

A Study of the Role of Micro Credit in Poverty Eradication among Rural Women of Panipat in Haryana

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1. Introduction

The poverty eradication is now on the political and economic agendas of most nations around the world in recent decades. Thus the countries have been made a special focus on community empowerment through a variety of strategies. A better future for all claims that community empowerment can be most fairly and effectively achieved by addressing health, education, income and gender disparities together with the need for global action on provision of financial and banking facilities to those, especially the poor groups of the society, as NABARD stated the supply of in time and adequate credit without collateral pressure came to be recognized by the authorities of all over the world countries as a remedy for many of the ills of the poverty and community empowerment. Thus, a variety of credit packages and programmes were designed based on the perceived needs of the poor especially to concentrate on women as the members in a group, who pay more responsible to the credit acknowledged. Besides the programmes initiated by the Central and State Governments, many of attractive credit-based programmes were also introduced by NABARD especially to encourage women groups, farmers clubs and other groups which were financially excluded by the time of development. These new innovative programmes and policies also underwent qualitative changes based on the experiences gained in order to develop the groups at the bottom level.

2. Micro Credit

From the evidences experienced in all over the world, it is clear that the economies rely upon the financial intermediaries to transfer resources from savers to investors. In market economies, this function is performed by a well-established source of commercial banks and the capital markets. More widespread financial intermediation, as well as increasing depth and variety, is a hallmark of advancing development. But in many developing countries like India capital markets are still at an elementary stage, and commercial banks are reluctant to lend to the poor largely because of the lack of collateral and high transaction costs. Thus the poor would borrow relatively small amounts, and the processing and supervision of lending to them would consume administrative costs that would be disproportionate to the amount of lending. A study by the International Fund for Agricultural Development (IFAD) has confirmed that protracted loan procedures and paper work, combined with a lack of accounting experience, limit poor people's access to formal sources of credit. Other reports cite the fact that commercial lenders in rural areas prefer to deal mainly with large-scale farmers and other high income grouped only. They mainly pointed out that the bankers are reluctant to lend credit to the Marginalised sections including the women

who failed to submit collateral against to the borrowings. In addition to the above, global poverty crisis and resulting human suffering, environmental degradation, civil unrest and many other societal ills, are hastening the search for scalable anti-poverty approaches. These deplorable conditions are the source of the growing interest in micro credit and, more broadly, microfinance. Of course, gatherings such as the micro credit summit, global support through the U.N.'s International Year of Micro Credit, and articulate spokesperson such as Dr. Muhammad Yunus have also attracted worldwide attention for microfinance.

All these continuously gave a rise to the concept of micro credit for the poorest segment especially the women along with a new set of credit delivery, techniques. With the support bingos an informal sector comprising small Self-Help Groups (SHGs) started mobilizing savings of their members and lending these resources among the members on a micro scale. The potential of these SHGs to develop as local financial intermediaries to reach the poor has gained recognition due to their community-based participatory approach and sustainability. Their loan recovery rates have been significantly higher than those achieved by commercial banks in spite of loans going to poor, un-organized individuals without security or collateral. Thus, microfinance addresses, it appears, a moral necessity more than anything else. By empowering the women through credit extension, this innovative idea of microfinance tackles serious drawback of the contemporary economic system, that is, the exclusion of the poor from the financial system. Recently, microfinance institutions have begun a variety of innovative schemes, such as the BRAC Ultra-Poor Program; have opened up pathways to economic activity and access to financial services for the extreme poor. An inclusive financial sector allows the poor and low income people to access to credit, insurance, remittances and savings that will supports full participation of the women with lower income levels. But, in many countries, the financial sectors do not provide these services to the poor women and they struggled for maintaining even the basic life standards. So, it is highly needed to satisfy the financial needs of that un-bankable poor women to raise their living standards by financing i.e., through either the formal microfinance institutions or nationalized banking sector at inappropriate levels of interest rates, which are suitable to those financially excluded groups. In this connection the programme of microfinance which includes micro credit becomes as a most believable solution of poverty eradication in all parts of the world in recent few decades. Subsequently the UNO in its announcement of declaring the year 2005 as "Year of Micro credit" remarked that "Micro credit has been changing people's lives and revitalizing communities". But, it is very important to note that without

encouraging the debtors into the productive activities, micro credit alone becomes further harmful to the received vulnerable sections of the society. That is why Muhammad Yunus (Expanding Micro credit Outreach to Reach the Millennium Development Goals, International Seminar on Attacking Poverty with Micro Credit, Dhaka, Bangladesh, and January-2003) stated that "Micro credit is based on the principle that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills, which make poor people poor, hence the charity alone is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty".

