

Micro Finance – an Instrument for Improvement of Poverty Level with Special Reference to SKDRDP in Bantwal Taluk

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Abstract

Micro finance refers to an array of financial services, including small savings, credit, insurance, mortgages and retirement plans protracted to socially and economically needy sections of society. For relief from poverty Micro finance is now promoted as an effective tool. Poverty is multidimensional and its removal is dependent on various factors. In overall situation of poverty reduction, microfinance should be seen just as one tool, among many developing tools, for improving poverty. The revolution of micro finance has changed the approach towards aiding the poor in many countries and in some cases it has delivered considerable flows of credit, often to a very low income groups or households, who would normally be excluded by straight financial institutions. The main objective of this paper is to measure the impact of Micro finance schemes in dropping the poverty in Bantwal taluk. It shows that admission and effective provision of micro credit can permit the poor to smooth their consumption, manage their risks better, improve their income grossing capacity, slowly build their assets, develop their micro creativities and enjoy an improved superiority of life. This working paper tries to study and asses the changes in poverty scale after joining Self Help Groups.

KEYWORDS: Micro finance, SKDRDP, poverty alleviation, SHGs.

Introduction

Micro finance is the delivery of financial services to low-income clients, including consumers and the self-employed, who customarily lack access to banking and related services. More broadly, it is a movement whose object is “a world in which as many poor and near poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfers”. Microfinance is defined as the provision of a broad range of financial services such as deposits, loans, payments services, money transfers and insurance.

Micro finance in India:

Microfinance in India started in 1974 in Gujarat as Shri Mahila SEWA (Self Employed Women’s Association) Sahakari Bank. Registered as an Urban Co-operative Bank, they provided banking services to poor women employed in the unorganized sector. Microfinance later evolved in the early 1980s around the concept of informal Self-Help Groups (SHGs) that provided deprived poor people with financial services. From modest origins, the microfinance sector has grown at a steady pace.

Micro Finance in SKDRDP:

Shri Kshethra Dharmasthala Rural Development Project, popularly known as SKDRDP, is a charitable trust promoted by Dr. Veerendra Heggade. SKDRDP concentrates on the empowerment of rural women by organizing Self-Help Groups (SHGs) on the lines of Joint Liability Groups (JLBs) of Bangladesh and provides infrastructure and finance through micro credit for the rural people. SKDRDP (R.) is registered under the Charitable

Trust Act of 1920 in the office of Sub-Registrar, Government of Karnataka, Belthangady Taluk, Dakshina Kannada District in the year 1991.

The micro finance program of SKDRDP is popularly known as “Pragathi Nidhi Program” (Pragathi Nidhi means fund for growth) has been designed to provide hassle-free, quick and easy finance to the stake holders. The groups are eligible to get funds from SKDRDP on completion of three months of their promotion. During this period the groups are required to save regularly on weekly basis, conduct group meetings write proper determinations, deposit the money saved in the group common account. During these periods they undergo capacity building training programmes in conducting group meetings, writing basic accounts, managing the finances, preparing business plan etc. In addition to this, the group members make a five year development plan and then disruption it down to an annual plan. The financial support will also follow the planned goals.

Micro finance and poverty level improvement:

The microfinance revolution has changed the attitudes of people towards helping the poor in many countries and in some countries it has provided a significant flow of credit, often to very low-income groups or families, who would normally be excepted by conventional financial institutions. Bangladesh is the starkest example of a very poor country, where programs. (Khandker 2013)

Literature review:

Muhammad Yunus (1998) “Has examined that microfinance approach to poverty improvement at the macro-level is inadequate. Poverty is caused by our inadequate understanding of human capabilities and by our failure to create enabling theoretical frameworks, concepts, institutions and policies to support those capabilities.”

R. Prabhavathy (2012) “Has examined those collective strategies beyond Micro-credit to increase the endowments of the poor to enhance their exchange outcomes of the family, markets, state and community and Socio -cultural and political spaces are required for poverty alleviation”.

Objectives:

The objectives of the study are as follows-

- To know the role of Microfinance in poverty improvement.
- To evaluate the changes in poverty scale after joining Self Help Groups.
- To identify the customer satisfaction level with special reference to services provided by SKDRDP.
- To analyze the augmentation achieved in the alleviation of poverty in the field of income, employment, education and housing.

Scope of the study:

The study is restricted to Bantwal and is based on the information collected by researcher through personal interview and questionnaire survey. Majority of the population residing in Bantwal taluk are benefited through SKDRDP schemes and also are working in a network with SHGs to overcome poverty. It’s evidential that microfinance lead schemes have upheld the poverty level.

Limitations of the study:

- The study is purely based on the opinion of the respondents and some may have given biased information.
- The study is limited to the Bantwal Taluk and this makes the information limited which cannot be applied generally elsewhere.
- Due to lack of time and cost this study includes only 50 respondents.
- Opinions of respondents are not final because their opinion or preference may differ from time to time depending on situations.

