

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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**POLITICAL IMPACT OF MICRO FINANCE ON RURAL POOR IN ANDHRA PRADESH**

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**ABSTRACT**

*This paper outlines political impact of microfinance. Micro finance treated as a key strategy in addressing development issues across nations since the last three decades. This study attempts to explore on the much debated question impact of microfinance? The studies suggest that microfinance has a profound influence on the economic status, decision making power, and knowledge and self-worthiness. The microfinance related loan and its productive utilization found to be causing significant differences empowerment levels, measured empowerment of the loan availed participants. Impact assessment is kind of structured study, which measures the impact on employment, income generation, education, health, consumption, business development. Impact assessment refers to the assessment of "how financial products and services affected of the poor". Impact assessment is the measurement of the income growth, assets growth and vulnerability. The indicators for impact assessment are not limited to economic development but extended to development growth like health, education, empowerment etc., The study interprets and discussed impact of microfinance on political conditions of rural poor in Andhra Pradesh. An attempt has been made to analyse the political impact of micro finance respondent. In this regard an analysis has been made with the help of the following parameters i.e Factors influencing to join MFI group, Year of joining, Size of the membership, Size of the group, Position held in MFI group, Satisfaction towards MFI group, Frequency of meeting, Participation in meeting, Call for meeting, Decision on date of meeting / Agenda, Resolutions in meeting, Impact of training*

**KEYWORDS**

Micro finance, Rural Poor, Political impacts, Andhra Pradesh.

**INTRODUCTION**

The biggest challenge to any civilized society is the economic deprivation of a major population. The most potent tool against human deprivation could be building human capital among the deprived, through sustainable development, initiative which is taken up by the deprived themselves "Self – realization and self – initiative" are the two most powerful weapons to eradicate poverty from the world map.

India has the biggest micro finance market of the world. Micro finance is powerful instrument for enhancing production and productivity and also for alleviating poverty. In order to build the capacities of poor and facilitate the process of empowering them many organization are working in India Micro finance play a vital role to bridge the gap between demand and supply of financial services among the rural poor.

Micro finance covers a wide range of financial services that include savings, credit, insurance and remittance. Micro finance target those people who are denied credit from formal financial and banking institutions because of lack of awareness as well as formal rules which they have to follow to get a credit from these institutions. Micro finance can be considered as a tool for empowerment as well as for social protection (saving, Insurance and remittances). Microfinance can also be used to develop new generation entrepreneurs among the rural poor by providing other necessary skills required.

The most important finding in the last three decades in the world of finance did not come from the world of the rich or the relatively well off. More important than the hedge fund or the liquid-yield option note was the finding that the poor can save, can borrow (can indeed decide on loans to fellow poor), and will certainly repay loans. This is the world of micro finance.

Microfinance has proved time and again that it is the access and not interest rates that are constraint for the poor. Another discovery followed, that the poor can and will save, and can indeed use a wide range of financial services such as remittances facilities and insurance products. The most well-known and cited international example of a micro-credit institution is the Grameen Bank in Bangladesh along with numerous others. Even during the Asian financial crisis, Bank Rakyat Indonesia not only survived but also thrived; as did BancoSol in Bolivia.

The Indian Microfinance Sector is a museum of several approaches found across the world. Indian microfinance has lapped up the Grameen blueprint; it has replicated some aspects of the Indonesian and the Bolivian model. In addition to the imported artifacts of microfinance, we also have the home-grown model of self-help groups (SHGs).

**Definitions**

Micro finance may be defined by the as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards" — NABARD.

A definition of microfinance as provided by Robinson is, 'Microfinance refers to small-scale financial services for both credits and deposits- that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas'. —Robinson (2001)

Microfinance enables the poor and excluded section of people in the society who do not have an access to formal banking to build assets, diversify livelihood options and increase income, and reduce their vulnerability to economic stress. In the past, it has been experienced that the provision for financial products and services to poor people by MFIs can be practicable and sustainable as MFIs can cover their full costs through adequate interest spread and by operating efficiently and effectively. Microfinance is not a magic solution that will propel all of its clients out of poverty. But various impact studies have demonstrated that microfinance is really benefiting the poor households (Littlefield and Rosenberg, 2004).

Microfinance enables the poor and excluded section of people in the society who do not have an access to formal banking to build assets, diversify livelihood options and increase income, and reduce their vulnerability to economic stress.

In the International Years of Micro-credit 2005, "Microfinance was referred to as loan, savings, insurance, transfer services and other financial product targeted at low-income clients".

Poor section of people living in poverty, like everyone else, need a diverse range of financial products and services to sustain their livelihood, productive finance to run their business, build assets positions for both production and consumption, and to protect themselves against risks and uncertainties. Financial services needed by the poor include working capital loan, consumption credit, and savings, pension, insurance, provident funds, money transfer services etc.,

Microfinance products include micro savings, micro credit, micro insurance, remittance and other products like pension, provident fund etc., Microfinance refers to providing a gamut of high quality financial products and service to the poor section of the society.

Theoretically microfinance means all type of financial products and services used and/or required by poor section of the society who mostly do not have access to formal financial institutions and are more accessible to the informal financial market. Practically, microfinance refers to the small-scale financial services offered to poor people by institutions, organizations and enterprises who aim at their sustainability and profitability along with reducing the poverty of their clients.

According to Brett Mathew (Mathewood Consulting Company) there are several types of microfinance products used by poor households. These microfinance products are based on the types of needs of poor people.

The needs of the poor section of the society are:

Cost of health care, replacement of cost after a natural disaster,

Retirement (for self or parents), migration farm equipment's, well, home upgrade, self-insurance etc,

Irrigation, transportation, livestock, micro enterprise, home renovation, schooling and education etc,

Food security, health treatment, festivals and social obligations, emergencies etc,

Sending money to family at home and away, working capital etc,

Meeting urgent family disasters like sickness, crop failure, payoff money lenders etc,

Housing, well, irrigation systems, boats, motor bikes etc,

In India, all the MFIs are not providing all types of microfinance products and some of the MFIs provide products as follows:

Production loans, mostly the income-generating loans including working capital and long-term business investment

Savings include short-term savings, saving accounts, monthly savings weekly savings etc.,

Insurance like agriculture insurance, health insurance, life insurance, livestock insurance, house insurance, insurance against business etc.,

Remittance services

Non-financial services like social intermediation

The need for microfinance also could be for increasing the income growth and living standards and diversify from subsistence agriculture to processing, manufacturing construction, trade, transport and services. All NGO-based microfinance intermediaries provide credit products. Some of the MFIs also provide insurance products along with credit product under a partnership model where the intermediaries collaborate with an insurance company and the insurance company provides the insurance products to the clients of the NGO-based intermediaries.

## STATEMENT OF THE PROBLEM

It is true that the concept of micro financing was in existence for more than a century. However the micro financing, which has been introduced recently is different, free from exploitation, based on the principle of co-operation and group approach. As ahead mentioned even in the 1980s several micro credit programmes including Integrated Rural Development Programme (IRDP), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM) etc., were prevalent, but the approach and methodology followed were entirely different. It is this methodology which has made the SHGs to achieve better recovery rates, improved access to credit from formal sector, participation in not only economic activities but also other social and community development programmes. Further it is observed that the formal sector credit was very limited and hardly available for small borrowers. SHGs have broken this trend and it has seen that only small borrowers are members of SHGs. The question that remains still to be answered is that how these SHGs could succeed in capturing the bulk of population, which were hitherto denied access to credit? How could they succeed in attracting the bankers to volunteer in their doorsteps to extend credit, which was a Herculean task prior to SHG? How could the MFIs handle the micro financing, which resulted in good recovery rate, which was a dream for formal sector? Would this success sustain or would it vanish after a temporary existence? What needs to be done to sustain in future? Given the merits of MFIs, all these questions necessitated this study to emerge in the present form. Development experience has shown that the policies favouring government have failed and market was supported to rule with minimum intervention of the state. In both these policy frameworks, poor had continued to be neglected as their focus was on the rich and believed that the benefit would trickle down. But in the later period the market also failed due to various reasons. It necessitated a new kind of development to emerge with institutions governing the interests of the respective section of the population. Between the state and the government, the NGOs have entered and created a third space, which takes some aspects of both government and market. It was observed that the poor had failed to benefit through any intervention, as the access to formal credit was absent. As a result, the informal credit continued to dominant and exploits the poor. The failure of formal credit reaching the poor, due to high risk involved owing to the imperfect knowledge of other borrowers and the associated transaction costs for the banks, informal sector with the virtue of perfect information on the poor borrowers, established a good credit market. It is felt that the poor cannot be helped by formal credit for the paper work, asymmetry of information and the transaction cost associated. On the other hand the informal credit sources should not be allowed to exploit the poor. It is good if the former as the first best reaches the poor. In the absence of this occurring, the second best alternative has been conceived, incorporating certain features of both the characteristics of formal and informal credit in the name of micro financing through MFIs with organized efforts of the participants. This micro financing has the characteristics of group lending, peer monitoring, peer pressure etc., through which it is able to get the full information about that borrowers and extend credit with minimum transaction cost with less paper work, but greater recovery performance. This has been widely recognized as the alternative form of credit and resource mobilization for the poor, credit and thrift management etc., but there are certain issues, which may be research questions to be analysed by future researchers in addition to this study. The MFIs associated micro financing is targeted to mostly women. The experience has shown that the economic activities have not been crossed beyond the micro scale. The women who have been taken up economic activities, hardly promoted to produce products of global importance. Why does this scale of operation confine to micro scale? Why does this programme target only women? Given that the poor constitute both men and women and suffer equally with lack of access to credit. Is it that targeting women alone will facilitate the market for products of external agencies, the multinational corporations; the products produced by MFIs may not share or capture the market of MNCs? Will this glorified movement sustain in the same spirit and vigour throughout? Whether long run stability is possible? In the long run, by growing to better scale of operations, the opportunity cost of devoting time on group activities may be high and in such context. Micro-Finance has been recognised and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with special emphasis on empowering women. Experiences of different anti-poverty and other welfare programmes within as well as outside the country as also by the International Organisations have shown that the key to success lies in the evolution and participation of community based organisations at the grassroots level. People's participation in credit delivery and recovery and linking of formal credit institutions to borrowers through group approach have been recognised as a supplementary mechanism for providing credit support to the rural poor. In the above back drop an attempt is made in this study to examine the role and impact of microfinance in empowering rural poor and problem encountered by respondents/beneficiaries and suggest remedial measures to overcome these problem in order to encourage and promote empowerment which has got great potential in Indian environment in general and the state of Andhra Pradesh particular.

