

**PH.D
ON
ROLE OF MICROFINANCE TO REDUCE POVERTY
IN EASTERN UTTAR PRADESH**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE AWARD OF THE DEGREE
OF**

**DOCTOR OF PHILOSOPHY
IN
MANAGEMENT**

BY

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CERTIFICATE

This is to certify that Dipti Sharma PID. NO.09PHDM202 has completed her project entitled "**ROLE OF MICROFINANCE TO REDUCE POVERTY IN EASTERN UTTAR PRADESH**" under my supervision and guidance. She has collected the data very sincerely and genuinely. The candidate herself has written the script of the thesis.

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SELF ATTESTATION

This is to certify that I have personally worked on the research work entitled —***ROLE OF MICROFINANCE TO REDUCE POVERTY IN EASTERN UTTAR PRADESH***”. The data mentioned in the thesis have been generated from the interaction with various people under poverty. None of the findings/ information pertaining to the work has been concealed. The results embodied in this thesis have not been submitted to any other University or Institute for the award of any Degree or Diploma.

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ACKNOWLEDGEMENT

It is a matter of immense pleasure for me to avail this moment for expressing my gratitude to all those people who were extremely helpful during this arduous work.

First and foremost, I praise and honor the almighty Lord for abundantly showering this grace upon me in a the ways. It was this grace and love alone that helped me overcome all hurdles in this tough endeavor.

I am highly thankful to *Hon'ble Vice Chancellor Rev. (Prof.) Dr. Rajendra B.Lal* for allowing me to take up this work.

It will be pleasure to record my thanks to *Dr. Ronald V.Mani, Advisor (Assistant Professor-Sr., Joseph School of Business Studies & Commerce, SHUATS)* for his encouragement and being a resource person for me in this research project. He not merely guided me but supplied me with sample of literature and journals for the study.

I am very much obliged to *Dr. Devaraj Badugu (Associate Professor, Joseph School of Business Studies & Commerce, SHUATS)* for his constant help, support and guidance right from the initial days of my work.

I am thankful to *Dr. Enid Masih (Associate Professor Joseph School of Business Studies & Commerce, SHUATS)* for her constant help, support and guidance.

I am also thankful to *Dr. Suprit John Joshi (Assistant Professor-Sr., SHUATS)* for his day to day advice.

I express my sincere respects and gratitude to my family members who have always supported me and showed their confidence on me in successful completion of this work.

My special thanks to the people whom I came across while collecting information which have been instrumental in accomplishment of this thesis work. There are many more ho helped, co-operated and showed interest in this project. I respect all those and wish to thank the Almighty lord once again for making everybody in my contact, a helpful person.

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LIST OF ABBREVIATION

ADB	Asian Development Bank
ALF	Apex Level Federation
ANOVA	Analysis of Variance
AP	Andhra Pradesh
APL	Above Poverty Line
BASIX	Bharatiya Samrudhi Investment and Consultancy Service
BDOs	Block Development Offices
BIRD	Banker's Institute of Rural Development
BPL	Blow Poverty Line
BRAC	Bangladesh Rehabilitation Assistance Committee
BRI	Bank Rakyat Indonesia
BOI	Bank of India
CAGR	Compounded Annual Growth Rate
CBs	Commercial Banks
CBI	Central Bank of India
CFSF	Credit and Financial Services Fund
CDP	Community Development Programme
CGAP	Consultative Group to Assist the Poor
CMF	Centre for Micro Finance
DIC	District Information Centre
DSMS	District Supply and Marketing Society
DSW	Department of Social Welfare
DWCRA	Development of Women and Children's in Rural Areas
DWO	District Welfare Office
HDFC	Housing Development Financial Corporation
IS	Informal Secto
JLG	Joint Liability Group
JSBY	Jan Shree Bima Yojana
LAB	Local Area Bank
LIC	Life Insurance Corporation of India
M-CRIL	Micro-Credit Ratings International Limited Micro Financ

CHAPTER -1

INTRODUCTION

1.1. Introduction:

India is a low revenue developing country and no doubt that almost twenty-five percent of its population lives in below poverty and also problem of unemployment. Scarcity is not only acute but is also a never-ending trouble in India. Indian economy is blemished by the existence of low per capita Income. The per capita income of an Indian in 2009 was US \$1190. During of 1960-80, developing economies grew at a faster speed than the Indian economy, but in 1990-2009, Indian economy has matured at a quicker rate than other rising economies. Some other characteristics of Indian economy are a very high percentage of working population has occupied in agriculture, high level of birth rate, labour is a plentiful issue and consequently, it is very complicated to afford profitable employment to the working population.

The Indian financial system is low living standard of the average Indian. They are not able to get a balance diet and low level of consumption of protein. In year 2000 the average intake of food was only 2500 as compared to over 3400 calories per/day in most of the developed countries. Nearly 28% of the Indian population lived in below the poverty line in 2009-10; it is very suspicious that the poor gets a minimum eating of even 2100 calories. One more reason that has a significant bearing on the health of the people is that in India cereals predominate, but is compare, the diet in the developed countries is rich in content because it includes fruits, fish, meat, butter and sugar.

All of these problems have also found in Eastern Uttar Pradesh. Because, Eastern Uttar Pradesh is also facing the problems of poverty, unemployment, low income, low level of living standard and poor quality of human capital. In recent decades microfinance has played important role in the alleviation of above problems in the world, India and also in Uttar Pradesh. In this study we will discuss the role of microfinance in poverty alleviation and employment generation in Eastern Uttar Pradesh. For this study we will use primary and secondary data of various government department and various literatures. In this study we explain about the microfinance and provide some methodology that how to serve poor people and discuss that how this can play a key role in poverty alleviation and employment generation in the developing economy like Eastern Uttar Pradesh. We can also describe various review of literature, which describe the success and actual role of microfinance in poverty alleviation and employment generation in India and other developing countries.

Microfinance will continue to develop into an important delivery mechanism to reach out to the poor and achieving financial inclusion and empowerment of women. Its role in enhancing human capital is considerable. The objective of microfinance initiatives must be to evolve the bankable clients to creditworthy clients, thus making concerns about poverty irrelevant.

Most of the world's poor lack access to basic economic services that would help them to handle their assets and generate income. This is especially true for the 900 million extremely poor people who live in rural area of developing countries. Good management of even the smallest assets, such as livestock, may be essential to very poor people, who live in precarious conditions, threatened by lack of income, shelter and food. To overcome poverty, they need to be able to borrow, save and invest, and to protect their families against adversity. With little income or collateral, poor people are seldom able to obtain loans from banks and other formal financial institutions.

Microfinance is one way of fighting poverty in rural areas, where most of the world's poorest people live. It puts credit, savings, insurance and other basic financial services within the reach of poor people. Through microfinance institutions such as credit unions, financial non-governmental organizations and even commercial banks, poor people may obtain small loans, receive money from relatives working abroad and safeguard their savings. As microfinance has evolved, there has been an increasing recognition of the importance of savings, often referred to as the "the forgotten half of microfinance". During the 1990s we came to understand that there was a pattern emerging in how poor people were using the very large microfinance networks. In the networks that offered both credit and savings services, there were often as many as five savers for each borrower. While credit is important, it is only one of the many different kinds of financial services that poor people need to improve and change their lives. Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks.

The study of valuable microfinance from the in depth analysis is conducted. First, the characteristics and mandate of participating microfinance institutions have important bearings on the targeting of poor households. Their institutional orientations must match the development goal in project designs. The microfinance activities in India, particularly microcredit, have had a considerable history in India.

Money lenders and trader have traditionally given credit to the rural poor, usually at high rates of interest leading to considerable hardship to borrowers. Government took

initiatives in the form of establishment of a network of Regional Rural Banks (RRBs) and apex institutions like National Bank of Agriculture and Rural Development (NABARD), over the past few decades. These programs are charged with the role of distributing credit to the rural and micro-industries as the main poverty alleviation program. Integrated Rural Development program (IRDP) has sought to boost development and poverty alleviation in rural areas of India. However, most of these programs and banks have been plagued by misuse and mismanagement of funds and abysmal repayment rates, hence failed to emerge as self-sustaining machines of microfinance.

Microfinance has become much successful in reduce poverty and increase employment in developing nations Microfinance was first initiated in Bangladesh in 1976 with the promise of provide credit to the poor without collateral, alleviating poverty and unleashing human creativity and endeavour of the poor people. In Sri Lanka, the thrift and credit movement was reviewed and revised in 1978 by Dr. P. A. Kiriwandeniya under the name "SANSAN". This institution has created a high social impact in reducing rural ineptness and poverty from 1978 to 2003 and it has been successful in raising the living standards of the rural people of Sri Lanka.

Outside the purview of the public sector, a few organizations have succeeded in effective poverty alleviation through micro-credit. Self-Employment Women's Association (SEWA) in the Western Indian state of Gujarat and Working Women's Forum in Tamilnadu were the pioneers in this effort. The sector got major boost in the 1990s with the entry of several non-government organizations (NGOs). Many of these non-government organizations have been previously working in different developmental roles among the poor, and now added microcredit in the list of services they given. A few others, impressed by the success of microfinance elsewhere, started as MFIs. Self-Help Groups (SHGs) among the poor, mostly women, have become a common rural phenomenon in many states. NGOs provided the leadership and necessary management in creating and running such groups in most cases. They have acted as the main link between these groups and the formal banking system. At present, there are 500 NGO-MFIs working in microfinance intermediation across the country.

In India, the microfinance sector has grown from a few self-help Groups (SHGs) promoted by NGOs in the mid 1980s to over 29 lakh SHGs at present. The SHG-Bank Linkage program of NABARD accelerated the growth of the sector. The Government of India and RBI have laid greater focus on the microfinance sector to increase, the access of the poor to financial services. In time to come, the microfinance sector is expected to growth further in term of reaching out to more families and would include more services for the poor. To provide an enabling environment for realizing the potential of microfinance in India, a close scouting of issues that are an straining the growth of the sector is required and a

strategy needs to be prepared for strong and consistent growth so that a majority of the poor have access to institutional financial services.

The vision of microfinance is very simple to generate systemic change in financial systems universal. Instead of exclusive financial systems that have for decades benefited and protected the wealthy, microfinance intends that they serve the impoverished majorities, help lift them out of poverty. In the next twenty years, our task is to make certain that millions of poor men and women currently unnerved may access financial services.

1.2 Empowerment:

Empowerment refers to increasing the spiritual, political, social and economic strength of individuals and communities. It often involves in developing confidence of the individual in his/her own capacities. It has different meanings in different social, cultural and political contexts. It indicates the expression of self-strength, control, self-power, self-reliance, choice of freedom and dignity of the life, Accordance with one's values, independence, self-decision making, being free, awakening, and capability. Empowerment is relevant at the individual and communal level, and can be social, economic or political.

12.1 Social Empowerment:

Social empowerment related to the literacy level and social awareness mainly of women. In general that is related to the participation of people in different community and political institutions and decision making power, Uses to safe drinking water, sanitation coverage. The additional factors which result as the increase in social empowerment are increase in contraceptive prevalence rate and access to public and common property resources, and reduce in kid and maternal mortality.

1.2.2 Financial empowerment:

In our study we emphasized on financial empowerment. As a outcome of economic empowerment, income, employment, savings and self-employment increases and thus reducing unemployment and gratitude. As a result of this distress, sale of commodities and land also decreases, resulting in the increase of assets and productive investment.

1.2.3Poverty

Poverty is a condition in which a person of community is deprived of the basic essentials and necessities for a minimum standard of living. Since poverty is understood in many senses, the basic essentials may be material resources such as food, safe drinking water and shelter, or they may be social resources such as access to information, education, health care, social status, political power, or the opportunity to develop meaningful connections with other people in society. According to the World Bank's (1980) definition of poverty, "A condition of life so characterized by malnutrition, illiteracy, and disease as to be beneath any reasonable definition of human decency".

Poverty and unemployment issues have been the subject of discussion for many developed and under developed countries. Often poverty is described as the enemy of mankind and it is thought to be the gross violation of our civilization. The history of mankind demonstrates that poverty is nothing but a curse, not only for the individual who is poor, but for remainder of the community, nation and global society at large. It compels people to think that famine, misery and deprivation are natural curse of life, and the poor people are not entitles for living a better lives. In the seminal work on poverty and famines, Nobel Laureate Professor Amartya Sen evaluated the causation of starvation and famines and proposed the entitlement approach as an alternative method for understanding poverty (Sen, 1983). In his another book entitled „Development as Freedom“, Professor Amartya Sen (1999) explains how in a world of unprecedented increase in overall opulence, millions of people living in the Third World still lack freedom. Even if poor people are not technically slaves, they are denied elementary freedoms and remain imprisoned in one way or another by economic poverty, social deprivation, political tyranny or cultural authoritarianism (Sen, 1999). By incorporating individual freedom as a social commitment into his analysis Professor Amartya Sen allows economics once again, as it did during the time of Adam Smith, to address the social basis of individual well-being and freedom. Accordingly, the main purpose of economic development and growth is to spread freedom and its endless „charms' to those un-free global citizens who are currently living in poverty.

Unfortunately, the poverty has become the common feature for the majority of the world's population. The notion of poverty varies from one country to another country. For comparisons, in 1985 the World Bank set a poverty line of US \$ 1 a day per person at purchasing power parity (PPP). Now World Bank sets a poverty line of US \$ 1.25 and 2 US \$ a day per person. According to this measure around 30 per cent of world populations are living below poverty line. In other words, around 1.3 billion of global populations earn less than US \$ 1.25 a day; while another 2 billion are only a little better off. Furthermore, almost 50 per cent of the world population over 3 billion live on less than US \$ 2.50 a day; while 80 per cent of world population live below US \$ 10 a day (World Bank, 2008). **Shaha (2012)** reported that the GDP of 41 poor countries is less than the wealth of the world's 7 richest people; 1 billion people entered the 21st century unable to read a book or sign their names; less than one per cent of what the world spent every year on weapons was needed to put every child into school by the year 2000 and yet it didn't happen; 1 in 2 children (1 billion) live in poverty; 640 million live without adequate shelter; 400 million have no access to safe water; 270 million have no access to health services; 10.6 million die before they reach the age of 5, which is around 30,000 children per day.

