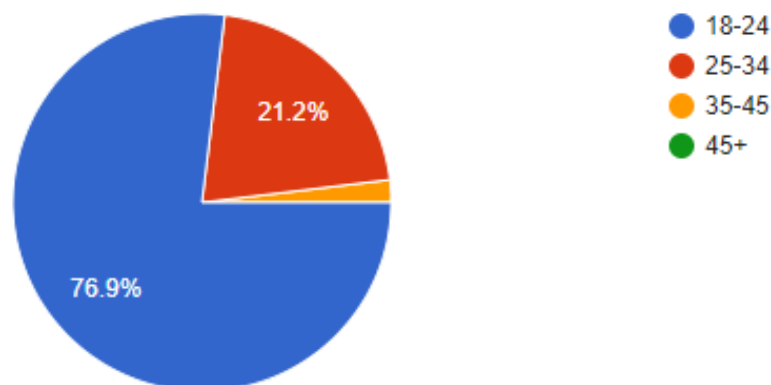
**H<sub>1</sub>:** Microfinance enhances entrepreneurship, empowers women, and promotes economic adaptability.

### Research Methodology

- **Objective:** Your research paper aims to bridge the gap between microfinance companies and the youth who may not be familiar with this concept. It seeks to identify individuals knowledgeable about microfinance initiatives, which aim to assist people and explore why the younger generation might be aware of these efforts.
- **Data Collection:** Primary data are those, which were collected afresh & for the first time and thus happen to be original. However, there are many methods of collecting the primary data; all have not been used for this project. The ones that have been used are:
- **Questionnaire**
- **Sample Size:** 52

### Data Analysis & Interpretation

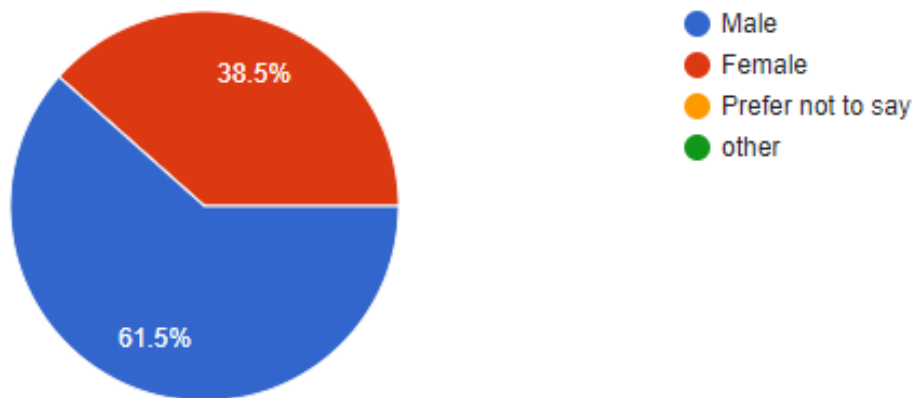
#### Age Group



### Interpretation

In the data collection all people recorded their thoughts in the age group 18-24 76.9%, 25-34 21.2% and the rest in the 30-45 age group people is 1.9% as per my study. In this study, I focused on the Youth Generation they are coming forward to given their responses. The Respondents are from different City/State/Region and the Profession follow the different perspectives are come arrises.

### Gender



### Interpretation

In the age group the people are segregated as Male is 61.5% and Female is 38.5% It is good that the females are also aware of the Microfinance companies, they share their responses. The Respondents are from different Cities/States/regions and the Profession follows the different perspectives that arise.

- According to my 1<sup>st</sup> Objective Investigate the social impact of microfinance on poverty-stricken communities, considering aspects such as education, health, and overall well-being. Questionnaires the overall response is that 47.3% responses are Strongly agree and agree, 31.16% responses are Neutral, 17.68% responses are not agree, and the rest 3.86% responses are others.
- According to my 2<sup>nd</sup> Objective Identify challenges faced by microfinance institutions in reaching and serving individuals below the poverty line. Questionnaires the overall response is that 39.6% responses are Strongly agree and agree, 39.22% responses are Neutral, 15.38% responses are not agree, and the rest 5.8% responses are others.
- According to my 3<sup>rd</sup> Objective Investigate the long-term effects of microfinance on poverty alleviation and economic development in targeted communities. Questionnaires the overall response is that 42.68% responses are Strongly agree and agree, 42.68% responses are Neutral, 12.32% responses are not agree, and the rest 2.32% responses were others.

### Problems

- **Limited Financial Literacy:** Many youth lack basic financial literacy, which can complicate data collection efforts. Researchers may need to invest extra time and resources in educating participants about financial concepts before collecting meaningful data.
- **Access and Trust:** Youth may be skeptical or cautious about sharing personal financial information, especially with formal financial institutions. Building trust and ensuring access to the youth demographic can be challenging.
- **Language and Communication Barriers:** If the research involves diverse cultural or linguistic groups, language barriers can hinder effective communication and data collection. Translating research instruments accurately while preserving meaning is crucial.
- **Response Bias:** Youth may be prone to response bias, providing answers they believe researchers want to hear rather than their true experiences or opinions. This can distort the accuracy and reliability of the data collected.

## Conclusion

There are many difficulties when it comes to studying primary data collection in microfinance institutions. No one knows the micro-finance system, so it is important to teach them why we are conducting this research. They do not know each other and have different backgrounds which makes trust an issue while working on such projects. Also, people may be biased towards some things because of their point of view or interests; thus leading to skewed results based on biases alone. Most young people lack information regarding micro-financing due to less education and exposure among other factors too numerous mention here. What is needed therefore is good planning that should be done carefully, transparency through communication channels, and efforts to foster trust between the researcher and the respondent for them to work together well towards achieving these goals. It is upon the person doing research in this field to find ways of balancing all these things to get reliable data that can help us understand better how youth are affected by financial services at large particularly those offered under small-scale lending programs commonly referred to as 'Microfinance'.

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