## REVIEW OF RELATED STUDIES

Having defined the concepts used in the study and brings the theoretical base the following section reviews the related studies. It is well known that the finance is essential for all walks of life such as to procure basic needs including food, house, dresses, and medical facilities. The micro finance is playing vital role in the third world countries like India. Now days the micro finance is very familiar among the poor particularly among the rural poor. Historically the women are considered as an inferior section of the population assigning secondary status.

Yaron [1994], Besley, (1994)<sup>11</sup>, underlined that the micro finance institutions remain most successful ones in terms of outreach and performance in delivering credit services to the poorest of the poor women, and small artisans in the rural and urban areas, reduction in adverse selection of borrowers, development of collateral substitutions, offering cost effective approaches to formal institutions.

Abdul Hayes, Ruhul Amin and Stan Becker [1998]<sup>12</sup> analysed the relationship between poor women's participation in micro credit programmes and their empowerment by taking both SHG and non-SHG members in rural Bangladesh. They have split the concept of Women Empowerment into three components and measured separately in order to arrive at a better understanding of their underlying factors and their relationship to women's empowerment. These separate indices are interspersed consultation index, individual autonomy index and authority index. The three options were given different weights- "generally", was assigned a value of 1, "never" a value of 0 and "occasionally", a value of 0.5. The results have shown that the SHG members are ahead of non-members in all the three indices of empowerment. Moreover, the non-members within NGO programme areas show a higher level of empowerment on the autonomy and authority indices than do the non-member within the comparison areas. Over all, it was found that part of the higher autonomy and authority



indices in the NGO programme areas in contrast to the comparison areas is accounted for by the contribution of both NGO credit members and non-members in the NGO programme areas. Being empowered by their new sources of financial income and related credit group supports, female recipients of NGO credits may have asserted their autonomy and authority vis-a-vis their husbands' restrictions and dominance in related household affairs. It was further found that education, house type, annual income etc., tend to be positively associated with autonomy and authority indices. Also positively associated is duration of NGO membership and non-agricultural occupation. The implications of these findings are that NGO credit programmes in rural Bangladesh are not only likely to bring about rapid economic improvement in the situation of women but also hasten their empowerment. The NGO credit member is reported to be more confident, assertive, intelligent, self-reliant and conscious of their rights. It was suggested that the NGO role alone would not be sufficient. The government has to have a large network of credit programme for the rural poor women to increase their economic solvency and enhance their empowerment. The complementary role of NGOs and Government can take care of the problem.

The authors suggested that by providing independent sources of income outside home, micro credit tends to reduce economic dependency of the women on husbands and thus help enhance autonomy. Second, the same independent sources of income together with their exposure to new sets of ideas, values and social support could make these women more assertive of their rights. And finally, micro credit programmes-by providing control over material resources should raise women's prestige and status in the eyes of husbands and thereby promote intersperse consultation.

Muhammed Hussain Bhatti [1999]<sup>3</sup> found that the improvement of women's economic situation is the basic determinant of their empowerment. Women are being extended extension, advice and the financial assistance to generate income in farm and off farm sectors. These efforts of women are being responded significantly, resulting in a start of women's recognition not only as income earning hands but as responsible business partners in joint families as well.

T.S.Ragavendra [2000]<sup>37</sup> studied three SHGs run by forward, SC/ST and backward communities in Karnataka to assess the performance. He found the SHG member no longer borrow for moneylenders. It was suggested that with vision, participation and motivation, forward community SHGs could sustain in changing farm based activities into market based for the other two groups, the major constraint is the resource, which must be met by local banks. The group approach generating activities in the credit delivery system must be encouraged.

Suman Jain [2000], noted that women are assisted for income generating in number of ways by NGOs. They are given financial assistance directly or as facilitated by NGO functionaries to have access to finance from banks, financial institutions donors, corporate sector and government schemes etc., NGOs also help women for skill development by conducting training programmes through various resource agencies. Many NGOs have special entrepreneurial development programmes to help women entrepreneurial motivation and business acumen which include having informal meetings identify group members, facilitate group formation and setting up group norms, coordinates the process of saving mobilization, trade selection, the initial preparation, mobilizing resources, help in maintaining records etc., The kind of income generating activities in which women get employment are agriculture and agro based activities, forest based activities, small enterprises, trade crafts and occupation based processing and marketing units. He noted that the two major financial problems faced by self-employed women are lack of working capital as collateral for credit. It was concluded that the success of the SEWA Bank experience has shown that active participation of the members and the board are crucial to the impact created by a bank such as the SEWA bank. From women's point, their involvement in and ownership of a successful institution enhance their collective strength and the empowerment that comes with organization. It was suggested that from a wider perspective, members owned or controlled micro credit institutions can help to strengthen our democratic system.

D.P. Malik G.C.Chandra and S.K. Dhanda [2001] analysed the Vikas Voluntary Vahini (VVV) Farmer's Clubs as an agent of rural development. It was observed that the VVV clubs helped the rural people to get awareness on the availability of credit facilities, organizing fairs, melas, exhibitions, health and veterinary camps, kisan melas and arranges field demonstrations and various activities with the help of extension agencies. Efforts are on, in the study area of Hisar and Fatehabad to introduce innovation in the programme and develop links between SHGs and banks through involvement of NGOs.

Lakshmanan [2001] in his study in rural Tamil Nadu observed that the saving of SHGs increased from Rs. 20 in the beginning to Rs. 50 in the latest period. The groups obtained revolving fund; there is transparency in administration. Members are engaged in production of mats with the sufficient encouragement and support of the husbands. The problem faced by them includes high cost raw material. It was concluded that the SHG is really a boom, which gives financial autonomy and make the participants economically independent.

M.Anjugam and T.Alagumani [2001] in their study in Madurai district of Tamil Nadu assessed the economic, social and institutional impact of SHGs. It was underlined that the major purpose of loan extended was to pay off the loan from moneylenders. Other than this, loan was given to medical, house repair, educational and social obligations. The women could accumulate assets in terms of jewels, TV, Steel Bureau and able to install the facility of electricity, purchase livestock, land for construction, leasing in cultivable land etc., the repayment was 100% and the members' awareness on girl's education, outside contacts and decision-making skill etc., were improved.

K.C.Sharma [2001] The SHGs have contributed to increase the outreach with gender orientation as 85% of the SHGs linked with banks formed by women. These groups enabled women to engage in economic activities and decision-making at the household and the society level. It makes the process of development participatory, democratic, and independent of subsidy and sustainability. Significant changes realized in terms of increase in, income, assets, savings, borrowing capacity and income generating activities must be sustained by safeguarding the healthy growth of SHG movement in India. It should not end like the programmes with subsidy orientation.

S.N.Mishra, and M.M.Hossain [2001] in their study to assess the impact of mahilamandals a rural SHGs in Orissa in terms of empowerment of rural women through participation and employment generation in the pre and post SHG periods, arrived at the fact that there is a considerable increase in the revolving fund, loan extended, grant availed, savings done etc., The loans were given both for consumption and social obligations. There is a considerable improvement in the socio-economic status in terms of literacy, housing conditions, food security to manage the lean season, nutritious level of food etc., in the post SHGs situation compared to pre-SHG period. The trained members intervened in improving the health status of the SHG women, the net income increased by more 60% through scientific cotton cultivation, livestock, maintenance and small business like retail shop, dry fish trading etc., The group was maintaining successfully the fair price shop and additional employment generated worked out to be 185 person days per member and it was suggested that these mahilamandals could be a model for other SHGs.

M.L.Sharma, K.R.Sharma and N.K.Sharma [2001] in their study on determining the success of NGOs in micro financing to SHGs in rural Himachal Pradesh, found that the working and impact of SHGs on rural poor depended the NGOs regional coverage, ideology, programme, implementation, effectiveness, popularity and its leadership. The farm families utilized the credit for consumption purposes mostly followed by investment on education, social ceremonies and farm production. Regarding popularity and stability of the NGOs, a majority of the respondents were of the opinion that democratic working of the NGOs, long term planning, farsightedness of management, honest administration, and hardworking officials shown a major impact on availing credit at the right time, type and amount to the member of SHGs.

