



Impact of microfinance on socio-economic status of minority communities in marathwada region

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Abstract

Microfinance was first presented in year 1990 with the particular ramifications of encompassing microcredit and smaller scale reserve funds and other money related administrations. In the year 2006, idea of Microfinance was begun by Prof. Mohammed Yunus in Bangladesh and his Grameen Bank to a great extent through Self Help Groups (SHG's) prevailed by ladies these are shaped with straightforward principles spare, collect and offer advances to each other. Microfinance characterizes microcredit as the augmentation of little advances to business people excessively poor, making it impossible to fit the bill for customary bank advances. Microfinance is accessible for money creating exercises at low rate of enthusiasm with simple and periodical reimbursement. Amid 1960's and 1970's the key issue in agribusiness and country improvement was horticultural creation. Poor and Low salary individuals everywhere throughout the world have been associated with cash moneylenders who give simple access to credit however at a higher rate of premium. Prof. Yunus and Grameen Bank have demonstrated that even the poorest of the poor can work to achieve their own advancement. Microfinance is a reasonable measure to diminish destitution levels in our nation.

Keywords: microfinance, SHG, socio-economic status, minority community, grameen bank

1. Introduction

Microfinance defines microcredit as the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. The key implication of microcredit is in its name itself 'micro'. A number of issues come to mind when 'micro' is considered: the small size of the loans, small size of savings, the smaller frequency of loans, shorter repayment periods and amounts, etc. Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance as micro credit, it is not only that but it also includes insurance, transactional services, and savings. According to James Roth, "Microfinance refers to the provision of financial products targeted at low-income groups. These financial services include credit, saving and insurance products." Rural development is a process which aims at improving the well being and self realization of people living outside the urbanized areas through collective process. Microfinance is not a new development. It includes the provision of collateral free loans to poor people, especially in rural areas, at full –cost interest rates that are repayable in frequent installments. Microfinance is now being considered as one of the most important and an effective mechanism for socio-economic development. A range of institutions in public sector as well as private sector offers the micro finance services in India. They can be broadly categorized in two categories namely, formal institutions and informal institutions. The former category comprises of Apex Development Financial Institutions, Commercial Banks,

Regional Rural Banks, and Co-operative Banks that provide micro finance services in additions to their general banking activities and are referred to as micro finance service providers. On the other hand, the informal institutions that undertake micro finance services as their main activity are generally referred to as Micro Finance Institutions (mFIs). While both private and public ownership are found in the case of formal financial institutions offering micro finance services, the mFIs are mainly in the private sector.

Generally Self-Help Group consists of 10 to 20 women. The women save some amount that they can afford. It is small amount ranging from Rs. 10 to 200 per month. A monthly meeting is organized, where apart from disbursal & repayment of loan, formal and informal discussions are held. On many social issues also Women share their experiences in these groups. The minutes of these meetings are documented and the accounts are written. The President, Secretary and Treasurer are three official posts in any SHG. If the SHGs are connected with some NGOs, they take part in other social activities of those NGOs.

Of late, the organizational structure of various micro-financial groups is undergoing significant changes. There are Thrift groups; Credit management groups, Income generating groups, Self-help groups and Mutual help groups. Sometimes the institute that promotes the SHG, itself provides loan facilities. It is called as Micro-finance Institute.

2. Micro Finance in India

The origin of microfinance can be traced back to 1976, when

Muhammad Yunus set up the Grameen Bank, as experiment, on the outskirts of University campus in the Village of Jobra, Bangladesh. In India, the poor do not have a proper shelter and at times are so desperate for a safe place for their savings that they even pay moneylenders or the zamindars or the village elders to hold their earnings and deposits safely thus not realizing any return or the true return on their savings.

The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services firms serving the needs of micro entrepreneurs and poor households. "Microfinance" emerged as the term of choice to refer to a range of financial services to the poor, that included not only credit, but also savings and other services such as insurance and money transfers.

