



## A STUDY OF IMPACT OF MICROFINANCE FOR POVERTY ALLEVIATION IN SELECTED DISTRICT OF UTTAR PRADESH

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### ABSTRACT

This paper focus is to measure the impact of microfinance on poverty alleviation in different District of Uttar Pradesh for this report data has been composed through questionnaire, descriptive research and interviews from Microfinance Bank and some of their clients mostly in our rural areas credit is not available to the farmer on time or they can get it only on very high interest rate. So there is great potential of micro financing in Uttar Pradesh region. Many developing countries like India, Bangladesh and Pakistan are using microfinance to increase the living standard of their people. But in India main focus of Microfinance Institutes (MFIs) was only to give credit. There is a strong relationship between microfinance and poverty alleviation. The results also showed that Microfinance Scheme help people to improve their living standard and provide them financial opportunity to expand their business. Microfinance is the key strategy that leads to quick recovery of economy, increase in living standard Microfinance playing a vital role improving standard life of rural people, people facing many problems sanctioning loan from formal financial Institution. In the event that one can help, a needy individual to remain all alone that can't just realize a transformation in their lives additionally in the general public. The fantasy of a sound and taught society with no separation and one-sided can be accomplished through this basic thought, the fantasy which is by all accounts working out as expected and getting to be reasonable.

**KEYWORDS:** Microfinance, Poverty Alleviation, Finance, Loan,

### INTRODUCTION

As we know that India is a developing economy, India's 65% population lives in village area, and India has a major problem of poverty. All through the world, poor individuals are avoided from formal monetary framework rejection ranges from formal halfway prohibition in created nations to full or about full rejection in less created nations. Truant access to formal budgetary administrations, the poor have built up a wide assortment of casual group based monetary game plan to meet their money related requirements.

Microfinance is the supply of Loans, other budgetary administrations to poor people (CGAP). Microfinance gives budgetary administrations like credit office, sparing open door, exchange of cash and protection of wellbeing and business to the needy individuals which are disregarded by business banks.

Microfinance alludes to little scale money related administrations basically credit and sparing gave to individuals who ranch or fish or crowd; who work little or miniaturized scale ventures where merchandise are created, reused, repaired or sold; who give administrations; who work for wages or commissions; who pick up wage from leasing little sums land, vehicles, draft creatures or hardware and apparatuses; and to different people and gatherings

workmanship the nearby levels of creating nations, both rustic and urban, Rovinson (2001). Microfinance is made to fill this hole (Irobi, 2008). The crevice filled by microfinance establishment has made turned out to be a piece of the formal money related arrangement of a nation thus on access capital business sector to finance their loaning portfolios, permitting them to drastically expand the quantity of destitute individuals they can reach.

The smaller scale money development began with the independently employed ladies' affiliation's (SEWA) raid into miniaturized scale saving money administrations in 1974. It was trailed by the examinations in gathering loaning by the National Bank for Agriculture and Rural Development (NABARD) and the Mysore Resettlement and Development Authority (MYRADA) in 1986-87 with their SHG Bank linkage Program (SBLP). Since then it has spread all over India rising fit as a fiddle of various models such the Non-Government Organization microfinance Institution (NGO-MFI) model, SBLP model, Individual Banking Model and the Bank Partnership model.

It has been assessed that formal microfinance bank just administrations short of what one million customers in a nation populace of 140 million lives beneath neediness line (Irobi, 2008).

Poverty Reduction has been a critical improvement challenge over decades. One of the recognized requirements confronting the poor is absence of access to formal assets to empower them to exploit monetary chances to expand their level of yield, henceforth move out of neediness.

The far reaching neediness, with all the issue that accompanies it, is the best test of our time. Conventional guide has not helped in taking care of this issue. One sort of improvement work, which advances money related maintainability for poor people in the general public, is miniaturized scale fund (Lindvert, 2006).

Neediness is a condition of hardship of individuals or society, in which they are not ready to meet their fundamental needs, for example, nourishment, dress and haven. In this they have low ability to manage Socio-monetary and natural exigencies. This definition however can be challenged for it does exclude instruction, medicinal services and not too bad way of life or noble life. In any case, it could be settled upon that previous are prompt needs and will be favoured by any denied individual. For e.g., India in beginning decades after freedom was seriously shy of sustenance grains and that provoked government to put resources into horticulture which brought about green unrest. Around then interest in social base was insignificant and now that India has accomplished independence, centre has moved to Health and training.

#### REVIEW OF LITERATURE

Microfinance, as indicated by Otero (1999, p.8) is "the procurement of money related administrations to low-wage poor and extremely poor independently employed individuals". These monetary administrations as indicated by Ledgerwood (1999) for the most part incorporate investment funds and credit however can likewise incorporate other budgetary administrations, for example, protection and instalment administrations. Schreiner and Colombet (2001, p.339) characterize microfinance as "the endeavour to enhance access to little stores and little advances for poor family units ignored by banks." Therefore, microfinance includes the procurement of monetary administrations, for example, funds, advances and protection to needy individuals living in both urban and rustic settings who can't get such administrations from the formal budgetary segment.