3. Statement of the problem

Micro credit that is channelized through SHG-Bank Linkage Programme (SBLP) contributes much for upliftment of poor families especially in rural India from the recent few decades. Self-Help Group based micro credit programme in India, and especially in Andhra Pradesh, has become a major tool for development of the poor groups in rural areas. Group systems for eradication of poverty through micro credit evolved in Bangladesh and highly succeeded in Latin American countries. They have promoted the development of poor women through micro credit without collateral security. Since NABARD got involved in the propagation of SHG system in India, it has given specific guidelines regarding the role and functions of NGOs and banks for formation and management of SHGs as main functionaries to eradicate poverty. The NGOs and banks were found to be the best vehicles for organizing SHGs and make the system as effective and efficient as possible. However effective functioning of SHGs is to be ensured in order to initiate and sustain income-generating activities to improve the economic conditions of poor families. Through micro credit forewomen specially, they become equal partners with men as a human resource contributed much for both to their family and nation's development. The present study emphasizes on the impact of micro credit that has been supplied through SBL Programme of NABARD in the study area of Panipat in Haryana.

4. Objectives

Following objectives have been formulated for analysis-

1. To assess the impact of micro credit on the Employment and Income sources.
2. To assess the impact of micro credit on assets of the sample respondents.

5. Methodology

The present study is exploratory in nature which is based on the primary sources of data. The data was collected by questionnaire for the financial year ended by March 2018. On the basis of convenient sampling method, 60 respondents from various groups received micro credit through women SHGs in the study area of Panipat in Haryana were selected for analysis. The study attempts to analyse the impact of microcredit on income generation and their asset creation. For this a comparative study of the position of the sample respondents 'before' and 'after' receiving the micro credit from

the SHG-Bank Linkage Programme (SBLP) was made. Data on various economic aspects such as credit utilization pattern, employment, and income and asset creation were collected and analysed with the help of simple statistical techniques like percentages and growth rates to assess the poverty reduction that was succeeded through micro credit.

6. The Data Analysis & Results

1. Credit utilization pattern of sample respondents

The research question about the purpose for which the women sample beneficiaries utilize the bank credit indicates their level of matured perception of the beneficiary. The impact of bank credit on the well-being of the members of family depends on the purpose and extent to which the sample beneficiaries utilize the credit. A production-oriented (income-generating) loan such as investing on cultivation, business, buying mulch cattle and other income generating-activities has more potential for increasing household's income and improve welfare of the families of sample beneficiaries than a loan used for celebration of ceremonies and other unproductive activities. Majority of sample respondents constituting 68.33 per cent utilized their loan amount on income-generating activities, whereas: 11.77 per cent spent on un-productive activities like traditional functions, purchase of household appliances and on other facilities like tap connection, house renovation etc. followed by 03.33 of respondents who used their loan amount to meet the medical expenses and Five per cent of sample respondents who used it to meet for other unforeseen expenses. From the observations, it is significant to note that the majority constituting 91.77 per cent of sample respondents immediately utilized their credit for different activities, which implies that the respondents had a pre-prepared credit planning for the utilization of bank credit. The rest of 08.33 per cent of sample respondents took less than one month time to plan for credit utilization.

2. Micro Credit And Employment Generation

One of the most important objectives of microfinance programme is the creation of employment to rural poor by raising their investment capability. To ensure that women take active part in productive (income-generating) activities, the SBL programme assisted the rural women with collateral-free credit and guided them through proper training facilities and, no doubt, most of the sample respondents benefited from the SBL programme. The sample respondents were asked to state the extent to which they could get employed in different income-generating activities as a result of the financial support by the micro credit. The sample data reveals that the responses of the sample respondents on employment generation in terms of different activities with the help of micro credit. Micro credit from SHG-bank linkage programme. The most important objective of micro credit is to create employment in non-agricultural activities through the supply of adequate and timely credit is not realized in the study area; whereas, only 15.00 per cent of sample respondents got their employment in business and other activities. Besides, it is significant that 31.77 per cent sample respondents spent their loan amount for unproductive activities, which did not lead to productive employment opportunities. Among those sample respondents who made unproductive investment, a considerable number of respondents constituting 08.33 per

cent utilized their loan amount on 'house construction', followed by Five per cent of sample respondents who invested on children's education; whereas, another 11.77 per cent of sample respondents used the loan amount to clear old debts.

