POVERTY ELEVANCE THROUGH MICROFINANCE WITH REFERENCE TO KARNATAKA

NANDISHA H D
Research Scholar,
Department of Commerce,
Bangalore University, Bengaluru-01

Dr. H. PRAKASH
Associate Professor and HOD
Maharani women’s Arts, Commerce and Management College
Bangalore University, Bengaluru-01

Abstract

As it’s known that poverty persists in India, and it has to think of overcome it but it is an inescapable aspect of the human condition. As it known from the examples that the world, over a very short time, poverty and maternal and infant mortality can be dramatically reduced while education and gender equality can be dramatically advanced rural micro – credit projects are showing the way to improve the rural people. Poverty is the threat to prosperity everywhere. The global economy, even at the dawn of 21st century can be encapsulated in one stark contrast the widening inequalities and disparity between the rich and the poor. The affluent sections enjoy comfortable life style on the other hand the poorest of the poor live in severe deprivation characterized by illiteracy, malnutrition, lack of shelter vulnerability to diseases, lack of educational opportunities and employment opportunities to enhance upward mobility and restriction to assess resources that would allow to work their way out of poverty.

Key words: Rural Market, Brand Strategies, FMCG.

I. INTRODUCTION

Micro credit is tool for the low and medium income people to live; micro finance is to help the poor people to get basic needs of the day to day activities. Micro finance is available to everyone who can have the power to repayment of the loan amount: micro finance is used as a tool for up brining the economic conditions of rural people thereby helping the country’s economic progress.

Micro Finance has become, in recent years, a fulcrum for development initiatives, particularly in the third world countries. It has been implemented in varying forms in different countries and has come to be regarded as an important tool for empowerment of rural people of the India and poverty alleviation.

India is a country of villages and the rural sector provides livelihood for about 72 percent of the total population. In rural areas of India, credit requirements are most pressing. They need credit not only for productive purposes but also for day to day minimum consumption requirements. As the distribution of land in the country side remains skewed, majority of the rural population is left with an inadequate resource base for production. Faced with a weak social security system to fall back upon, this section of landless or near landless rural population is forced to depend upon credit for its livelihood. It was this understanding that led various developing countries to make credit an integral part of their poverty alleviation programs.

Need of Micro Finance

Rural Finance Is Considered to be a major program that appeals to the rural poor. The rural people need credit for the following purposes. For the purpose of operating inputs like seeds, irrigation, fertilizers and pesticides by the marginal and small farmers operating 73% of the agricultural holdings

For the adoption of modern farm technology with high yielding varieties of crops along with the complimentary inputs. For undertaking permanent farm improvement measures like well digging and deepening, tube well construction and for purchase of...
livestock or matching cash inflows and outflows and smooth out the fluctuations in farm income and expenditure.

India’s Independence marked a watershed in the rural credit. The formal financial institutions in India owe its existence to the constant government intervention over the past five decades. At the time of Independence co-operatives were the only formal financial institutions providing credit to the poor. The last five decades witnessed a rapid growth of banking network in India under the guidance and initiative of the Reserve Bank of India (RBI). The recommendations of All India Rural Credit Survey in 1954 formed the basis for rural credit policy in Independent India. The co-operative sector initiated in 1904 was intended to be the major source of rural finance in 1950s and early 1960s for purveying agricultural credit. In view of the poor outreach and inability of the co-operatives to meet the growing credit requirements of the fast developing rural sector in general and agricultural sector in particular commercial banks were nationalized in phases. Reaching out to the rural areas to provide credit and other related banking services to the hitherto neglected sections and weaker sections of the society in an unparalleled achievement of the Indian Banking system. But whether the following principles of development through credit were followed is a big question.

II. REVIEW OF LITERATURE

The government sponsored several programmes and projects to bring the excluded poor into the mainstream “development”. These programmes could not completely target the vulnerable poor. And many now believe that government assistance to the poor often creates dependency and disincentives that make matters worse, not better. Moreover, despite decades of aid, communities and families appear to be increasingly fractured, offering a fragile foundation on which to build (Morduch, 1999). Amid the distressed news, enthusiasm is building about a set of unusual financial institutions prospering in distant corners of the country. The hope is that much poverty can be alleviated and the economic and social structures can be transformed fundamentally by providing financial services to low income households. These institutions, united under the banner of “microfinance”, share a commitment to serving clients that have been excluded from the formal banking sector (ibid).

According to National Sample Survey Organization’s (NSSO), 59th Round (2003), only 48.6 per cent of the total number of cultivator households received credit from both formal and informal sources (financial inclusion in a broader sense) and remaining 51.4 per cent did not receive any credit (total financial exclusion). The same survey revealed further that 22 per cent of the cultivator households received credit from informal sources (financial inclusion in a narrow sense). Only 27.6 per cent of the farmer households had availed credit from the formal institutions like banks, cooperatives and government (Jeromi, 2006). Again, a Rural Finance Access Survey 2003, conducted by the World Bank and the NCAER, revealed that 79 per cent of the rural households had no access to credit from formal sources (Basu, 2006). Hence, the tasks of microfinance are the promotion of greater financial inclusion and, in the process, improve the social and economic welfare of the poor. In this backdrop, the paper examines the promise of microfinance (microfinance-plus services) in the inclusion (access) of excluded and to analyse the impact of the “microfinance-plus services” on the social and economic welfare of the poor households.

