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A STUDY ON THE IMPACT OF MICROFINANCE ON POVERTY ERADICATION WITH SPECIAL REFERENCE TO KANHIRAPUZHA GRAMA PANCHAYAT, KERALA

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ABSTRACT

Government introduced Micro Finance in the existing financial structure to make the financial services accessible to poor and low income section of the society. Micro Finance refers to provision of access to small loans without physical collateral to the poor, especially the women, while encouraging them to save regularly in order to combine thrift and self-help for their own development. MF Institutions consist of Refinance Institutions, Banks, Non-Government Organizations and Self Help Groups dealing with small loans and deposits in rural, semi urban or urban areas enabling people to raise savings, productive investments and thereby their standard of living. MF scheme was implemented across the country. Though microfinance is spread across the country, it was not sure how effectively it was implemented. In order to measure the outcome of MF, an attempt is made to learn the impact of MF scheme in areas like household income, savings, employment, expenditure, assets and dwelling conditions of rural people. The study was conducted in Kanhirapuzha, a small village in Kerala and information's were collected, analysed and results are publicized in this paper accurately.

KEYWORDS

micro finance, kudumbashree, poverty eradication.

INTRODUCTION

India has made remarkable progress in several areas like technology, industry, agriculture and infrastructure during the post-independence era. Still, the eradication of poverty remains an unresolved problem. India is considered as the epi-centre of poverty with over 300 million poor people. Poverty, therefore, continues to pose the greatest development challenge in India. The planners and policy-makers identified that one major cause of poverty in India is inability of the poor to access capital to make productive investment for income and employment generation owing to the exclusion of the poor by the formal financial institutions in their lending activities. The continuous failure of the formal financial system to deliver credit and other financial Services to the poor and the realization of potential role of microfinance in poverty alleviation led to the emergence of microfinance in India.

In Kerala, microfinance has become a novel and a vital strategy of poverty reduction. Micro Finance refers to the provision of access to small loans without physical collateral to the poor, especially the women, while encouraging them to save regularly in order to combine thrift and self-help for their own development. Government-based and NGO-based microfinance systems exist side by side in the State. Both have played a dominant role in making microfinance a real movement in Kerala. Kudumbashree is the Government-initiated microfinance programme in Kerala. Kudumbashree, the poverty eradication mission of the state of Kerala is a community based self-help initiative involving poor women. It has been envisaged as an approach to poverty alleviation focusing primarily on micro finance and micro-enterprise development, and integrally linked to local self-government institutions. National Bank of Agriculture and Rural Development (NABARD) initiated women Self Help Groups (SHGs) in India with the support of local NGOs. The formation of SHGs led to the implementation of Swarnajayanti Gram Swarozgar Yojana (SGSY), launched by the Ministry of Rural Development. In a similar line Kudumbashree is sponsored by local self-government institutions in Kerala

REVIEW OF LITERATURE

The study was taken by Singh, Tejmani to give an overview of all aspects of micro finance in India such as the different institutions in its promotion, different modes of delivery, weaknesses and the challenges. In the study they found that microfinance acted as an integral part of poverty eradication programme. The challenges lie in finding the level of flexibility in the credit instrument that could make it match the multiple credit instruments that could make it match the multiple credit requirement of the low income borrowers without improving unbearably high cost of monitoring to end use lenders.

The article was published in *Hindustan times* in 2007. the article was focusing on the empowerment of women in Kerala. The article states that microfinance firm intends to provide loans and other financial services to poverty stricken women. They found that through microfinance firm's government provides initial loans up to rs.12000 to women without any collateral security. And they concluded it by saying that microfinance intends to empower poor women to become economically self-reliant by giving them access to income generating activities and other financial services.