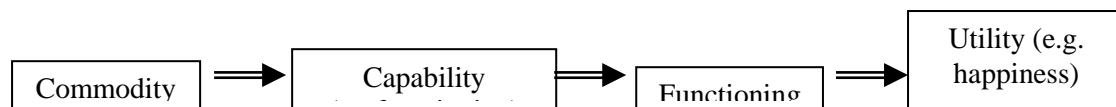
Poverty is a socio-economic phenomenon in which a section of the society unable to fulfil even its basic necessities of life. In general, those who are unable to fulfil their minimum nutritional needs due to lack of income considered to be poor. Poverty could be relative (He has two cars and I only one...sic...) as well as absolute (I don't have enough to have even one square meal). In developing countries like India, relative poverty is not taken to be a cause of concern but absolute poverty. The discourse on poverty largely revolves around the notion of a poverty line: a critical threshold of income, consumption, or the generally, access to goods and services below which the individuals are declared to be poor **Ray, (2002)**. To determine poverty line based on nutritional requirements, the minimum physical quantities of cereals, pulses, milk, butter, etc. are determined for a subsistence level and then using price quotations, the physical quantities are converted into monetary terms. Aggregating these monetary terms for various physical quantities of commodities, the poverty line is thereby drawn. 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.

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

The World Bank (1996), in its analysis of the root causes of poverty, presented following enumeration of the causes of poverty:

- a) Inadequate access to employment opportunities (i.e. Unemployment).
- b) Inadequate physical assets, such as land and capital, and minimal access by the poor to credit, even on a small scale.
- c) Inadequate access to the means of supporting rural development in poor regions.
- d) Inadequate access to markets where the poor can sell goods and services.
- e) Low endowment of human capital and Destruction of natural resource as leading to environmental degradation and reduced Productivity.
- f) Inadequate access to assistance for those living at the margin and those victimized by transitory poverty.
- g) Lack of participation, failure to draw the poor into the design of development programme.

The basic and pioneering work by Prof. Amartya Sen and Prof. Martha Nussbaum presented another way of analysing the poverty. They identified it as a lack of capabilities and freedoms. The meaningful foundations of the Capability Approach (CA) may be obtained in Sen's critique of traditional welfare economics, which typically conflate well-being with either opulence (income, commodity command) or utility (happiness, desire fulfilment). Sen presented a distinction between commodities, human functioning/ capability and utility. Clark (2005), Clark (2005) presented the capability approach: its developments, critiques and recent advances, investigated as follows:



Hence, the lack of command over commodities (entitlement) leads to decline in the level of utility and vice-versa. Poverty invariably affects the indicators of human development index. Hence, we should observe a comprehensive picture inclusive of both income and non-income indicators while studying poverty scenario.

Since the inception of economic planning in India, several efforts have been done in successive plans to mitigate the incidence of poverty. Depending on the dominant development paradigms of the age, India has attempted various strategies for reducing the issue of poverty. Some of them could be pointed out as the Community Development, Trickle Down, Basic Needs, Human Resource Development, Labour-Intensive growth with targeted program and empowerment and enhancing security, to name a few. In spite of all these good efforts, there has been no conspicuous change at the poverty front: though the relative poverty has fallen marginally, the absolute poverty is still high.

The growth strategy during 1960s to 1970s had presumed that a higher rate of economic growth, through 'Trickle Down' effect, could enhance the standard of living of the poor. But the 'Trickle Down' idea has failed to precipitate. Hence, during the 1970s the Government of India has started Anti-Poverty Programs. Since the Sixth Plan (1980-1985), a more direct approach was adopted. Nayyar (2005) observed: 'The direct approach to poverty reduction emphasizes that it is essential to directly provide the poor with adequate purchasing power, other assets or access to food grains at subsidized prices to meet their minimum consumption requirement.

Stui-jevenberg (1996) presented structural adjustment in India-what about poverty alleviation: "Bypassing the traditional growth approach, special Poverty Alleviation Program (PAPs) was to be implemented in order to reduce poverty to 30 per cent by 1985. The schemes involved income generation for the poor, meeting their minimum basic needs (like rural drinking water supply, primary education, primary health care facilities, rural

infrastructure and electrification, low cost housing and other social services), and provide specific support for the backward areas.

In view of Planning Commission (1996-97), lack of basic educational knowledge and skill and access to the means of production, prevented the masses to participate in, and derive benefit from, economic growth. Besides, households in India often suffered from transient rather than chronic poverty. Their economic situation also varied from year to year due to good or bad harvest, and within a year depending on employment and wage earning in seasons. The Anti-Poverty Programs (APP) may be broadly classified into two groups:

(i) Rural Wage Employment Schemes.

(ii) Rural Self-Employment Schemes.

In view of the sterile performance of these programs, the Planning Commission subsequently set up a committee under the chairmanship of Prof. Hashim to rationalize and review the various program for poverty alleviation and employment creation. Hashim committee put forwarded integration of all rural wage employment programs into a single scheme and rechristened it as Jawaharlal Gram Samridhi Yojna (JGSY) and that of all rural self-employment programs into a single scheme known as Swarnajayanti Gram Swarozgar Yojna (SGSY). The Hashim Committee also recommended, for rural self-employment individual beneficiary approach to a group approach, as well as on identification of activity clusters for concerted action.

1.2.4 Extreme Poverty/Absolute Poverty:

Extreme poverty is the most severe state of poverty, where people cannot meet their basic needs for survival, such as food, water, clothing, shelter, sanitation, education and health care. Eradication of extreme poverty and hunger by 2015 is a Millennium Development Goal set by UNO. To determine the number of extreme poor people around the world, the World Bank characterizes extreme poverty as living on the daily income of US \$1 or less. It has been estimated that around 1.1 billion people currently live under these conditions.

1.2.5 Moderate poverty:

It indicates the condition where people earns about \$1 to \$2 a day, which enables households to just barely meet their basic needs, but they still have go for many of the other things – education, health care –that many of us take for granted.

1.2.6 Relative Poverty:

It means that a household has an income below the national average income.

1.3 Micro Credit and Microfinance:

It has generally been seen that the poor people do not have access to bank loans. Private money lenders charge very high interest rates. In view of such difficulties poor people

do not access funds for starting small income creation activities like sewing, buying buffalo and goat, opening a tea stall or some other small shop in rural areas. Micro Credit caters the necessity of people for small loans. Micro finance includes support services along with the loan component. In Micro Credit, more attention is given for loans.

Thereby, microfinance provides channels for thrift, market assistance, capacity building, insurance, social and cultural program for poor people. Hence, Microfinance has an element of 'Credit plus' while Micro Credit is 'only credit'.

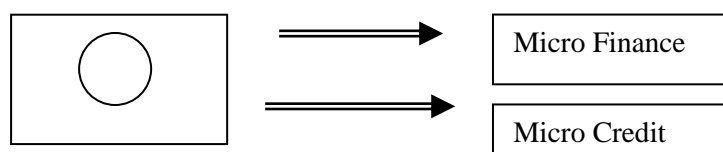


Fig 1.1 Models of Microfinance Services

India is a home of the largest microfinance system in the world. There are several models of delivering microfinance services. Some of the important and largely practiced delivering models are:

1.4 ASSOCIATION MODEL

Under this model “the target community initiates and forms an association, which carries out various microfinance activities. This model of delivering services is also known as group model”. Association or group is composed of youth, men, women formed on socio-religious-cultural issues. The association model turns to a legal entity in many countries and our Indian SHG model is stemmed from this model.

1.5 COMMUNITY BANKING MODEL

This model treats whole community as one unit. The community banking is a formal or semi-formal institution through which microfinance services are provided to the members. The community banks are initiated and capacitated by intermediaries like NGO and other organizations who engaged in capacity building of the community members to make them expert in performing various financial activities of bank.

1.6 CREDIT UNION MODEL

The credit union is a formal financial institution formed by a particular group, institution or organization with a motive of saving their money together and rented to members with a democratically pre-determined rate of interest. The credit union model is based on two major facts i.e. self-help and member driven nature. Credit unions are known as “not for profit financial cooperatives” or “saving and loan cooperatives” as this model works on principle of co-operatives.

1.7 INDIVIDUAL BANKING MODEL

This is a straight forward credit lending model where micro loans are given directly to the borrower. This model does not include formation of group or generating to ensure payment.

1.8 GRAMEEN JOINT LIABILITY GROUP MODELS

This model was derived from grass root level organization Grameen bank, Bangladesh. Under this system, the bank unit itself with field manager and bank workers, covers areas of about 15-20 villages. The field manager with assistant visits the village in order to develop acquaintance for working. Group of five perspective borrowers are formed in the first stage in which only two of them are eligible for and receive a loan. Only when the first two borrowers repay the principal with the interest over fifty weeks, the other member becomes eligible for loan. This restriction helps in maintaining clear records and responsibility to serve as collateral on loan.

1.9 SHG MODEL

Self-help group model dominates microfinance in India. Under this model, group of 10-20 members are formed basically from same gender or caste, to resolve various socio-economic and other issues. The SHG encourages saving among members and use pooled resource to meet the emergent needs of their members. After maturity of 6 months to 1 year the group becomes collateral for loan. These groups are either supported by government, NGOs, MFIs or other formal and informal agencies. This model gives scope to the members of SHG to participating in decision making process, with four standing pillars of “self-help is the best help”, “unity is strength”, “united we stand and divided we fall” and finally “we can make our own bank”. The group members use collective wisdom and peer pressure to ensure proper end use of credit and timely repayment thereof.

1.10 KISAN CREDIT CARD MODEL

Kisan credit card scheme was launched in 1998-99 by NABARD. KCC also provides microfinance facility to poor farmers for agriculture purpose. The scheme has been launched to provide timely and adequate credit support to the farmers for their production needs in a flexible and cost effective manner. In order to increase the production and productivity of agriculture sector, there is an urgent need of making loans and advances by different periods. It is an innovative scheme. It facilitates short term credit to farmers. The scheme has gained popularity among the cultivators.

1.11 Self Help Group (SHG):

Self-help group (SHG) is a homogeneous group of poor, women, user etc. which are voluntary and are formed for the common interest of their development. The SHG stands on

the principle of “for the people, and of the people”. It is a small economically homogeneous and affinity group of rural people who voluntarily agrees to contribute to common fund which will be lend to the members as per the decision of group, which work for groups solidarity, self and group awareness, social and economic empowerment in the way of democratic functioning.

NABARD (1995), defines “SHG”s as the homogeneous group of rural poor voluntarily governed, to save whatever the amount they can conveniently save out of their earning and mutually agrees to contribute save out of their earning and mutually agrees to contribute to a common fund to lend to the members for meeting their productive and emergency, consumptive credit needs”. The group members use collective wisdom and peer pressure to ensure proper end use credit and time repayment. The SHG has average size of 15 members from a homogeneous class, but not more than 20 members (NABARD, Mumbai).

The group meets together for addressing their common problems and makes voluntary thrift on regular basis and thus reported money is pooled to make small interest bearing loan to their members. This process helps the members to imbibe the essentials of financial intermediation including prioritization of their need, setting terms and conditions, account keeping, gradually built financial discipline among them. Once the group learns to handle resources of size which is much beyond of their capacity, banks are encouraged to advance loans to the group in certain multiples of their accumulated savings. The individual member can also apply for credit facilities; however there are certain norms and procedures which he must satisfy. Apart from financial support at the time of need, the group also provides social security to its members. It creates a platform for sharing experiences, collective knowledge, solving problems and resources mobilization. SHG is made of five to twenty persons, usually all from different families. Every such group has a leader and a deputy leader, elected by the group members. Often a group is given name. The group members decide among themselves the amount of deposit they have to make individually to the group account. The monthly individual deposit level is usually low- Rs. 10 or Rs. 20. For a group of size 10, this changes to Rs. 100 to Rs. 200 of group savings per month. On the basis of the resolutions taken and duly signed by all group members, the manager of a local rural or commercial bank opens a saving bank account. The savings are collected by a certain date, often 10th of the month, from individuals and deposited in bank account for the same group.

To join an existing SHG is often a costly affair for an aspiring villager. In order to establish parity among the members a new member has to join by depositing the total accumulated individual savings and interest of the group. Besides, the new member has to be accepted by every member of the group. Hence, it is often easier for a person not associated with SHG, to start a new SHG than joining a pre-existing one. Then loans are given to

individual members from out of these savings upon application and unanimous resolution taken at group meeting. The bank permits withdrawal from the group account on the basis of such resolutions by the group members. Such loans, fully funded out of the savings created by the group members themselves, are known as 'inter-loans'. The repayment periods are usually 3-6 months. After regular loan issuance and repayment for six months, the bank considers making a bank loan to the SHG. The maximum loan amount is a multiple of the total funds, usually 4:1, in the group amount.

Such limit is also reached gradually starting from a lower, 2:1 or 1:1. Hence, a 10 member SHG with individual monthly deposit level of Rs. 20, after a six-month successful inter-loaning, accumulates total saving of Rs. 1200 and is eligible for a maximum bank loan of Rs. 4800.00. Self-Help Groups are almost always formed with outside assistance. Developmental NGOs, often with considerable history of working in a particular area for projects like literary, sanitation etc., take to organizing SHGs, bringing together people, explaining the concept to them, attending and helping coordinate a few of the initial group meetings, helping them to maintain accounts and linkage them with the banks. Of late, there are some of the rural banks designated as Self Help Promoting Institutions (SHPIs) and they help in the formation and nursing of SHGs. Half of the SHGs are formed by government agencies. It should be remembered that about 60% of government-formed SHGs come from Andhra Pradesh, where the state government has played a very crucial role in SHG financing.