In the writing, the terms microcredit and microfinance are frequently utilized reciprocally, yet it is critical to highlight the contrast between them in light of the fact that both terms are regularly befuddled. Sinha (1998, p.2) states "microcredit alludes to little advances, while microfinance is suitable where NGOs and MFIs<sup>1</sup> supplement the advances with other budgetary administrations (investment funds, protection, and so forth)". In this way microcredit is a segment of microfinance in that it includes giving credit to poor people, however microfinance likewise includes extra non-acknowledge monetary administrations, for example, investment funds, protection, benefits and installment administrations (Okiocredit, 2005).

Robinson expresses that the 1980s spoke to a defining moment in the historical backdrop of microfinance in that MFIs, for example, Grameen Bank and BRI2 started to

demonstrate that they could give little credits and reserve funds benefits gainfully on an expansive scale. They got no proceeding with sponsorships, were industrially financed and completely manageable, and could accomplish wide effort to customers (Robinson, 2001). It was likewise as of now that the expression "microcredit" came to unmistakable quality being developed (MIX3, 2005). The distinction amongst microcredit and the financed provincial credit projects of the 1950s and 1960s was that microcredit demanded reimbursement, on charging loan fees that took care of the expense of credit conveyance and by concentrating on customers who were subject to the casual area for credit (on the same page.). It was presently clear interestingly that microcredit could give substantial scale exceed gainfully. The 1990s "saw quickened development in the quantity of microfinance foundations made and an expanded accentuation on achieving scale" (Robinson, 2001, p.54). Dichter (1999, p.12) alludes to the 1990s as "the microfinance decade". Microfinance had now transformed into an industry as per Robinson (2001).

#### RATIONALE OF STUDY

Around 4-5 million people living in developing countries and emerging economies, but they do not have access to financial services such as credit, insurance and saving.

The larger part of developing countries lives in rural area, in which agriculture is the main source of Income, people ruing their lives with help of agriculture. Formal institution often avoids financing poor households due to the perceived higher costs and risks. The numerous initiatives taken by government of India, state government and other development agencies in recent decades to provide access to financial services for the part of the population not being served by the formal financial sector have some positive impact. However, significant challenges still remain, the most important ones being the creation of an appropriate economic environment, a conducive legal and regulatory framework and the development of sustainable (subsidy-free) financial intermediaries, in both urban and rural areas. Without a well-functioning finance system, neither aid nor local entrepreneurship as such can create the right business climate conditions for long term economic growth.

#### OBJECTIVES

1. To study of microfinance significantly contribute to poverty reduction and improved standard of life of poor people.
2. To study of microfinance for the development of microenterprises.
3. To study of performance of government initiatives, MFIs and NGOs in the field of microfinance.

#### SCOPE OF STUDY

In an attempt to investigate the impact of microfinance institution on poverty reduction;

The study focused on MFIs, SHGs, NGOs, and Other Agencies working in area of microfinance. Study has done in area selected district of Uttar Pradesh, such as Lakhimpur kheri, Sitapur, Shahjahanpur. The study covers only poor people of urban and rural area which is availing facility of microfinance and trying for microcredit form microfinance institution and non- governmental organization.

**RESEARCH METHODOLOGY**

In this chapter researcher told about the methodology of research and data collection with analysis.

**RESEARCH DESIGN**

The study was conducted on the basis of Survey research, exploratory as well as descriptive methods used. Exploratory because deep study of policies of government, MFIs, NGOs, and other agencies.

Descriptive because of Behavioural study of beneficiary of microfinance as per their needs

**SAMPLE**

The Universe comprises of poor people belongs to Rural and Urban area, who avail facility of microfinance and trying for microcredit for their needs. .

Sample in my sampling frame was 105. In this study we determine 105 samples at 95% confident and accept 05% probability error, this calculation from Taro Yamane (1967) formula.

$$n = \frac{N}{1 + N(e)^2}$$

n= Sample

N= Population

e<sup>2</sup>= Probability of error

$$n = \frac{105}{1 + 105(.05)^2}$$

n= 83

**SAMPLING TECHNIQUE**

In pursuance of the documented objective, Hypotheses and information need, the data for the study had been collected through the simple random sampling method.

**SOURCE OF DATA**

The Sample unit (Respondent) for collecting primary data comprises the program/ schemes beneficiaries who were either individual beneficiaries or a member of SHGs.

In addition secondary data had taken from journals, books, and internet etc.