R.K.Mishra [2002]<sup>1</sup> examined the success of micro credit intervention in India and compared it with Orissa. It is found that the repayment by the members to SHGs was around 98% and SHGs to banks was over 95%. SHGs in several categories including women, joint farmers groups, social forestry groups etc., were formed. Underlying the strengths and weaknesses, the challenges to be faced have been brought out by the author as follows. "The attitude of other banks needs to be changed, government should encourage and support NGOs to attempt group approach and create a favourable policy environment, needs to adopt flexibility by banks in providing money to groups through SHPIs. These ought to be done as it is observed that the micro finance does not address issues like reorganization of ownership of land and long-term sustainability of any activity. Further, it is observed that micro finance activities are oriented towards lending to individuals, using groups as a risk reduction mechanism. In the long run it may lead to establishment of another set of informal banking institutions which are in competition with money lenders, traders, commission agents etc., there is a possibility of loss of resources of the poor if not protected adequately against any possible crisis".

Dwarakanath H.D [2002]<sup>2</sup> analysed the characteristics and growth of self-help groups in Andhra Pradesh and found that the SHGs using the loan facilities from the cooperative credit banks, commercial banks, mahila bank and Maheswaran banks, have produced more than 50 varieties of products. Among them, the brass items, hosiery, candles, carpets, coir items and pickles are important products. In addition to, the author says, that the women groups started to educate

their own group members and also they realized the importance and significance of literacy whereas a lot of enthusiasm has been generated and the SHGs had a greater vision in empowerment of rural women and for overall human development. Moreover, the SHG members proved the way to the power of decision making to the women in their family, and also create a mass on socioeconomic and political condition in this district.

Jothy K and Sundar J [2002]<sup>4</sup> in their study of evaluating the programme of Tamil Nadu MahalirThittam found that SHG women are currently involved in economic activities such as production and marketing of agarbathis, candle and soap, readymade garments, pickles, appalam, vathal, fur toys, bags, palm leaf products, dhotis, herbal products, fancy sea shell, ornaments, eatables, coir mats and other coir products, mattress, chapels, leather good etc., In addition, the SHG women monitor the normal functioning of the ration shops, maintain vigil to prevent brewing of illicit group, help the aged, deserted and windows to obtain loan.

Rajasekar D [2003]<sup>5</sup> analysed the impact of the economic programmes of SHARE, a NGO in Tamil Nadu on poverty reduction with the help of data collected from the households of 84 women members. The economic programmes have contributed to saving and income increase for the women. However, the member group was not found to be significantly different from the comparison group in terms of control over income and decision-making. The growing amount of saving provides confidence and security to women. They borrow mainly for consumption and crop production. Not much credit is provided to initiate income-generating activities. Women's income constitutes a large proportion of household income. Women and minimum contribution by male members head majority of such households. It may result in a situation in which the male members withdrawing themselves from labour market. It seems to be putting more pressure on women. It was however emphasised that the men should also be brought within the purview of development intervention if women are to be empowered. It was further found that the women who earn do not convert income to meet their personal needs. Their mobility is restricted to visiting husband's parent's home and that is done after the permission granted from husband. SHG members possess knowledge of various government programmes, aware of reservation provided to women in panchayats, aware of mandating of Gramashaba meeting etc.,

## NEED FOR THE STUDY

It is true that the concept of micro financing was in existence for more than a century. However the micro financing, which has been introduced recently is different, free from exploitation, based on the principle of co-operation and group approach. As ahead mentioned even in the 1980s several micro credit programmes including Integrated Rural Development Programme (IRDP), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM) etc., were prevalent, but the approach and methodology followed were entirely different. Further it is observed that the formal sector credit was very limited and hardly available for small borrowers. MFIs have broken this trend and it has seen that only small borrowers are members of MFIs. The question that remains still to be answered is that how these MFIs could succeed in capturing the bulk of population, which were hitherto denied access to credit? How could they succeed in attracting the bankers to volunteer in their doorsteps to extend credit, which was a Herculean task prior to MFI? How could the MFIs handle the micro financing, which resulted in good recovery rate, which was a dream for formal sector? Would this success sustain or would it vanish after a temporary existence? What needs to be done to sustain in future? Given the merits of MFIs, all these questions necessitated this study to emerge in the present form. Development experience has shown that the policies favouring government have failed and market was supported to rule with minimum intervention of the state. In both these policy frameworks, poor had continued to be neglected as their focus was on the rich and believed that the benefit would trickle down. But in the later period the market also failed due to various reasons. It was observed that the poor had failed to benefit through any intervention, as the access to formal Credit was absent. As a result, the informal credit continued to dominant and exploits the poor. The failure of formal credit reaching the poor, due to high risk involved owing to the imperfect knowledge of other borrowers and the associated transaction costs for the banks, informal sector with the virtue of perfect information on the poor borrowers, established a good credit market. It is felt that the poor cannot be helped by formal credit for the paper work, asymmetry of information and the transaction cost associated. On the other hand the informal credit sources should not be allowed to exploit the poor. It is good if the former as the first best reaches the poor. In the absence of this occurring, the second best alternative has been conceived, incorporating certain features of both the characteristics of formal and informal credit in the name of micro financing through MFIs with organized efforts of the participants. This micro financing has the characteristics of group lending, peer monitoring, peer pressure etc., through which it is able to get the full information about that borrowers and extend credit with minimum transaction cost with less paper work, but greater recovery performance. This has been widely recognized as the alternative form of credit and resource mobilization for the poor, credit and thrift management etc., but there are certain issues, which may be research questions to be analysed by future researchers in addition to this study. The MFIs associated micro financing is targeted to mostly women. The experience has shown that the economic activities have not been crossed beyond the micro scale. The women who have been taken up economic activities, hardly promoted to produce products of global importance.

In the above back drop an attempt is made in this study to examine the role and impact of microfinance in empowering rural poor and problem encountered by respondents/ beneficiaries and suggest remedial measures to overcome these problem in order to encourage and promote empowerment which has got great potential in Indian environment in general and the state of Andhra Pradesh particular. The specific objectives of the study are as follows:

## OBJECTIVES OF STUDY

Micro finance is currently growing at a very fast rate. Micro finance is no doubt providing facilities for the rural poor but to what extent is not clearly mentioned anywhere. Hence that is a for an in-depth impact studies with the following objective:-

To Examine the Impact of microfinance on Psychological / political of rural poor in Andhra Pradesh

## METHODOLOGY

The present study has been conducted in Andhra Pradesh with the objective of studying the impact of microfinance on rural poor. The sample constituted 100 beneficiaries selected across the state of Andhra Pradesh (different agencies).

The study was based on primary data collected through structured questionnaire schedule as well as secondary data three part of schedule were used for collected primary data from the field from members, second part of information collected from leaders and third part of schedule from development functionaries. The following parameter was broadly studies to promoted microfinance beneficiaries. The information was also collected through discussion with development functionaries.

### SAMPLING METHODOLOGY

The study has covered 100 members of microfinance beneficiaries. Both primary and secondary data was collected with the help of both qualitative and quantitative data collection techniques such as interview schedule, group discussions, case studies and non-participant observation. Field work has been conducted for data collection for study period. Microfinance has been recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with special emphasis on empowering rural poor.

### PERIOD OF THE STUDY

The present study cover a period of five years from 2002-2007 ( Tenth Five year plan) in order to draw trend to empowering rural poor through microfinance in the state of Andhra Pradesh.

### DATA ANALYSIS

The data collected from the field was processed using two software package viz. excel and SPSS ( Statistical package for Social Science) quantitative information was cross tabulated to know social and economic dimension of each variable and its association with other factors a qualitative information was used in the interpretation of the quantitative data. Using information gathered for select variable in the microfinance schedule.

### LIMITATION & PROBLEM OF DATA COLLECTIONS

During the research several problems faced several problems were related to lack of availability of data and of persons concerned such as these include:-

Nonexistence of listed microfinance institutions in some village and which forced the research visit.

Non availability of official is other serious problems. In many cases the in-charge officers do not have compile in information.

Data on the list of microfinance was not fully available with rural development department. The data available was not up to date.

During the field study was undertaken during peak agriculture season. Many respondents were busy in their activities like harvesting etc.

The books of accounts mention were not up to date. Some of the microfinance did not have even basic records. Many microfinance institutions had written their accounts in rough books, rather than prescribed books.

The microfinance stakeholder /microfinance institutions who misused funds were not willing to show their records with the excuse that their leaders was not in the village or that the books were in a relative's house and the key were not available etc.,

Necessary secondary data up to date was not available and hence no cross checking could be done comparing the primary and secondary data.

The present study provides analysis of data and results of the study area. The chapter interprets and discusses the results of the investigation focused on the impact of micro-finance on rural poor in Andhra Pradesh State and the results pertaining to the hypotheses were presented in this study.

## IMPACT ASSESSMENT

Impact assessment is a kind of structured study, which measures the impact on employment, income generation, nutrition, education, health, consumption, business development (micro entrepreneurship) and gender equity of MFIs clients. Impact assessment refers to the assessment of "how financial products and services affect the lives of the poor". Impact assessment is the measurement of the income growth, assets growth and vulnerability reduction of the poor by the micro-finance programmes. The indicators for impact assessment are not limited to economic development but extended to development and growth like health, education, empowerment etc.,

Broadly there are three categories of impact due to micro-finance, and these categories are (i) Economic (ii) Socio-cultural and (iii) psychological / political. The socio-cultural category include change in power, relationship (status position) shift of economic decision making from men to women, social and cultural diversity etc., and the psychological category include the women empowerment, psychological strength due to financial strength, political empower etc.,

Specific indicators are developed to explain the impact within each domain. The indicators of economic empowerment included here are the variables like economic self-sufficiency, consumption of nutrition foods, purchase of consumer durables and awareness regarding the use of utensils. The positive changes in these indicators reflect economic empowerment of the poor.