The study was conducted by Amarjeet Kumar (2010). The study was to find working of Kudumbashree which has been developed by Kerala for overall development of poorest of poor. The study was conducted on the basis of detailed study on articles i.e. by secondary data. It has reviewed that micro finance has emerged as an important sector which gives economic freedom to the destitute. No doubt Kudumbashree is doing the same for Keralites. Most of the women in rural areas work in Kudumbashree and so it is the easy way of achieving the women empowerment and poverty reduction in the society

Yahaya, K.A, Osemene, O.F and Abdullaheem. A conducted a study on 2011 to find the effectiveness of microfinance in alleviating poverty. Both primary and secondary data were used and the data collected was analysed using t-test and analysis of variance. the results revealed that microfinance have significant role to play in the economy, as it helps reduce poverty by providing financial services to the active poor. but they found that much of awareness has not been made among the poor so they suggested that microfinance policy should further be publicized so that members of low income groups will be aware of what microfinance institutions have to offer them and how they can obtain financial services to grow their small businesses

Knigh and Farhad (2008) mentioned that micro finance directly improves quality of life and promotes poverty reduction. By getting loans the client become self-employed and protect himself for the external threats. By getting employment they become raised from the poverty line and the poverty decreased. Micro finance is in the initial stages and in these stages most of the peoples do not know about the reality of micro finance. Some peoples take that example of micro finance where the result of micro finance is negative. It is more important that the examples where the result of micro finance is more positive than negative should be highlighted so that more and more peoples get benefit from micro finance and cross the poverty line.

Mangara, Thomas (2010) conducted a study on the impact of microfinance activities in 9 villages in Bangalore rural. The data were collected from 400 beneficiaries through a questionnaire. The study concludes by stating how microfinance services produce positive effect on output, effects and savings of the beneficiaries. The study also points out as to how microfinance services results in women empowerment and empowering poor people to stabilize economically.

Kumar, Manish, Bohra, Narendra, Singh, Johari, Amar (2010) conducted a descriptive study based on the secondary data. The paper concludes that the potential for the growth of Micro Finance institutions in India is very high and these institutions do help in alleviating poverty.

Kashif, Muhammad, Durrani, Khan Usman, Abid, Imran Malik, Shafiq Ahmed (2011) conducted a study on the role of micro finance in reducing poverty. The study was conducted in one of the districts in Pakistan. 100 micro finance beneficiaries were taken into consideration and questionnaire was distributed through convenient sampling method. Out of 100 the researchers received back 68 responses. The results showed that majority of the respondents were in favour of introducing and enhancing micro finance activities. It is also proven that apart from generating income and fight against poverty it also facilitates to improve the social standards of the poor.

IMPORTNCE OF THE STUDY

Though microfinance is spread across the country, it was not sure how effectively it was implemented in Kerala. For sustainable growth, it is imperative to provide various financial services as well as financial aid. This study is an attempt to analyse the extent to which microfinance helps in eradicating the poverty through Kudumbshree programmes.

STATEMENT OF THE PROBLEM

Majority of the population in rural areas were in the verge of poverty. This is an attempt to analyse the impact of microfinance in poverty eradication.

OBJECTIVES OF THE STUDY

1. To assess the depth of outreach and level of participation of the poor in the microfinance programmes
2. To evaluate the impact of microfinance programmes upon the poor in terms of household income, savings, employment, expenditure, assets and dwelling conditions.
3. To examine the extent to which microfinance programmes have contributed to poverty alleviation and household welfare
4. To trace out the problems of microfinance programmes in Kerala and to suggest the methods of resolving them.

HYPOTHESIS

- H1a: There is significant relationship between microfinance and income generating activities
 H0a: There is no significant relationship between microfinance and income generating activities
 H1b: There is a significant relationship between microfinance and account keeping
 H0b: There is no significant relationship between microfinance and account keeping
 H1c: There is significant relationship between microfinance and awareness of financial products.
 H0c: There is no significant relationship between microfinance and awareness of financial Products.
 H1d: There is significant relationship between microfinance and level of income.
 H0d: There is no significant relationship between microfinance and level of income
 H1e: There is a significant relationship between microfinance and positive impact on life.
 H0e: There is no significant relationship between microfinance and positive impact on life.

RESEARCH METHEDODOLOGY

POPULATION AND SAMPLE OF THE STUDY

Population consists of total members in NHGs in Kanhirapuzha Panchayat, Palakkad District of Kerala. Sample size is 50 members of different NHGs

DATA COLLECTION AND TOOLS

Simple random sampling has been used for the purpose of the study. Survey method is used to collect date. Questionnaire is used to collect primary data.

Primary data: Primary data is used to get relevant information for the study. Primary data has been collected from the sample consisting of 50 members of SHGs.

Secondary data: Secondary information is collected mainly from Panchayat and block office.

Following tools are used for study;

1. Chi-Square Test
2. Correlation Analysis

RESULT AND DISCUSSION

The following tools are being used to test hypothesis

- 1) Chi-square
- 2) Correlation

1. CHI-SQUARE

QUESTION

1) Do you use these funds for income generating activities?

