

Role of Microfinance in Economic Development: A Study on Tribal Women of Malda District of West Bengal

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ABSTRACT

Microfinance can be defined as the supply of loan, savings and other basic financial services to the poor. It is meant to provide very poor families with very small loan or micro credit to engaged them in productive activities that is to say to grow their tiny business. Half of the total population of India constitute the women. Most of them are unskilled. They are economically and socially dependent on their male counterpart. The provision of savings enables them to contribute small savings regularly and the amount thus accumulated gives a sense of security and reduce their vulnerability. The funds created by their small savings can be avail for consumption purposes. This have a positive impact on their well-being and access to basic need. In the present paper an attempt has been made to study the impact of microfinance through SHGs in poverty alleviation among the tribals of Gazole block, Bamongola block, old Malda block and Habibpur block of Malda district of West Bengal. Our study shows that microfinance plays a significant role in alleviation of poverty and development of rural women.

Key Words : Self-Help Group (SHG), Microfinance, Tribal, poverty line

INTRODUCTION

The origin of microfinance is credited to Dr. Muhammad Yunus who had founded the Grameen Bank in 1983. In India we had a parallel financial services for the rural poor starting from the cooperative societies in 1890 to the present day SHGs dominated financial intermediaries. Microfinance can be defined as the supply of loan, savings and other basic financial services to the poor. It is meant to provide very poor families with very small loan or micro credit to engaged them in productive activities that is to say to grow their tiny business. Half of the total population of India constitute the women. Most of them are unskilled. They are economically and socially dependent on their male counterpart. This restrict their prospect for socioeconomic empowerment. According to the 2011 census, 8.6 per cent of India being the second largest tribal dominated area after Africa. Different researches show that the poorest of the poor are the rural tribal and therefore, development of these group is to be very much concentrated in the process of socio-economic development. The Self-Help Groups (SHGs) are linked to the bank for micro credit. SHGs act as a great boost to make the poor self-sufficient. The micro finance through the SHGs is one of the important tools for improving the socioeconomic levels

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the tribals of rural India.

Micro finance through SHGs is now recognized as the key strategy for addressing the issues of poverty alleviation and women's empowerment. The provision of savings enables them to contribute small savings regularly and the amount thus accumulated gives a sense of security and reduce their vulnerability. The funds created by their small savings can be avail for consumption purposes. This have a positive impact on their well-being and access to basic need. When these funds are used for income generating activities it will contribute to the employment generation, income increase and asset acquisition. The non-credit support in the form of training is expected to stability of employment and income security. In the present paper an attempt has been made to study the impact of microfinance through SHGs in poverty alleviation among the tribals of Gazole block, Bamongola block, old Malda block and Habibpur block of Malda district of West Bengal.

Review of Literature:

A large numbers of studies have been made internationally as well as nationally on the working if the micro finance and SHGs. Some of these have been summarized as under-

Hashemi *et al.* (1996) show that women's access to credit increases their asset holding in their own names. It also increases their purchasing power, political and legal awareness. The study also show that group based credit programs are instrumental in reducing men's violence against women by making women's lives more public.

Otero (1999) points out that microfinance creates access to productive capital for the poor and enables them to move out of poverty.

Gurumoorthy (2000) finds that microcredit through SHG is a feasible alternative to the rural women which makes them entrepreneur and encourage them to enter into entrepreneurial activities.

Dadhich (2001) explained that a properly designed and effectively implemented microfinance can alleviate poverty and empower women as well. Thus it can be a viable economic and financial tool.

Yunus (1997) pointed out in his study that to make a poverty free economy, micro credit is not enough. The poor people is to be linked to markets, financial institutions and even multinationals.

Swaminathan (2007) in his study pointed that the gap in the formal rural credit sector can be filled by providing microcredit to the poorest of the poor. Microcredit through SHGs is able to overcome the weakness in the formal banking system.