3. Micro Credit And Income Generation

In this connection the sample respondents were asked whether they could tap new sources of income through micro credit extended to them. The data reveals that the responses of the sample respondents on income generation through different activities with the help of micro credit and refers to the distribution of sample respondents in terms of different activities which served as sources of income through micro credit. It was found that for 28.33 per cent, out of 60 sample respondents, maintenance of milk cattle and sale of milk and milk products is the major source of income ; whereas, only 15.0 per cent of the total sample respondents could set up their own business or get self-employed owing to lack of awareness of the availability of alternative or self-employment opportunities and low level of job-specific skills in the absence of effective training programmes significantly, 31.77 per cent of sample respondents utilized their loan amount for non-income generating (unproductive) activities. Among the respondents who made unproductive investment' a significant number constituting 11.77 per cent used the loan amount to clear old debts; whereas' 08.33 per cent of sample respondents utilized their loan amount for house construction' followed by 05'00 per cent of sample respondents who have invested on children's education to ensure better future for their children and the rest 06.77 per cent have spent the loan on other non-income generating activities like traditional functions etc. However for majority of respondents (68.33 per cent) the micro credit had a positive impact on improvement in their family income' but from the analysis it is significant to note that the micro credit invested on various income generating activities could not yield the income for all respondents as the same. From the observations it was cleared that a considerable number of beneficiaries (31.77 per cent) would not be able to get proper returns from their investments made through micro credit in respect to unexpected shocks like low productivity crop failure, low market price, and loss of milk animals and goats etc.

4. Micro Credit And Family Income Level

The data shows the distribution of the household annual income 'before' and 'after' securing credit through the SBL Programme. Here, household income represents the total income of the family members from all sources. The earnings of family members are the supporting source of income for the respondent. The higher family income leads to a better standard of living and a better family environment. From the data, it is observed that in the period 'before' securing the micro credit, 30.00 per cent of the total sample respondents family income was less than Rs.20000, whereas; for 45.0 per cent of the sample respondents the family income was between Rs.20000-29999; for 21.77 per cent sample respondents, it was between Rs.30000 -39999; for only 03.33 per cent sample respondents family income was in the range of Rs.40000-49999 and there was not even one respondent with a family income of Rs.50000 and above.

Besides, it is inferred that there was considerable rise in the income levels of the sample respondents' families 'after' taking the micro credit through SBL Programme. Out of 60 sample respondents, only 01.67 per cent of sample respondents subsisted with less than Rs.20000; whereas, 08.33 per cent of sample respondents families income was between Rs.20000-29999; 20.00 per cent sample respondents families had income between Rs. 30000-39999; 36.67 per cent sample respondents families came under the income range of Rs. 40000-49999 and it is significantly noted that 33.33 per cent sample respondents families had Rs.50000 and above, per year in the post-credit period. From the analysis, it is clear that the number of respondents shifted from the low income range to higher income range indicates the positive impact of micro credit on income levels.

5. Micro Credit And Productive Asset Creation

As the programme of microcredit through SGH- Bank linkage is aimed at improving the living standards of the poor groups by providing them credit for productive asset creation, which empowers them, the sample respondents were asked as to how far they could utilize the loan amount for productive asset creation with micro credit. The sample data presents the distribution of sample respondents by their acquisition of productive assets through micro credit in the study area. It was observed that out of 60 sample respondents, only 10.00 per cent of sample respondents utilized loan amount for purchase of the productive asset of land followed by 26.67 per cent of sample respondents invested their loan amount on purchase of milk animals; whereas, 08.33 per cent of sample respondents used their loan amount to purchase sheep and goat and a Five per cent spent it on purchase of vehicles. On the whole 25.00 per cent of sample respondents creating other productive assets like tailoring machines, poultry items etc., as their source of income. Besides, it is observed that the percentage change in access to vehicles after availing micro credit is noticed as Three times than before availing the credit, followed by the change in number of respondents families that acquired sheep and goat (62.50 per cent), milk animals (44.44 per cent), and land (25.00 per cent). It was also found that 15.79 per cent of increase in number of respondents' families that acquired other productive assets like tailoring machine, poultry items etc., as their source of income.

7. Conclusion

From the above analysis it is evidently proved that micro credit is an important and succeeded strategy for poverty reduction in India by the way of productive employment and income generation. But, by the observations of the present study it is found that the considerable number of the sample respondents has not utilized the total loan amount for productive purposes. The respondents, who use their loan for productive purposes only witnessed progress in their overall employment and income levels which enable them to improve their living standards. While a considerable percentage of respondents incurred unproductive expenditure, it is highly essential to monitor the utilization of micro credit in order to develop the poor groups who were experienced with negative effect from the same above succeeded strategy of micro credit. In this connection, it is suggested that to achieve one of the major objectives of micro credit is to support the rural poor

engaged in non-agricultural activities, micro credit beneficiaries in lower income groups who are unaware of utilizing the credit for improving their skills and productive efficiencies, as compared to the higher income groups, should be given preferential treatment in the disbursement of micro credit and provision of training facilities to make credit as profitable. It is

also important that the habit of thrift must be cultivated by the members who must be motivated to impose self-ceiling on their desires to save more out of their incremental income and make sound investment for the expansion of their business or any other income generating activity.

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