

NATURE OF ACTIVITIES UNDER THE MICROFINANCE AND THEIR IMPACT ON POVERTY AND UNEMPLOYMENT

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ABSTRACT

Microfinance is an effective tool for increasing employment, reducing in poverty and women empowerment and thus their socio economic condition improves. Further it is found that SHGs, direct mode of generation of microfinance and KCC are the important modes of the microfinance. Microfinance provides the benefits to all sections, all sectors and all regions of the economy though not uniformly. Therefore, the microfinance is emerging as effective tool for promoting faster and inclusive growth and thus helps in reducing poverty by providing a regular source of livelihood in a significant manner. In the study we considered 190 samples and based on the structured questionnaire we conducted direct interview of the respondents in all four Tehsils of the district. There are 62 respondents out of 190 respondents using direct mode of microfinance, 96 respondents using Self-Help Groups (SHGs) for the microfinance and there are 67 respondents are using Kisan Credit Card (KCC) for the microfinance.

Introduction

Poverty and unemployment together are a major problem in a developing economy like India. Therefore, the major challenge before the developing countries is how to reduce poverty and unemployment. In order to reduce these problems policies or approaches like microfinance emerged as effective tool. Microfinance provides regular source of livelihood in a significant manner and thus helps in promoting the faster and more inclusive growth. Therefore, it also helps people to motivate for saving, credit, insurance and other financial services, so that they are able to cope up with everyday demands more resiliently and confidently.

Microfinance interventions are well recognized as an effective tool for poverty alleviation and employment generation and improving the

socio-economic conditions of the poor. In India too, microfinance essentially reduces poverty and increases employment and at the same time empowers women. The impact of microfinance programme through Self-Help Groups (SHGs) is very effective in making positive social changes to members irrespective of the direct borrowers of the micro-credit. Effect of microfinance is in the rural areas and women equally benefitted with the SHGs. These groups provide considerable social protection and income opportunities to all its members. The SHGs have acquired a prominent status in maximizing social and financial returns. The promotion of incomes and other financial activities for the rural poor and women are perceived as a powerful medium to resolve several socio-economic problems such as reduction in poverty, provision of goods and services appropriate to local needs,

redistribution of income and opportunities in the community, etc.

Microfinance is an effective tool for poverty alleviation, employment generation and women empowerment in India and in other developing countries; this is proved by various studies. Microfinance includes whole financial services/activities those serve to very poor. The SHG and bank linkage programme is the largest community based microfinance programme opted throughout the world and emerged as a powerful instrument for financial inclusion for the poor and marginalized section of society. The KCC scheme is another successful scheme provided through which credits on the basis of land registered by farmers are the banks on very easy terms and conditions.

Microfinance provides the benefits to all sections, all sectors and all regions of the economy though not uniformly. Therefore, the microfinance is emerging as effective tool for promoting faster and inclusive growth and thus helps in reducing poverty by providing a regular source of livelihood in a significant manner. The microfinance sector in India needs massive expansion. There is need to strengthen all the existing mechanisms of micro-credits delivery such as the self-help group (SHGs), bank linkage programme, primary agriculture cooperative societies (PACs), microfinance institutions (MFIs) and also bringing new agencies such as the post-offices in the microfinance sector. However, the SHG-bank linkage programme is a potent initiative for delivering financial services to the poor in a sustainable manner.

Status of microfinance in Bahraich district

Bahraich district was selected for the study because it is one of the most backward districts in terms of illiteracy, monthly income, employment and other social reforms in Uttar Pradesh. Therefore, this district is very suitable for studying the microfinance and its impact on poverty and unemployment. For the tabulation of the data we divide it in to three groups. In first group we put direct microfinance. In

second group we put microfinance through Self-Help Groups (SHGs) and in third group we put microfinance through Kisan Credit Cards (KCC) as was done in chapter-4. Direct Microfinance includes own savings, private loan, Government bank loan, Cooperative bank loan, loan from relatives and friends, insurance and pension fund. Microfinance through Self-Help Groups (SHGs) includes savings and credits of SHG members and microfinance through KCC includes small farmers credit facility through KCC based on the land registered in their names.