With increasing acceptance of the SHG based development scheme there is pressure set on village and block level officer to obtain targets of forming a certain number of SHGs by a specified date. Hence, Panchayats are also helping SHGs in many areas. However, Government involvement in microfinance has not been an unmixed blessing. Due to different political parties, the subsidy allotment among SHGs has become a big problem. Hence, Panchayats are now competing with NGOs and rural banks in forming SHGs. While the Panchayat formed SHGs have the lure of government grants. They are often open to political pressure and misuse of funds by the recommending Panchayat and/or political parties. Besides, the NGOs-formed SHGs have the benefit of honest and expert counselling from the nursing NGOs. Hence, it appears that the quality of NGO-formed groups is usually superior to form by the local government (Panchayats) and villagers are often keen to join the former.

Promoter (Banks, Government, NGOs, etc)

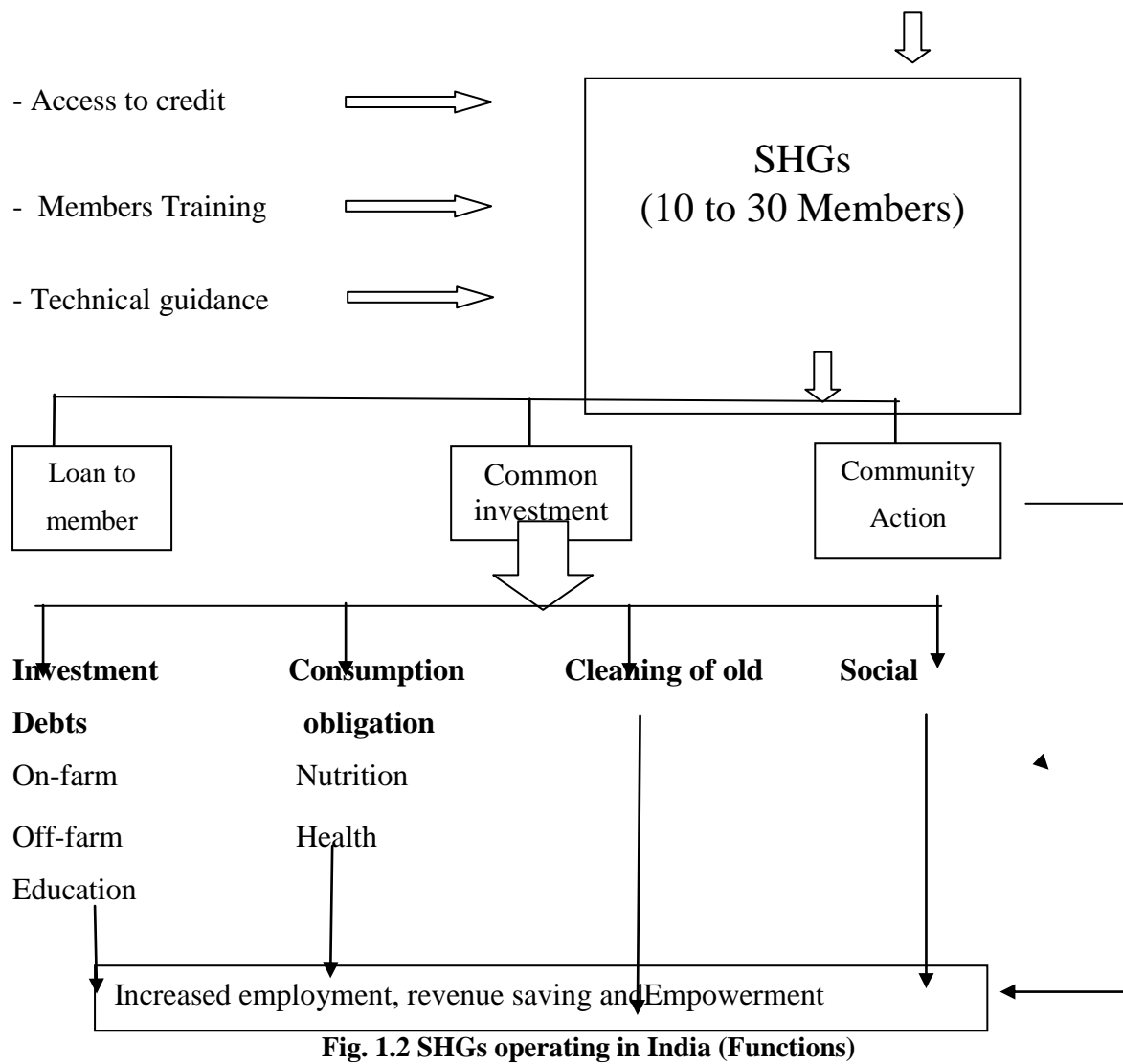


Fig. 1.2 SHGs operating in India (Functions)

In order to create a better understanding of the nature and functioning of the SHG-based system of microfinance, for example, we take two SHGs from Eastern Uttar Pradesh, as Annapurna and Protima. The two SHGs present the distinctive and important features of Indian SHGs and at the same time reflect some of the differences that set SHG apart from another. Let us examine the functioning of two SHGs- Annapurna and Protima. Both these SHGs are organized by the Rural Extension Center of Visva-Bharti University of Santiniketan, Birbhum district, West Bengal. Annapurna consists of 11 housewives in the Bonvilla locality of the village Daronda in the Ilambazar block of Birbhum district. Most residents of Daronda are migrants from Bangladesh. The group consists of mainly two caste, one belonging Brahmin (highest caste) and other from Namasudra (one of the lowest castes). All members are literate. The group is connected through a Mayurakshi Grameen Bank, Ilambazar. The bank is situated by two kilometers from the village. The SHG issues a passbook to every member for keeping her individual accounts.

Annapurna was started in June, 1999 with 15 members and an individual monthly deposit of Rs. 20. In view of strong difference of opinions, five members left the group. So, the group returned with interest to each departing member her contribution. Later on, new

member joined the group with rate of monthly deposit Rs. 35. The members have also started an emergency-fund with a one-time deposit of Rs. 25 per month. Loans are given to the members of Annapurna for various causes. The repayment period being six months but in some cases for nine months. Several loans are distributed for roofing-replacement of bamboo and straw structure with corrugated tin sheets and logs. The husband of one member, Sandhya Baidya, started food stalls at local fares in different parts of Birbhum. She has taken several loans of about Rs. 6000 with interest rate of 2% per month. Her husband was a co-signor for these loans. Recently the group leader, Basanti Das, has taken loan of Rs. 14,000 for medical treatment of her son as well as to sink a well. The recovery rate of Annapurna has been almost 100%.

Protima is SHG of 11 women from poor families at Gopalnagar village in the Birbhum block of Birbhum district. Gopalnagar is situated about 10 kilometers from Doranda. All member of this group are belonging from the Bagdi caste, one of the lower castes. Parvati Bagdi is the leader of this group and is illiterate using thumb impressions. However, another member is literate and helps in record keeping. The individual monthly deposit is Rs. 20. It has been started in January 1999, unlike Annapurna, this group failed to increase the deposit amount over last four years. Protima also has bank accounts at Emambazar branch of the Mayurakshi Grameen Bank. The bank is about 10km away and members use a small contribution for covering the bus travel expense of the representative making trip to the bank. Protima does not create an emergency fund. It uses loans for diverse purposes. However, Protima has not yet graduated to accepting bank loans and continues to work solely with inter-loans. Annapurna and Protima are two SHGs working in the same district, banking with the same rural bank and organized by the same promoting agency i.e. the Rural Extension Center of Visva-Bharti University. Both SHGs consist of women members. Nevertheless, differences, both in the social and educational status of the members as well as the financial services they give, set them apart from one another. Annapurna has increased successfully its saving rate by 75% in about three years. Protima has failed to obtain such progress. Over the same span of time, Annapurna has graduated to bank loans on a regular basis, while Protima has not. Thousands of other SHGs, in West Bengal as well as the rest of India, form the basic building block of the microfinance movement.

1.12 Non-Government Organisations (NGOs) Microfinance Institution

There is a large number of SHGs in India and they are incubated and nurtured by non-government organizations (NGOs) working for developmental and humanitarian issues. Let us look their functioning and efficiency for obtaining a complete understanding of the microfinance sector. Here we have considered one such NGO, Bagaria Relief and Welfare

Ambulance Society (BRWAS), and examined the different developmental and managerial aspects of its functioning.

BRWAS is a larger than median sized NGO and has been working successfully so far. Bagaria Relief Welfare Ambulance Society is NGO working in the South 24 Parganas district of West Bengal with a substantial microfinance program along with other developmental programs. Started in 1990 as a branch of the Kolkata- based Relief Welfare Ambulance Care (RWAC), BRWAS was incorporated as an independent society under the West Bengal Societies Act XXVI, 1961 on August 18, 1994. While BRWAS is more active in different areas of development including health, literacy, legal and family counselling, mental counselling for children. Microfinance has emerged as its basic activity in recent years. The BRWAS mission includes bringing the poor and backward people into the mainstream of society by improving their socio-economic conditions, obtaining socio-economic and political empowerment of women and reducing gender inequality, helping every individual to obtain her-fundamental rights, generating health, education and social consciousness among the poor and backward, protecting children and women rights, developing a fully literate, unpolluted and healthy society. Besides, the mission also includes developing agriculture by application of modern means and technology. The groups consist of deprived women, children and the elderly people.

It acts as an intermediary between banks and SHGs, borrowing funds from banks and lending them on to the SHGs. It also forms SHGs to connect them to the government's Swarna Jayanti Swarojgar Yojana (SJSY) whereby the groups obtain relatively large injection of government funds channelled through banks into their group accounts, with some incentive for the sponsoring NGO as well.

The microfinance works of BRWAS are spread over 70 villages in three blocks, namely Kulpi, Mograhat-I and Diamond Harbor-I, of the South 214 Parganas district of West Bengal. BRWAS has a paid Executive Secretary, 17 paid employees. It runs about 500 self-help groups (SHGs), all consisting of women, benefiting about 6000 poor households. Currently, it has about 1,500 borrowers with outstanding loans of Rs. 8 lakhs, and total cumulative disbursement of about Rs. 20 lakhs. Starting in giving primarily health services, it ventured into microfinance around 1995 and seriously started expanding its microcredit activities from 1997. Hence, it has obtained its commendable reach in a span of only six years.

The operational area of BRWAS followed agriculture, animal husbandry- dairy (Cows) followed by poultry- and some sea-fishing activities. There are no major handicrafts in the area though the Rajarampur gamchha (towels) from the area are pretty well popular. Petty business and trading give livelihood to another considerable section of the population. The area is situated within a couple of hours railway commute from Kolkata. Consequently, a

number of poor women from the locality work as domestic help in Kolkata households. Organizing these commuting women into SHGs has proven to be a challenge. While there is no dearth of poor people in the area, the poverty situation in the area as a whole is marginally better than the more arid districts of West Bengal as well as the average Indian situation. Currently a major port at Kulpi is constructed. The port provides a significant boost to economic activity in the region. BRWAS works as a financial service provider and it faces limited competition from existing banks, a few other NGOs and money lenders. In this sector, there are about 10-12 bank branches in the area of operation of BRWAS. Three commercial banks- UBI, Allahabad Bank and Syndicate Bank, work in the region through their Grameen branches. Two major cooperative banks, West Bengal State Co-operative Bank and West Bengal Co-operative Agriculture and Rural Development Bank also lend the people in the same region. Apart from this, there are several Primary Agricultural Credit Societies (PACS) that are also working in the region. However, BRWAS has considerable advantage over these credit outlets in its closer relationship with the villagers and ease of credit access. On the informal sector side, moneylenders continue to work in the area, charging rates about 10-24% per month and occasionally even 2% per day. These rates are exorbitant compared to 24% per annum charged by BRWAS. It has created extensive and deep level of trust among the common villagers through its provision of health services and other developmental activities. This has resulted in a committed and loyal customer base in its region.

A few other NGOs had emerged in the area and had sought to compete with BRWAS largely on interest rates. However, most of them have failed and effectively wound up operations. Currently BRWAS consists of 35 voting members who elect a Managing Committee of 11 members from amongst themselves for every three years. The President, Executive Secretary, Assistant Secretary and Treasurer are members of this Managing Committee. There are 17 members of staff of BRWAS. In addition, there are volunteers helping in the functioning of BRWAS. The present Managing Committee has five founder members while there are 20 founder members among the 35 voting members. BRWAS needs that members of the Managing Committee may not hold any political position. It is also guided and assisted by a five-person Advisory Board including a well-known consumer activist, an advocate but no microfinance expert, and a healthcare Dr. Barun Mondal.

Mr. Gopal Chandra Mondal, the executive secretary is the effective executive head and leader of BRWAS. Mr. Mondal is the initiator as well as driving force behind its microfinance activities. Mr. Mondal has a B Com. (Hons.) degree and has previously worked for several NGOs like the Palli Unnanyam Samiti, Bauripur, Ramkrishna Mission Narendrapur's microfinance project, Jeevan Deep, and Bani Mandir's US assisted microfinance project SAHAY. Mr. Mondal has been associated with BRWAS since 1993 and

has worked as its honorary secretary from 1994 to 2001. In 2001 he took over full time position of the Executive Secretary.

1.13 Benefits of Microfinance

Microfinance provides financial support for which person they do not starting production process due to lack of capital. Here we describe some benefits of microfinance.

1. Saving mobilized by the poor.
2. Access to the required amount of appropriate credit by the poor.
3. Matching the demand and supply of credit structure and opening of new market for Financial intermediaries.
4. Reduction in transaction cost for both lenders and borrowers.
5. Tremendous improvement in recoveries.
6. Heralding a new realization of subsidy- less and corruption- less credit and
7. Remarkable empowerment of poor women.

1.14 Players in the Microfinance Industry

The main players in the microfinance industry are described below-

- **Clients:**

The client means beneficiaries of MF and its related schemes. In this sense the client of microfinance is individual savers, lender, self-help group members and farmers. Thus clients start some occupation with the help of microfinance and increase employment and increase income and also increase their socio-economic status.

- **Microfinance Institution (MFIs)**

The last 15 years saw the entry of various types of microfinance institutions in the rural credit sector. Most of these MFIs are based on the Grameen Bank model of Bangladesh. MFIs in India register themselves either as societies, trusts, non-banking financial companies (NBFCs) or local area banks (LABs) and are governed by their respective rules and regulations.