Similarly, social empowerment is explained here through the variables like importance in the family, awareness regarding education and health, positive change in these indicators explain the social empowerment of the members.

The third domain, i.e., political empowerment is presented here through participation in grama sabha and political awareness. A positive change in these variables explains political empowerment of the poor.

This study discusses the result of investigation focused on the impact of microfinance on psychological / political empowerment of rural poor in Andhra Pradesh.

## PSYCHOLOGICAL/POLITICAL EMPOWERMENT

Psychological / political empowerment i.e., political empowerment is presented here through participation in MFI group meeting, position held in the group meeting, training of the group members decision making etc., and in grama sabha and political awareness. A positive change in these variables explains the psychological and political empowerment of the rural poor.

An attempt has been made to analyse the Psychological / political empowerment of microfinance respondents. In this regard an analysis has been made with the help of the following parameters. They are: Factors influencing to join MFI group, Year of joining, Size of the membership, Size of the group, Position held in MFI group, Satisfaction towards MFI group

Frequency of group meeting, Participation in meeting, Call for meeting, Decision on date of meeting / Agenda, Resolutions in meeting, Impact of training

### 1. FACTORS INFLUENCING TO JOIN MFI GROUP

The microfinance stakeholder choose to join any group in their neighbourhood or localities, which may be influenced by various factors. Hence, the respondents were asked question regarding motivation to join the groups. Importantly, that NGO's workers or facilitators motivated them. Self-motivation to join the microfinance institutions is also another factor and the relevant data is presented in Table 1 Null hypothesis – I ( $H_0$ ) is formulated and results pertaining to it are presented in the table

$H_0$ : "There is no significant difference in factors influencing to join MFI group among all the regions of A.P."

TABLE 1: DISTRIBUTION OF SAMPLE RESPONDENTS ACCORDING TO MOTIVATIONAL FACTORS TO JOIN IN MICROFINANCE

Sl. No	Suggested to join	Telangana	Andhra	Rayalaseema	Total
1	Self	11 (39.28) [24.44]	11 (39.28) [31.43]	6 (21.44) [30.00]	28 (28.00)
2	Family members	3 (60.00) [6.67]	2 (40.00) [5.71]	0	5 (5.00)
3	Friends/ Relatives	5 (33.33) [11.11]	6 (40.00) [17.14]	4 (26.67) [20.00]	15 (5.00)
4	NGO's workers	25 (50.00) [55.56]	16 (32.00) [45.71]	9 (18.00) [45.00]	50 (50.00)
5	Others	1 (50.00) [2.22]	0	1 (50.00) [5.00]	2 (2.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	4.676
Table Value	15.51
D.F	8
P-Value	>0.05
Result	Not Significant

The microfinance stakeholder choose to join any group in their neighbourhood or localities, which may be influenced by various sources. It is observed in this study that the choice of the group is decided by the 'Self' with 28 per cent forms and run by themselves, without any guidance neither from NGOs nor

form banks/ Govt. agencies. Majority of the respondents group by NGO's workers with their influence has the major source of influence. It is true that the sample areas.

The other sources of influence are friends/relatives with 15 per cent and family members with 5 per cent and other with only 2 per cent. It is understood from the distribution of the sample that NGOs facilitated the maximum in number, which is also true in the universe and also as per NABARD data.

Further the chi-square ( $\chi^2$ ) test is applied to find out the differences in motivating the members in joining the groups among the three regions the calculated value of ( $\chi^2$ ) (4.676) is less than the table value of 15.51 at 5% level of significance (d.f. 8). Hence, it is concluded that there is no significance difference in motivating the member to join in groups among three regions of Andhra Pradesh.

## 2. YEAR OF JOINING

Large number of members has been associated with microfinance institutions between years 2002-2007 (Tenth five years plan). The relevant data is presented in the table 2 and Null hypothesis-II ( $H_0$ ) is formulated and results pertaining to it are presented in the table  $H_0$ : "There is no significant difference in year of their joining profile of microfinance respondents in Telangana, Andhra and Rayalaseema regions of A.P."

**TABLE – 2: DISTRIBUTION OF SAMPLE MICRO-FINANCE RESPONDENTS ACCORDING TO YEAR OF THEIR JOINING**

Sl.No	Year	Telangana	Andhra	Rayalaseema	Total
1	2002	20 (46.51) [44.44]	17 (39.53) [48.57]	6 (13.96) [30.00]	43 (43.00)
2	2003	19 (46.34) [42.22]	14 (34.14) [40.00]	8 (19.52) [40.00]	41 (41.00)
3	2004	5 (62.50) [11.11]	1 (12.50) [2.86]	2 (25.00) [10.00]	8 (8.00)
4	2005	1 (25.00) [2.22]	0	3 (75.00) [15.00]	4 (4.00)
5	2006	0	2 (100.00) [5.71]	0	2 (2.00)
6	2007	0	1 (50.00) [2.86]	1 (50.00) [5.00]	2 (2.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	16.34
Table Value	18.31
D.F	10
P-Value	>0.05
Result	Not Significant

Large number of members have been associated with microfinance institutions between 2002-2007 (Tenth Five Years Plan) 43 per cent of the respondents joined in the year 2002 and followed by year 2003 with 41 per cent. In 2004 microfinance institutions in Andhra Pradesh face some problem with operation and resulted in low response to join MFIs.

Table 2 shows the chi – square value relating to the distribution of year-wise profile of the respondents among the regions of A.P. There is no significant difference since the obtained Chi – square value 16.34 is less than its critical value of 18.31 at 5% level of significance. Hence, Hypothesis –II is accepted and concluded that there is no significant difference in Year-wise joining of the respondents among the regions of Andhra Pradesh.

**TABLE 3: ANOVA: ONE-FACTO ANALYSIS**

SUMMARY	Count	Sum	Average	Variance	SD
2002	3	43	14.33	54.33	7.37
2003	3	41	13.67	30.33	5.51
2004	3	8	2.67	4.33	2.08
2005	3	4	1.33	2.33	1.53
2006	3	2	0.67	1.33	1.15
2007	3	2	0.67	0.33	0.58

Telangana	6	45	7.50	89.90	9.48
Andhra	6	35	5.83	57.37	7.57
Rayalaseema	6	20	3.33	9.47	3.08

Source of Variation	SS	df	MS	F	P-value	F crit
Year	650.44	5	130.09	9.76	<0.001	3.33
Error	133.22	12	13.32			
Total	783.66	17				

Table 3 shows the ANOVA F-observed and critical value, d.f and the distribution of year of joining in microfinance profile of the respondents among the regions of A.P. There is significant difference as the obtained F-value value of 9.76 is more than its critical value of 3.33 at 1% level of significance. Hence, Hypothesis –II is rejected and concluded that there is significant difference in year of joining in microfinance profile of the respondents among the regions of Andhra Pradesh.

## 3. SIZE OF THE MEMBERSHIP

The relevant data is presented in the table 4 and Null hypothesis –III ( $H_0$ ) is formulated and results pertaining to it are presented in the table.  $H_0$ : "There is no significant difference in year of size of the membership profile of microfinance respondents in Telangana, Andhra and Rayalaseema regions of A.P."



TABLE- 4: DISTRIBUTION OF SAMPLE MICROFINANCE RESPONDENTS ACCORDING TO SIZE OF MEMBERSHIP

Sl. No	Total member	Telangana	Andhra	Rayalaseema	Row Total
1	<10	6 (60.00) [13.33]	3 (30.00) [8.57]	1 (10.00) [5.00]	10 (10.00)
2	10-15	36 (46.15) [80.00]	27 (34.61) [77.14]	15 (19.24) [75.00]	78 (78.00)
3	16-20	3 (27.28) [6.67]	4 (36.36) [11.42]	4 (36.36) [20.00]	11 (11.00)
4	>20	0	1 (100.00) [2.85]	0	1 (1.00)
Column Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	5.225
Table Value	12.59
D.F	6
P-Value	>0.05
Result	Not Significant

Accordingly in this study it is analysed as to find out what is the range of members in the sample respondents. It is observed that in the table that the members range from 11-15 members is the maximum in group size 11-15 followed by 15-20. It is only one in above 20 is found.

Table 4 shows the chi-square value of the distribution of size of the membership profile of the respondents among the regions of A.P. There is no significance since the obtained Chi-square value 5.225 is less than, critical value of 12.59 at 5% level of significance. Hence, Hypothesis-III is accepted and it can be concluded that there is no significant difference in size of the membership profile of the respondents among the regions of A.P

TABLE 5: ANOVA: ONE-FACTOR ANALYSIS

SUMMARY	Count	Sum	Average	Variance	SD
<10	3	10	3.33	6.33	2.52
10-15	3	78	26.00	111.00	10.54
16-20	3	11	3.67	0.33	0.58
>20	3	1	0.33	0.33	0.58

Telangana	4	45	11.25	278.25	16.68
Andhra	4	35	8.75	149.58	12.23
Rayalaseema	4	20	5.00	47.33	6.88

Source of Variation	SS	df	MS	F	P-value	F crit
Rows	1268.67	3	422.89	16.18	<0.001	4.76
Error	156.83	8	26.14			
Total	1425.50	11				

Table 5 reveal the ANOVA F-observed and critical value, d.f and the distribution of the size of the membership in group profile of the respondents among the regions of A.P. There is significant difference as the calculated F-value value of 16.18 is more than its critical value 4.76 at 1% level of significance Hence, Hypothesis -III is rejected and concluded that there is significant difference in the size of the membership in group profile of the respondents among the regions of Andhra Pradesh.