In the study we considered 190 samples and based on the structured questionnaire we conducted direct interview of the respondents in all four Tehsils of the district. There are 62 respondents out of 190 respondents using direct mode of microfinance, 96 respondents using Self-Help Groups (SHGs) for the microfinance and there are 67 respondents are using Kisan Credit Card (KCC) for the microfinance. It is noted that there were respondents who had availed more than one source of microfinance. Thus, we describe the level of microfinance, nature of activities under the microfinance in Bahraich district and its impact on poverty alleviation and employment generation in the present chapter.

Poverty: Concept and measures

Poverty is a socio-economic phenomenon in which a section of the society is unable to fulfil even its basic necessities of life. In general, those people who are unable to fulfil their minimum nutritional need due to lesser income are considered to be poor. Poverty could either be relative or be absolute. In developing countries like India, relative poverty is not considered a big issue but absolute poverty is a big issue and government is spending a large amount of money and energy to tackle the problem of poverty.

The discussion on poverty largely revolves around the notion of a poverty line: a critical or threshold income, consumption, or the access to goods and services below which the individuals are declared to be poor (Ray, 2002). To determine

poverty line based on nutritional or calories requirements per member per day basis, minimum quantities of cereals, pulses, milk, butter, etc. are determined for a subsistence level. Further, aggregating in monetary terms for various physical quantities and commodities, the poverty line is set and it is different for rural and for urban areas. People whose income is below poverty line are said to be poor. The most common measure of poverty is the Head-Count ratio, defined as the percentage of population living below the poverty line.

In 1979 Planning Commission of India defined the poverty line for the country as a per capita consumption level which meets the average per capita daily requirement of 2400 kcal in the rural areas and 2100 kcal in the urban areas, along with a minimum level of non-food expenditure. This was common for all states of India. In 1993, the Planning Commission of India set up another Task Force, under chairmanship of Prof. Lakadwala to remove the anomaly of a common poverty line for all states of India. The Lakadwala Committee retained the same consumption basket of 1973 and estimated separate poverty lines for each state.

The pioneer work by Prof. Amartya Sen and Prof. Martha Nussbaum put forward another route for the measurement of the poverty. They identified it as a lack of capabilities and freedoms. The conceptual foundations of the Capability Approach can be found in Prof. Sen's critique of traditional welfare economics, which typically relates well-being with either opulence (income, commodity command) or utility (happiness, desire fulfilment). Prof. Sen made a distinction between commodities, human functioning/capability and utility.

Unemployment: Concepts and Measures

Unemployment estimates in India is that a person working 8 hours a day for 273 days of the year is regarded as employed on a standard person year basis on the recommendations of the committee of experts on unemployment estimates set up by the Planning Commission. Three estimates of

unemployment were generated in the 27th round of NSS as given below:

- i. **Chronic unemployment or 'usual principal status employment'** is measured in number of persons i.e., persons who remained unemployed for a major part of the year. This measure is more appropriate to those in search of regular employment (e.g., educated and skilled persons) who may not accept casual work. This is also referred to as 'open unemployment'.
- ii. **Weekly status unemployment** (measured in number of persons), i.e., persons who did not find even an hour of work during the survey week.
- iii. **Daily status unemployment** (measured in person days or person years, i.e., person years), i.e., persons who did not find work on a day or some days during the survey week.

Above description about poverty and unemployment provides a brief glimpse about the concept. In India, Uttar Pradesh and even in Bahraich district, the situation of poverty and unemployment remains a serious issue. Now we shall be discussing about these and role of microfinance in mitigating these problems.

Microfinance and its impact on poverty and unemployment

Microfinance can remove or moderate poverty and unemployment essentially because most of the studies show that microfinance is an effective tool for poverty alleviation and employment generation in developing countries. In this study, we make efforts to understand effect of the microfinance on the aforesaid problems in Bahraich district. During the study we found that major impact of microfinance is basically on those who use it in their main and subsidiary occupations like manufacturing of pickles, dairy, grocery shops and diversification of agricultural activities. Consequently, family income substantially increases. Apart from the economic changes, tremendous social changes in the rural area

also occur due to increase in the income. The main effects of microfinance are listed below.