H0 – there is no significant relationship between microfinance and income generating activities

H1- There is significant relationship between microfinance and income generating activities

TABLE 1.1: TEST STATISTICS

	incomeactivities
Chi-Square	13.520 ^a
Df	1
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

INTERPRETATION

The above table clearly shows that there is a positive significant relationship between microfinance and the income generating activities with an alpha value of .000 .as the value is less than or equal to .05 we can reject null hypothesis. This means that as the people take part in various microfinance programmes they are able to take part in income generating activities.

QUESTION

Do you think that your capacity to do account keeping for your own family has increased after joining NHG?

H0-there is no significant relationship between microfinance and account keeping

H1-There is a significant relationship between microfinance and account keeping

TABLE 1.2: TEST STATISTICS

	Account
Chi-Square	11.520 ^a
Df	1
Asymp. Sig.	.001

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

INTERPRETATION

The table clearly shows that there is a significant relationship between microfinance and account keeping of the people. The significance level lies between .000 and .05 so null hypothesis has to be rejected. ie it says that microfinance have helped in increasing the income of people which help them to start savings habit among people.

QUESTION

Are you aware of basic financial products like insurance and banking services?

H0- There is no significant relationship between microfinance and awareness of financial products.

H1 – There is significant relationship between microfinance and awareness of financial product.

TABLE 1.3: TEST STATISTICS

	Awareness of financial products
Chi-Square	11.520 ^a
Df	1
Asymp. Sig.	.001

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

INTERPRETATION

The table explains to us that null hypothesis can be rejected as the alpha value lies in between .000 and .05 ie there is a significant relationship between microfinance and awareness of financial products. Government has really succeeded in awaring people about financial products using microfinance as a tool.

QUESTION

Do you think that your family’s level of income has increased after you joining NHG?

H0-There is no significant relationship between microfinance and level of income

H1- There is significant relationship between microfinance and level of income

TABLE 1.4: TEST STATISTICS

	Level of income
Chi-Square	9.680 ^a
Df	1
Asymp. Sig.	.002

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

INTERPRETATION

The table clearly explains to us that there is a significant relationship between income level and microfinance because null hypotheses has been rejected as alpha value or significance level is .002 which is less than .05. This shows that microfinance has a impact on the level of income of people which helped them to come out of poverty.

QUESTION

Do you feel that microfinance have positively impacted your life?

H0- There is no significant relationship between microfinance and positive impact on life

H1 –there is a significant relationship between microfinance and positive impact on life

TABLE 1.5: TEST STATISTICS

	Positive impact
Chi-Square	42.320 ^a
Df	1
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

INTERPRETATION

The table shows that microfinance has positively impacted the life of respondents. The null hypothesis could be rejected as the alpha value is .000.It shows that there is a high level significance between microfinance and positive impact on the life of the respondents.

2. CORRELATION ANALYSIS

CORRELATION 2.1

TABLE 2.1: CORRELATIONS

		income	incomeactivities
Level of income	Pearson Correlation	1	.901**
	Sig. (2-tailed)		.000
	N	50	50
Income activities	Pearson Correlation	.901**	1
	Sig. (2-tailed)	.000	
	N	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

As indicated, the correlation analysis shows a significant degree of positive correlation (pearson correlation coefficient is .901) between the use of funds for generating activities and income level of people. This highlights that as the people use the funds for income activities their level of income has been changed. Thus it can be concluded that there is a significant relationship between the use of funds for income generating activities and the level of income.

CORRELATION 2.2

TABLE 2.2: CORRELATIONS

		performance	Income level
performance	Pearson Correlation	1	.709**
	Sig. (2-tailed)		.000
	N	50	50
Income level	Pearson Correlation	.709**	1
	Sig. (2-tailed)	.000	
	N	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

As indicated, the correlation analysis shows a significant degree of positive correlation (Pearson correlation coefficient is .709) between the level of income and performance rating of NHG. This highlights that as the NHG helps in increasing the level of income the people says that the performance of NHG'S are also good. Thus it can be concluded that there is a significant relationship between level of income and performance of NHG'S. It also says that the performance rating of NHG depends on how they help people in generating income.