#### 4. SIZE OF THE GROUP

The relevant data is presented in the table 6 and Null hypothesis -IV ( $H_0$ ) is formulated and results pertaining to it are presented in the table

$H_0$ : "There is no significant difference in size of the group year of their joining profile of microfinance respondents in Telangana, Andhra and Rayalaseema regions of A.P."

TABLE- 6: GROUP SIZE OF PROFILE OF THE RESPONDENTS

Sl.No	Group size	Telangana	Andhra	Rayalaseema	Total
1	Stable	35 (47.95) [77.78]	26 (35.62) [74.28]	12 (16.38) [60.00]	73 (73.00)
2	Increasing	9 (40.91) [20.00]	9 (40.91) [25.71]	4 (18.18) [20.00]	22 (22.00)
3	Decreasing	1 (20.00) [2.22]	0	4 (80.00) [20.00]	5 (5.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Note: Figure parenthesis indicates percentage

Chi-square Value	12.394
Table Value	9.488
D.F	4
P-Value	<0.05
Result	Significant



Table shows the chi – square and p-value and figure 4 and showing the Group size profile of the respondents among the regions of A.P. There is significance since p-value < 0.05 Hence, Hypothesis – XII is rejected. As the obtained Chi – square value 12.394, more than critical value 9.488 which is significant since p-value is <0.05. It can be concluded that there is significant difference in Group size profile of the respondents among the regions of Andhra Pradesh

TABLE 7: ANOVA: ONE-FACTOR ANALYSIS

SUMMARY	Count	Sum	Average	Variance	SD
Stable	3	73	24.33	134.33	11.59
Increasing	3	22	7.33	8.33	2.89
Decreasing	3	5	1.67	4.33	2.08
Telangana	3	45	15.00	316.00	17.78
Andhra	3	35	11.67	174.33	13.20
Royalaseema	3	20	6.67	21.33	4.62

Source of Variation	SS	df	MS	F	P-value	F crit
Group size	834.89	2	417.44	8.86	<0.05	6.94
Error	188.44	4	47.11			
Total	1128.89	8				

The chi – square test has been applied to know the differences in the of Group size profile of the respondents among the regions of A.P. There is significant difference since the obtained F-value 8.86 is greater than the critical value 6.94 at 5% level of significance. Hence, the null Hypothesis (H<sub>0</sub>) is rejected and it can be concluded that there is significant difference in education profile of the respondents among Telangana, Andhra and Rayalaseema of A.P

##### 5. POSITION HELD IN MICROFINANCE GROUP

The relevant data is presented in the table 8 and 9 and Null hypothesis–IV (H<sub>0</sub>) is formulated and results pertaining to it are presented in the table H<sub>0</sub>: “There is no significant difference in position held by respondent in microfinance group among the regions of A.P.”

TABLE - 8: DISTRIBUTION OF SAMPLE MICROFINANCE RESPONDENTS ACCORDING POSITION HELD BY THEM

Sl. No	Your position	Telangana	Andhra	Rayalaseema	Total
1	Ordinary member	18 (45.00) [40.00]	11 (27.50) [31.43]	11 (27.50) [55.00]	40 (40.00)
2	Active Member	21 (51.22) [46.67]	14 (34.14) [40.00]	6 (14.63) [30.00]	41 (41.00)
3	Cashier/Secretary	4 (30.77) [8.89]	8 (61.53) [22.86]	1 (7.70) [5.00]	13 (13.00)
4	President	2 (33.33) [4.44]	2 (33.33) [5.71]	2 (33.33) [10.00]	6 (6.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	27.624
Table Value	12.59
D.F	6
P-Value	<0.05
Result	Significant

The Table explain the position held by the respondents at present given. It is observed in the table that more than 41 per cent of respondents were active members and followed by ordinary member with 40 per cent and 13 per cent facilitated by cashier/secretary and 6 per cent of respondents continue as the presidents and other important position in groups. Socio-economic characteristics of leadership of respondents are tabulated at the table 6 per cent proportion of president from SC /ST community is slightly less than their membership in the sample group and that of OBC/FC is higher.

Table 8 shows the chi-square and p-value and figure 5 showing the position held wise distribution of respondents among the regions of A.P. There is significance since p-value <0.05. Hence, Hypothesis – XIII is rejected. As the obtained Chi-Square value 27.624, is more than its critical value of 12.59 which is significance since p-value is <0.05. Thus it can be concluded that there is significance difference in the position held by the respondents in all regions of A.P.

TABLE 9: ANOVA: ONE-FACTOR ANALYSIS

SUMMARY	Count	Sum	Average	Variance	SD
Ordinary member	3	40	13.33	16.33	4.04
Active Member	3	41	13.67	56.33	7.51
Cashier/Secretary	3	13	4.33	12.33	3.51
President	3	6	2.00	0.00	0.00

Telangana	4	45	11.25	92.92	9.64
Andhra	4	35	8.75	26.25	5.12
Rayalaseema	4	20	5.00	20.67	4.55

Source of Variation	SS	df	MS	F	P-value	F crit
Your position	328.67	3	109.56	7.24	<0.05	4.76
Error	90.83	8	15.14			
Total	419.50	11				

Table the ANOVA F-observed and critical value, d.f and p-value and showing the distribution of your position profile of the respondents among the regions of Andhra Pradesh. There is significance since p-value <0.05 Hence, Hypothesis –XIII is rejected. As the obtained F-value value 7.24 critical value 4.76 and is significant since p- value is <0.05. It can be concluded that there is significant difference your position profile of the respondents among the Andhra Pradesh.

#### 6. SATISFACTION TOWARDS OF MFI

The relevant data is presented in the table 10 and Null hypothesis – V ( $H_0$ ) is formulated and results pertaining to it are presented in the table

$H_0$ : "There is no significant difference in distribution of respondent satisfaction towards MFI in Telangana, Andhra and Rayalaseema regions of A.P."

**TABLE- 10: DISTRIBUTION OF SAMPLE RESPONDENT'S PERCEPTION TOWARDS MFI**

Sl.No	Your feeling	Telangana	Andhra	Rayalaseema	Total
1	Satisfied	14 (40.00) [31.11]	15 (42.85) [42.85]	6 (17.14) [30.00]	35 (35.00)
2	Burdened	31 (47.69) [68.89]	20 (30.76) [57.14]	14 (21.54) [70.00]	65 (65.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	1.469
Table Value	5.991
D.F	2
P-Value	>0.05
Result	Not Significant

The satisfaction of respondents with family members has been reported to be quite high. Most of them were found not satisfied with the family members, while a significant proportion was reported to be burdened.

Table 10 shows the chi-square and p-value and figure 6 showing distribution of respondents' satisfaction towards MFI among the regions of A.P. There is no significance since p-value <0.05. Hence, Hypothesis – XIII is accepted. As the obtained Chi-Square value 1.469, is more than its critical value of 5.991 which is not significant since p-value is <0.05. Thus it can be concluded that there is no significant difference in the position held by the respondents in all regions of A.P.

#### 7. FREQUENCY OF MEETING

The efficient functioning of microfinance is possible through meeting as overall activities of microfinance revolve round the meeting. Meetings held regularly in the groups in still discipline in the group members. All the affairs of the groups are supposed to be carried out in the meetings, which ensure transparency in dealings. Mandatory attendance in the meetings ensures participation in the group and in stills belongingness. The microfinance institutions decides on the regularity of meetings- weekly, fortnightly, monthly, etc.,

The relevant data is presented in the table 11 &12 and Null hypothesis – V ( $H_0$ ) is formulated and results pertaining to it are presented in the table

$H_0$ : "There is no significant difference in frequency of meeting-wise distribution of microfinance respondents in Telangana, Andhra and Rayalaseema regions of A.P."

**TABLE- 11: SAMPLE RESPONDENTS PERCEPTION ON FREQUENCY OF MICROFINANCE MEETINGS**

Sl. No	Frequency of meeting	Telangana	Andhra	Rayalaseema	Total
1	Weekly	18 (43.90) [40.00]	14 (34.15) [40.00]	9 (21.95) [45.00]	41 (41.00)
2	Fortnightly	16 (43.24) [35.56]	15 (40.54) [42.86]	6 (16.22) [30.00]	37 (37.00)
3	Monthly	11 (50.00) [24.44]	6 (27.27) [17.14]	5 (22.73) [25.00]	22 (22.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	9.687
Table Value	9.488
D.F	4
P-Value	<0.05
Result	Significant

The frequency of periodical meeting may varies from group to group. It is observed in this study table that majority of the group conduct meeting weekly with 41 per cent followed by fortnightly meeting with 37 per cent only 22 per cent of them were holding meeting by monthly. The more frequency of the meeting more interaction among the members and more would be the intervention in community and social affairs. It would also facilitate the members to save in small amount when it is held weekly meeting in lower scale may be suggestive for sustainability. It is obligatory for every member who joins the respondents. In the event of the obscene, prior permission needs to seek or it may have to be informal to the concerned. It may member remains absent and if it is repeated penalty may be imposed in money terms, Hence, it is necessary that the members take utmost care in informing or get permission of their absence on emergency reasons or be entertained continuously. Hence for the absence, some action will be taken and they are furnished. The action taken includes imposing fines, warning and excusing. If the reasons, is genuine. It will be excused and if it is repeated they will be penalized monetarily and fine amount would be added to the group welfare fund.