Sarumathi and Mohan (2011) show that microfinance through SHGs brought about a social empowerment and psychological change rather than economic empowerment. The role of microfinance is appreciable in building confidence, courage, skill development and empowerment among the rural poor women.

Rao (2002) found that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged sections in the rural society. SHGs help the poorest of the poor to encourage savings and promote income generating activities through small loans and as a result the borrowers are able to overcome the vicious circle of poverty.

Objective of the study:

The main objective of the study is :

- 1) to find out the position of the SHGs and Non SHGs members.
- 2) to examine the role of the Micro Finance Institutions in transforming the tribal economy.
- 3) to examine the SHGs activities in reducing poverty of the weakest sections of the rural poor.

Study area:

The present study has been conducted in Gazole block, Bamongola block, old Malda block and Habibpur block of Malda district of West Bengal. These are the blocks of the district where a large

numbers of tribal population live.

METHODOLOGY

In course of the present study we have selected 50 tribal BPL women SHG member formed under Swarnajayanti Gram Sawarajgar Yojana (SGSY) scheme (now re-structured as NRLM). Specially structured SHG schedule has been used. Simple mathematical tools have been used to present the data. For selection of block we have used purposive sampling method. Finally we have used random sampling technique for the selection of SHG.

To find the impact of the working of the SHGs we have taken 50 SHG member households and 50 BPL non-member households have been randomly selected with average family size of 3.79 for SHG household and 3.84 for Non-SHG household.

Determination of Poverty Line:

Two indices to measure the poverty have been used.

1. The report of the expert group under the Chairmanship of Dr. C. Rangarajan submitted in June 2014 and
2. UNDP index according to which a family with income less than \$1 per capita per day is a poor family.

As per the expert group under the Chairmanship of Dr. C. Rangarajan submitted its report in June 2014, monthly per capita consumption expenditure of Rs. 934.10 considered as the poverty line for rural West Bengal for the year 2011-12. As our survey period is 2013-14, so we inflated Rs. 934.10 using CPI_{RL}, as published by ministry of Labour and Employment GOI to get the poverty line for the year 2013-14. Thus we finally get Rs. 1014.80 per month per capita or Rs. 33.83 per capita per day as the poverty line for rural West Bengal in 2013-14. As per UNDP Index, we take the average rate 1USD= 61 INR during 2013-14 as the measure of poverty. We have calculated poverty line per family per day on the basis of average family size in our sample for SHG household and Non-SHG household and have been summarized in the following Table 1.

| Methodology/ Method | Poverty Line | |
|------------------------|--------------|-----------|
| | SHG | Non SHG |
| Rangarajan Methodology | Rs.128.20 | Rs.129.90 |
| Conventional Method | Rs.231.19 | Rs.234.24 |

Source: Author's calculation

Income Distribution and a Measure of Poverty :

Table 2 shows the per family annual income distribution of SHG households . It is clear from the table that 66 percent SHG households failed to cross the annual income of Rs. 30000 or Rs. 250 per month. 82 per cent of the SHG household failed to cross the annual income of Rs. 35000 or Rs. 3000 per month. It is also seen that only 2 per cent of the SHG household succeeded to cross the annual income of Rs. 45000.

Now if we measure the number of SHG household lies below the poverty line by considering the conventional method of a Dollar per day per capita, then a family need Rs. 84384.35 per year. On this method not a single SHG household succeeded inn crossing the poverty line. But if we consider the Rangarajan Method, then a family need Rs. 46793.00 per year, 2 SHG households succeeded in crossing the poverty line. This imply that 96 per cent of SHG households are below the poverty line.