**DATA COLLECTION**

The questionnaire was designed to match with the objectives of study and conceptual framework. A short questionnaire with conceptually clear and summarizing statements is judged to be desirable for both the respondents and the researcher. Interview conducted by the researcher himself to collect the data from the respondent. One page, single side questionnaire was designed keeping in mind the objective of study which were find the impact of microfinance for poverty alleviation and performance of microfinance. The Literature survey and pre study consultation with supervisor and experts were taken into account. The questionnaire consisted few open ended question and closed ended question

**DATA ANALYSIS AND INTERPRETATION**

Data analysis done with the help of statistical software SPSS version 24., data from questionnaire were processed in terms of frequency in table form and chart form descriptive statistics.

**1. Did you feel any difficulty during sanction your loan?**

**Statistics**

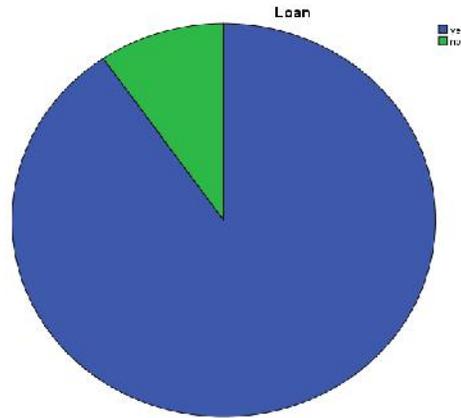
Table 2: Loan Statistics

N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 3: Loan Frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	75	90.4	90.4	90.4
	no	8	9.6	9.6	100.0
	Total	83	100.0	100.0	

### Impact of microfinance for poverty alleviation



On the basis of analysis of data first question of questionnaire we can say that 90 per cent respondent face problem for their finance and 10 per cent respondent do not feel any type of problem during their loan sanction.

### 2. Do you feel any change in your life after availing facility of microfinance?

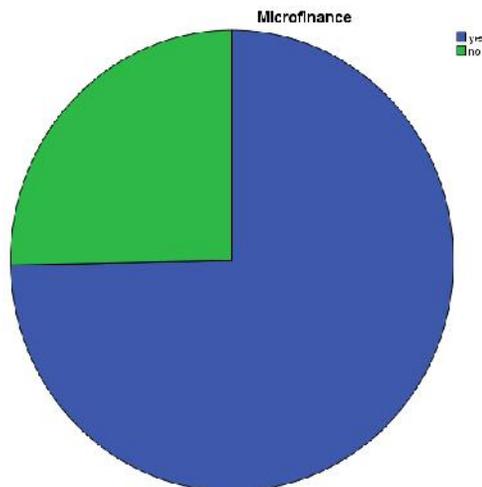
#### Statistics

Table 4: Microfinance Statistics

N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 5: Microfinance Frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	62	74.7	74.7	74.7
	no	21	25.3	25.3	100.0
	Total	83	100.0	100.0	



As per Third question third 95 per cent respondent told that after availing facility of microfinance they feel change in their

life. But 25 percent respondent did not feel any change in their life.

**3. Are you doing any type of business?**

**Statistics**

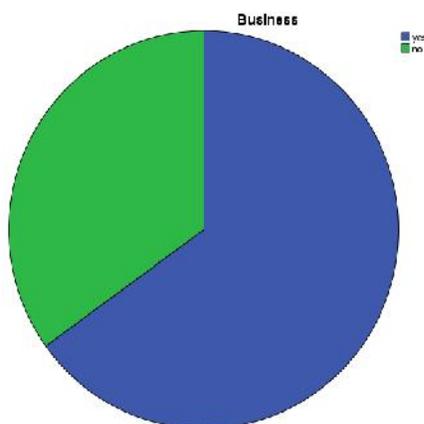
Table 6: Business Statistics

N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 7: Business Frequencies

**Business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	54	65.1	65.1	65.1
	no	29	34.9	34.9	100.0
	Total	83	100.0	100.0	



According to question five 65 percent beneficiaries operating business activities and 35 per cent did not had any type of business

**4. If yes, Microfinance helps you to improve your business?**

**Statistics**

Table 8: Microfinance Change Statistics

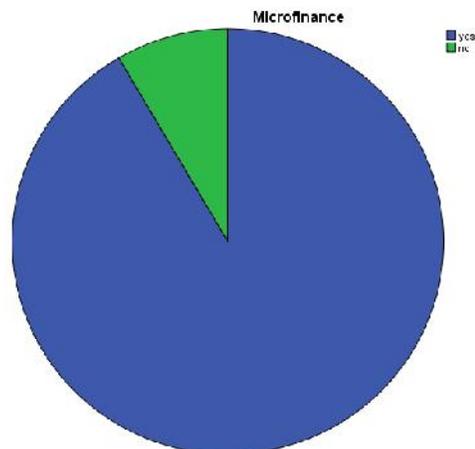
N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 9: Microfinance Change Frequencies

**Microfinance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	76	91.6	91.6	91.6
	no	7	8.4	8.4	100.0
	Total	83	100.0	100.0	

## Impact of microfinance for poverty alleviation



As per question six 92 per said that microfinance helps them in their business and 8 per cent respondent said that they did not feel that microfinance helps them in improving their business.