**TABLE 12: ANOVA: ONE – FACTOR ANALYSIS**

SUMMARY	Count	Sum	Average	Variance	SD
Weekly	3	41	13.67	20.33	4.51
Fortnightly	3	37	12.33	30.33	5.51
Monthly	3	22	7.33	10.33	3.21

Telangana	3	45	15.00	13.00	3.61
Andhra	3	35	11.67	24.33	4.93
Rayalaseema	3	20	6.67	4.33	2.08

Source of Variation	SS	df	MS	F	P-value	F crit
Frequency of meeting	66.89	2	33.44	8.14	<0.05	6.94
Error	16.44	6	4.11			
Total	83.33	8				

Table shows the ANOVA F-observed and critical value, d.f and p-value and showing the distribution of frequency of meeting profile of the respondents among the regions of Andhra Pradesh. There is significance since p-value <0.05 Hence, Hypothesis –V is rejected. As the obtained F-value value 8.14, more than the corresponding critical value of 6.94 which is significant since p- value is <0.05. It can be concluded that there is significant difference perception of respondent on frequency of meeting in all regions of Andhra Pradesh.

## 8. PARTICIPATION IN MEETING

The relevant data is presented in the table 13 and Null hypothesis – VI ( $H_0$ ) is formulated and results pertaining to it are presented in the table.  $H_0$ : "There is no significant difference in participating in meeting by microfinance respondents in all the regions of A.P."

**TABLE-13: DISTRIBUTION OF MFI RESPONDENTS' PARTICIPATION IN GROUP MEETING**

Sl.No	No. of Members Participating	Telangana	Andhra	Rayalaseema	Total
1	All Members	23 (45.09) [51.11]	21 (41.17) [60.00]	7 (13.75) [35.00]	51 (51.00)
2	Some members	22 (44.89) [48.89]	14 (28.57) [40.00]	13 (26.53) [65.00]	49 (49.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	3.183
Table Value	9.488
D.F	4
P-Value	>0.05
Result	Not Significant

Table shows the chi – square and p-value and figure 8 showing the distribution of respondent's participation in group meeting among the regions of Andhra Pradesh. There is no significance since p-value >0.05 Hence, Hypothesis – XVI is accepted. As the obtained Chi – square value 3.183, is less than its critical value 9.488 which is not significant since p- value is >0.05. It can be concluded that there is no significant difference in respondents' participation in group meeting among the regions of Andhra Pradesh

## 9. AUTHORITY TO CALL FOR MEETING:

The relevant data is presented in the table 14 and 15 and Null hypothesis-VII ( $H_0$ ) is formulated and results pertaining to it are presented in the table.  $H_0$ : "There is no significant difference in the distribution of microfinance respondents' authority to call for meeting in Telangana, Andhra and Rayalaseema regions of A.P."

**TABLE-14: DISTRIBUTION OF MFI RESPONDENTS AUTHORITY TO CALL FOR GROUP MEETING**

Sl.No	Call the meeting	Telangana	Andhra	Rayalaseema	Total
1	Group members NGOs	30 (45.45) [66.67]	23 (34.84) [65.71]	13 (19.69) [65.00]	66 (66.00)
2	Project Staff	13 (50.00) [28.89]	7 (26.92) [20.00]	6 (23.08) [30.00]	26 (26.00)
3	Mixed staff	2 (25.00) [4.44]	5 (62.50) [8.57]	1 (12.50) [5.00]	8 (8.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	3.423
Table Value	9.488
D.F	4
P-Value	>0.05
Result	Not significant

Table shows the chi – square and p-value and figure 9 showing the distribution of microfinance respondents' authority to call for group meeting all the regions of Andhra Pradesh. There is no significance since p-value > 0.05 Hence, Hypothesis – VII is accepted. As the obtained Chi-square value 3.423, less than its corresponding critical value 9.488 which is not significant since p- value is >0.05. It can be concluded that there is no significant difference in distribution of microfinance respondents' authority to call for group meeting in all the regions of Andhra Pradesh.

**TABLE 15: ANOVA: ONE –FACTOR ANALYSIS**

SUMMARY	Count	Sum	Average	Variance	SD
Group members NGOs	3	66	22	73	8.54
Project Staff	3	26	8.67	14.33	3.79
Mixed staff	3	8	2.67	4.33	2.08

Telangana	3	45	15.00	199.00	14.11
Andhra	3	35	11.67	97.33	9.87
Rayalaseema	3	20	6.67	36.33	6.03

Source of Variation	SS	df	MS	F	P-value	F crit
Call for meeting	587.56	2	293.78	15.11	<0.01	6.94
Error	77.78	4	19.44			
Total	665.34	8				

Table shows the ANOVA F-observed and critical value, d.f and p-value and showing the distribution of microfinance respondents' authority to call for group meeting in all the regions of Andhra Pradesh. There is significance since p-value <0.01 Hence, Hypothesis –XVII is rejected. As the obtained F-value value 15.11, more than critical value 6.94 which is significant since p-value is <0.01. It can be concluded that there is significant difference in distribution of microfinance respondents' authority to call for group meeting in all the regions of Andhra Pradesh.

#### 10. AUTHORITY ON FIXING DATE OF GROUP MEETING/ AGENDA

The relevant data is presented in the table 16 & 17 and Null hypothesis –VIII (H<sub>0</sub>) is formulated and results pertaining to it are presented in the table H<sub>0</sub>: "There is no significant difference in MFI respondents' authority on fixing date of group meeting/ Agenda in Telangana, Andhra and Rayalaseema regions of A.P."

**TABLE-16: DISTRIBUTION OF MFI RESPONDENTS' AUTHORITY ON FIXING DATE OF GROUP MEETING/ AGENDA**

Sl. No	Decision of the meeting	Telangana	Andhra	Rayalaseema	Total
1	All members	9 (52.94) [20.00]	7 (41.17) [20.00]	1 (5.88) [5.00]	17 (17.00)
2	President only	14 (76.47) [31.11]	4 (23.53) [11.42]	0	18 (18.00)
3	Link worker jointly	4 (40.00) [8.89]	5 (50.00) [14.28]	1 (10.00) [5.00]	10 (10.00)
4	NGO facilitator	15 (30.00) [40.00]	18 (36.00) [51.42]	17 (34.00) [85.00]	52 (52.00)
5	Mixed	4 (66.67) [8.89]	1 (16.67) [2.85]	1 (16.67) [5.00]	7 (7.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Note: Figure parenthesis indicates percentage Source: Compiled from questionnaire data

Chi-square Value	18.597
Table Value	15.51
D.F	8
P-Value	<0.01
Result	Significant

Table 16 shows the chi – square and p-value and figure 4.10 showing the distribution of MFI respondents' authority on fixing date of group meeting/ Agenda in the regions of Andhra Pradesh. There is significance since p-value < 0.01Hence, Hypothesis –XVIII is rejected. As the obtained Chi – square value 18.597 more than its corresponding critical value 15.51 which is significant since p-value is <0.05. It can be concluded that there is significant difference in distribution of MFI respondents' authority on fixing date of group meeting/ Agenda in all the regions of Andhra Pradesh.

**TABLE-17: ANOVA: ONE-FACTOR ANALYSIS**

SUMMARY	Count	Sum	Average	Variance	SD
All members	3	17	5.67	17.33	4.16
President only	3	18	6.00	52.00	7.21
Link worker jointly	3	10	3.33	4.33	2.08
NGO facilitator	3	53	17.67	0.33	0.58
Mixed	3	6	2.00	3.00	1.73

Telangana	5	49	9.80	38.20	6.18
Andhra	5	35	7.00	42.50	6.52
Rayalaseema	5	20	4.00	53.00	7.28

Source of Variation	SS	df	MS	F	P-value	F crit
Decisions taken in the meeting	464.93	4	116.23	13.31	<0.001	3.84
Error	69.87	10	8.73			
Total	534.80	14				

Table 17 shows the ANOVA F-observed and critical value, d.f and p-value and showing the distribution of MFI respondents' authority on fixing date of group meeting/ Agenda in all the regions of Andhra Pradesh. There is significance since p-value <0.001 Hence, Hypothesis –XVIII is rejected. As the obtained F-value value 13.31, is more than corresponding critical value 3.84 which is significant since p-value is <0.001. It can be concluded that there is significant difference in distribution of MFI respondents' authority on fixing date of group meeting/ Agenda in all the regions of Andhra Pradesh.

#### 11. REGULATIONS IN MEETING

The relevant data is presented in the table 18 and 19 and Null hypothesis –IX (H<sub>0</sub>) is formulated and results pertaining to it are presented in the table. H<sub>0</sub>: "There is no significant difference in the distribution of MFI respondents' authority of taking resolutions in group meeting in Telangana, Andhra and Rayalaseema regions of A.P."

**TABLE-18: DISTRIBUTION OF MFI RESPONDENT'S AUTHORITY OF TAKING RESOLUTIONS IN GROUP MEETING**

Sl. No	Decides of the meeting	Telangana	Andhra	Rayalaseema	Total
1	By consensus	8 (53.33) [17.78]	6 (40.00) [17.14]	1 (6.67) [5.00]	15 (15.00)
2	By voting	3 (75.00) [6.67]	1 (25.00) [2.85]	0	4 (4.00)
3	Groups representative	18 (38.30) [40.00]	16 (34.04) [45.71]	13 (27.60) [65.00]	47 (47.00)
4	Link worker/Facilitator In consultation with member	13 (44.82) [28.89]	10 (34.48) [28.57]	6 (20.70) [30.00]	29 (29.00)
5	Link worker/Facilitator	3 (60.00) [6.67]	2 (40.00) [5.71]	0	5 (5.00)
Total		45 (100.00)	35 (100.00)	20 (100.00)	100 (100.00)

Source: Compiled from questionnaire data

Note: Figure parenthesis indicates percentage

Chi-square Value	6.541
Table Value	15.51
D.F	8
P-Value	>0.05
Result	Not Significant

Major decision are taken by group representative 47 per cent and 29 per cent respondents decision taken by facilitator with consultation with members. Decision been taken on consensus basis by the group member 15 per cent.