- **The Apex Institution:**

NABARD as a natural level apex institution has been playing a pro-active role in addressing important issues of the rural economy. However, in the current global economic scenario, time is ripe for NABARD to review its strategies and policies with regard to rural employment from basic agriculture facilities. To coordinate and synchronize the functioning of institutional agencies, NABARD was setup in 1982 as a refinance and apex institution. Commercial banks have surpassed the cooperative banks in providing rural credit in the recent past. Some new schemes as the kisan credit card, self-help groups (SHGs) bank linkage programme have been devised to make rural credit more accessible to farmers. With

the gradual increase in rural incomes and agriculture exports the next few years would witness a substantial increase in the demands for rural credit.

1.15 Microfinance in India:

First of official interest in informal group lending in India took shape during 1996-97 when National Bank for Agriculture and Rural development (NABARD) supported and funded an action research project on „ Savings and Credit Management of Self-Help Groups“ of Mysore Resettlement and Development Agency (MYRADA) in 1988-89, NABARD, undertook a survey of 43 non-governmental organization (NGOs) spread over 11 states in India to study the functioning of SHGs and possibilities of collaboration between the banks and SHGs in the mobilisation of rural savings and improving the delivery of credit to the poor. The story of the Indian Microfinance was associated with both governmental and non-governmental (NGO) initiatives that took place in the mid-1980s and early 1990s. It incorporated lessons from the microfinance movement in Bangladesh and similar participatory development programmes in India. The Self-help groups (SHGs)-bank linkage programme of the National Bank for Agriculture and Rural Development (NABARD) accelerate the growth of the microfinance movement in India in the latter half of 1990s. Now the SHG-bank linkage programme is one of the largest microfinance programmes in the world. In India, microfinance has enabled the poor to have a greater access to financial services, particularly credit. It has achieved several social development objectives like gender sensitisation, empowerment and poverty alleviation by diversifying their livelihoods and especially contributed largely towards raising their incomes. It has also allowed the poor to accumulate assets and has contributed towards their security. Further, microfinance has also had a very significant social impact. In areas with sound microfinance programmes, the quality of life of the poor has improved significantly.

In a study, assessing access to financial institutions found that amongst rural households in Andhra Pradesh and Uttar Pradesh, 59% lack access to deposit account and 78% lack access to credit. Considering that the majority of the 360 million poor household (urban and rural) lack access to formal financial services, the numbers of customers to be reached, and the variety and quantum of services to be provided are really large. Vijay Mahajan, Managing Director of BASICS, estimated that 90 million farm holdings, 30 million non-agricultural enterprises and 50 million landless households in India collectively need approx. US\$ 30 billion credit annually. This is about 5% of India's GDP and does not seem an unreasonable estimate. The following reviews highlight the role of microfinance in the areas of eradicating poverty, promoting children's education, improving health outcomes for women and children, empowering women, and environmental sustainability.

Microfinance allows poor people to diversify and increase income sources, the essential path out of hunger. Diversification makes people more resilient to external shocks. The study in Lombok, Indonesia, reported that 93% of microfinance members ate three meals a day, compared with 51% of non-members. A majority of microfinance programs generally target women- as clients, providing them with direct control over resources. A survey in Bangladesh showed that credit-program clients' empowerment increased with duration of membership, suggesting strong program influence as presented by Hashemi et al (1996). A World Without Poverty, Noble Peace Prize winner Muhammad Yunus argues convincingly that to enhance capacity and find funding for locally applied research in developing countries, a new model is needed. Such a model might be found in the bold microfinance concept.

1.16. Position of Micro Finance in Development of Poor People in Eastern U.P.

Microfinance sector has traversed a long journey from micro savings to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance and micro pension. This gradual and evolutionary progress process has provided a great opportunity to the rural poor in India to obtain reasonable economic, social and cultural empowerment, leading to better living standard and equality of life for participating households. Financial institutions in the country continued to an vital and leading role in the microfinance program for nearly two decades now. They have joined hands proactively with informal delivery channels to provide microfinance sector the necessary momentum. During the current year too, microfinance has noticed an impressive expansion at the grass root level. This chapter aims to provide a snapshot of the progress and momentum in the microfinance sector.

NABARD, since 2006-07, has been compiling and analysing the data on progress made in microfinance sector, based on the returns furnished by Commercial Banks (CBs), Regional Rural Banks (RRBs) and Cooperative Banks operating in the country. Presently, the banks operating in the formal financial system comprise Public Sector CBs (27), Private Sector CBs (22), RRBs (82), State Cooperative Banks (31) and District Central Cooperative Banks (370). Most of the banks participating in the process of microfinance have reported the progress and momentum gained under the program.

The data presented in this chapter covers information regarding to savings of Self-Help Groups (SHGs) with banks as on 31 March 2010, loan disbursed by banks to SHGs during the year 2009-10, loans outstanding of the banking system against the SHGs and the details of Non-Performing Assets (NPAs) and recovery percentage in respect of bank loans provided to SHGs as on 31 March 2010. The data has been compiled region-wise, State wise and agency wise. The present study also provides details relating to SHGs coming under Swarnjayanti Gram Swarojgar Yojna (SGSY) and exclusive women groups. In addition, the

information regarding to bulk lending provided by Banks and Financial Institutions to Micro Finance Institutions (MFIs) for on lending to group and individuals have also been given. Based on these data and information, we have attempted an assessment of progress on several dimensions of the microfinance sector.

NABARD has been instrumental in facilitating varied activities under microfinance sector, involving all possible partners at the ground level in the field. NABARD has been encouraging voluntary agencies, bankers, socially spirited individuals, other formal and informal entities and also government functionaries to promote and nurture SHGs. The focus in this direction has been on training and capacity building of partners, promotional grant assistance to Self Help Promoting Institutions (SHPIs), Revolving Fund Assistance (RFA) to MFIs, equity/capital support to MFIs to supplement their financial resources and provision of 100 per cent refinance against bank loans provided by different banks for microfinance activities. Financial support and promotional efforts of NABARD towards development of the microfinance sector have also been outlined.

1.16.1 Progress Under Microfinance:

There are two different Models of Microfinance:

- (i) SHG - Bank Linkage Model
- (ii) MFI - Bank Linkage Model.

The data for the year 2009-10 along with a few preceding years has been presented under two models of microfinance involving credit linkage with banks. First model i.e. SHG - Bank Linkage Model involves the SHGs financed directly by the banks viz. CBs (Public sector and Private sector), RRBs and Cooperative Banks. The overall progress under these two models is given in Table-1. (A and B1).

Overall Progress under Micro-finance during the last three years

Table- 1.1 (A & B1)

Particular		2009-10		2010-11		% Growth (2009-10)		2011-12		% Growth (2011-12)	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
A. SHG-Bank Linkage Model											
Savings of SHGs with Bank as on 31 March	Total SHGs	5220792	3995.40	6221247	4545.66	23.4	48.6	7063252	6298.78	14.2	12.6
	Out of which SGSY	1303276	920.52	1505681	1863.30	26.2	97.2	1793120	1393.68	13.7	(19.2)
Bank Loans disbursed to SHGs during the year	Total SHGs	1227372	9149.28	1809582	13256.52	32.2	40.5	1686834	16456.32	(1.8)	19.1
	Out of which SGSY	266669	1957.34	294683	2215.42	8.3	9.7	287413	3188.00	2.0	10.2
Bank Loans outstanding with SHGs as on 31 March	Total SHGs	3825942	17991.20	4324440	23680.86	16.5	34.5	4951357	30038.22	15.8	28.6
	Out of which SGSY	976990	4816.11	986988	6061.73	8.6	32.7	1346395	6351.18	28.6	7.5
B. (1) MFI-Bank Linkage Model											
Particulars		2009-10		2010-11		% Growth (2009-10)		2011-12		% Growth (2011-12)	
		No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount
Bank Loans disbursed to MFI is during the year		620	2178.16	597	3954.34	14.2%	90.4%	731	8263.90	19.7%	122.0%
Bank Loans outstanding with MFIs as on 31 March		1210	2949.85	2170	5212.00	93.7%	85.7%	1719	12713.55	(22%)	122.8%

In addition, to the SHG-Bank linkage model and MFI- Bank linkage model, Small Industries Development Bank of India (SIDBI) has also supported MFIs. The details for the year 2009-10 are given in Table-1 (B(2)).

Table-1 (B2)

	No. of MFIs	Amount
Loans disbursed to MFIs during 2009-10	91	2775.60
Loans outstanding against MFIs on 31 March 2010	192	3918.30

The details of total number of women SHGs saving linked, credit linked and loans outstanding for the last two years are presented in Table-2.

Table- 1.2 Position of Women SHGs

Particulars	Year	Total SHGs		Exclusive Women SHGs		% age of women SHGs to total SHGs	
		No.	Amount	No.	Amount	No.	Amount
Saving linked SHGs	31.03.2010	6221426	5645.66	4963223	4632.13	82.3	82.3
	31.03.2011	7053260	6298.76	5610486	4698.70	87.4	74.5
Loans disbursed	2009-10	1809586	13253.57	1874576	12527.68	86.2	86.7
	2010-11	1686823	15453.36	1324478	13432.35	92.8	89.4
Loans Outstanding	31-03.2010	4424838	26679.82	3377655	20583.64	86.6	86.4
	31.03.2011	5485235	30068.38	3997997	24030.42	82.3	88.7

It is observed that the total number of saving linked and credit linked SHGs, exclusive women SHG with banks are 80.4 percent and 92.8 percent, respectively. Again, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 86.7 percent as on 31 March 2009 has increased to 80.7 percent as on 31 March 2010.

No of SHGs Having Loans Outstanding

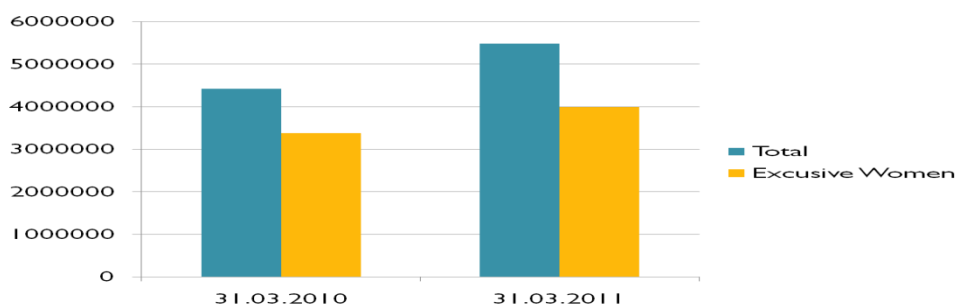


Fig. 1.3 (a).

SHG having Loans Outstanding (in Crores)

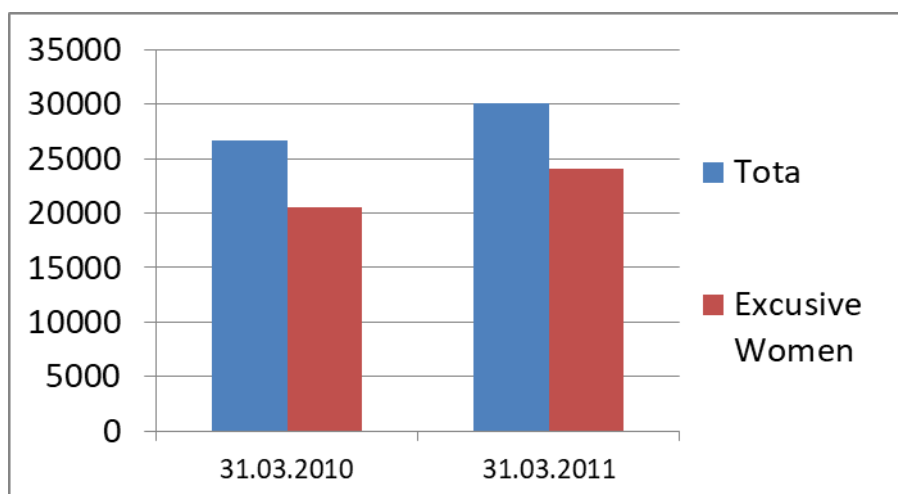


Fig. 1-3(b)

1.17 SHG-Bank Linkage:

We have presented disaggregated picture of progress obtained under SHG Bank linkage program.

1.17.1 Savings of SHGs with Banks:

As on 31 March 2010, a total of 69.53 lakh SHGs were leaving saving bank accounts with the banking sector with outstanding savings of Rs. 6198.71 crore as against 61.21 lakh SHGs with saving of Rs. 5545.62 crore as on 31 March 2009, thereby showing a growth rate of 10.6 percent and 12.8 percent, respectively. Hence, more than 97 million poor households were associated with banking agencies under SHG- Bank Linkage Program. As on March 2010, the CBs lead with saving accounts of 40.53 lakh SHGs (59.3%) with savings amount of Rs. 3873.90 crore (60.3%) followed by RRBs having saving bank accounts of 18.21 lakh SHGs (26.2%) with saving amount of Rs. 1689.37 crore (23.0%) and Cooperative Banks having saving bank accounts of 10.79 lakh SHGs (20.5%) with savings amount of Rs. 1625.45 Crore (20.8%). The share under SGSY was 16.94 lakh SHGs with savings of Rs. 1693.62 crore forming 24.4 percent of the total SHGs having savings accounts with the banks and 20.8 percent of their total savings amount.

The agency-wise saving of SHGs with banks as on 31 March 2010 and 31 March 2011 are listed in Table-1.3.