### FINDINGS AND IMPLICATIONS

- The NGOs were in lead in providing training to the trainees followed by gram panchayat.
- Family problem is quoted as the most important reason for the delayed payment/ default for 40-55 per cent of the beneficiaries.
- About 80 percent respondent told that it is easy to take loan from private institution, Money lenders then MFIs, government body.
- Many of the SHGs respondent operating dairy activities for their lives.
- The Study found that the beneficiaries are lacking in many basic problems of infrastructural like road and bank branches which hinder them in operation their business.
- During study it found that 90 per cent people facing difficulty taking loan from the bank and other financial institution
- Financial Literacy was one of the biggest problem in all aspects, respondent told about banking transaction.
- During study it was found that if government take some step for improvement of loan procedure to the poor and skilled people.
- Microfinance can reduce the poverty if implementation of schemes at ground level.
- Credit size ought to be expanded to meet the necessities of borrowers.
- The general population ought to be given more open doors for credit offices.
- Knowledge ought to be given on time by MFIs to borrowers for the better usage of credit.
- Customer introduction preparing to staff individuals must be directed to show them how to bargain legitimately with customers.
- NRSP MFB must concentrate on Mobile managing an account since all Microfinance Institutes are thinking about the Versatile Banking as main focus.
- Interest rate ought to be diminished so that more candidates can benefit microfinance offices.
- NRSP MFB ought to give crisis advances against Gold and Silver and ought to likewise concentrate on other region which incorporates low pay people, domesticated animals and little organizations and craftsmanship business furthermore show them right aptitude.
- All Microfinance Institutes are working in restricted topographical zone so they should grow their outreach.
- They have better comprehension about the issue of country regions so they can give better and adaptable administrations to expand fulfilment level of the customers.
- One discernible issue in all Microfinance Banks is that there is absence of staff as contrast and the customers. They should build their staff individuals or instruct them how to manage client effectively.

**CONCLUSION**

90 percent respondent who facing problem in taking finance form financial institution, or NGOs, told about their issues, which occurring during finance.

- i. We face lot of problem during sanction loan like, when we approach to bank branch bank manager asked me lots of paper that was very difficult for us to submit the entire document to the branch manager then manager said that he was not able to sanction us loan.
- ii. Outside the branch a person met us, he told that you want loan, we said yes, then he said that 15 percent of total loan amount he want, if we gave them that amount then he could sanctioned our loan.
- iii. Respondent also said that they did not know about the banking that's why they face many problem during sanction loan from bank.

In the wake of profiting office of microfinance there are number of changes we feel like Increase in wage furthermore now we can spare some cash for future need. Before we didn't think about the protection of yield now we had office of harvest protection, What's more, I safeguarded everything crop with bank protection office.

In all actuality, nonetheless, nor is new. Poor people have been getting from cash banks (proprietors) from time immemorial. Small scale endeavours have been working for quite a while in numerous poor social orders, and frame the inconceivable casual area connected with creating nations. Be that as it may, the genuine disclosure is the idea of "bunch loaning" which adequately conquers the issues of security and unfriendly determination because of data sway examination of microfinance recommends that the greater part of borrowers who as of now have a few resources (Alternately business abilities and instruction) will probably succeed. In this way, when William Easterly (2006) alludes to MFIs as "searchers", the quest ought to rather be for existing little endeavours in the casual division, not the exceptionally poor with no advantages or entrepreneurial aptitudes. The peril of the build up over microfinance is that the requirements of smaller scale undertakings in the casual area may not get due consideration. The proprietor administrators of these small scale ventures have officially demonstrated their entrepreneurial intuition, yet they confront various imperatives going from failure to get to the formal credit business sector to advertising their items. These endeavours should be bolstered with simple access to credit and other monetary administrations (e.g., protection).

In the event that one can help, a needy individual to remain all alone that can't just realize a transformation in their lives additionally in the general public. The fantasy of a sound and taught society with no separation and one-sided can be accomplished through this basic thought, the fantasy which is by all accounts working out as expected and getting to be reasonable. The basic vision of small time, Muhammad Yunus has taken the state of the upset and has demonstrated the beam of trust in the way of life to each human,

independent of his experience or status or position. The trust of an existence that nobody will rest hungry, nobody will pass on because of absence of solution, our youngsters can read and compose all alone and everybody will be the column of the general public.

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