

A STUDY ON IMPACT OF MICROFINANCE ON SOCIO ECONOMIC PROFILE OF RURAL POOR PEOPLE

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ABSTRACT

India is a developing country, who's about 3.44 crore people are living in extreme population in 2024 against 4.69 crore in 2022. As a share of total population, number of people living in extreme poverty has come down to 2.4 per cent from 3.3 per cent in 2022. In 2010, the Oxford Poverty and Human Development submitted a paper stating that 421 million people live in poverty across eight states in India. The rural backward areas are where the poor population concentration is found. Most of these impoverished individuals are semi-employed or jobless, and they work in agriculture. In general, these individuals are free. Although it was once thought of as a tool for women's empowerment and also to improve socio economic condition of rural poor people, microfinance is today recognized as a crucial tactic for ending poverty. The development of microfinance as a need-based policy aided in the program's provision to socially marginalized populations, including women, the impoverished, those living in rural areas. Microfinance was founded on the idea that by giving the impoverished access to credit and other forms of financial support, they would be able to grow and begin earning a living, therefore assisting in their transition out of poverty. The most powerful instrument for rural residents' economic empowerment and a key component in the fight against poverty is microfinance. The paper attempts to analyze the impact of microfinance on socio economic profile of rural poor people of Amod subdivision (taluka) of Bharuch District.

KEYWORDS: *Microfinance, Women Empowerment, Self Help Group, Poverty.*

Introduction

The 1970s saw the introduction of the term "micro-credit", giving credit to the underprivileged in order to help them establish sources of income is known as microcredit. Small savings, credit, and insurance services provided to economically and socially disadvantaged groups within society are together referred to as microfinance. A few volunteers and Nobel laureate Mohammed Yunus started a crucial experiment in Bangladesh.

Mohammed Yunus was a firm believer in giving credit to the underprivileged in Order to meet their basic requirements for stability and money as well as to raise their standard of living by giving them access to the necessary resources. He began offering small loans, with to no security, to groups of borrowers, the most of whom were women, so they could launch their own businesses. His work expanded and became the primary pillar of the microfinance movement, which greatly aided in the industry's expansion. Microfinance services include saving accounts, loans money transfers, insurance and payment services.

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Microfinance has developed into a strategy for economic development aimed at helping rural areas low-income populations. The provision of financial services, including income-generating activities, to low-income groups is referred to as microfinance. Although credit and savings are the two main types of financial services, some self help organizations that fall under the microfinance category also offer insurance services.

Literature Review

Murthy (2002), says that microcredit may, at most, offer microsolutions if the goal is to reduce poverty rather than eradicate it. According to Scully, "As long as micro enterprise development is offered as a substitute for meaningful social development, for employment that offers real security, for viable small-farm and enterprise production, and for fundamental changes in the economic policies prescribed by institutions such as the World Bank and the IMF, it will only impede progress toward finding real answers to the very real problem of poverty in the developing world".

Ahmad & Naveed (2004), observed the role of microfinance in reducing rural poverty. The purpose of the study was to assess how Khushhali Bank Limited's (KBL) microloans contributed to the alleviation of poverty in Pakistan's District Rahim Yar Khan. The association between microfinance and income, crop productivity, asset formation, agricultural expenses, and saving was ascertained by correlation analysis. Microfinance was found to have a favorable correlation with saving, agricultural costs, crop productivity, income, and asset creation. Furthermore, by providing them with appropriate loans for cotton, cattle, and working capital in the mentioned district, microfinance is successfully helping the impoverished and raising their standard of living.

Tushir et al. (2007), attempted, through SHGs, to draw attention to the role that microfinance played in improving the economic circumstances of women's homes in the Haryana district till March 2006. They came to the conclusion that microcredit is a potent tool that has made rural impoverished people, particularly women, more accessible.

