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THE IMPACT OF MICROCREDITS SYSTEM ON BPL WOMEN IN RURAL AREA OF NCR IN INDIA

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ABSTRACT: -

Over the past decade we can see that access to credit is widely accepted as a means to improve the welfare of individuals and households, both in the short and the long run. However, in reality for poverty eradication there is a huge mechanism of the credit system run by the conventional financial institutions. In India, the discontinuity and improper linkages between demand for formal financial institutions to sanction credit and lack of fulfillment of demand compels poor people to borrow from informal sources with exorbitant rate of interest, leading to debts, which they are never capable to pay. Credit inaccessibility in rural areas impedes the development of rural sector, which potentially decelerates the development of India's rural economy. Micro Credit not only helps in poverty eradication but also on empowerment of women. However, the impact of micro credit on Indian households shows mixed results. In my research study, I have explored Economical Impact of Micro Credits System on BPL Women in my region of NCR. Keeping the contentious issues relating to the effect of group credit, my research attempts to examine the impact of micro credit on economic status of rural households, which is measured in terms of type of dwelling house, asset position and consumption pattern etc. The members of SHGs is found to gain more knowledge not only in terms of banking activity but also in terms of financial activities like, calculation of rate of interest, profit etc. The result also shows a significant decline in supply of informal loan, number of migrants and degree of marital control in the borrower households as against non-borrower households. However, the outcome also reveals that long-term association with credit programs is insignificantly related to high economic status. One of the recommendations of this study is in favour of providing training and entrepreneurial skill to members regarding use of credit for non-agricultural purposes.

KEYWORDS: *Micro Credit, Self-help Groups, Micro Finance, Economic Status, Women Empowerment.*

INTRODUCTION :

Finance is the root of economic growth while credit plays a vital role being directly proportional in the growth index. Credit is a fourth basic prerequisite after food, cloth and shelter for the development of people. The Provision of credit to the needy people on right time at the right place leads to accelerate rural development and poverty alleviation. Delivery of credit at the doorsteps of those who are not covered by the formal banking business coupled with capacity building is one of the superior instruments to look poverty into a museum (Yunus, 2009). In a developing country like India, where majority of the population resides in rural areas, rural development becomes imperative for the economic development, and for the rural development, poverty reduction needs to be the focus of all development programmes. The root cause of the problem of poverty has been the economic dependence and lack of access to the credit. Most of the poor people living in rural areas are considered to be non-bankable and deprived from basic financial services due to lack of saving and collateral facilities offered to the finance provider, specifically the banking institutions (Arora and Meenu, 2010).

In India, so far as the rural credit system is concerned, both formal and informal sectors play a leading role in providing access to financial services. The formal financial sector, consisting of the central bank, commercial banks, development banks, saving banks and insurance companies, is usually active in the organized urban-oriented systems, serving the monetized modern sector. On the other hand, the informal financial sector includes individuals such as moneylenders, relatives, friends, neighbors, proprietors, traders, etc. who deal with the traditional, rural, subsistence-oriented branch of the economy. The existence of the informal financial sector may be a response to the shortcomings of the formal financial sector due to various restrictions imposed by the governments on the activities of such institutions. The informal financial system is not only characterize by a high degree of flexibility and ease of transactions but also puts emphasis on personal relationships. As a result, poor people prefer to borrow from informal channels of finance like private moneylenders, who generally exploit them in the name of financial help and make them lifetime indebted. This leads to limp down the growth rate of rural economy with chronic poverty.

Micro financing is one such intervention that aims at poverty reduction by providing basic financial services to the unreached section of the society at affordable terms. The objective is to ease the credit constraint of households or to provide them with capital to initiate an activity, thereby increasing their income and consumption. The poorest, especially women, when receive credit, they become economic actors, and with power, they can improve not only their own lives but in a widening circle of impact, the lives of their families, their communities, and their nations. The small amount of loan helps in self-employment and a thriving little business generating enough income to feed the family, send kids to school, and build decent housing (Bakhtiari 2006). In India, the provision of credit through Self Help Groups (SHGs) approach by National Bank for Agricultural and Rural Development (NABARD) was started in 1992, which not only helps to improve the village economy but also make the rural financial system to move towards more inclusive and sociable development for common people. As a result, most of the people living in rural areas have joined in SHGs to get credit, making it the largest and fastest network of financial inclusion.