Savings of SHGs with Banks- Agency -wise Position

Table-1.3

Agency	Position as on	Total SHGs' Savings with the banks as on 31 March 2009/2010				Per SHG Savings (Rupees)	Out of Total: SHGs saving with banks under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private Sector)	31.03.10	3549509	58.0	2772.99	50.0	7812	931422	681.60
	31.03.11	4652916	59.3	3873.90	60.3	9065	1088160	831.48
	% growth	14.2		32.5		16.0	16.8	21.9
Regional Rural Banks	31.03.10	1628588	26.6	1989.75	35.9	12218	433912	774.55
	31.03.11	1820870	26.2	1688.37	23.0	7838	462370	268.50
	% growth	11.8		(34.7)		(41.6)	6.5	(65.3)
Cooperative Banks	31.03.10	943050	15.4	782.88	14.1	8302	140247	107.24
	31.03.11	1079465	20.5	1625.45	21.8	12852	143380	192.64
	% growth	15.4		56.5		36.7	2.2	79.6
Total	31.03.10	6121147	100.0	5545.62	100.0	9280	1505581	1563.39
	31.03.11	6953250	100.0	6198.71	100.0	9017	1693910	1693.62
	% growth	16.6		12.8		(1.6)	12.5	(18.3)

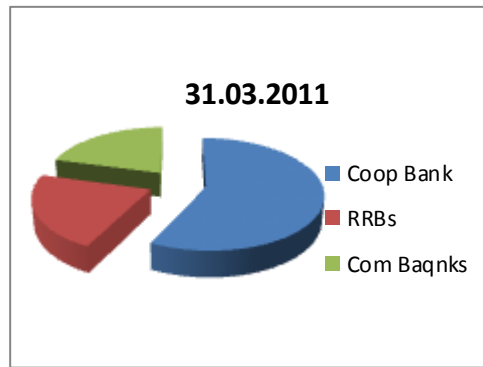
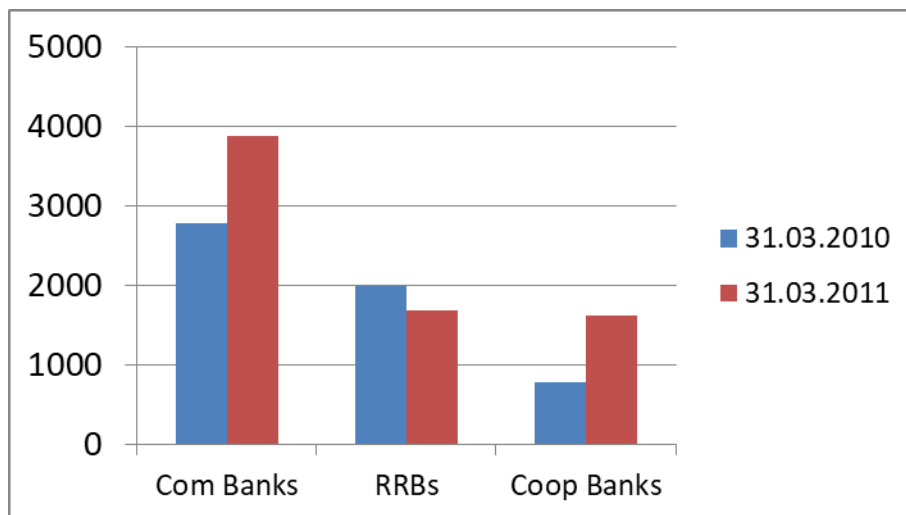


Fig.1.4 Savings of SHGs with Banks- Agency -wise Position



During the year under consideration, the average savings per SHG with all banks had marginally decreased from Rs. 9,280 as on 31 March 2010 to Rs. 9917 as on 31 March 2011. The decrease may be due to proper utilization of saving amount by SHGs for internal lending. It varied from Rs. 12,852 per SHG with cooperative banks to Rs. 7838 per SHG with RRBs. As on 31 March 2010, the share of women SHGs in the total SHGs with saving bank accounts was 53.10 lakh SHGs forming 76.4 percent as compared to the previous year's share of 79.5 percent. The actual share of women SHGs would be more as all RRBs from Uttar Pradesh, Gujarat and Jammu & Kashmir and all Cooperative Banks from Uttar Pradesh, Gujarat, Jammu and Kashmir, Goa, Assam, Nagaland, Tripura, Mizoram and Manipur have not given data for women SHGs. In addition, some of the RRBs viz., Marathwada Gramin Bank from Maharashtra, Assam Gramin Vikas Bank, Bihar Kshetriya Gramin Bank, Madhya Bihar Gramin Bank, Nainital Almora Kshetriya Gramin Bank and some of the Central Cooperative Banks have also not given women SHGs data.

The State-wise and bank-wise position of savings of SHGs with banks as on 31 March 2010 is given at Statement (iii)- A(1) (Public sector CBs), (iii)A (2) (Private sector CBs), (iii)B (RRBs) and (iii) C (Cooperative banks).

1.17.2 Bank Loans Disbursed to SHGs:

During 2009-10, banks have financed 15.87 lakh SHGs, including repeat loan to the existing SHGs, with bank loans of Rs. 16,453.80 crore as against 16.10 SHGs with bank loans of Rs. 16,253.52 crore during 2009-10, registering a decline of 1.6 percent of SHGs but a growth of 20.09 percent in bank loans disbursed. Out of total loans disbursed during 2009-10, SHGs financed under SGSY accounted for 2.67 lakh (16.9%) with bank loan of Rs. 2198.00 crore (15.2%) as against 2.65 lakh SHGs (16.4%) with bank loan of Rs. 2015.22 crore (16.4%) during 2008-09. The agency-wise details of loan disbursed by banks to SHGs during the years 2008-09 and 2009-10 are listed in Table-1.4.

Bank Loans disbursed of SHGs- Agency-wise Position

Table-1.4

Agency	During the year	Total Loans disbursed by Banks to SHGs during the year				Per SHG loan disbursed (Rupees)	Out of Total: Bank loan disbursed to SHGs under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private Sector)	2008-09	1004587	62.4	8060.53	65.8	80237	133117	1102.38
	2009-10	977521	67.8	9780.18	67.7	100050	157560	1215.50
	% growth	(2.7)		21.3		24.7	18.4	10.3
Regional Rural Banks	2008-09	405569	25.2	3193.49	26.1	78741	81662	655.27
	2009-10	376797	28.7	3333.20	23.1	88461	67531	682.41
	% growth	(7.1)		4.4		12.3	(17.3)	4.1
Cooperative Banks	2008-09	199430	12.4	999.49	8.2	50117	49874	257.57
	2009-10	232504	16.7	1339.92	9.3	58730	42312	300.09
	% growth	16.5		345.1		15.0	(15.2)	16.5
Total	2008-09	1609586	100.0	16253.52	100.0	78126	264653	2015.22
	2009-10	1586822	100.0	16453.80	100.0	91083	267403	2198.00
	% growth	(1.6)		20.9		19.6	1.0	9.1

It is observed from Table-4 that as always, CBs led in disbursement of loans to SHGs during 2009-10 with 67.6% share followed by RRBs with a share of 28.7% and Cooperative Banks with a share of 16.7%.

No of SHGs Credit Linked

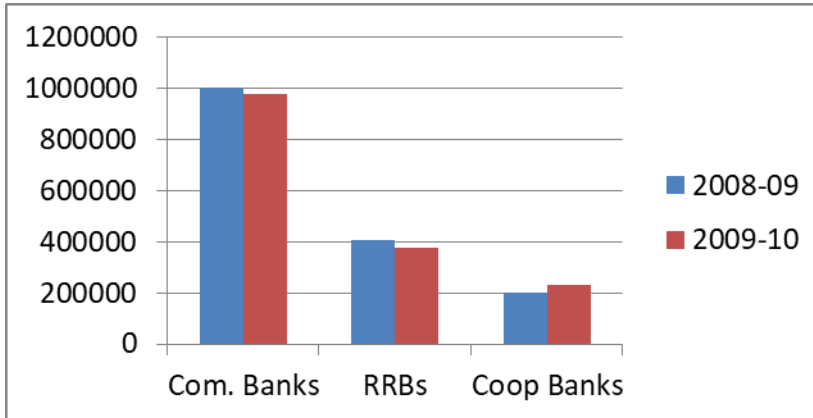
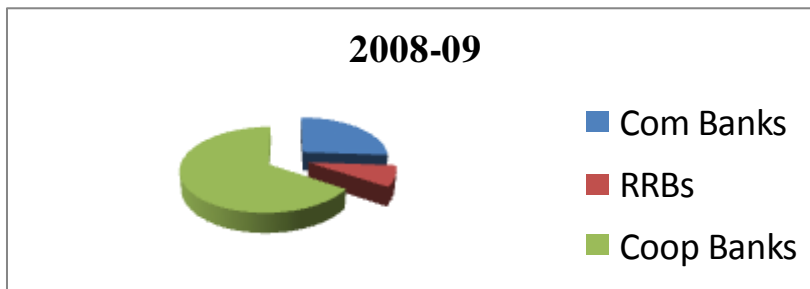


Fig 1.5

Loans Disbursed to SHGs (Rs in crore)



During 2009-10 average bank loan disbursed per SHG was Rs. 91,083 as against Rs. 78,126 during 2008-09. The average loan per SHG ranged from of Rs. 1, 00,050 per SHG by CBs to Rs. 58,730 per SHG by Cooperative Banks. The state-wise and bank-wise position of disbursement of bank loans to SHGs during the year 2009-10 is presented at Statement IV (A) (i) (Public sector CBs), IV A(ii) (Private sector CBs), Statement IV B (RRBs) and Statement IV C (Cooperative Banks).

1.17.3 Bank Loans Outstanding Against SHGs:

As on 31 March 2010, total number of 48.51 lakh SHGs were having outstanding bank loans of Rs. 38,738.20 crore as against 42.24 lakh SHGs with bank loans of Rs. 26,679.90 crores as on 31 March 2009, representing a growth of 14.8% in number of SHGs and 28.6% in bank loans outstanding against SHGs. The share of SHGs under SGSY was 12.45 lakh SHGs (25.7%) with outstanding bank loans of Rs. 6, 852, 07 crore (22.3%) as against 9.77 lakh lakh SHGs (23.1%) with outstanding bank loans of Rs. 6,862.72 crore (25.8%) as on 31 March 2009. The agency-wise position of outstanding bank loans to SHGs for the years 2008-09 and 2009-10 are presented in Table-1.5.

Table-1.5**Bank Loan outstanding against SHGs-Agency-wise Position**

Agency	Position as on	Total Bank Loan outstanding against SHGs				per SHG-bank loan O/S (Rupees)	Out of Total: Bank loan outstanding against SHGs under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
CBs (Public & Private Sector)	31.03..2009	2831374	67.1	16149.43	71.2	57037	645145	3961.53
	31.03.2010	3237263	67.9	20164.71	71.9	68.286	798304	4072.03
	% growth	14.3		24.9		9.2	23.7	2.7
RRBs	31.03..2009	977834	23.1	5224.42	23.0	53428	258890	1508.10
	31.03.2010	1103980	26.8	6144.58	21.9	55.658	368795	1725.94
	% growth	14.3		17.6		4.2	46.4	14.4
Cooperative Banks	31.03..2009	415130	9.8	1306.00	5.8	31460	72852	392.09
	31.03.2010	510113	10.5	1728.99	6.2	38,896	78295	453.11
	% growth	22.9		32.4		7.7	7.5	15.6
Total	31.03.2009	4224338	100.0	26679.80	100.0	58,680	976887	6862.72
	31.03.2010	4851356	100.0	30938.20	100.0	67,895	1245394	6852.07
	% growth	16.9		26.6		8.6	27.5	6.6

It is observed from Table-5, that following the highest disbursements, CBs also has the maximum share of 67.9% in outstanding bank loans to SHGs followed by RRBs with a share of 26.8% and Cooperative Banks with 10.3%.

The average bank loan outstanding per SHG had increased from Rs. 58,680 as on 31 March 2009 to Rs. 67,895 as on 31 March 2010. It varied between Rs. 66,286 per SHG in case of CBs and Rs. 38,896 per SHG in case of Cooperative Banks on 31 March 2010.

The state-wise and bank-wise position of outstanding Bank loans to SHGs as on 31 March 2010 is given in statement V-A(i) (Public Sector Commercial Banks), V-A (ii) (Private Sector Commercial Banks), V-B (RRBs) and V-C (Cooperative Banks).

1.18 Non-Performing Assets of Bank Loans to SHG:

As on 31 March 2010, total 221 banks had reported data on Non Performing Assets (NPAs). In view of these data, NPAs to total bank loans outstanding against SHGs as on 31 March 2010 stood at 2.94%, amounted to Rs. 840.14 crore, which showed an increase from 2.90% and Rs. 625.87 Crore during 2008-09. In case of SHGs under SGSY, NPAs to total bank loans outstanding against SHGs were 5% amounting Rs. 369.48 crores, as on 31 March 2010. The agency-wise position of NPAs to total bank loans outstanding against SHGs as on 31 March 2010 is presented in Table-3.6.

Table-1.6
Agency-wise NPAs of Bank Loans to SHGs

Agency	NPAs as on 31 March 2010		
	Outstanding Loans against SHGs	Amount of NPAs	% of NPAs to outstanding bank loans
CBs (Public Sector)	29724.40	563.50	3.62
CBs (Private Sector)	450.20	24.90	6.45
RRBs	6244.68	238.50	4.50
Cooperative Banks	1828.30	68.04	3.60
Total	29038.38	833.14	3.90

The State-wise and bank-wise position of NPAs of bank loans to SHGs as on 31 March 2010 are given in Statement VI-A (i) (Public sector Commercial Banks), VI-A (ii) (Private Sector Commercial Banks), VI-B (RRBs) and VI-C (Cooperative Banks).

1.19 Recovery Performance of Bank:

The recovery performance of banks varies from region to region and also SHG-Bank Linkage Program and SHGs financed under SGSY Program. On the basis of data reported by b out of 302 banks which have presented the recovery data, 203 banks (67.2%) has more than 80% recovery of SHG loans as on 31 March 2010 which remained about the same as on 31 March 2009. Agency-wise distribution of banks according to recovery percentage of SHGs is given in Table-3.7.