Rahman, Rafiq and Momen (2009), argue that age, education and number of gainfully employed members had a significant positive effect on household income and asset. This study suggested some adjustment to the existing microcredit programs to achieve the intended outcome, that is, to serve the purpose of those in the lower income society.

Shiralashetti A S (2010), In order to empower women and end poverty in both rural and urban regions, the Self-Help Group (SHG) movement in India has been making progress. Women still do not, however, have the expected level of empowerment. The primary data used in this study was gathered via questionnaires from 150 sample members of 15 SHGs located in 10 villages within the Bijapur district. Examining the degree of women's empowerment in the studied area is the primary goal of the research.

Pokhriyal A.K & Vipin Ghildiyal (2011), this paper examines the progress of microfinance in terms of the successes and failures of SHG-bank linkage program. This article has conducted a critical analysis of the SHG-bank linkage program to evaluate its efficacy in mitigating the inequities that exist throughout the nation's regions. An effort has been undertaken to determine if this program has lessened regional imbalances or if it has become a victim of them. The trends in the scheduled commercial banks are analyzed in the first part, and the SHG-bank linkage scheme is described in the second half.

Objectives of the Study

- To examine the concept of microfinance.
- To examine the impact of Microfinance on employment.
- To examine the role of Microfinance on the socio-economic status of rural people in Amod Subdivision (Taluka) of Bharuch District.

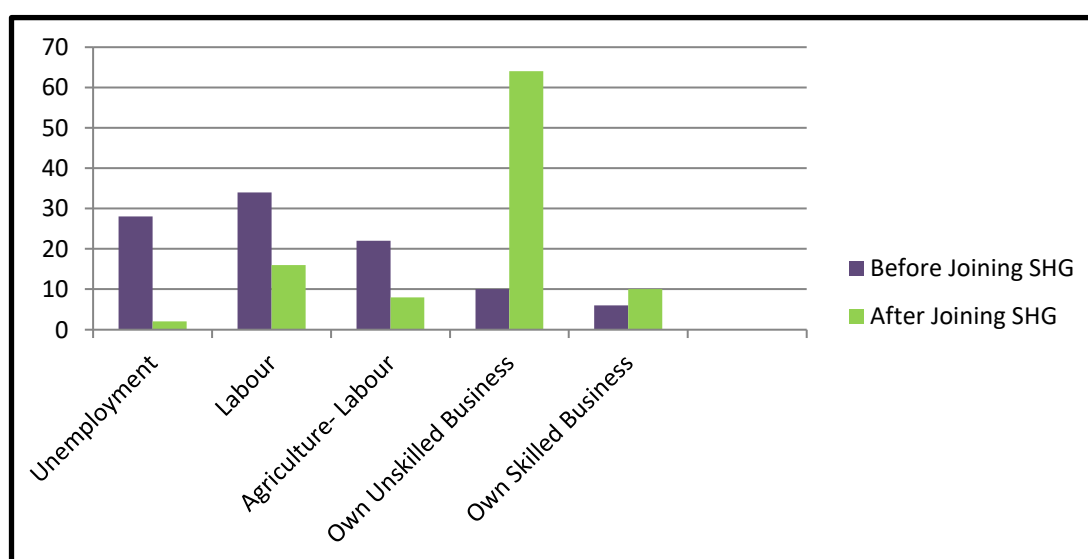
Methodology

The research was conducted under descriptive research method. In the light of objectives of the study, a systematic research design was drawn. The relevant data for the study was collect through primary data (Questionnaire) and secondary sources. Sample of 50 beneficiaries of rural area of Amod Subdivision (Taluka) of Bharuch District was collected by use of simple random sampling to know the impact of microfinance on social economic profile of rural people. Micro-finance beneficiaries are the member of SHGs (Sakhi Mandal), who have been benefited from the Micro-finance schemes and had received the bank loan.