II. WHAT IS MICRO CREDIT/ MICRO FINANCE?

In recent years, particularly in the developing countries, micro credit has become as the epicenter for development programs for the poor. Micro credit is the process of lending capital in small amounts to poor people who are traditionally considered unbankable; enable them to invest in small enterprises for self-employment (Kasim and Jayasooria, 2001). The “Grameen Bank”, founded by the Nobel Prize winner Professor Muhammad Yunus, is defined as loan distribution and recovery based on mutual trust, accountability, participation, and creativity. Rather than providing collateral, borrowers must make regular savings as a precondition for getting such loans.

Micro credit programmes are usually in small amounts and have relatively shorter repayment recycles. The access and efficient provision of micro credit enables the poor to smooth their consumption, better manage their risks, gradually build their assets, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life.

III. IMPACT OF MICRO CREDIT ON POVERTY ERADICATION AND EMPOWERMENT

The appropriateness of micro credit as a tool for reducing poverty depends on local circumstances. Poverty is often the result of low economic growth, high population growth, and extremely unequal distribution of resources. In many countries, such as in India, poverty is caused by lack of both physical and human capital. Consequently, the best way to reduce poverty is to deal with the problems; increasing productivity by creating employment and developing human capital. Lack of savings and capital make it difficult for many poor people who want jobs in the farm and non-farm sectors to become self-employed and to undertake productive employment generating activities. Providing credit seems to be a way to generate self-employment opportunities for the poor. Micro credit programmes are able to reach the poor at affordable cost and thus helping the poor to become self-employed. It helps the women by providing chances of extra income using their local resources and knowledge within the house. The earning through credit increases bargaining power, awareness, power of work independence and participation in decision making of the women. It improves the position of women from a bread maker to the bread earner for the households. Moreover, participation in SHGs increases their voices against illegal activities in the society; create leadership quality, awareness about financial terms and acquaintance with banking procedures (Sanyal, 2009)

IV. CURRENT STATUS

A large number of households in India are still trapped in poverty. A major cause of poverty among rural people is lack of access to productive assets with respect to both individuals and communities. This is caused by the fact that the formal credit institutions that function smoothly in developed urban areas cannot cater to the credit needs of rural poor due to lack of information about the borrowers, lack of proper collateral among the poor people, which are acceptable to the formal financial institutions. There are also enforcement problems in case of default. The inadequate credit supply to rural people impedes the development of the rural sector, which potentially decelerates the development of India's rural economy. Alternatively, people have to rely on informal credit source to support their production and consumption activities by accepting credit at a much higher rate of interest, which leaves them in a 'vicious debt circle' with little hope to shake off poverty.

Micro credit was introduced in India as an efficient anti-poverty programme, aiming to facilitate credit access to rural households and mitigate the rural poverty. However, in spite of the efforts made by the Indian government to support and popularise the implementation of micro credit, empirical studies on Indian clients' accessibility to micro credit show mixed results. On the other hand, empirical studies examining the social potential of micro credit such as reducing poverty and empowering women are limited in India. Different socio economic impacts of micro credit on the livelihoods of India's rural households are not well documented. The purpose of this research is to assess the impact of micro credit in rural India, specifically focusing on two aspects viz. household's economic status and women's empowerment. The lack of formal credit facilities is considered as the major constraint in improving Indian poor client's livelihoods. Thus, it is reasonable to assume that micro credit, which targets rural households for the provision of credit, could have a positive impact on households' possession of assets and consumption, resulting in increasing the households' economic status. Gender disparity and discrimination are essential characteristics of rural society in India. The prevalence of gender inequality still exists in almost all social aspects including political power, education, health, employment, asset possession, and the problem is far more serious in rural, poverty- stricken areas where women usually lack sources of income. Therefore, it is believed that micro credit can contribute to the empowerment of rural women in India by enabling them to be financially independent. In addition to the impact assessment, the study identifies different determinants of participation in SHGs to access micro credit.

V. BROADER OBJECTIVES OF THIS REVIEW STUDY

The broad objectives of the study are to understand the economic and empowerment impacts of micro credit on women households living below poverty line in rural districts. The specific objectives are:

1. to compare the economic status of borrowers and non-borrowers of micro-credit.
2. to measure the relationship between participation of members in SHGs and empowerment of women.
3. to investigate awareness of women regarding banking related activities, marital control and operations of SHGs.