Research Methodology:

The primary data is mainly collected through questionnaire and personal interview method.

The secondary data has been collected from different published articles in journals, magazines, newspaper and websites.

Sample design:

Sample is selected out of the people residing in and around Bantwal taluk who are members of SKDRDP. Sampling was done on the basis of random sampling method. Questionnaires were distributed to collect primary data in the form of responses and opinions from the respondents.

Sample size: 50. Sample respondents are the SHG members who belong to SKDRDP, Bantwal Taluk.

Data Analysis and interpretation

Sl. No.	Particulars	No. of respondents	Percentage
1	Male	17	34
2	Female	33	66
Total		50	100

Table no.1: reason for taking loan

Sl. No.	Particulars	No. of respondents	Percentage
1	Agriculture	19	38
2	Livestock	06	12
3	Business	19	38
4	House construction & sanitary facility	06	12
5	Others	00	00
Total		50	100

The above table reveals that, the micro finance obtained from SKDRDP is utilized for setting up small business, to meet agricultural expenses and expansion, investments in livestock and construction of houses and sanitary facilities. The table shows that 38% respondents invested in their business, 38% of respondents invested in agriculture, 12% respondents have invested in livestock and other 12% respondents used it for construction of houses and sanitary facilities.

Table no. 2: Awareness about government facility for the poor

Sl. No.	Particulars	No. of respondents	Percentage (%)
1	Highly aware	12	24
2	Aware	28	56
3	Not aware	10	20
Total		50	100

From the above table it is clear that 24% of the respondents are highly aware about the facilities and the benefits announced by the government for the poor, and 56% of the respondents are aware, and remaining 20% of the respondents are not aware about the facilities announced by the government for the poor.

Table no.3: vehicle owned

SL .No	Particulars	Before	After	Before (%)	After (%)
1	Yes	8	28	16	56
2	No	42	22	84	44
Total		50	50	100	100

The above table shows that, before joining SHG 16% of the respondents had vehicle, and it increased to 56% after joining SHG, then 84% of the respondents who does not have the vehicle at home decreased to 44%.

Table no.4: Television at home

SL. No	Particulars	Before	After	Before (%)	After (%)
1	Yes	12	35	24	70
2	No	38	15	76	30
Total		50	50	100	100

From the above table it is observed that, a large number of respondents were able to afford a television by availing microfinance. Only 24% of the sample owned a TV before joining the SHGs and a sudden surge of television ownership after joining SHGs to 70% is a significant indicator for alleviation of poverty.

Table no.5: type of Latrine at home

Sl. No.	Particulars	Before	After	Before (%)	After (%)
1	Open	22	00	44	00

	field				
2	Kaccha	20	12	40	24
3	Sanitary or water seal pacca	08	38	16	76
Total		50	50	100	100

The above table signifies that more number of people started using sanitary or water seal pacca type of latrine and there is a drastic reduction in the open field method of sanitation which indicates that the poverty is reduced after joining the SHG.

Findings:

After joining self-help groups under SKDRDP there was a drastic reduction in the poverty level of the members. The members were poor when related to the time they were not members of the SHGs.

Areas where drastic changes were seen indicating poverty alleviation are:

- Type of latrine used by the households.
- Number of rooms in the house (excluding ones used for business).
- Households owning television set.
- Owning vehicles.
- Repayment of the loan.
- Principle occupation of the household.
- Awareness about government facilities to the poor.

Suggestion:

When matched with various Micro-finance institutions in India, SKDRDP is one of the leading micro-finance institutions with respect to development of rural poor. Since its incorporation in 1991, till today it has spread its arms of operations throughout Dakshina kannada district and is popular by its unique schemes.

- SKDRDP should provide complete information to the members about new policies of banking and government programmes.
- Loan size should be increased to meet the requirements of borrowers.
- The rural people should be educated towards various government schemes which are introduced to reduce poverty lines.
- Micro-finance lead Agro-based (technically backed) occupation has to be encouraged in order to restore primary sector in profitable level.

Conclusion:

Microfinance program is primarily focused on improving poverty by providing financial services to the poor particularly for those who are kept outside from the normal banking,

most of those who live in rural areas. Timely supply of adequate credit at rational rate can go a long way in the development of the poor. Micro finance is considered as a major tool to alleviate poverty. But also it is one of toughest activities which are successfully carried out by many of the microfinance institutions in INDIA especially in rural areas. SKDRDP is one of those organizations which are engaged in providing financial facility to the rural poor through micro finance activities. From this study it can be concluded that the performance of Micro Finance services offered by SKDRDP was evaluated through the opinion of the members who have taken the advantages of the SKDRDP facilities and they feels that “they are very much happy with overall services offered by SKDRDP”.

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