Data Interpretation**Socio Economic Profile of Respondents**

- Occupation of Respondents**

Sources of Occupation	Occupations			
	Before Joining SHG		After Joining SHG	
	Response		Response	
	N	Percent	N	Percent
Unemployment	14	28.00	01	02.00
Labour	17	34.00	08	16.00
Agriculture- Labour	11	22.00	04	08.00
Own Unskilled Business	05	10.00	32	64.00
Own Skilled Business	03	6.00	05	10.00
Total	50	100.00	50	100.00

**Figure: Occupation of Respondents**

People are engaged in all types of work to make money, and many people perform a variety of jobs to do so. However, some people struggle with unemployment. The unemployment rate seems drop from 28.00% to 2.00% in the above table, while those who run unskilled businesses have seen an increase in employment from 10.00% to 64.00%. Those are the more changing in occupation after joining SHGs. Own skilled business has got minor increasing to 10.00% from 6.00%.

- Housing condition and ownership of Respondents**

Nature of House	Housing condition and Ownership			
	Before Joining SHG		After Joining SHG	
	Response		Response	
	N	Percent	N	Percent
Semi- Pacca and Rented	5	10.00	4	8.00
Pacca and Rented	2	4.00	3	6.00
Kuchcha and Self	26	52.00	11	22.00
Semi- Pacca and Self	17	34.00	31	62.00
Pacca and Self	0	0.00	1	2.00
Total	50	100.00	50	100.00

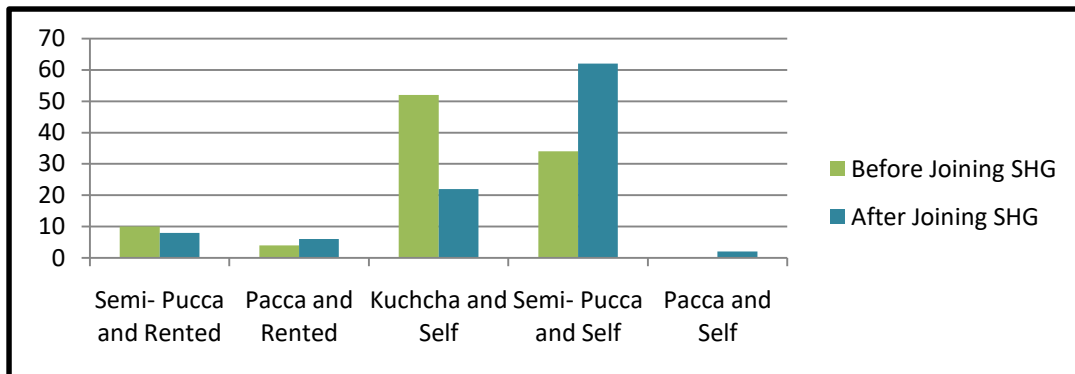


Figure: Housing condition & Ownership

The condition of houses and ownership are good. Some of the respondents of SHGs did not have their own houses whether it is kuchcha or semi-kuchcha. Conditions of kuchcha and self house are decreased to 22.00% from 52.00%, and semi-pucca and self houses are also increased 62.00% from 34.00%. Pucca and self house are minor increased.

• **Separate Facility of Kitchen, Latrine Bathroom and Cattle Shed**

Nature of House	Separate Facility			
	Before Joining SHG		After Joining SHG	
	Response		Response	
	N	Percent of Cases	N	Percent of Cases
Kitchen	20	40.00	47	94.00
Latrine – Bathroom	27	54.00	49	98.00
Cattle Shed	00	00.00	03	06.00