Table 18 shows the chi-square and p-value and figure 11 showing the distribution of MFI respondent's authority of taking resolutions in group meeting in all the regions of Andhra Pradesh. There is no significance since p-value >0.05 Hence, Hypothesis -IX is accepted. As the obtained Chi - square value 6.541, less than critical value 15.51 which is not significant since p- value is >0.05. It can be concluded that there is no significant difference in distribution of MFI respondent's authority of taking resolutions in group meeting in all regions of Andhra Pradesh

**TABLE 19: ANOVA: ONE -FACTOR ANALYSIS**

SUMMARY	Count	Sum	Average	Variance	SD
By consensus	3	15	5	13	3.61
By voting	3	4	1.33	2.33	1.53
Groups representative	3	47	15.67	6.33	2.52
Link worker/Facilitator In consultation with member	3	29	9.67	12.33	3.51
Link worker/Facilitator	3	5	1.67	2.33	1.53
Telangana	5	45	9.00	42.50	6.52
Andhra	5	35	7.00	38.00	6.16
Rayalaseema	5	20	4.00	31.50	5.61

Source of Variation	SS	df	MS	F	P-value	F crit
Decisions taken	438.67	4	109.67	94.00	<0.0001	3.84
Error	9.33	10	1.17			
Total	448.00	14				

Table 19 shows the ANOVA F-observed and critical value, d.f and p-value and showing the distribution of MFI respondents authority of taking resolutions in group meeting in the all regions of Andhra Pradesh. There is significance since p-value <0.01 Hence, Hypothesis -XI is rejected. As the obtained F-value 94.00, more than critical value 3.84 which is significant since p- value is <0.0001. It can be concluded that there is significant difference in distribution of MFI respondents' authority of taking resolutions in group meeting in the all regions of Andhra Pradesh.

**12. IMPACT OF TRAINING**

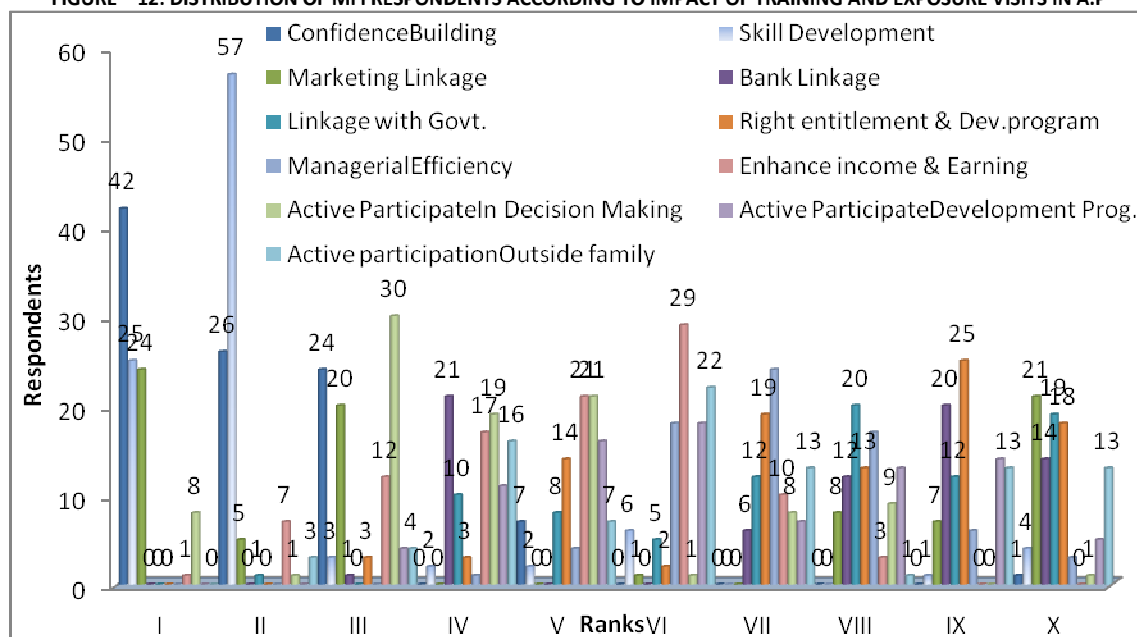
There was a unanimous demand from group member in all villages that skill development training was required for undertaking any income generating activity and they felt that microfinance loan alone would not help in improving the livelihood. As the table shows that there is massive needs for confidence building in different income generating activities while many microfinance institutions has not wherewithal to provide training, the government also not given adequate attention to provide training. The microfinance stakeholder have also facilitated by various agencies to undergo several training particularly confidence buildings, skill development, marketing activity, managerial efficiency, particularly in development programme etc., An enquiry in to the motivational agencies to participate in various training was made and observed that nearly half of them have been motivated. Microfinance stakeholder who have not only become member but also under took several training to uplift their status and engage in some kind of activities.

**TABLE - 20: DISTRIBUTION OF MFI RESPONDENTS ACCORDING TO IMPACT OF TRAINING AND EXPOSURE VISITS IN A.P**

	I	II	III	IV	V	VI	VII	VIII	IX	X
Ranks										
Confidence Building	42	26	24	0	7	0	0	0	0	1
Skill Development	25	57	3	2	2	6	0	0	1	4
Marketing Linkage	24	5	20	0	0	1	0	8	7	21
Bank Linkage	0	0	1	21	0	0	6	12	20	14
Linkage with Govt.	0	1	0	10	8	5	12	20	12	19
Right entitlement & Dev. program	0	0	3	3	14	2	19	13	25	18
Managerial Efficiency	0	0	0	1	4	18	24	17	6	3
Enhance income & Earning	1	7	12	17	21	29	10	3	0	0
Active Participate In Decision Making	8	1	30	19	21	1	8	9	0	1
Active Participate Dev.Prog.	0	0	4	11	16	18	7	13	14	5
Active participation Outside family	0	3	4	16	7	22	13	1	13	13



FIGURE – 12: DISTRIBUTION OF MFI RESPONDENTS ACCORDING TO IMPACT OF TRAINING AND EXPOSURE VISITS IN A.P



From the table it is clear that only in ten areas i.e. confidence building, skill development, marketing linkage, linkage with government, right entitlement & development program, managerial efficiency, enhance income earning, active participation in decision making etc., confidence building with 57 per cent of respondents had given 1<sup>st</sup> preference followed by 42 per cent respondent with skill development. It was revealed that 29 per cent with 3<sup>rd</sup> preference of enhance income earning followed by active participation in decision making.

Through in quantitative terms it appear that microfinance institutions provided a reasonable training and other input to the groups, actually the extent of training provided and its outreach is quite inadequate. According to the information gather from them duration of most of training are less than a day, in majority cases only leaders participated and there is not much dissemination.

In order to facilitate the confidence building and improve the credit absorption capacity of the microfinance, the capacity of its members has to be built up. The purpose of training and other capacity building efforts is to develop skills and encourage behavioural and altitudinal changes in the members. Group members would have to be trained with at the formal, as well as informal levels. It is the responsibility of the microfinance institutions, promoter, institutions and the facilitator to ensure that the trainings take place, as and when required. The purpose of training is to help rural poor to improve their performance, and improve their skill which might be achieved by helping them to solve performance problems. A training need is said to exist when a gap between the required performances of an individual member or group and a desired level of competency is perceived. Training mode can then be described as a set of specific skills, knowledge, and attitudes, which are needed by individuals/ groups in order to perform a particular job or task more efficiently. Training is best provided by experienced trainers or persons familiar with microfinance. The trainer has to motivate the members to learn and provide them with learning opportunities. The main task is to facilitate the development of the group's capacity to organize and manage its activities. The trainer may also act as advisor or promoter to the group. The trainer may leave the decision making to the group members and promote attitudes of self-help and reliance. The trainers need to be good communicators and be familiar with basic technological skills needed for the development of microfinance. They need to have a sound knowledge base of management, planning, accounting, lending etc., and other skills needed for the microfinance. One of the objectives of microfinance is to inculcate the democratic Principles of functioning among the members. It is expected that all members would take part in the decisions and actions of the group. The training to microfinance members requires participatory methods and focused goals.

## SUMMARY OF FINDINGS AND CONCLUSION

The major findings and discusses the issues of micro financing and brings conclusion. The objectives and goals of micro financing are to bring economic and social empowerment among rural poor, ensure financial sustainability, and provide skill development so that it would sustain with an economic activity. This present study attempted to analyses whether the micro financing have brought any change in the lives of rural poor. Great debates are on as to whether, forming groups, making women as members, providing credit and imparting some business skills would change the social equations in the society. The proponents argue that providing credit to rural poor can prove to be a suitable mechanism in enhancing Poor's socioeconomic conditions and thereby altering the relations between gender and class. On the other hand, critics argue that provision of credit may lead to marginal increase in income and assets which may enhance the wellbeing and economic security, but the increase may be too little to affect pervasively entrenched political and economic relations.