VI. REVIEW STUDY TO PROPOSE CONCLUSION

The present research uses descriptive analysis viz. graphs, averages, ratios and percentages with respect to secondary information collected on empowerment of women and growth of SHGs bank linkage programmes in India. This study has examined Indian Human Development Survey (IHDS, 2005) to identify the factors determining empowerment of women in India. Information on various parameters relating to type of housing, consumption pattern and availability of household assets has been collected and used as proxy indicators to measure the economic status of households. The application of PCA would help to measure relative poverty of households, whereas the use of logistic regression would help to examine the impact of credit to raise the economic status of clients. Further, information collected from the female respondents with respect to their decision making process, power of work independency, awareness of different social issues and their attitude towards 'wife beating'. These parameters used in factor analysis to construct the empowerment factors, and multivariate analysis of variance (MANOVA) is applied to examine the role of SHGs in empowerment of women. The study has applied logistic regression to find out the key factors influencing rural women's ability to participate in SHGs (Li, 2011; Kumar, 2009; Anjugam, and Ramasamy, 2007). The information gathered from the reviews included household characteristics such as age, gender, family size, etc., which were hypothesized to influence the households' accessibility to micro credit. These household characteristics also served as control variables in the impact analyses.

The members of SHGs were treated as treatment group and non-members as control group. The impact of credit is examined by comparing three groups viz. old members of SHGs who joined the group more than 4 years ago, new members of SHGs who joined the group from 1-4 years, and non-members of SHGs. Secondary data are compared from the available data of the offices of BMASS located in the selected blocks, which comprised of information on household characteristics (viz. age, amount of loan and subsidies sanctioned, etc.) of borrowers receiving credit under SGSY and BMASS programmes during the period of 2009-11.

A household's accessibility to micro credit differs according to the caste of the households, as well as the physical distances between the village and the bank. In general, households belonging to the upper castes (i.e. OBCs and Generals) are less likely to borrow credit from SHGs. A large majority of these higher social groups have adequate fixed assets (i.e. land and collaterals) to get credit from a bank, which in turn discourages them to borrow from SHGs. Similarly, the likelihood of women's participation in SHGs rise with the increase in distance of the bank from village as both is positively related (Table 1). The absence of formal financial institutions in rural areas forces women to avail credit through formation of SHGs

Table 1: Determinants of Economic Status, Participation in SHGs, Access of Informal Credit and Women Empowerment

Factors	Economic status	Credit from SHGs	Informal credit	Women empowerment
Household characteristics				
Age of house head	+	NI	+	NI
Education of house head	0	NI	0	NI
Marital status of house head	+	NI	+	NI
Sources of Income	0	-	0	NI
Female headed house	-	+	0	NI
Land status	+	0	0	NI
Distance of bank	-	+	+	NI
Informal debt	0	-	0	
Caste of households	0	-	+	NI
Size of family	0	0	0	NI
Number of working people	+	0	+	NI
Any migration	0	-	0	NI
Location	0	0	0	NI
Economic status	NI	+	0	NI
Credit variables				
Members of SHGs	+	NI	-	+
Amount of loan	+	NI	NI	0
Period of loan	0	NI	NI	NI
Loan purpose	0	NI	NI	NI
Subsidy	+	NI	NI	NI
Individual characteristics				
Age of respondent	NI	+	NI	NI
Education of respondent	NI	-	NI	NI
Occupation of respondent	NI	0	NI	NI
Marital status of respondent	NI	0	NI	NI
Number of child	NI	-	NI	NI
Access of media	NI	0	NI	NI

VII. CONCLUSIONS

An increase in the loan amount is positively associated with high economic status of borrowers. The increase in the credit amount does help to generate more profit from investment, which in turn further raises the income level, and thereby enhancing the economic condition of the households. Finally, the sanction of subsidy leads to an improvement in the economic status of the borrower households. The use of subsidy for income generating purpose may be sole possible reason to increase the economic status of households.

At present, both Government and private agencies involved in micro finance have devised their own individual strategies in furtherance of their goals. The absence of a comprehensive policy right at the national level has hindered the orderly growth of the micro finance sector. There is an urgent need for a concerted effort on the part of various agencies, and involvement of service providers to evolve a coordinated strategy for a faster and smoother growth of this sector. The proposed bill on microfinance may address some of the issues. The 'regulator' proposed in the 'Bill' may have to come out with a detailed strategy on issues like coordination among various agencies, accounting and auditing, transparency, good governance, consumer protection, micro insurance, statistics & research, the rate of interest, subsidies, etc., Keeping in mind the fact that the strength of the micro finance industry lies in its informality and flexibility.

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