Table-1.7
Recovery Performance- Agency-wise (All SHGs)

Agency	No. of Banks reported recovery data	No. of banks based on percentage distribution of recovery performance of bank loans to SHGs as on 31 March 2010			
		=/> 95%	80-94%	50-79%	< 50%
Commercial Banks (Public Sector)	26	9	12	7	0
Commercial Banks (Private Sector)	10	7	4	0	0
Regional Rural Banks	72	19	30	23	6
Cooperative Banks	210	78	62	44	27
Total	382	123	102	72	33
Percentage of Banks		36.2	34.2	24.6	10.2

Regarding recovery percentage of SHG loans by banks under SGSY, out of total 165 banks reported the recovery data of SHGs under SGSY, 86 banks (52.2%) has more than 80% recovery of as on 31 March 2010 as against 58.9% as on 31 March 2009. Agency-wise percentage distribution of banks according to recovery performance is presented in Table-3.8.

Table-1.8**Recovery Performance- Agency-wise (Exclusive SGSY SHGs)**

Agency	Total No. of Banks reported recovery data	No. of banks based on percentage distribution of recovery performance of bank loans to SHGs as on 31 March 2010			
		=/> 95%	80-94%	50-79%	< 50%
Commercial Banks (Public Sector)	26	5	11	11	0
Commercial Banks (Private Sector)	9	6	2	3	0
Regional Rural Banks	62	7	21	24	12
Cooperative Banks	79	29	18	22	16
Total	190	41	50	56	27
Percentage of Banks		24.9	29.7	34.6	15.5

The State-wise and bank-wise position of recovery percentage to demand of SHG loans as on 31 March 2010 is given at Statement VI-A (i) (Public Sector CBs), VI-A (ii) (Private Sector CBs), VI-B (RRBs) and VI-C (Cooperative Banks).

1.19 Micro Credit by Micro Finance Institutions:

Micro Finance Institutions are playing crucial role of financial intermediaries in microfinance sector. The MFIs work under several legal forms, viz.,

- (i) NGO MFIs- Registered under Societies Act, 1860 and/or Indian Trust Act, 1880.
- (ii) Cooperative MFIs- Registered under State Cooperative Societies Act or Mutually Aided Cooperative Societies Act (MACS) or Multi-State Coop. Societies Act, 2002.
- (iii) MBFC MFIs- incorporated under Section 25 of Companies Act, 1956 (not for profit).
- (iv) MBFC MFIs- incorporated under Companies Act, 1956 and registered with RBI.

In view of the RBI guidelines issued vide its circular dated 18 February 2000, to all scheduled commercial banks including RRBs, MFIs have been availing bulk loans from banks for on-lending to groups and other small borrowers. On the basis of returns obtained from banks for the year 2009-10, SIDBI, 21 Public Sector Commercial Banks, 14 private sector Commercial Banks, 04 Foreign Commercial Banks, 7 RRBs and one Cooperative Bank have financed MFIs for on-lending to groups and other small borrowers to promote microfinance activities.

The Progress under MFI-bank Linkage program, for the year 2008-09 and 2009-10, is given in Table-3.9.

Table-1.9 Bank Loan provided to MFIs

Agency	Years	Amount of loan disbursed to NGOs/MFIs		Loan Outstanding against NGOs/MFIs as on 31 March		Percentage Recovery of loans range
		No. of MFIs	Amount	No. of MFIs	Amount	
CBs (Public, Private and	2008-09	522	3718.93	1762	4977.89	70-100

Foreign)						
	2009-10	645	8038.61	1407	10095.3 2	80-100
	% growth	23.5	116.2	(20.1)	102.8	
RRBs	2008-09	59	13.40	153	31.20	87-100
	2009-10	46	24.14	103	52.22	100
	% growth	(22)	80.1	(32.7)	67.4	
Cooperative Banks	2008-09	0	0.00	0	0.00	NA
	2009-10	0	0.00	3	0.007	90
	% growth	NA	NA	NA	NA	NA
Total All Banks	2008-09	581	3832.36	2013	5209.10	
	2009-10	701	8262.76	1513	12148.5 6	
	% growth	18.9	120.5	(21.0)	102.6	
SIDBI	2009-10	88	2865.76	148	4008.30	NA
Total of all Banks and SIDBI to MFIs	2009-10	779	10728.49	1659	18956.7 4	

1.20 Financial Support and Efforts by NABARD:

NABARD Refinance Support to Banks:

NABARD gives refinance support to banks up to 100 percent of the bank loan disbursed to SHGs. The total refinance disbursed to banks against bank loans to SHGs during 2009-10 was Rs. 3173.56 Crore, registered a growth of 22.1% from Rs. 2620.03 crore in 2008-09. Further, the cumulative refinance disbursed under SHG bank linkage program by NABARD to Banks up to 31 March 2010 stood at Rs. 12861.65 crore.

1.21 Promotional Finance Support- SHG Bank Linkage

(i) Micro Finance Development and Equity Fund:

To increase the efforts of NABARD towards promotional support for micro finance, the Government of India in the Union Budget for 2010-11 had further increased the corpus of Micro Finance Development and Equity Fund (MFDEF) to Rs. 400 crore. Recognizing the need for upgrading the microfinance interventions in the country, the Hon'ble Union Finance Minister, while presenting the budget for the year 2000-01, had generated Micro Finance Development Fund (MFDF) with an initial contribution of Rs. 100 crore, to be funded by RBI (Reserve Bank of India), NABARD and commercial banks in the ratio of 40:40:20 in the

Union Budget for 2005-06, the Government of India had decided to redesign the MFDF into MFDEF and raised its administered and managed by NABARD under the guidance of MFDEF Advisory Board. The aim of MFDEF is to facilitate and support the orderly growth of the microfinance sector through diverse modalities for enlarging the flow of financial services to the poor, particularly for women and vulnerable sections of society consistent with sustainability.

(ii) Training and Capacity Building:

NABARD started to organize/sponsor training programs and exposure visits for the benefit of officials of banks, NGOs, SHGs and government agencies to enhance their effectiveness in the field of microfinance. Training supplements and materials are issued to banks and other agencies. Best practices and innovations of partner agencies are widely circulated among government agencies, banks, and NGOs. During the year 2009-10, fund support of Rs. 9.93 crore was given for capacity building, exposure visits and awareness-building as against Rs. 6.10 crore during 2008-09. The cumulative fund support for the purpose as on 31 March 2010 stood at Rs. 45.02 crore. During 2009-10, 6804 training/capacity building programs were done covering 2, 53,868 participants. The progress under training and capacity building during the year 2009-10 is provided in Table-3.10.

**Table-1.10
Training and Capacity Building Programs 2009-10**

Sr. No.	Program Particulars/ categories	No. of Program conducted	No. of Participants
1.	Awareness creation and capacity building program organized for SHG members in association with identified resource NGOs, covering participants to inculcate skills for managing thrift and credit.	2091	88132
2.	Awareness-cum-refresher program conducted for NGOs, including CEOs	1230	36649
3.	Training program conducted for bankers covering officials of commercial banks, RRBs and Co-operative Banks	477	15946
4.	Exposure visits for bank officials/NGOs to agencies pioneering in Microfinance (MF) initiatives	15	390
5.	Field visits of Block Level Bankers' Committee (BLBC) members to nearby SHGs	238	5960
6.	Program for the elected members of Panchayati Raj Institutions (PRIs) to create awareness among them about the MF initiatives	82	2900
7.	Training & exposure program for government officials.	82	3860
8.	Other training program for microfinance sector	1282	66020
9.	Micro Enterprises Development Program (MEDP)	1632	39313
10.	Micro Enterprise Promotional Agency	38	1200

11.	Meetings and Seminars (Bankers, NGO officials, etc.)	75	3651
	Total	6906	263866

(iii) Micro Enterprise Development Program for Skill Development:

Such program (MEDP) was launched by NABARD in March 2006, with the basic objective to increase the capacities of the members of matured SHGs to take up micro enterprises through approximate skill up gradation/development in the existing or new livelihood activities both in farm and non-farm sectors by enriching knowledge of participants on enterprise management, business dynamics and rural markets. It is tailor-made and focused on skill building training program. The duration of training program ranged between 3 and 13 days, depending upon the objective and nature of training. The training budget has been revised to Rs. 39000/= per program for imparting training to 30 participants up to 13 days.

In 2009-10, a total of 1530 MEDPs, both under Farm and Non-Farm activities, were conducted across the country covering 38313 members of the matured SHGs. Cumulatively, total 2837 MEDPs have been conducted so far covering 93777 participants. The dominant activities in agriculture and allied sector covered under MEDPs were animal husbandry, bee-keeping, mushroom cultivation, vermi-compost/organic manure, horticulture, floriculture, etc. whereas predominant non-farm activities taken up under MEDPs were readymade garments, Agarbatti-making, embroidery, bamboo-craft, beauty-parlors' etc.

(iv) Grant Support to Partner Agencies for Promotion and Nurture of SHGs

NABARD has started its efforts in the formation and nurturing of quality SHGs by means of promotional grant support to NGOs, RRBGs, DCCBs, Farmers clubs and Individual Rural Volunteers (IRVs) and by facilitating capacity building of various partners, which has brought good results in the promotion and credit linkage of SHGs. Further, the number of partner institutions/individuals working as Self-Help Promoting Institutions (SHPIs) over the years has increased to 2911 which has resulted in the expansion of the program throughout the country.

(v) Pilot Project on SHG-Post Office Linkage Program:

The Pilot Project for SHG-Post Office Linkage program was initially started in five selected districts of Tamil Nadu, viz., Sivaganga, Pudukottai, Tiruvannmalai, Thanjavur and Tiruvarur. The initial results have been encouraging. Hence, NABARD has granted an additional Revolving Fund Assistance (RFA) of Rs. 200 lakh to India Post for lending to the SHGs, taking the total RFA sanctioned to Rs. 500 lakh. As on 31 March 2010, 2,828 SHGs have opened zero interest saving accounts with selected Post Offices in Tamil Nadu and 1195 SHGs have been credit linked with loans amounting to Rs. 321.25 lakh. NABARD has

granted RFA of Rs. 5 lakh to Post Offices in Meghalaya for on-lending to 50 SHGs in East Khasi Hills.

(vi) Support to Activity-Based Groups:

NABARD introduced a scheme for supporting small-scale activity based groups (ABGs) in 2008-09, wherein capacity building, production and investment credit and market-related support would be extended. The scheme focuses on forming and nurturing the groups engaged in similar economic activities, such as farmers, handloom weavers, craftsman, fisherman, etc., to improve efficiency of their production and realize better terms from the market through economics of aggregation and scale. The scheme drew upon NABARD's existing modes of support and has both grants and loan components. While grant support would cover expenditure on SHGs formation and training, extension services, establishing market linkages, etc., bank loans would cover investment activities and working capital needs of the SHGs. Bank would be eligible to draw refinance for the loans given to Activity-Based Groups on the same terms as applicable for SHGs financing. In selected cases, NABARD may also give loans directly to registered SHGs or through the agencies promoting SHGs to establish few initial projects where none exists.

(vii) Support to SHGs Federations:

Realizing the emerging role of the SHGs Federations in nurturing of SHGs, enhancing the bargaining powers of group members and livelihood promotion. NABARD introduced during 2007-08, a very flexible scheme to support such Federations, irrespective of their model. The board norms prescribed for supporting SHG Federations stipulate that the federations should be need-based, member-owned/driven, democratically managed with members at liberty to join, become self-managed over three years, etc. NABARD extended grant support to the Federation for training, capacity building, and exposure visits of SHG members, etc., as also under all of NABARD's existing promotional schemes. So, for grant assistance Rs. 22.02 lakh has been granted to SHG Federations.

NABARD has been associated with Rajiv Gandhi Charitable Trust (RGCT) for promotion, credit linkage and formation of SHG Federations in selected districts of U.P. The project envisages promotion and credit linkage of 22,000 SHGs 1100 cluster-level associations, and 44 block-level associations in collaboration with participating banks and implementing NGOs. The project would cover 15 and 29 blocks under Phase I and II respectively in 12 districts of Uttar Pradesh viz. Sultanpur, Rai Bareli, Barabanki, Pratapgarh, Lucknow, Unnao, Fatehpur, Jhansi, Lalitpur, Shravasti and Banda. NABARD and RGCT have named the project with technical assistance from Society for Elimination of Rural Poverty (SERP), Government of Andhra Pradesh. As at the end of 31 March 2010, 21,868

SHGs have been promoted, of which 12,749 SHGs have been credit linked. In addition, 676 village level and 15 Block Level SHG Federations were formed under Phase I and Phase II.

(viii) State Specific Support in Eastern Uttar Pradesh:

During 2008-09, an amount of Rs. 3915 lakh was granted by NABARD from implementing the project 'Micro Finance Vision 2011' by the Government of Uttar Pradesh. Further, an amount of Rs. 33.66 lakh was granted to the Essom Foundation Trust for setting up a Resource Centre at Itanagar for providing policy, operational inputs, capacity building support and marketing linkages among the groups. NABARD has released 5.452 lakh to the trust upto 31 March 2010.

1.22 Geographical Area of Easter Uttar Pradesh:

Eastern Zone of Uttar Pradesh

01. Eastern Uttar Pradesh carries a geographical area of 8.844sq. It covers the districts namely, Bahraich, Balia, Basti, Gonda, Allahabad, Gorakhpur, Maharajganj, Deoria, Padrauna, Azamgarh, Mau, Varanasi, Chandauli, Jaunpur, Amedernagar, Sultanpur, Faizabad, Ghazipur, Mizzapur, Sonbhadra, Sant ravidas nagar, Sant kabirnagar, Siddarthenagar and Pratapgarh.
02. It lies in middle ganga velley. It has a level topography excepting the southern upland of mirzapur, sonbhadra districts and vindhyan formations of Allahabad districts.
03. Its northern part covering the part of areas of Gonad, Bahraich, Basti, Deoria, Gorakhpur, Padrona, Siddarathanagar, and Maharajgaj are occupied by tarai region in a width of nearly 250km in adjoining Himalayan tract.
04. It has a mid and sub-humid climate with moderate seasonal and annual variability of rainfall. The saryu-par plain as well as the Ghagra-ganga Doeb are flood prone whereas Yamunapar region of Allahabad district and parts of Mirzapur, Varanasi, and Sonbhadra districts are drought prone.
05. Eastern uttar Pradesh has a characteristics subsistence agriculture zone with low agricultural efficiency. Its net cultivates area is 8.498 million ha.
06. The irrigation intensity in eastern U.P. is low and further level of irrigation development remains very meager in the districts of Allahabad, Mirzapur, Sonbhadra, Bahriach, and Gonad.