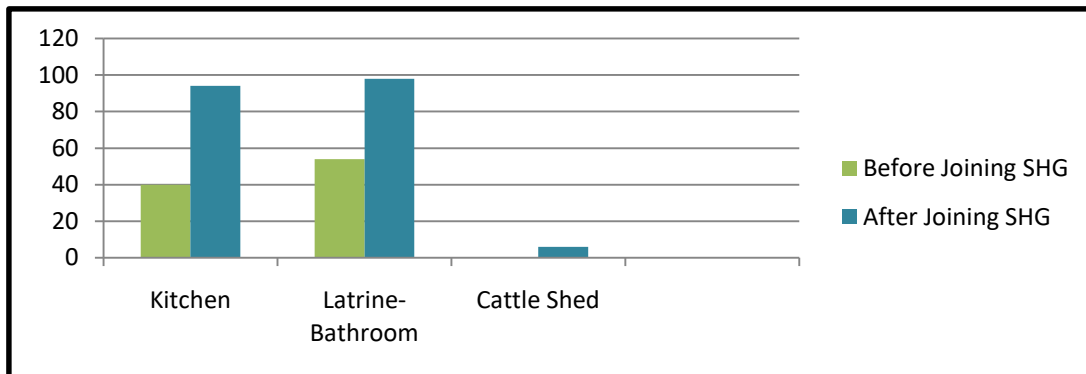


Figure: Separate Facility of Kitchen, Latrine bathroom and Cattle Shed

The above table shows that after joining the SHG, the separate kitchen, latrine/bathroom, and cattle shed are in better shape. After joining the SHG, 94.00% of respondents reported having a separate kitchen, up from 40.00%, 98.00% having latrine baths, up from 54.00% and 6.00% having cattle sheds.

• **Electricity Facility**

Electricity Facility	Electricity Facility			
	Before Joining SHG		After Joining SHG	
	Response		Response	
	N	Percent of cases	N	Percent of cases
Electricity facility in House	43	86.00	49	98.00

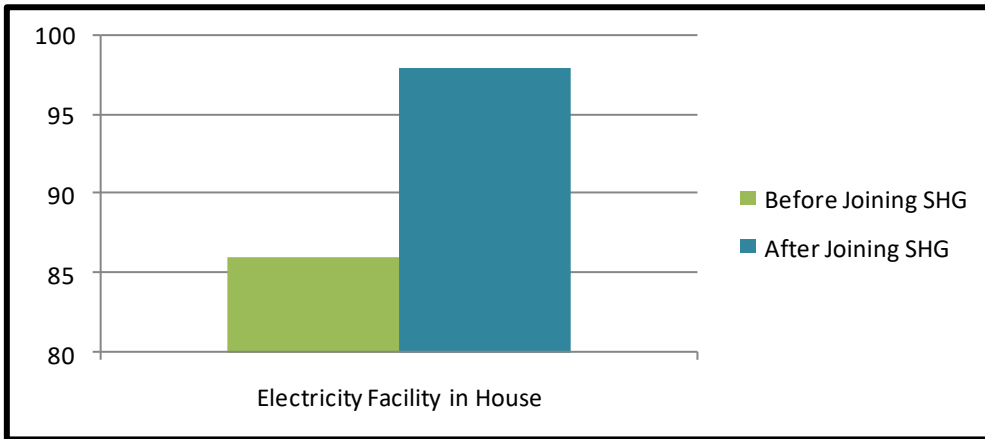


Figure: Electricity Facility

One of the primary necessity and conveniences of the modern day is electricity. After joining SHGs, the percentage of homes with electricity accessing the system grew to about 98.00% from 86.00%. The remaining 2.00 percent of impoverished villagers are unwilling to connect to the energy grid.

• **Water Facility in House**

Water Facility in House						
Water Facility	Before Joining SHG			After Joining SHG		
	Responses		Percent of cases	Response		Percent of cases
	N	Percent		N	Percent	
From Street Tap	32	64.00	64.00	03	06	06.00
Tap in the House	18	36.00	36.00	35	70	70.00
Submersible Pump	00	00.00	0.00	12	24	24.00
Total	50	100.00	100.00	50	100.00	100.00