- 1) Increase in income and expenditure.
- 2) Increase in employment and self-employment opportunity.
- 3) Development of small and medium scale enterprises.
- 4) Increase in investment and productive capacity in the production.
- 5) The microfinance programmes empower to the people and reduces economic dependency.
- 6) Accelerated employment rate, improved average productivity of labour and increase in real wages.

In the study of Bahraich district we are discussing the role of microfinance on the poverty alleviation and employment generation of the respondents considered. The respondents reported that microfinance increases their employment, income, production and socio-economic condition. For the depth understanding of the impact of the microfinance on the poverty and unemployment we categorize the impact in to three groups based on the source of the microfinance.

- a) Impact of direct microfinance on poverty and unemployment.
- b) Impact of microfinance through Self-Help Groups on poverty and unemployment.
- c) Impact of microfinance through Kisan Credit Cards on poverty and unemployment

Impact of direct microfinance on poverty and unemployment

Direct mode of microfinance generation includes own savings, private loan, government loan,

commercial and co-operative bank loan, insurance, pension fund and money transfers. Therefore, we can say that all financial activities which serve to the poor people in very effective and meaningful manner are included here although the quantum remains very small. Out of 190 respondents there are 62 respondents who had mobilized the microfinance through direct mode of microfinance and 96 respondents availed the microfinance through SHGs and remaining 67 respondents managed the microfinance through KCC. It is to be noted that share were respondents who had availed more than one source of microfinance.

Direct microfinance beneficiaries can start the occupation or undertake expansion with the help of direct microfinance. In my study there are 62 respondents who are using the direct source of microfinance. We asked with the direct microfinance beneficiaries that what the impact on poverty and unemployment is. They reported that with the help of microfinance their production and income increases and family members and other workers may also employment.

Source of direct microfinance

Main sources of the direct microfinance are the respondents own savings, private loans, government banks loans (including commercial bank and regional rural bank), co-operative bank loan, etc. The maximum respondents are poor, illiterate and semi-skilled. So they prefer for private loans. In our study of Bahraich district 62 respondents are using direct source of the microfinance. Table 5.1 shows the basic source of the direct microfinance.

Table 5.1: Sources of direct microfinance

Sl. No.	Source of Direct Microfinance	Number of Respondents	Percentage
1.	Own Savings only	11	17.7
2.	Own Savings + Private loan	1	1.6
3.	Private loan	27	43.5
4.	Govt. Bank loan	6	9.7
5.	Cooperative bank loan	7	11.3
6.	Others (relative & friends)	10	16.1
	Total	62	100.0

Source: Compiled by author from primary survey data.

Table 5.1 shows that maximum share in the direct source of microfinance is of private loan and this is 43.5 percent of the total respondents who are using direct source of the microfinance. Own saving is the second largest in the direct source of the microfinance and is 17.7 percent of the total respondents. A total 9.7 percent of the total respondents are taking loans from the government banks (including commercial bank and regional rural bank). Another 11.3 percent of the respondents are using the co-operative bank loan as the source of direct microfinance and there are 16.1 percent of

the total respondents who are using some direct sources of the microfinance.

Out of the total 62 respondents 48 respondents are using the money obtained by the microfinance for the occupational purpose. The rest of the respondents are using the microfinance for other purposes like medical treatment, marriages, debt repayment and for social ceremonies. Thus most of the respondents are using microfinance for occupational purposes.

5.5.2 Number of times money borrowed

Table 5.2 shows the number of times borrowed the money.

Table 5.2 Number of times borrowed (n=48)

Sl. No.	No. of times Borrowed	Number of Respondents	Percentage
1.	Once	25	52.1
2.	Less than 5 times	14	29.2
3.	More than 5 times	9	18.8
	Total	48	100.0

Source: Compiled by author from primary survey data.

Table 5.2 shows that there are 25 respondents out of 48 respondents borrowed the money only at once and this figure is 52.1 percent of the total respondents using it for occupational purposes. There are a total 14 respondents who borrowed the money less than 5 times and this figure is 29.2 percent of the total respondents. Remaining 9 respondents borrowed more than 5 times and this is 18.8 percent of the total respondents borrowing for occupational purposes. Thus, such borrowers are

almost equally split in the sense that half of such respondents are borrowing for once while the remaining are borrowing for several times to run their occupations.