1.23. The comparative Development Profile Easter Uttar Pradesh:

The comparative development profile we can describe the actual development status of Eastern Uttar Pradesh. According to this comparative description, we describe the inter-district variance in the various development indicators and the actual development position of Eastern Uttar Pradesh. Easter Uttar Pradesh backward area of India, because here is lack of

industry, road, railway, education and health related infrastructure. We can now describe the comparative development profile of Eastern Uttar Pradesh.

(a) Human Development of Eastern Uttar Pradesh

(b) Per Capita Income of Eastern Uttar Pradesh

(c) Geographical area of Eastern Uttar Pradesh

(d) Population density Eastern Uttar Pradesh

(e) Sex ratio of Eastern Uttar Pradesh

(f) Urban population ratio in Eastern Uttar Pradesh

(g) Literacy rate in Eastern Uttar Pradesh

(h) Percentage of main workers in total population in Eastern Uttar Pradesh

(i) Percentage of main agricultural workers in total main workers in Eastern Uttar Pradesh.

(j)

1.24 Human Development of Eastern Uttar Pradesh in Uttar Pradesh

Now Human Development indicators are accepted as development indicators in any society. The Human Development measure has been developed by United Nation Development Programme (UNDP), and the HDI concept has been developed under the guidance of Mahbul-ul-Haq. Human Development Index (HDI) has been an aggregate measure of progress in three dimensions- health, education and income. The Human Development measures are based on average achievement in three basic dimensions of human development as under:

- A long and healthy life as measured by life expectancy at birth.
- Knowledge as measured the Adult Literacy rate (with two third weights) and the combined primary, secondary and tertiary gross enrolment ratio (with one third weight).
- A decent standard of living as measured by GDP Per Capita

Human Development Report (HDR) 2010 has been an aggregate measure of progress in three dimensions- health, education and income. HDR in 2010 although uses all the three dimensions but in modified manner. In this report UNDP has modified the indicators used to measure sure progress in education and income. The manner in which they are aggregated has been changed with regard to knowledge dimension. This has been replaced by mean years of schooling and expected years of schooling respectively. Expected years of schooling means the years of schooling that a child can expect to receive given current enrolment ratio.

In Uttar Pradesh the value of Human Development 0.60 and above are in the High Human Development group districts; Districts in the HDI range 0.55 to 0.59 are in the range of Medium Human Development groups, and districts in the HDI range 0.50 to 0.54 are in low Human Development and districts in the HDI range less than 0.5 are the Very Low Human Development districts. The position of Human Development of Eastern Utter Pradesh district is at very low level, This figure shows that Eastern Utter Pradesh district is in under development position. Table 3.12 shows the districts arranged according to value of HDI in 2005.

Table 1.11: District Arranged According to value of HDI, 2005

High HDI Districts (Value above 0.60)			Medium HDI Districts (Value 0.55 to 0.59)		
Rank	District	Value of HDI	Rank	District	Value of HDI
1	G.B.Nagar	0.7017	18	Muzaffarnagar	0.5937
2	Ghaziabad	0.6566	19	Mau	0.5910
3	Kanpur	0.6506	20	Chitrakoot	0.5907
4	Lucknow	0.6477	21	Mainpuri	0.5891
5	Baghpat	0.6392	22	Chandauli	0.5876
6	Meerut	0.6300	23	Firozabad	0.5876
7	Agra	0.6215	24	Bijnor	0.5866
8	Jhansi	0.6214	25	Kannauj	0.5861
9	Saharanpur	0.6173	26	Ballia	0.5814
10	Mathura	0.6163	27	Farrukha-bad	0.5773
11	Hathras	0.6159	28	Gorakhpur	0.5759
12	Etawah	0.6090	29	Allahabad	0.5739
13	Kanpur Dehat	0.6077	30	Aligarh	0.5738

14	Auraiya	0.6074	31	J.P. Nagar	0.5722
15	Varanasi	0.6068	32	S.R.Nagar	0.5706
16	Jalaun	0.6059	33	Ghazipur	0.5702
17	Bulandshahar	0.6017	34	Mahoba	0.5690
			35	Hamirpur	0.5678
			36	Sonbhadr	0.5619
			37	Ambedker.Nagar	0.5580
			38	Jaunpur	0.5546
			39	Faizabad	0.5544
			40	Mirzapur	0.5534

Source: Human Development Report of Uttar Pradesh 2006

The above table has shown districts arranged according to value of HDI. These districts have been divided into four categories- High HDI, Medium HDI, Low HDI and Very Low HDI districts. Human Development indicators show actual development of any society. In Uttar Pradesh some districts have high human development position. Gautam Buddha Nagar is at the top position with HDI value 0.7017. Ghaziabad district with HDI value 0.6566 is at second position and Kanpur Nagar with HDI value 0.6506 is at third position. Thus these are three districts in the top position in Uttar Pradesh. On the other hand the three districts with the lowest ranks are Balrampur districts- 68th with HDI value 0.4476, Bahraich district 69th rank with 0.4404 HDI value and Shrawasti district 70th rank with HDI value is 0.4132.

Thus these lower human development ranking districts are neighbours. The difference of the highest HDI value and HDI value, According to the older data major features of Eastern Uttar Pradesh district are as below.

Table: 1.12 Districts arranged according to per capita income in Uttar Pradesh.

Sl. No.	District	Per Capita Income in 2009-10 in Rs. (at current price)	Sl. No.	District	Per Capita Income in 2009-10 in Rs. (at current price)
1.	G. B. Nagar	93095	39.	Kannauj	20341
2.	Baghpat	41049	40.	Unnao	20284
3.	Lucknow	38465	41.	Banda	19907
4.	Meerut	36385	42.	Kanpur Dehat	19882
5.	Kanpur Nagar	35026	43.	Kaushambi	19846
6.	Ghaziabad	34965	44.	Faizabad	19100

7.	Bulandshahr	34653	45.	Gorakhpur	18753
8.	Jhansi	32945	46.	Mau	17965
9.	Saharanpur	32831	47.	Chandauli	17625
10.	Bijnor	32451	48.	Fatehpur	17051
11.	Amroha	32433	49.	Sant Ravidas Nagar	16707
12.	Hathrash	32303	50.	Hardoi	16548
13.	Muzaffarnagar	31770	51.	Sultanpur	16346
14.	Mathura	29616	52.	Mirzapur	15859
15.	Barabanki	29348	53.	Rae Bareli	15510
16.	Pilibhit	29042	54.	Balrampur	15509
17.	Agra	28871	55.	Ambedkar Nagar	15238
18.	Moradabad	27841	56.	Bahraich	15143
19.	Jalaun	26772	57.	Gonda	15071
20.	Aligarh	26618.	58.	Ghazipur	15007
21.	Mahoba	26531	59.	Basti	14461
22.	Baaun	26412	60.	Ballia	14403
23.	Bareilly	25818	61.	Chitrakoot	14246
24.	Lalitpur	25057	62.	Azamgarh	14199
25.	Rampur	24581	63.	Mahrajganj	14116
26.	Kashganj	24071	64.	Sant Kabir Nagar	13402
7.	Etah	23352	65.	Kushinagar	13310
28.	Sonbhadra	22753	66.	Pratapgarh	13236
29.	Sitapur	22447	67.	Jaunpur	13229
30.	Farrukhabad	21993	68.	Siddharth Nagar	13137
31.	Auraiya	21963	69.	Deoria	12134
32.	Firozabad	21652	70.	Shrawasti	10891
33.	Kheri	21460	71.	Shamli	-
34.	Allahabad	21368	72.	Shambhal	-
35.	Etawah	21055	73.	Hapur	-
36.	Mainpuri	20763	74.	Amethi	-
37.	Shahjahanpur	20586	75.	C.S.J.M. Nagar	-
38.	Varanasi	20390			
				Uttar Pradesh	23132

Source – District wise Development Indicators Uttar Pradesh – 2011.

1.25 Geographical area of Eastern Uttar Pradesh:

The geographical area of Eastern Uttar Pradesh district is full of rivers and forest. In terms of area, The table 3.3 shows area of Eastern U.P. and other districts in Uttar Pradesh.

Table: 1.13 Geographical Area of Uttar Pradesh

Sl. No.	Name of Districts	Geographical Area (sq.km)	Sl. No.	Name of Districts	Geographical Area (sq.km)
1	Kheri	7680	37	Gorakhpur	3321
2	Sonbhadra	6788	38	Chitrakoot	3164
3	Hardoi	5986	39	Kanpur nagar	3155
4	Sitapur	5743	40	Ramabai Nagar	3021
5	Allahabad	5482	41	Ballia	2981
6	Bandau	5168	42	Maharajganj	2952
7	Lalitpur	5039	43	Kushi Nagar	2906
8	Jhansi	5024	44	Siddharth Nagar	2895
9	Bahraich	5020	45	Mahoba	2884
10	Rai Bareli	4609	46	Mainpuri	2760
11	Sahahjahanpur	4575	47	Basti	2688
12	Jalaun	4565	48	Meerut	2590
13	Bijnor	4561	49	Chaundli	2541
14	Unnao	4558	50	Deoria	2538
15	Mirjapur	4521	51	Lucknow	2528
16	Banda	4460	52	Shrawasti	2458
17	Eatah	4446	53	Rampur	2367
18	Sultanpur	4436	54	Firojabad	2361
19	Barabanki	4402	55	Ambedkar Nagar	2350
20	Bulendshar	4352	56	Faizabad	2341
21	Hamirpur	4282	57	Etawah	2311
22	Fatepur	4152	58	Jyotiba Phule Nagar	2249
23	Bareilly	4120	59	Farrukhabad	2181
24	Azamgarh	4054	60	Kannauj	2093
25	Jaunpur	4038	61	Auriya	2015
26	Agara	4027	62	Mahamaya Nagar	1840
27	Muzaffar Nagar	4008	63	Kaushambi	1780
28	Gonda	4003	64	Mau	1713
29	Moradabad	3718	65	Sant Kabir Nagar	1646
30	Prtapgarh	3717	66	Varanasi	1535
31	Saharanpur	3689	67	G. B. Nagar	1442
32	Aligarh	3650	68	Baghpat	1321

33	Pilibhit	3499	69	Ghaziabad	1148
34	Ghazipur	3377	70	Sant Ravidas Nagar	1015
35	Balrampur	3349	71	Kansiram Nagar	-
36	Mathura	3340	72	C.S.J.M. Nagar	-
				Uttar Pradesh	240928

Source: District wise Development Indicators Uttar Pradesh, 2011.

1.26 Population density of Eastern Uttar Pradesh District:

The population density plays important role in economic development of any district. In Eastern Uttar Pradesh high population density affects development process of any district. In table 3.15 the population density of Eastern Uttar Pradesh district and other districts in Uttar Pradesh is shown.

Table 1.14 Population density of in Uttar Pradesh (Persons per km²)

Sl. No.	District	Density of Population	Sl. No.	District	Density of Population
1	Ghaziabad	3954.0	37	Mahamaya Nagar	851.0
2	Varanasi	2399.0	38	Jyotiba Phule Nagar	818.0
3	Lucknow	1815.0	39	Bijnor	808.0
4	Sant Ravidas Nagar	1531.0	40	Kannauj	792.0
5	Meerut	1347.0	41	Sitapur	779.0
6	Gorakhpur	1336.0	42	Bulandshahr	775.0
7	G.B.Nagar	1306.0	43	Mainpuri	669.0
8	Mau	1287.0	44	Chandauli	768.0
9	Moradabad	1284.0	45	Mathura	761.0
10	Kusinagar	1226.0	46	Barabanki	740.0
11	Deoriya	1220.0	47	Rai Bareli	939.0
12	Azamgarh	1139.0	48	Kansiram Nagar	736.0
13	Jaunpur	1108.0	49	Fatepur	634.0
14	Allahabad	1087.0	50	Etah	724.0
15	Agara	1084.0	51	Badaun	718.0
16	Bareilly	1084.0	52	Shahjahanpur	684.0
17	Ballia	1081.0	53	Etawah	683.0
18	Ghazipur	1073.0	54	Hardoi	683.0

19	Faizabad	1054.0	55	Unnao	682.0
20	Sant Kabir Nagar	1041.0	56	Shrawasti	679.0
21	Firojabad	1037.0	57	Bahraich	664.0
22	Muzaffarnagar	1033.0	58	Balrampur	642.0
23	Ambedkar Nagar	1021.0	59	Ramabai Nagar	594.0
24	Aligarh	1007.0	60	Mirzapur	566.0
25	Rampur	987.0	61	Pilibhit	553.0
26	Baghpat	986.0	62	Kheri	523.0
27	Auraiya	981.0	63	Kanpur Nagar	449.0
28	Saharanpur	939.0	64	Banda	408.0
29	Basti	916.0	65	Jansi	398.0
30	Mahrajganj	903.0	66	Jalaun	366.0
31	Kaushambi	897.0	67	Chitrakoot	308.0
32	Siddharth Nagar	882.0	68	Mahoba	279.0
33	Farukhabad	865.0	69	Hamirpur	275.0
34	Gonda	857.0	70	Sonbhadra	270.0
35	Sultanpur	855.0	71	Lalitpur	242.0
36	Pratapgarh	854.0	72	C.S.M. Nagar	-

Source: District wise Development Indicators Uttar Pradesh, 2011.