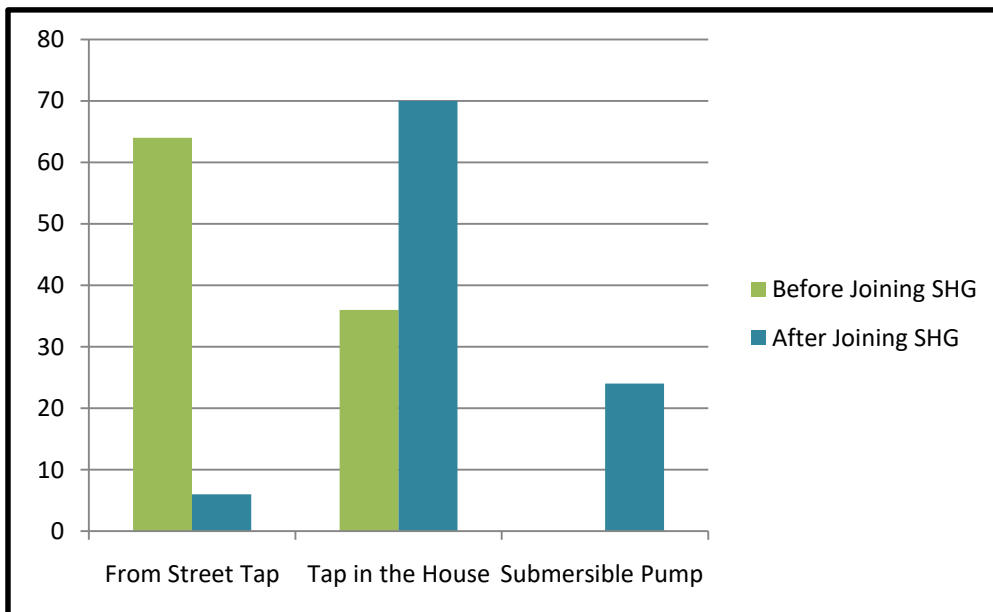


Figure: Water Facility in House

After joining the SHGs, the water facility is in excellent shape. Prior to joining SHGs, 64.00% of respondents relied on street hand pumps and taps; this percentage has since dropped to 06.00%. The percentage of the house with water is increasing from 36.00% to 70.00%. The percentage of water availability via submersible pumps has been raised from 0.00% to 24.00%. As a result, one could argue that living standards has been grown.

• **Cooking Fuel used in the House**

Cooking Oil used in House Frequencies						
Nature of Cooking Fuel	Before Joining SHG			After Joining SHG		
	Responses		Percent of cases	Response		Percent of cases
	N	Percent		N	Percent	
Fire Wood	50	27.78	100.00	50	24.04	100.00
Dung Cakes	50	27.78	100.00	50	24.04	100.00
Kerosene	50	27.78	100.00	50	24.04	100.00
Coal	07	3.89	14.00	07	3.36	14.00
LPG / Gas	23	12.77	46.00	50	24.03	100.00
Electricity	00	0.00	0.00	01	0.48	02.00
Total	180	100.00	360.00	208	100.00	416.00

In the above table, the sample size is 50 respondents only, but some of the respondents have adopted more than one option of cooking fuel that is why the number of responses shown in the above table is 180 responses in before joining SHG and 208 responses in after joining SHG. Before joining SHG responses percent calculate the number of 180 and after joining SHG responses percent calculate the number of 208. Percent of cases calculate by the number of 50 both before and after joining SHG.