Amount borrowed

The direct microfinance beneficiaries borrowed the money from the aforesaid mode of the direct microfinance. The amount they borrowed is varied

from person to person and it totally depends on the initial amount they are in need for the starting the occupation. For the tabulation of the data we

categorize the amount borrowed in to three groups, shows in table 5.3.

Table 5.3 Amount borrowed by respondents in Rs. (n=48)

Sl. No.	Amount Borrowed	Number of Respondents	Percentage
1.	Less than Rs.5000	6	12.5
2.	Rs. 5000 to 10000	17	35.4
3.	More than Rs.10000	25	52.1
	Total	48	100.0

Source: Compiled by author from primary survey data.

Table 5.3 shows that there are 25 respondents out of the 48 respondents who are borrowing more than Rs.10000 for the occupation purpose and this figure is 52.1 percent of the total respondents included in the study while only 6 respondents out of 48 respondents are borrowing less than Rs.5000 and this figure is 12.5 percent of the total respondents included in the study. There are 17 respondents who are borrowing in between Rs.5000 to 10000 and this

figure is 35.4 percent of the total respondents included in the study. Thus, the respondents prefer to borrow such amounts that may be enough for their requirements. As mentioned above there are 62 respondents who have generated the microfinance through direct mode. Table 5.4 shows the total number of respondents who got benefitted through the direct microfinance.

Table 5.4: Usefulness of direct microfinance (n=62)

Sl. No.	Usefulness	Number of respondents	Percentage
1	Yes	60	96.8
2	No	1	1.6
3	Can't say	1	1.6
	Total	62	100.0

Source: Compiled by author from primary survey data.

Table 5.4 shows that all 62 respondents got benefitted except the two and out of these two one respondent says that he is not sure about its benefits. Therefore, we can say that use of microfinance definitely increases the employment, women empowerment and socio economic condition of the poor people. We also found that microfinance improves poor people's lives by contributing to improved healthcare, children's

education and nutrition, and women empowerment. Along with increasing their production and giving them employment, microfinance is also increasing their income. Therefore their monthly income increases and thus their socio economic condition, children's education and health of the respondents and their family member are increase significantly. Table 5.3 shows the nature and benefits of microfinance activities.

Table 5.5: Usefulness of the direct microfinance (n=62)

Sl. No.	Type of usefulness	Number of respondents	Percentage
1	Increasing scale of occupation only	2	3.2
2	Increasing scale of occupation and–		
	(a) Getting raw material	1	1.6
	(b) Increase income	27	43.5
	(c) Getting raw material and increasing income	1	1.6
3	Getting raw materials and increase income	14	22.6
4	Getting inputs and increasing production	5	8.1
5	Increasing income only	1	1.6
6	Increasing income and production	8	12.9
7	Others	3	4.8
	Total	62	100.0

Source: Compiled by author from primary survey data.

Table 5.5 shows that there are 51 respondents who reported that their income increases after making use of direct microfinance and this figure is 82.3 percent of the total respondents and increasing scale of production reported by 31 respondents and this figure is 50 percent of the total respondents considered under the study. Therefore, we can infer that all respondents using direct microfinance are able to increase the scale of operation and thereby their income. So rate of production increases and thus employment also increases.

The respondents have reported that microfinance is helpful in improving the occupation and enlarging the scale of occupation because initially if they have some occupation and after getting some assistance with loan they can easily find the money for increasing the scale has been helping their occupation in the increasing scale. The direct microfinance is a financial service of small quantity provided by financial institutions to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transaction etc, that is, any type of direct financial service that provides to customers for meeting their normal financial needs, life cycle, economic opportunity and emergency services with qualification that transaction value is small and customers are poor or low income earners.

Thus the respondents have reported that they are using microfinance mainly for occupational purposes. So with the help of direct microfinance productions, income and employment increases. Besides, it is also improving consumption, nutrition, healthcare and children's education of respondents. Microfinance increases at local level cottage and small industries production like milk production, dhoopbatti, agarbatti, papad and achar, etc.

Effect of Microfinance on Production/business

In the study we found that the maximum impact of the microfinance is on the production and business. Because if there is increase in production it is directly affects the poverty by increasing income of the respondents. Therefore, we can conclude that microfinance increases self-employment and occupation of the respondents and at the same time consumption, health facility, living status, children's education etc. also improve. For the tabulation of the data we categorize the change of the respondents in to three groups. In first group we put those respondents in whose business major change takes place and in second group we put those respondents in whose business average change takes place while in third group we put those

respondents in whose business only minor change takes place. Table 5.6 shows the effect of

microfinance on business or in production.