CORRELATION 2.3

TABLE 2.3: CORRELATIONS

		problems	loans
Problems	Pearson Correlation	1	-.405**
	Sig. (2-tailed)		.003
	N	50	50
Loans	Pearson Correlation	-.405**	1
	Sig. (2-tailed)	.003	
	N	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

The table shows that there is significant negative relationship (Pearson's correlation is -.405) between problems in microcredit schemes and taking of loan from NHG. That means as they take loans they are finding many problems regarding to microcredit schemes.

CORRELATION 2.4

TABLE 2.4: CORRELATIONS

		income	necessities
income	Pearson Correlation	1	.693**
	Sig. (2-tailed)		.000
	N	50	50
necessities	Pearson Correlation	.693**	1
	Sig. (2-tailed)	.000	
	N	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

The table shows that there is a positive significant relationship (Pearson's correlation is .693) between income level and meeting of necessities. It has been found that as there is change in income level the necessities are met more easily.

FINDINGS

The study was conducted with the objective to find out the impact of microfinance in poverty eradication in Kanhirapuzha panchayat, Palakkad District of Kerala. Data was collected from 50 members of NHGS in Kanhirapuzha panchayat using questionnaire.

Following are the important findings of the study

- Through the study it has found that all the respondents have more than five years of participation in NHGs. The depth of outreach of microfinance programme to the poor is clearly evident as all the respondents who belonged to the BPL list had no formal credit and savings in the pre-microfinance period and now they have access to the microcredit schemes which help them to improve the standard of living.
- There is a drastic change in the borrowing pattern of the respondents as they agree that NHGs had become their major source of borrowing. Whereas, in the pre-microfinance period, money lenders were their major source of borrowing.
- Most of the women were unemployed during the pre-microfinance period. However, the intervention of microfinance through Kudumbshree got them some kind of employment. These employment opportunities helped in women empowerment and to add a source of income also.
- As microfinance played an important role in income generation, it has also inculcated saving habit among the NHG members. They were able to aware the people about the importance of savings and could succeed in its awareness programmes
- The most important findings of the study is that microfinance has a great contribution towards the eradication of poverty. That means microfinance has a positive impact on the life of the people. It also makes a clear point that active participation in the microfinance programmes brought perceptible changes in the life of people. It not only helped them in improving the life style it also helped in empowering in various lines such as acquiring knowledge, leadership qualities, communication skills, self-confidence and abilities to face problems. Moreover, it has been found that all are aware of the importance of education in their life, where everyone agrees that education is important and they will educate their children.

SUGGESTIONS

The impact of microfinance on poverty eradication with the help of NHG and SHG can be further improved. Following are few recommendations to improve the performance of Kudumbshree units. Close monitoring and follow up on the effective utilization of microcredit provided through NHG AND SHG. Guidance may be given to members in utilizing the loan effectively and to avoid the diversification of the credit for the purposes other than the one mentioned in the application. Continuous and need based training is required for various activities of KDMS. An institution can be set up at state level to provide training and orientation.

CONCLUSION

Microfinance programme has achieved a remarkable success in reaching the poor and bringing banking services to the door steps of the poor. By increasing the employment and income level microfinance has also succeeded in making the poor economically active. Microfinance intervention in rural areas through NHG and SHG has become a vital channel for reducing under-nourished and poverty and for promoting human capital investment such as education and health. The clients are experiencing an impressive improvement in their personality and social conditions. In addition to this they tell that they can experience a considerable progress in the household welfare. However, microfinance can serve as a still better instrument of poverty alleviation and of promoting household welfare if the State

Government and the NGOs focus greater attention to widen economically viable self-employment choices and the skill- base of the clients, to get interest free or low interest- bearing loans, in marketing the products and improving the quality and by ensuring benefits of the programme accruing to the core and to the moderate poor too.

SCOPE OF FURTHER RESEARCH

1. The study is based only on Impact of Micro Finance on Kanjirampuzha Grama Panchayat. The same can be extended to the entire state.
2. A study can be conducted to analyse the impact of Micro Finance in Women Empowerment.

LIMITATIONS OF THE STUDY

1. The time period of study is limited to two months
2. As the study is restricted to NHGs of a particular Panchayat, a generalized conclusion cannot be obtained.
3. Reluctance on the part of Panchayat officers to furnish the relevant data.
4. Personal opinion of the respondents may vary affecting the results of the study.

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