III. RESEARCH DESIGN

Statement of the Problem

Micro Finance Or Provision Of Financial services to low income households like low salaried persons, farmers, self employed persons, village,
industries, small scale industries, self help groups, has come to be accepted as the most efficacious intervention to alleviate poverty among the policy circles in the developing countries. Till recently rural people under the Indian rural set up were not able to actively participate in income generating economic activities due to historical and socio cultural reasons. Low level of skills, lack of access to training facilities and credit, illiteracy, technology development ignorance coupled with their invisible contribution to the family economy, restricted mobility as a result of gender bias and lack of linkage facilities are some of the contributory factors.

**Objectives**

The emerging rural micro finance sector in India promotes linkages between the formal and non formal sectors. Micro finance section largely functions as the provider of bulk credit and other services to the power to repayment of the loan amount; micro finance is used as a tool for up brining the economic conditions of rural people thereby helping the country’s economic progress.

- To understand the micro finance as a powerful tool for poverty elevation of the country.
- To explore the benefit share by Farmers, low income level people, self help groups, village
- To examine the credit delivery system, credit utilization and benefit out flow under micro finance program in the study area
- To examine that how micro finance helpful for economic development of the country.
- To suggest measures for the effective operation of micro finance on the basis of the outcome of the study.

**Scope of the Study**

The research study will encompass the Micro financing facilities provided by banks and utilization of the loan amount of the lenders of different places of district and repayment of the loan amount in repayment period and interest rate. It helps to study the banking activities and policies of the banks and other micro financial institutions with regard to Micro Finance in the rural place of the country.

**Research Methodology**

For the purpose of the study Descriptive and Survey method is followed. Both primary and secondary data as used for the study. Primary data was collected by conducting interview and secondary data collected from articles, journals, publications, news paper, and Banks Balance Sheets.

**Sources of Data**

The study is based on both secondary data and as well as primary data. Required secondary data was obtained from the annual reports, statistical statements of various Financial and organizations, District Head Quarters of Government offices, development institutions, Indian Panorama and RBI Bulletin. Primary data was collected from the selected respondents of the study.

**Primary Data**

Primary data were collected from the Respondents including poor People who are taking Benefits from Association and managers of the banks.

**Secondary Data**

Secondary data were collected from Reports and Balance sheet of Banks who is Providing Micro Finance Service to the work Association, Books of accounts Recorded by Annual Reports, Magazines and Internet.

**Tools of Data Collection**

In tune with the objectives of the study three separate interview schedules were designed for the purpose of collecting of the secondary and primary data. The first schedule for the officials of the banks aimed at seeking particulars about the loan particulars. The second schedule for the farmers and Village industry borrowers consisted questions related to socio economic conditions of the borrowers, loan availed, mode of utilization of loan
its impact. The third schedule covers the SHG and other Groups of the villages, their savings and loan particulars and impact of loan. In order to assess the impact of the program before and after approach is followed. To ensure the validity of the data, the information collected from the members were verified with the field workers.

**Sampling Method**

Multistage random sampling method will be adopted for selecting the sample members. In the first stage, the SHG’s Groups members’ interview and the farmer’s interview will be selected for the research.

**Definition of Micro-Finance**

Microfinance is the provision of a broad range of financial services such as – deposits, loans, payment services, money transfers and insurance products – to the poor and low-income households, for their microenterprises and small businesses, to enable them to raise their income levels and improve their living standards.

Theoretical Aspects of The Micro Finance

Poverty alleviation has been one of the key development challenges over the decades. One of the identified key constraints faced by the poor is lack of access to formal sector credit. It will facilitate them to take advantage of economic opportunities to increase their level of output, hence move out of poverty. Credit is considered to be an essential input to increase productivity, mainly land and labour. It is believed that credit boosts income levels, increases employment at the household level and thereby alleviates poverty. Credit facilitates the poor to triumph over their liquidity constraints and undertake some income generating activities. Furthermore, credit helps poor to smoothen their consumption patterns in times of lean periods of the year (Binswanger and Khandker, 1995). The improved consumption is an investment in the productivity of the labour force or human capital. Hence, credit will maintain the productive capacity of rural poor households (Heidhues, 1995; Hulme and Mosely, 1996; Mosely and Hulme, 1998; Hulme, 2000; Navajdas et al., 2000). The proposed goal of microfinance sector is to improve the welfare of the poor as a result of better access to small loans. Lack of access to credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit, therefore, affects welfare outcomes by alleviating the capital constraints of poor households. Access to credit, in addition, increases the poor households’ risk-bearing ability, improves their risk-coping strategies and enables consumption smoothing, over time. By so doing, microfinance is argued to improve the welfare of the poor.