Table 5.6: Effect of direct microfinance on production/business

Sl. No.	Effect on production/business	Number of respondents	Percentage
1	Major change	37	63.8
2	Average change	19	32.8
3	Minor change	2	3.4
	Total	58	100.0

Source: Compiled by author from primary survey data.

Table 5.6 shows there are 63.8 percent of the total respondents are there in whose business major change is taking place and there are 32.8 percent of the total respondents in whose business average change is taking place and in third group there are only 3.4 percent of the total respondents in whose business only minor change takes place. Thus, majority of the respondents are benefitting largely with the help of direct microfinance. In the rural area microfinance is increasing subsidiary employment for illiterate, unskilled, semi-skilled and to the poor population. This is very effective for increasing income and production, because maximum farmers are starting animal husbandry, menthol oil, agriculture, vegetables as subsidiary occupation with the help of the direct microfinance. After starting these types of subsidiary occupation their rate of production increases.

Impact of direct of Microfinance on monthly income of Respondents

In the case study of Bahraich district we find that microfinance provide separate and subsidiary occupation for the respondents and increasing in the employment in the poor, illiterate, literate, unskilled and semi-skilled population. Another impact is that the income of the respondent increases and due to increase in the income there is a drastic increase in the consumption of the commodities and in their

health condition and their children's education is. Therefore, we can conclude that there is increase in the socio economic condition of the respondent after using the microfinance.

The beneficiaries of direct microfinance reported that they are using the money obtained from the microfinance in starting a new business/occupation or in improvement of the existing business/production. Their monthly income increases but the level of increment is not direct. It depends on their occupation, amount invested and on the management of the money. Respondents reported that secondary occupation such as trading, street-vending, tailoring and manufacturing achar, papad and agarbatti has better returns as compared to the primary occupation such as agriculture and animal husbandry. Table 5.7 shows that monthly income of the respondents is improving. For the tabulation of the tabulation of the data we categorize the all data in to five categories. In first group we put those respondents whose monthly income increased less than Rs. 2000 and in second group we put those respondents whose monthly income increases between Rs. 2000 to 5000. In third group we put those respondents whose monthly income increases between Rs. 5000 to 8000 and in fourth group we put those respondents whose monthly income increases more than Rs. 8000 and in the last group we put those respondents who noted no change in their monthly income.

Table 5.7: Increase monthly income of respondents

Sl. No.	Increase monthly income (in Rs.)	Number of respondents	Percentage
1	Less than 2000	6	9.7
2	2000 to 5000	37	59.7
3	5000 to 8000	11	17.7
4	More than 8000	4	6.5
5	No change	4	6.5
	Total	62	100.0

Source: Compiled by author from primary survey data.

Table 5.7 shows that there are 37 respondents whose monthly income increased from Rs. 2000 to Rs. 5000 and this figure is 59.7 percent of the total respondents. There are 11 respondents who reported that their monthly income increased at higher level from Rs. 5000 to 8000 and this figure is 17.7 percent of the total respondents. There are 6 respondents who reported that their monthly income increased moderately and it was less than Rs. 2000 and this figure is 9.7 percent of the total respondents and there are 4 respondents who reported that their monthly income increased much higher and it was more than Rs. 8000 and this figure is 6.5 percent of the total respondents. Only 4 respondents reported no change in their monthly income due to the direct microfinance. The respondents of the third and fourth group reported that the major occupations opted by them are generator connection given to vegetable sellers on footpath, retailer, tailoring and buffalo based cultivation. On the other hand respondents whose income increases less than Rs. 2000 per month, major occupation opted are barber shop, mobile vender, agriculture and animal husbandry.

Therefore, we can say that income of the respondents, increases in significant amount after using the direct microfinance and this increment depends on the nature of occupation, management among the group members, performance and awareness among the respondents and their family

members. During the study, we found that maximum respondents are illiterate and unskilled, and thus they preferred animal husbandry as their primary occupation. There are several respondents who opted for the secondary occupation such as retailer, mobile vender, tailoring and lighting the CFLs of the shopkeepers having shops on footpath on daily basis with the generator. It is further noted that increment in income is greater in secondary occupations than in primary occupations. Thus the primary occupation has low performance as compared to the secondary occupation.