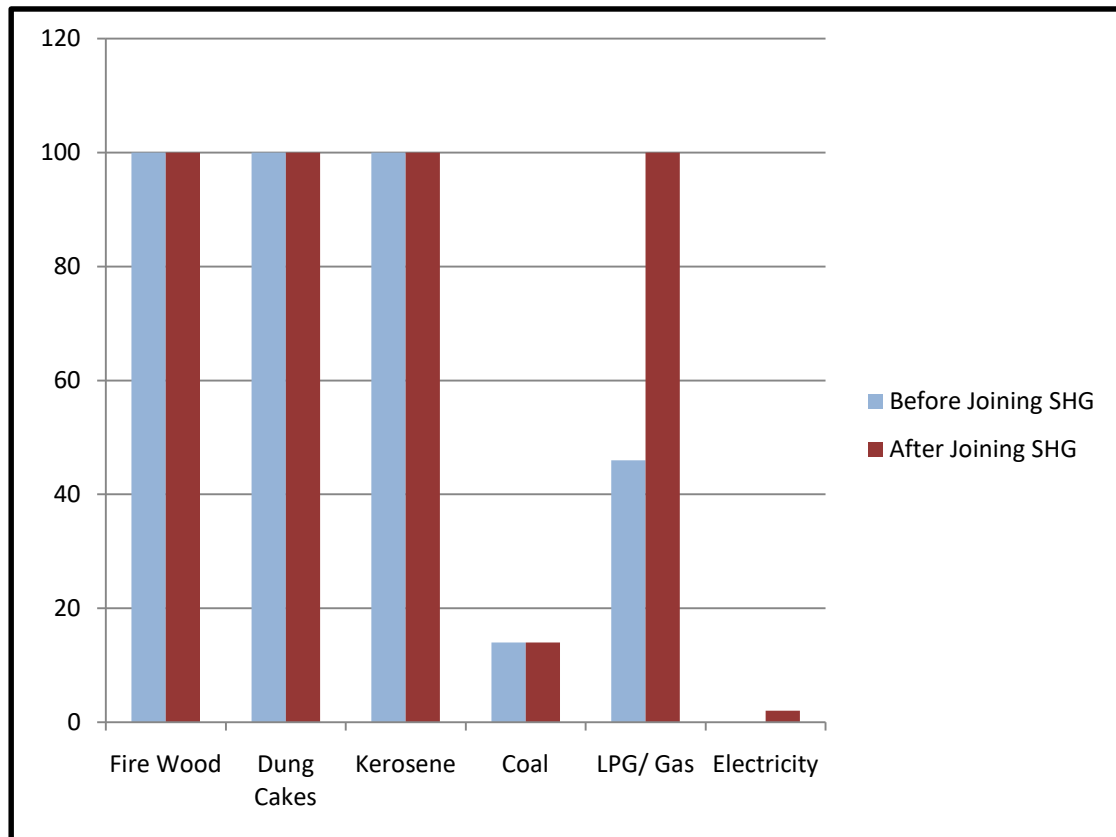


Figure: Cooking Fuel used in House

The use of LPG/Gas has increased from 46.00% to 100.00%, and the use of kerosene is the same in both conditions before and after joining SHGs. In rural areas, firewood and dung cakes are the primary and most affordable cooking fuels.

- **Purpose of Saving**

Purpose of Saving	Purpose of Saving					
	Before Joining SHG			After Joining SHG		
	Responses		Percent of cases	Response		Percent of Cases
	N	Percent		N	Percent	
Old Age/ Retirement	28	20.90	56.00	22	13.25	44.00
Consumption and Consumer Durable	03	2.24	06.00	07	4.22	14.00
Investment	00	0.00	00.00	01	0.60	2.00
Marriage of Children	12	8.96	24.00	17	10.24	34.00
Education of Children	29	21.64	58.00	30	18.07	60.00
Health/ Disability	04	2.99	08.00	04	2.41	08.00
Seasonal Variations in Cash flow	35	26.11	70.00	48	28.92	96.00
Repay the loan or other Debts	00	0.00	00.00	01	0.60	02.00
Other	23	17.16	46.00	36	21.69	72.00
Total	134	100.00	268.00	166	100.00	332.00

In the above table, the sample size is 50 respondents only, but some of the respondents have saved the money for many purposes that are why the number of responses shown in the above table is 134 responses in before joining SHG and 166 responses in after joining SHG. Before joining SHG responses percent calculate the number of 134 and after joining SHG responses percent calculate the number of 166. Percent of cases calculation are emphasised by the number of 50 both before and after joining SHG.