Loans to poor people by banks have many limitations including lack of security and high operating cost and so Microfinance was developed as an alternative to provide loans to poor people with the goal of creating financial inclusion and equality. Muhammad Yunus a Nobel Prize winner introduced the concept of Microfinance in Bangladesh in the form of the "Grameen Bank". Micro Finance is defined as, financial services such as Saving A/c, Insurance Fund & credit provided to poor & low income clients so as to help them to raise their income & there by improve their standard of living.

The microfinance sector can be broadly classified into a four-tier apparatus as detailed below:

1. Tier-I Self Help Group: Self Help Groups (SHGs) which operate at the grass root level are formed not more than 20 members which need to be registered as a company under the Company's Act, 1956. The SHG member's are the ultimate beneficiaries of Micro finance. The RBI has advised the banks that they should not interfere with the management of the affairs of the SHGs, particularly the terms and conditions at which the SHGs disbursed loan to their members. SHG is a homogenous group of economically active poor voluntarily formed to save whatever amount they can conveniently out of their earning and mutually agree to contribute a common fund of the group to be lent to the members for meeting their productive and emergent credit needs. The main objective of SHG apparatus is to evolve supplementary credit strategy for reaching the poor, to build mutual trust and confidence between the banks and the poor and above all to encourage banking activities of both thrift as well as credit.

The group should devise a code of conduct to bind themselves in their transactions and in their transactions and it has to decide the amount to be saved and the purpose for which the loans can be given to its members. The internal savings mobilized by the members is the core of the SHG. The group has to decide on the interest rate to be paid, interest to be charged on the savings and also the quantum of credit to its members. The group should function in a democratic way allowing free exchange of views and active participation by its members. In essence, it is the empowerment of its members. The group has to open a saving bank account with a bank.

2. Tier –II Non-Government Organizations (NGOs): NGOs are involved with capacity building, gender, equity

issues and empowerment of rural poor and in a particular woman. These NGOs are either registered under Societies Act/ Trust Act/Section 25 of the Companies Act 1956. The following selection parameters for indirect finance through NGOs:

- a. The NGO should have a legal entity.
- b. The NGO should be functioning for a minimum period of three years. The annual report of the organization should be scrutinized.
- c. The NGO should have a broad objective of serving the social and economic needs of the community as a whole and in particular the weaker section.
- d. There should be transparency and good track record in the particular.
- e. There should be provision in the bye-law of the NGO to borrow for SHG activities.
- f. There should be proper system of maintaining the accounts and records with regular audit.
- g. Normally, banks fix the maximum exposure to an individual NGO at a time to be limited to Rs.200 lacs and the size of loan to individual members of SHGs not to exceed the overall ceiling of Rs. 30000.

3. Tier-III Micro finance Institutions: A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self employment activities. An MFI is usually not a part of the formal banking industry or government. It usually referred to as a Non-Government Organization. NBFC requires minimum capital norms of Rs.200 and needs to get registered under section 25 of the Companies Act, 1956.

4. Tier-IV Micro finance Institutions (NBFC and Cooperatives): Microfinance Institutions differ from the Mutually Aided Cooperative Societies Act registered under sec.25 of the Companies Act, 1956 in that they are allowed to collect deposits and also lend. The Mutually Aided Cooperative Societies Act enables promotion of self-reliant and vibrant cooperative societies based on thrift and self-help.

3. Objectives of the study

The objective of the study can be specified as follows:

1. To review the progress of the SHG of minority communities in Marathwada Region.
2. To study the socio-economic status of minority communities.
3. To examine the impact of micro financing through SHG's of Minority Communities.
4. To understand the problems and difficulties faced by group members.

4. Research Methodology

1. Previous literature was reviewed in order to establish a clear analytical framework of the study, land to inform the methodology of difficulties and challenges that previous study and evaluations of working of SHG with minority communities have faced. Both the primary and the secondary data source s were used for the study.
2. Secondary resources included previous evaluations of the programme, statistics published by the Government of

India (GOI), and NABARD’s annual progress reports of socio-economic status. Primary data, on the other hand, was collected by the researcher through semi-structured interviews with key informants of the NGOs, and focus-group discussions with SHG members.