Members engaged in the occupation started by Direct Microfinance

In this section we describe the total number of members engaged in the occupation initiated or expanded with the direct microfinance and for this purpose we discussed with the beneficiaries directly. Table 5.8 provides the details. For the tabulation of the data we categorize the whole information in to three categories. In first category we put those respondents who are only self-employed or engaged alone and in second category we put those respondents in whose business up to three members get employed and in the third group we put those respondents who employ more than three people in their occupations.

Table 5.8: Number of members engaged on the occupation (n=62)

Sl. No.	No. of members engaged	No. of respondents	Percentage
1.	Only self-engaged	36	58.1
2.	Up to 3	24	38.7
3.	More than 3	2	3.2
	Total	62	100.0

Source: Compiled by author from primary survey data.

Table 5.8 shows that 36 respondents are only self-engaged and this figure is 58.1 percent of the total respondents whereas there are 24 respondents who employed or engaged up to three people and this figure is 38.7 percent of the total respondents. There are only two respondents who employed or engaged more than three people in their business. Thus in the case study we found that the maximum respondents are self employed with the help of microfinance and still it generates employment sufficiently. Therefore, we can say that microfinance is definitely helping to the poor people because with the help of microfinance people can start the business/occupation and generate employment for others as well. Still, it came out clearly that besides the self-employment, there are enough evidence suggesting that employment generation is taking place. Here we carried out some case studies for the collection of the data of the people who are successfully using the microfinance for the improvement of their occupation and employment generation.

Case Study

Village: Devraipur, Tehsil: Mahsi, District: Bahraich.

Mr. Beche Lal is 60 years old living with his family. There are 7 members in his family including wife, son, daughter in-law and 3 grandsons. He has 8 begha agricultural land and 3 buffalos. Therefore, we can say that his main occupation is agriculture and animal husbandry. He manages all works related to the animal husbandry and agriculture with his family and every member of the family co-operates. He reported that he started animal husbandry and dairy farming with the help of money obtained from the

direct microfinance and also reported that he had generated this microfinance from various sources such as 'ugahi loan' (private NGO loan), for various purposes such as for buffalo purchase, agricultural need, girl marriage and other needs. The ugahi member has given Rs. 9000 to him without any security. The client has been repaying Rs. 1000 per month in 10 months. The ugahi member got money at their home and collection is received also at home. So it is easier and available in the same locality. Thus people have not to go anywhere for the money. Since the lender is living in the same locality there is no need for any security paper. He further reported that he started the animal husbandry and dairy farming occupation for three years ago and for this purpose he bought three buffalos with the help of ugahi loan. Presently he has three buffalos and at the same time he has a business of dairy farming with him. After starting the occupation he repaid the entire loan and now his monthly income is Rs.8000/ per month. After monthly income increased he started spending the money for the health and now he is more concerned about the children education and health of the members of the family. Therefore, we can say that microfinance increases the socio-economic condition as it is seen in the case of Mr. Bechelal since he has been successfully showing increased income and the same is being used to engage the family members in occupation productively and this helps in raised the health and education of the family members.

Conclusion

With the above analysis, we can say that microfinance is an effective tool for increasing

employment, reducing in poverty and women empowerment and thus their socio economic condition improves. Further it is found that SHGs, direct mode of generation of microfinance and KCC are the important modes of the microfinance. Direct microfinance includes own savings, private loan, government loan, commercial bank loan, regional rural bank and cooperative bank loan, insurance, pension fund and from relatives loan. During the study of Bahraich district there are 62 respondents reported that they availed the microfinance through the direct mode and 96.8 percent of these respondents reported that they got benefitted. Further it is reported that the major impact of microfinance is on their monthly income and most of the respondents noted an increase of monthly income. Due to increment in monthly income of the respondents their monthly calorie consumption, nutrition, healthcare and child education may also increase.