Table 3 shows that 88.00 percent households of the Non-SHG are not succeeded in crossing the

| Annual Income per Family in Rs. | No. of Household | P.C. | Cumulative P.C. |
|---------------------------------|------------------|--------|-----------------|
| 10000-15000 | 6 | 12.00 | 12.00 |
| 15000-20000 | 8 | 16.00 | 28.00 |
| 20000-25000 | 13 | 26.00 | 54.00 |
| 25000-30000 | 6 | 12.00 | 66.00 |
| 30000-35000 | 8 | 16.00 | 82.00 |
| 35000-40000 | 5 | 10.00 | 92.00 |
| 40000-45000 | 2 | 4.00 | 96.00 |
| 45000 and above | 2 | 4.00 | 100.00 |
| Total | 50 | 100.00 | ----- |

Mean=26102.00, SD=9555.75, CV=36.61

Source: Author's calculation

annual income limit of Rs. 30000.00 per family or Rs. 2500.00 per family per month and only one household is succeeded in crossing the income level of Rs. 35000.00 & above per family per annum

| Annual Income Per Family in Rs. | No. of Household | P.C. | Cumulative P.C. |
|---------------------------------|------------------|--------|-----------------|
| Upto 10000 | 6 | 12.00 | 12.00 |
| 10000-15000 | 5 | 10.00 | 22.00 |
| 15000-20000 | 14 | 28.00 | 50.00 |
| 20000-25000 | 11 | 22.00 | 72.00 |
| 25000-30000 | 8 | 16.00 | 88.00 |
| 30000-35000 | 5 | 10.00 | 98.00 |
| 35000 and above | 1 | 2.00 | 100.00 |
| Total | 50 | 100.00 | ----- |

Mean=19975.90, SD=7140.92, CV=35.75.

Source: Author's calculation

The poverty line for Non-SHG households is calculated to be Rs. 85497.50 in conventional method & Rs. 47413.50 per year in Rangrajan method. Now if we measure the percentage of households lie below the poverty line by using either the conventional method or the Rangrajan method, then all the households of Non-SHG are lying below the poverty line.

Measure of Poverty using Different Poverty Indices:

The most common measure of over-all poverty is the head-count measure H. It measures the proportion of people falls below a particular poverty-line income.

$$H = p/n$$

where, p = the number of people identified as poor.
n = total population.

Another standard measure is the income-gap ratio I, is used to measure the intensity of poverty. Sen defined it as-

$$I = g/p \pi$$

where, g= aggregate of short-fall of income of all the poor from the particular poverty line.
 π = the poverty line

We have used above measures to compare the poverty among the SHG and Non-SHG households

using average annual income. Here we have used the poverty lines according to Rangarajan method for the following measures of poverty.

It is clear from the Table 4 that SHG households are in better position as compared to Non SHG households in respect of both the measures of poverty. It is also seen from the table 4 that 4 per cent of SHG households succeeded in crossing the poverty line during our survey period but none of the Non-SHG households succeeded in doing so. There is a large gap in the strength of poverty among the families of SHG and non SHG households. While poverty intensity for the SHG household is 0.46, it is 0.58 for the Non-SHG households.

| Table 4 : Different Measure of poverty | | |
|---|---------------------|-------------------------|
| Households | Head Count Ratio(H) | Intensity of Poverty(I) |
| SHG Total | 0.96 | 0.46 |
| Non-SHG | 1.00 | 0.58 |

Conclusion:

It is clear from the above analysis that SHG Households are in better position than the non SHG households. It is important to point out in this connection that they belong to more or less in same socio economic background. Thus Microfinance through SHGs plays an important role in alleviation of poverty and development of rural women. So, we recommend for bringing all the BPL households and marginally APL households under the SHGs. It is also to be pointed out that in most cases there is no adequate infrastructural facility and support services to the SHGs to start a viable enterprise. So, it can be recommend that official Group activities should be promoted. Training workshops for the uplift of their group activities must be organised. Again, there is a lack of health awareness and education among the SHG and Non SHG tribal women in areas under our study. It has been reflected in their lower economic and social empowerment. Therefore, variety of awareness programme should be organized to uplift the educational and health status of these poor people.

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PIJUSH KANTI DEV

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