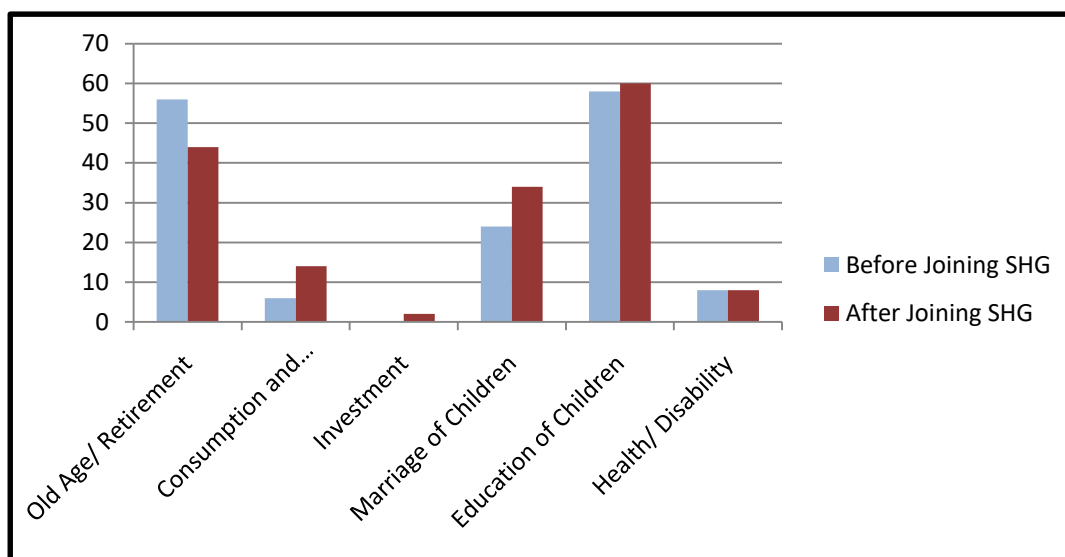


Figure: Purpose of Saving

Poor people save the money all the time, although mostly in informal ways. They invest in assets such as jewellery, domestic animals, building materials and things that can be easily exchanged for cash. Above table shows the purpose of saving. Old age/retirement is the first option of saving the money, second consumption and durable product and third for investment and marriage of children. People save more money and have greater purchasing power as a result of their higher income, which also causes savings to increase. Old age/retirement is little decreased to 44.00% from 56.00%, consumption and consumer durable products are miners increased to 14.00% from 6.00%, investment

are increased to 2.00% from 0.00%, seasonal variations in cash flow are increased to 96.00% from 70.00%, repay the Micro-finance or other debts are increased to 2.00% from 0.00%, health/disability are same in both the case i.e. 8.00%, other purposes are more increased to 72.00% from 46.00% and little changes in purpose of marriage of children increased 34.00% from 24.00%, Education of children is little increase from 60.00% from 58.00%.

Findings

- Respondents' occupation profiles indicate that they work in many fields to supplement their income, with many doing numerous jobs due to unemployment.
- The majority of respondents owned their own homes, whether they were kuccha, pacca, or semi-pacca, according to the housing condition and ownership data. Additional disclosures indicate that while government entities have various facilities and programs, some villages have not been found to utilize any of these chances because of awareness problem.
- The respondents' living standards have significantly improved over the years in terms of access to electricity and water, the type of cooking fuel utilization and savings habits too have been grown up.

Conclusion

One of the most effective and widely seen strategies for lowering the country's poverty rate is microfinance. People's lifestyles can be changed for the better, and self-development can be enhanced. Later on, when they become aware of government programs, they can make the most of them and apply them appropriately to raise their standard of living in addition to giving their kids an education. Rural residents can also create more jobs for other individuals by investing money and in ventures that bring in revenue. Rural impoverished individuals can improve their socio-economic situation with the aid of microfinance. Microfinance plays a vital role in raising the living standards of the impoverished in rural areas.

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