This all suggests that their socio economic condition increases and at the same time possibility of employment is increased in the locality and at the same time there is a likely decline in the level of poverty. This is an activity of microfinance and thus it is very helpful and successful in the rural areas of the district of Bahraich. Around 64 percent respondents reported that direct microfinance provides the major change in production/business. During the study 59.7 percent respondents reported an increment of Rs. 2000 to Rs. 5000 in the monthly income and 6.5 percent of the respondents reported an increment of Rs. 8000 in the monthly income. Besides these increments, there are 6.5 percent of the total respondents reported that there is no change in the monthly income. Around 58 percent reported that they are only self-employed whereas 3.2 percent respondents reported that they employed more than three members in their occupation and 38.7 percent respondents reported that they employed up to three members in their occupations. So we can say that direct microfinance is helpful in income and employment generation and also in reducing the level of poverty.

Self-Help Group (SHGs) is an important instrument for microfinance and self-employment

for the poor and unemployed members living in rural areas. We found that the main impact of SHGs is that it increases the saving tendency among its members and deposit all savings in to a common bank account. With this its members can borrow according to their needs and when a significant amount is deposited in the account. Bank provides credit plus assistance on savings. The assistance given on the saving is provided by the Swarnajayanti Grameen Swarojgar Yojana (SGSY). In the study we found that after increment in the monthly income of its members their consumption of calories, living standard, and socio-economic status increases. The benefits and activities of microfinance through SHGs include house making/repair, starting new occupation, purchase animals, agriculture inputs, social function and medical treatment. The maximum respondents are reporting that they are using this microfinance for starting new occupation and some other respondents reported that they started new occupation and purchased animals, social functions, agriculture, etc. By using this money 49.0 per cent respondent reported that there is an increment of Rs.1000 in the monthly income.

The Kisan Credit Card (KCC) scheme also provides microfinance facility to small farm holders. With this microfinance farmers can easily purchase seeds, fertilizers, irrigation facility, animals and social functions such as marriage can be performed because money obtained from the KCC scheme is available throughout the year within the credit limits. This scheme made small farm holders free from landlord, zamindar and sahuakar, etc. In the case of Bahraich district 67/190 (35.35 percent) respondent used the KCC money for the improvement in the monthly income and socio economic condition of the people and these all 67 respondents are small farm holder farmers. Respondents reported that they availed credit of more than Rs. 25000 in a year. The respondents used this money for agricultural purposes such as for purchasing agriculture inputs and its related equipments, for construction of farm related buildings and also for investment in allied activities such as for dairy farming, piggery and bee-keeping. Almost 87 percent respondents used the KCC money

efficiently and 31.3 percent of the total respondents using the KCC credit reported that their monthly income increased in from Rs.1000 to Rs.2000. More than half of the respondents (57 percent) reported that they used all KCC money for the self-employment and all other respondents reported that they also employed other people.

Thus microfinance is very successful in increasing employment for illiterate and unskilled population. It is very helpful in reducing the level of poverty and increasing the monthly income of the people living in rural areas. This study provides a clue that out of all mode of availing the microfinance, microfinance through SHG is more efficient and preferred by most of the respondents. Further it is also noticeable that microfinance through SHGs develops a tendency of savings among its members and it provides an opportunity to work in a group which further developed the social bonding among them.

In the overall study in Bahraich district of Uttar Pradesh, we have found that 93.8 percent respondents accept that the microfinance has played a significant role in poverty alleviation because their income has increased by the help of microfinance. Among those 39.6 percent respondents have found much success in poverty because their income increased more than Rs. 2000 per month. The 40.9 percent respondents have found ordinary success in poverty because their income has increased between Rs. 1000 to 2000 per month. The 13.3 percent respondent has found very less success in poverty alleviation because their income increased less than Rs. 1000 per month. After increase in income their consumption, calories intake and socio-economic status increased of their family members. Thus they found better role playing microfinance in poverty alleviation in Bahraich district of Uttar Pradesh.

In the overall study in Bahraich district, we found that 94.6 percent respondents have accepted that their employment level have increased by the help of microfinance. In which 42.0 percent respondents have much success because in their

occupation more than one family or other members have found employment. 52.6 percent respondents are success's because in their occupation self engagement or a single person find employment. By this data we can say that microfinance playing better role in employment generation in Bahraich district of Uttar Pradesh.

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