5. Data Analysis and Interpretations

In order to understand to understand the socio-economic status of the members, the data regarding age, education, marital status, occupation, economic activities, annual income etc. were collected and analyzed.

i) AGE

Table 1: provides Age-wise classification

| Sr.no. | Age | Total | Percentage |
|--------|--------------|-------|------------|
| 1 | 21-30 years | 299 | 37.38% |
| 2 | 31-40 years | 312 | 39% |
| 3 | 41 -50 years | 165 | 20.63% |
| 4 | 51-60 years | 24 | 3% |
| Total | | 800 | 100% |

Source: Field Survey-2017

Interpretations

It is observed in the above table that, 41 respondents are belonging to the age group of 31-40 whereas respondents belonging to the age group of 21-30 are 32. Amongst the total respondent only 12 are below 20 years and 15 are 41 & above years. The age wise profile reveals that majority of respondents belongs to the age category of 31-40 years. The second significant category is the age group of 21-30 years. The lowest only 12 respondents belong to the age group of below 20 years.

ii) Gender

Table 2: Gender wise Classification

| Sr.no. | Gender | Total | Percentage |
|--------|--------|-------|------------|
| 1 | Male | 33 | 4.125 |
| 2 | Female | 767 | 95.875 |
| Total | | 800 | 100 |

Source: Field Survey-2017

Interpretations

The data presented above shows the Gender wise respondents profile. Out of the total respondents 12 are male against 88 female respondents. The majority of them are female followed by male respondents. The analysis indicates that there is a huge presence of female respondents.

iii) Marital Status

Table 3: Marital Status Wise Classification

| Sr.no. | Marital Status | Total | Percentage |
|--------|--------------------|-------|------------|
| 1 | Single | 164 | 20.5 |
| 2 | Married | 504 | 63 |
| 3 | Widowed | 67 | 8.375 |
| 4 | Divorced/Separated | 65 | 8.125 |
| Total | | 800 | 100 |

Source: Field Survey-2017

Interpretations

The above table shows the marital status wise respondents profile. There are 63 respondents who are married & 17 are single. There are 11 respondents who are divorced/separated & 9 respondents are widowed. Marital Status wise respondents profile shows that, majority of respondents i.e. 31.5% are married as compared to single, divorced & widowed ones. The analysis indicates that majority of respondents are married.

iv) Educational Qualification

Table 4: Classification of Respondent Education-wise

| Sr.no. | Education Qualification | Total | Percentage |
|--------|-------------------------|-------|------------|
| 1 | Illiterate | 410 | 51.25 |
| 2 | Primary school | 201 | 25.125 |
| 3 | Middle School | 86 | 10.75 |
| 4 | High School | 64 | 8 |
| 5 | College | 39 | 4.875 |
| Total | | 800 | 100 |

Source: Field Survey-2017

Interpretations

The data belonging to Qualification of the respondents is presented in the above table. There are 57 respondents who are illiterate whereas, 17 respondents are primary school. The no. of respondents who have done college & middle school are 10 & 9 while 7 respondents with high school. The education wise analysis shows that a majority of members are illiterate.

v) Caste

Table 5: Classification of Respondent Caste-wise

| Sr.no. | Caste | Total | Percentage |
|--------|-----------|-------|------------|
| 1 | Muslim | 280 | 35 |
| 2 | Christian | 19 | 2.375 |
| 3 | Buddhist | 488 | 61 |
| 4 | Sikhs | 13 | 1.625 |
| Total | | 800 | 100 |

Source: Field Survey-2017

Interpretations

The caste-wise respondents profile shows that there are 48 respondents who are from Buddhist Community where as 39 respondents are from Muslim Community & 8 respondents are from Christian community & 5 are from Sikh Community. It is observed that the majority of respondents are from Buddhist Community & least is from Sikh Community.