## CONCLUSION AND SUGGESTIONS

### FACTORS INFLUENCE

In majority of the cases (50 per cent), it is the MFI field worker that has influenced the members by explaining the loan products especially the availability of a large loan amount. More than half of the enrolments were a result of influence from the member and the other household members to take the decision to join MFIs. In 15 per cent of the cases, friends and relatives influenced the decision. Interestingly, in 12 per cent of the cases, SHG members encouraged membership in MFIs.

### YEAR OF JOINING

Large number of members have been associated with microfinance institutions between 2002-2007 ( Tenth Five Years Plan). 61 per cent of the respondents joined in the year 2002 and followed by year 2003. after 2004 microfinance institutions in Andhra Pradesh face some problem with operation this cause member take microfinance activity.

### SIZE OF THE MEMBERSHIP

Accordingly in this study it is analysed to find out what is the range of members in each group among the sample respondents. It is observed from the data that the members range from 11-15 in each group. In majority of cases group the size 11-15, followed by 15-20. It is only one in above 20 is found.

### PARTICIPATION IN GROUP MEETINGS

More than half of the respondents accepted that all member of the groups participate in meetings ( 54 per cent) and the remaining respondents revealed that only some members participate in group meeting. In Telangana and Andhra regions majority of respondents revealed that all the members of the groups participate in meetings (51 per cent). However, respondents belonging to Rayalaseema revealed that about 65 per cent of them participate in meeting with some members only.

**POSITION IN MFI GROUP**

The position held by the respondents at present given. It is observed that more than 41 per cent of respondents were active members and followed by ordinary member with 40 per cent and 13 per cent facilitated by cashier/secretary and 6 per cent of respondents continue as the presidents and other important position in groups. Socio-economic characteristics of leadership of respondents are tabulated at the table 6 per cent proportion of president from SC/ST community is slightly less than their membership in the sample group and that of OBC/FC is higher.

**SATISFACTION**

The satisfaction of respondents with family members has been reported to be quite high. Most of them were found not satisfied with the family members, while a significant proportion was reported to be burdened

**FREQUENCY OF MEETING**

The frequency of periodical meeting may varies from group to group. It is observed in this study that majority of the group conduct meeting weekly with 41 per cent followed by fortnightly meeting with 37 per cent only 22 per cent of them were holding meeting by monthly. The more frequency of the meeting more interaction among the members and more would be the intervention in community and social affairs. It would also facilitate the members to save in small amount when it is held weekly meeting in lower scale may be suggestive for sustainability.

**PARTICIPATION**

The respondents were further asked about their participation in the decisions of the meetings. The majority of the respondents i.e. 53 per cent reported that all members participate in the decisions of the group meetings. Importantly, in the decision making process, NGO's facilitators also participate to enable the group members in choosing the best alternative

**DECISION MAKING**

Major decision are taken by group representative 47 per cent and 29 per cent respondents decision taken by facilitator with consultation with members. Decision been taken on consensus basis by the group member 15 per cent.

**RESOLUTIONS**

Importantly, decisions in the group meetings are taken on the basis of consensus emerged (65 per cent). However, link workers or NGO's facilitators also take decisions in consultation with group members (29 per cent). It is positive trend that definitely a decision of the group meetings is being taken in the consultation with link-workers/ facilitators.

**IMPACT OF TRAINING**

It is clear that only in ten areas i.e. confidence building, skill development, marketing linkage, linkage with government, right entitlement & development program, managerial efficiency, enhance income earning, active participation in decision making etc., confidence building with 42 per cent of respondents had given 1<sup>st</sup> preference followed by 57 per cent respondent with skill development. It was revealed that 29 per cent with 3<sup>rd</sup> preference of enhance income earning followed by active participation in decision making.

Though in quantitative terms it appear that microfinance institutions provided a reasonable training and other input to the groups, actually the extent of training provided and its outreach is quite inadequate. According to the information gathered from them the duration of most of training programmes are less than a day and in majority cases only leaders participated and there is not much dissemination.

In order to facilitate the confidence building and improve the credit absorption capacity of the microfinance, the capacity of its members has to be built up. The purpose of training and other capacity building efforts is to develop skills and encourage behavioural and altitudinal changes in the members. Group members would have to be trained with at the formal, as well as informal levels.

**SUGGESTIONS**

Some important parameters for betterment of the working of microfinance institutions.

Minimal or zero balance saving bank accounts should be initiated for all the poor individual and not only for the MFI/SHGs. The government can play a major role in this. This step would not only create a safe window for them but also help them to multiply their money.

All in all the government should keep an eye on the MFIs and facilitate their working through making a structured regulatory framework for NGOs/SHGs and other microfinance institutions.

Government can consider bringing down the stipulation of equity requirement for MFIs so that there is not much pressure to earn more to satisfy private investors. Lending banks may also be made to accept such norms

Government can waive income tax at least 10 to 15 years so that the MFI will not have the pressure of making will the outgoing and such policy will also help improve the sustainability of MFIs through better internal accruals. Government can consider fixing low interest rates on lending by the banks to MFIs both as the primary sector / weaker section and special interest subvention so that the MFIs can balance their high cost of operation and lend to the poor clients at reasonable rate of interest.

Special recovery process and customer grievance redressal measures may be introduced so as minimize the hardships faced by the poor.

The market-driven business model will have to be replaced with legitimate, more sustainable model with social objectives.

A strong and effective regulation of the sector is therefore imperative to put an end to undesirable practices and put the sector on the path of providing inclusive growth.

Emphasis should be given to SHGs formation and group lending rather than individual lending

There is a need to have proper regulating authority at each level saving, depositing, lending of money, which will help in long term sustainability of the sector and in avoiding any misuse of money.

There is need to evolve new products by the banks commensurate with the requirements of women

Strong marketing network is essential for effective and proper marketing of product and services of micro enterprises linked SHGs. They need marketing support and institutional capacity to handle marketing activities independently.

As women are an important part of the community, building their capability to manage communities and community project should be enhanced. Education is a good channel for women empowerment and poverty.

It is suggested to increase the ceiling limit of the loan to Rs 25,000. The interest rate on the loan amount should be brought down to minimum extent.

The members of all the self-help groups need to undergo training programmes related to accounting, motivation etc. It helps them in better understanding of need of relation between micro financing and members for smooth functioning.

It is recommended that all sanctioning and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function.

It is recommend that there should be a "margin cap" of 10 per cent in respect of MFIs which have an outstanding loan portfolio at the beginning of the year of 100 crores and a "margin cap" of 12 per cent in respect of MFIs which have an outstanding loan portfolio at the beginning of the year of an amount not exceeding 100 crores. There should also be a cap of 24 per cent on individual loans.

It is recommended that the responsibility to ensure that coercive methods of recovery are not used should rest with the MFIs and they and their managements should be subject to severe penalties if such methods are used. The regulator should monitor whether MFIs have a proper Code of Conduct and proper systems for recruitment, training and supervision of field staff to ensure the prevention of coercive methods of recovery. Field staff should not be allowed to make recovery at the place of residence or work of the borrower and all recoveries should only be made at the Group level at a central place to be designated

It is recommend that the government should take initiative for publishing a Client Protection Code for MFIs and mandate its acceptance and observance by MFIs. It is there must be a minimum period of moratorium between the grant of the loan and the commencement of its repayment.

It is recovery of loan given in violation of the regulations should be deferred till all prior existing loans are fully repaid.

Government should promote microfinance systems only when they are linked to social mobilization and community empowerment.

Discriminations by the official shall be stopped.

Political interference seems to be block for effective functioning regular training programs shall be conducted. MFI are not political pressure to monitor and write off loans provide cover against unexpected losses.

Working MFI should be made transparent will proper legislations.

Monitoring on utilization of loan for income generating activities. Sufficient information about the income generating projects, Incentives for clients and Recovery exemption in genuine cases especially in death, illness.

MFI help more people become economically self-sufficient Confidence building social awareness of the people, increased literacy and education.

Groups' members usually create a common fund by contributing their small savings on a regular basis; a group manages pooled resources in a democratic way; considers loan requests; and loans are disbursed by purposes. The rates of interest vary from group to group higher than that of banks but lower than that of moneylenders.

The innovative forms of financing is imperative to supplement credit strategies for meeting the needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the technical and administrative capabilities and financial resources of formal financial institutions and also to build material trust and confidence between bankers and the rural poor and to encourage banking in a segment of population that formal financial institutions usually find difficult to reach.

The groups develop their own management system and accountability for handling the resources generated. The interaction among the members based on participatory mechanism in terms of decision-making.

MFI's can create a unique, alternative need based credit delivery mechanism by pooling their meager resources for catering to their consumption and production requirements.

There is need to accept that rural poor needs are not only for self-employment. The Programs should be designed on the basis of the needs of rural poor at the micro level. Planning for self-employment for rural poor needs a multipronged strategy.

The various categories for financial institutions in rural market have exhibited different potentials in serving rural poor. There is need to synchronize their efforts so that their work becomes supplementary and complementary in serving rural poor.

Microfinance through has reached the un-reached rural poor. There is need to evolve an informal micro financing through formal financial institutions. The massive growth of microfinance has paved the way for immediate financial accessibility for the poor who are too far away from this accessibility and microfinance. Microfinance is an alternative system of credit delivery for the poorest of the poor. It would help in improving the quality of life in rural India. The government of India can play vital role in encouraging. MFI should come forward and extend facilities especially in empowering rural poor by providing education (training), motivation, and financial help and so on. MFI bring unity and integrity among the members. It improves general welfare of family and community. MFI assist the rural poor to perform traditional roles better and to take up micro entrepreneurship.

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