**Analysis and Interpretation of Data**

Apart from simple tabulation, the strengths, weaknesses, threats and opportunities of the microfinance activities of the organization implemented in the study area has been analyzed in the form of SWOT analysis. Compound growth rate has been found out to study the progress in number of groups, loans disbursed and refinance activities.

**Limitations**

Though the present study aims to achieve the above mentioned objectives in full earnest and accuracy, it may be hampered due to certain limitations. Some of the limitations of this study may be summarized as follows. The study has focused on the borrowers of Bangalore district of Karnataka, but the study reflects the salient features and problems of the borrowers and members of SHG in study area. Contacted repeatedly or alternate respondent may have to be identified.

**Findings**

Group Profile:- Group size: The size of the group plays an important role in the process of group dynamics. Most of respondents (88%) belonged to the
SHGs with group size is of 10-15 members. Size of group was stable during study period. The members were mostly married, survey reveals.

Respondents Profile:- Gender: Out of 400 respondents 95.5% (382) were female respondents where as 18 (4.5%) are male. Age Group: The total respondents for the age group 26-35 (69.68%, 262 out of 400) were more than other studied age group. The total respondents for the age group below 25, 36-45 and above 46 were 2.93% (11), 26.86% (101) and 0.53% (2) respectively.

Education: - The maximum numbers of members in self help group were studied up to High School. They are 214 (55.73%) in numbers as compared to others. In other group category, their distribution according to education are Illiterate (17, 4.43%), Primary educated (76, 19.80%), Intermediate and graduates (53, 13.80%) and (24, 6.25%) respectively.

Occupation: - Housewife 216 (55.81%) and labourer 137 (35.40%) respondents were larger as compared other occupation such as service, farmer, government servant and teacher. Respondents belong to BPL category and working on higher post in SHG group like president which was significantly higher in numbers from poor category which proves that poor are creditable due to their self motivated and working on higher post in SHG. Labourer and housewives are self-motivated to participate in SHG.

Labourer and housewives are significantly more as occupations who are working as a president in SHG. This was also found to be significant at p<0.01 with Chi-square = 41.238. It was observed that labourer and house-wives are self motivated, which is significantly high at P<0.01. Association between occupation and participation in SHG’s through motivation was found to be significant at P<0.01 and occupying highest position as president in SHG’s.

**Conclusion**

SHG’s and New issues have to be addressed to effect social and economical progress of our nation. The most important one is women’s empowerment through self help groups. SHGs have undoubtedly begun to make a significant contribution in poverty alleviation and empowerment of poor, especially women in rural areas of our country. Women’s contributions are the vital and their empowerment would hasten the pace of social development. Investing in women’s capabilities and empowering them to achieve their choices and opportunities are the definite way to contribute to the economic growth and the overall development. The empowerment of rural women leads to benefit not only to individual women and women groups, but also to the families and the community as a whole.

SHG’s and Strength Building :- The percentage of women were impacted positively by being members of SHGs. Women participation in the SHG enabled them to discover inner strength, gain self-confidence, self-reliance, self-esteem, self-respect, social, economical and political capacity building. SHG’s an Effective Tool of Micro-credit for Financially Disadvantaged Group :- One of the powerful approaches to women empowerment and rural entrepreneurship is the formation of Self Help Group of women, which is homogeneous small economically affinity group of poor people who voluntarily come together to save small amount of savings, called thrift regularly and extend microloan among themselves to meet their emergent needs. They are come together for the purpose of solving their common problem through self help and mutual help who do not have access to formal financial institutions.

The meetings held monthly. These group members save small amount of money they used to take loan from the group itself as per needs. The rate of interest is not too high. The SHG maintain their account in banks, which is operated jointed. Small loan and small savings are very helpful for the poor, even to have their own job. These members are able
to maintain their attendance register, minute book, account book and pass book. SHG’s and Participation. Democratic System SHGs enhanced the equality of status as participant, decision makers and beneficiaries in the democratic economic social cultural spheres of life.

Suggestions
On the basis of the above findings and observations, the following suggestions have emanated, which may be helpful in strengthening SHGs and taking strategic decisions on Poverty Alleviation Programmes in the State. More supportive and patronizing attitude on the part of the Government, NABARD, NGOs and Banks are highly essential for the members to develop their entrepreneurial abilities and skills. Separate departments have to be formed in these institutions for the development of microfinance and microenterprises in the state. Measures to attract the illiterate and the poorest section of the rural people to SHG have to be taken. Group concept can change the lives of the tribal folk also. Voluntary agencies should be able to play a significant role in improving and developing the living conditions of the tribal folk. Help of animators of Integrated Tribal Development Project (ITDP) and the services and resources of Scheduled Tribes Department and various other government departments can be availed for this purpose insurance schemes, if introduced for SHG members, will enhance their thrift habit.

IV. Reference
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