vi) Occupation

Table 6: Classification of Respondent Occupation-wise

| Sr.no. | Occupation | Total | Percentage |
|--------|-------------------|-------|------------|
| 1 | Kirana Shop | 145 | 18.125 |
| 2 | Trader | 216 | 27 |
| 3 | Vegetable Vendor | 39 | 4.875 |
| 4 | Tailoring Classes | 81 | 10.125 |
| 5 | Mehndi Classes | 39 | 4.875 |
| 6 | Garage | 89 | 11.125 |
| 7 | Others | 191 | 23.875 |
| Total | | 800 | 100 |

Source: Field Survey-2017

Interpretations

The occupation wise respondent profile reveals that majority respondents belong to others category. They are 25 from others category. The second most important category is of Tailoring Classes which amounts to 18. The third category is of Garage & Kirana Shop to which have only 14 respondents. There are 13 respondents who belong to vegetable vendors. 7 respondents are from Trader category. Only 9 respondents belongs to Mehndi classes' category. The above analysis shows that in occupation wise respondents profile others category dominates the data.

vii) Impact on Social Status of Minority Community

Table 7

| Parameters | Social | | |
|------------|--------|--------|-------|
| | Yes | No | Total |
| Sr.no. | | | |
| 1 | 84.81 | 15.18 | 100 |
| Percentage | 84.81% | 15.18% | 100% |

Source: Field Survey- 2016

Interpretations

In the social aspects, there are 6 parameters from which 84.81% (i.e.4071) respondents said that, there is an increase in their social status when they joined SHG's, whereas 15.18% respondents (i.e.729) said that there is no change in their social status.

viii) Impact on Economic Status of Minority Community

Table 8

| Parameters | Economic | | |
|------------|----------|--------|-------|
| | Yes | No | Total |
| Sr.no. | | | |
| 1 | 87.25 | 12.75 | 100 |
| Percentage | 87.25% | 12.75% | 100% |

Source: Field Survey- 2016

Interpretations

In economic status, there is also 7 parameters, 87.25% (i.e. 4886) respondents said that there is increase in their savings patterns, they become economically independent and they can easily access & claim the financial & Government schemes whereas 12.75% (i.e. 714) respondents said that they are not economically developed.

ix) Impact on Political Status of Minority Community

Table 9

| Parameter | Political | | |
|------------|-----------|-------|-------|
| | Yes | No | Total |
| Sr.no. | | | |
| 1 | 81.5% | 18.5% | 100 |
| Percentage | 81.5% | 18.5% | 100% |

Source: Field Survey- 2016

Interpretations

There are two parameters in the political impact, 81.5% (i.e. 1304) respondents said there is they are actively participating in local politics and creating political awareness whereas 18.5% (i.e.296) respondents said that there is no impact.

x) Impact on Personality Development of Minority Community

Table 10

| Parameters | Personality Development | | |
|------------|-------------------------|-------|---------|
| | Yes | No | Total |
| Sr.no. | | | |
| 1 | 94.16 | 5.83 | 100 |
| Percentage | 94.16% | 5.83% | 100.00% |

Source: Field Survey-2016

Interpretations

In personality development, there is also 6 parameters, 92.6% respondents(i.e.4520) said that there is immense in literacy, they gained self dependence, they have improved interpersonal relationship and have learned leadership qualities whereas 5.83% respondents (i.e. 280) said that their personality is not developed.

6. Conclusion

Micro finance creates employment and some of the poor find employment among the economically active poor enterprises. Since many microfinance institutions came up and have succeeded in reaching the poorest of the poor, and have devised new grounds-breaking strategies with time for the fulfillment of their vision. Micro finance has helped rural people to develop in many ways by providing opportunities for self-employment. This has significantly improved women's security, autonomy, self-confidence and status within the household. Last but not the least, large scale sustainable microfinance help create an enabling environment for the growth of political participation and of democracy.

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