According to the table 3.4 the highest population density has been in Ghaziabad district (3954.0 persons), and it was followed by Varanasi district (2399.0 persons), Lucknow district (1815.0 persons) and Allahabad district (1087.0 Person) in Uttar Pradesh. The lowest population density was recorded in Lalitpur district (242.0 persons) and it was followed by Sonbhadra district (270.0 persons) in Uttar Pradesh. District Eastern Uttar Pradesh is situated in the 57th position out of 72 districts. The population density of Eastern Uttar Pradesh district is 664.0 persons per sq. Km in 2011.

1.27 Sex ratio of districts in Eastern Uttar Pradesh:

Sex ratio means ‘male-female ratio or number of females per thousand males.’ The district wise sex ratio in Uttar Pradesh shows much diversity because some districts have better position in sex ratio but most of the districts show adverse position in sex ratio. District Eastern Uttar Pradesh has also low sex ratio in Uttar Pradesh. In table 3.16 we have shown the sex ratio of districts in Uttar Pradesh.

Table 1.15: District wise Sex ratio in Uttar Pradesh

Sl. No.	District	Sex Ratio (2011)	Sl. No.	District	Sex Ratio (2011)
1.	Jaunpur	1018	37.	Bahraich	891
2.	Azamgarh	1017	38.	Pilibhit	889
3.	Deoria	1013	39.	Kheri	887
4.	Pratapgarh	994	40.	Saharanpur	887
5.	Sultanpur	978	41.	Muzaffarnagar	886
6.	Mau	978	42.	Meerut	885
7.	Ambedkar Nagar	976	43.	Jhansi	885
8.	Siddharth Nagar	970	44.	Bareilly	883
9.	Sant Kabir Nagar	969	45.	Mahoba	880
10.	Faizabad	961	46.	Sitapur	879
11.	Basti	959	47.	Kanshiram Nagar	879
12.	Kusinagar	955	48.	Kannauj	879
13.	Ghazipur	951	49.	Chitrakoot	879
14.	Sant Ravidas Nagar	950	50.	Ghaziabad	878
15.	Gorakhpur	944	51.	Aligarh	876
16.	Mahrajganj	938	52.	Mainpuri	876
17.	Ballia	933	53.	Shrawasti	875
18.	Rae Bareli	941	54.	Farrukhabad	874
19.	Balrampur	922	55.	Mahamaya Nagar	870
20.	Gonda	922	56.	Firozabad	867
21.	Bijnor	913	57.	Etawah	867
22.	Chandauli	913	58.	Shahjahanpur	865
23.	Sonbhadra	913	59.	Jalaun	865
24.	Varanasi	909	60.	Auraiya	864
25.	Barabanki	908	61.	Etah	863
26.	Jyotiba Phule Nagar	907	62.	Banda	863
27.	Lucknow	906	63.	Ramabai Nagar	862
28.	Rampur	905	64.	Hamirpur	860
29.	Lalitpur	905	65.	Agra	859
30.	Kaushambi	905	66.	Badaun	859
31.	Moradabad	903	67.	Baghpat	858
32.	Allahabad	902	68.	Mathura	858
33.	Unnao	901	69.	Hardoi	856
34.	Fatehpur	900	70.	G. B. Nagar	852

35.	Mirjapur	900	71.	Kanpur Nagar	852
36.	Bulandshahar	892	72.	C. S. M. Nagar	-
				Uttar Pradesh	908

Source: District wise Development Indicators Uttar Pradesh, 2011.

The above table shows that in Uttar Pradesh the highest sex ratio districts are Jaunpur, Azamgarh and Deoriya. The sex ratio of Jaunpur district is 1018, Azamgarh is 1017 and Deoriya is 1013. These are the top districts in the sex ratio in Uttar Pradesh, where female population is more than male population. The lowest sex ratio districts are- Kanpur Nagar, G. B. Nagar and Hardoi. The sex ratio of Kanpur Nagar and G. B. Nagar is 852 and in Hardoi the sex ratio is 856. In sex ratio district Eastern Uttar Pradesh has ranked on 37th in 2011 census.

1.28 Urban Population in Eastern Uttar Pradesh district:

Urban population ratio is very important instrument in the development of districts. The districts with high urban population ratio are considered to be more developed district. In Uttar Pradesh urban population ratio varies among the districts because some districts have more urban population ratio while other districts have very low urban population ratio as can be seen from Table 3.17.

Table: 1.16 Status of Urban population ratio of Eastern Uttar Pradesh.

Sl. No.	District	Percentage of urban population to total population (2001)	Sl. No.	District	Percentage of urban population to total population (2001)
1.	Kanpur Nagar	64.10	37.	Lalitpur	14.52
2.	Lucknow	62.70	38.	Auraiya	14.32
3.	Ghaziabad	55.20	39.	Mirzapur	13.54
4.	Meerut	48.44	40.	Faizabad	13.46
5.	Agra	43.30	41.	Sant Ravidas Nagar	12.82
6.	Jhansi	40.79	42.	Hardoi	11.99
7.	Varanasi	40.16	43.	Sitapur	11.95
8.	G. B. Nagar	37.39	44.	Kheri	10.77
9.	Bareilly	32.93	45.	Chandauli	10.56
10.	Moradabad	30.54	46.	Fathpur	10.30

11.	Firozabad	30.32	47.	Bahraich	10.00
12.	Aligarh	28.90	48.	Chitrakoot	9.99
13.	Mathura	28.30	49.	Deoria	9.89
14.	Sharanpur	25.81	50.	Ballia	9.77
15.	Muzaffarpur	25.51	51.	Rae Bareli	9.54
16.	Rampur	24.97	52.	Barabanki	9.30
17.	Jyotiba Phule Nagar	24.56	53.	Ambedkar Nagar	8.93
18.	Bijnor	24.31	54.	Balrampur	8.06
19.	Bulandshahr	23.15	55.	Ghazipur	7.68
20.	Jalaun	23.41	56.	Azamgarh	7.55
21.	Mahoba	21.86	57.	Jaunpur	7.40
22.	Farrukhabad	21.75	58.	Kaushambi	7.10
23.	Shahjahanpur	20.63	59.	Sant Kabir Nagar	7.08
24.	Mahamaya Nagar	19.80	60.	Gonda	7.03
25.	Baghpat	19.71	61.	Ramabai Nagar	6.89
26.	Gorakhpur	19.59	62.	Basti	5.56
27.	Mau	19.44	63.	Pratapgarh	5.29
28.	Sonbhadra	18.82	64.	Mahrajganj	5.09
29.	Badaun	18.15	65.	Sultanpur	4.74
30.	Pilibhit	17.88	66.	Kushinagar	4.58
31.	Etah	17.33	67.	Siddharth Nagar	3.81
32.	Kannauj	16.70	68.	Shrawasti	2.84
33.	Hamirpur	16.65	69.	Kanshiram Nagar	-
34.	Banda	15.87	70.	C. S. M. Nagar	-
35.	Unnao	15.24			
36.	Mainpuri	14.60			
				Uttar Pradesh	22.28 (2011)

Source: District wise Development Indicators Uttar Pradesh, 2011.

Table 3.17 shows enough variation in urban population of different districts in Eastern Uttar Pradesh. The top three districts in the urban population ratio are Kanpur Nagar, Lucknow and Ghaziabad. The urban population ratio in Kanpur Nagar district is 64.10 per cent, in Lucknow district it is 62.70 per cent and in Ghaziabad district it is 55.20 per cent. The three

districts with the lowest urban population ratio are-Shrawasti, Siddharth Nagar and Kushinagar.

1.29 Literacy rate of Eastern Uttar Pradesh district:

Literacy rate is the main component of the quality of population. Now literacy rate is measured for the population aged seven years and above. In Easter Uttar Pradesh district, very low literacy rate in comparison to other districts of Uttar Pradesh is noticed. Low literacy also reduces socio-economic development of the district. The actual position of Easter Uttar Pradesh is shown in table 3.18.

Table: 1.17 District wise Literacy rate in Uttar Pradesh (2011)

Sl. No.	District	Literacy Rate	Sl. No.	District	Literacy Rate
1.	Ghaziabad	85.00	37.	Bulandshahr	70.23
2.	G.B.Nagar	82.20	38.	Hamirpur	70.16
3.	Kanpur Nagar	81.31	39.	Muzaffarnagar	70.11
4.	Auraiya	80.25	40.	Basti	69.69
5.	Etawah	79.99	41.	Aligarh	69.61
6.	Lucknow	79.33	42.	Agkkra	69.44
7.	Mainpuri	78.26	43.	Rae Bareli	69.04
8.	Ramabai Nagar	77.52	44.	Sant Kabir Nagar	69.01
9.	Varanasi	77.05	45.	Hardoi	68.89
10.	Jhansi	76.37	46.	Fatehpur	68.78
11.	Jalaun	75.16	47.	Unnao	68.29
12.	Mau	75.16	48.	Banda	68.11
13.	Meerut	74.80	49.	Kushinagar	67.66
14.	Firozabad	74.60	50.	Mahoba	66.94
15.	Allahabad	74.41	51.	Sonbhadra	66.18
16.	Ambedkar Nagar	74.37	52.	Chitrakoot	66.52
17.	Ghazipur	74.27	53.	Jyotiba Phule Nagar	65.70
18.	Kannauj	74.01	54.	Lalitpur	64.95
19.	Chandauli	73.86	55.	Mahrajganj	64.30
20.	Ballia	73.82	56.	Barabanki	63.76
21.	Jaunpur	73.66	57.	Kaushambi	63.69
22.	Baghpat	73.54	58.	Pilibhit	63.58
23.	Deoria	73.53	59.	Sitapur	63.38

24.	Etah	73.27	60.	Kheri	62.71
25.	Gorakhpur	73.25	61.	Kanshiram Nagar	62.30
26.	Mahamaya Nagar	73.10	62.	Siddharth Nagar	61.81
27.	Pratapgarh	73.10	63.	Shahjahanpur	61.61
28.	Azamgarh	72.69	64.	Gonda	61.16
29.	Mathura	72.65	65.	Baeilly	60.52
30.	Saharanpur	72.03	66.	Moradabad	58.67
31.	Sultanpur	71.14	67.	Rampur	55.08
32.	Sant Ravidas Nagar	71.10	68.	Badaun	52.91
33.	Faizabad	70.63	69.	Balrampur	51.76
34.	Farrukhabad	70.57	70.	Bahraich	51.10
35.	Bijnor	70.43	71.	Shrawasti	49.13
36.	Mirzapur	70.38	72.	C.S.J.M. Nagar	----
	Bundelkhand Region	70.69		Eastern Region	69.59
	Central Region	70.50		Western Region	69.35
	Uttar Pradesh	69.72		India	74.04

Source: District wise Development Indicators Uttar Pradesh, 2011.

The table 3.18 shows that the terms of literacy rate are top three districts namely Ghaziabad, G. B. Nagar and Kanpur Nagar in Uttar Pradesh. The literacy rate of Ghaziabad district is 85.00 per cent, G. B. Nagar 82.20 per cent and Kanpur Nagar 81.31 per cent. The bottom three districts are Shrawasti, Bahraich and Balrampur districts. The literacy rate of Shrawasti district is 49.13 per cent, Bahraich 51.10 per cent and Balrampur 51.76 per cent. In the Eastern Uttar Pradesh literacy rate is 69.59.

1.30 Main workers in total population in districts of Eastern Uttar Pradesh:

In Uttar Pradesh, districts differ widely in terms of workers as a ratio of population. The high percentage of main workers in the total population indicates much engagement of population in the economic activity and vice-versa. In table-3.8 the status of main workers in total population in the Eastern Uttar Pradesh and other districts of Uttar Pradesh are shown.

Tables 1.18 Status of Main workers in Total population of Eastern Uttar Pradesh district

Sl. No.	District	Percentage of main workers to total population	Sl. No.	District	Percentage of main workers to total population
1.	Balrampur	29.82	37.	Auraiya	24.17
2.	Lalitpur	29.57	38.	Shahjahanpur	24.16
3.	Chitrakoot	29.29	39.	Ramabai Nagar	24.13
4.	Shrawasti	28.81	40.	Saharanpur	23.90
5.	Mahoba	28.80	41.	Bareilly	23.84
6.	Barabanki	27.09	42.	Rampur	23.76
7.	Bulandshahr	27.01	43.	Etah	23.65
8.	Banda	26.83	44.	Mirzapur	23.58
9.	Jhansi	26.76	45.	Aligarh	23.31
10.	Hardoi	26.60	46.	Basti	23.19
11.	Bahraich	26.58	47.	Rai Bareli	23.00
12.	Kheri	26.13	48.	Mainpuri	22.87
13.	Moradabad	26.07	49.	Bijnor	22.62
14.	Hamirpur	25.96	50.	Agara	22.49
15.	Mathura	25.94	51.	Allahabad	22.42
16.	Fatehpur	25.75	52.	Etawah	22.30
17.	G.B. Nagar	25.70	53.	Firozabad	22.16
18.	Sitapur	25.53	54.	Mahamaya Nagar	22.11
19.	Jyotiba Phule Nagar	25.53	55.	Mahrajganj	22.05
20.	Unnao	25.39	56.	Pilibhit	21.90
21.	Muzaffarnagar	25.39	57.	Ambedkar Nagar	21.82
22.	Faizabad	25.27	58.	Mau	21.41
23.	Gonda	25.21	59.	Ghazipur	21.31
24.	kaushambi	25.16	60.	Pratapgarh	21.19
25.	Badaun	25.05	61.	Sultanpur	21.12
26.	Kannauj	24.99	62.	Sant Kabir Nagar	20.77
27.	Kanpur Nagar	24.96	63.	Chandauli	20.69
28.	Baghpat	24.90	64.	Jaunpur	20.17
29.	Lucknow	24.68	65.	Sant Ravidas Nagar	20.06
30.	Sonbhadra	24.61	66.	Kushinagar	19.87
31.	Meerut	24.59	67.	Azamgarh	19.55

32.	Varanasi	24.56	68.	Gorakhpur	18.38
33.	Jalaun	24.48	69.	Ballia	18.27
34.	Ghaziabad	24.31	70.	Deoria	17.16
35.	Farrukhabad	24.25	71.	Kanshiram Nagar	---
36.	Siddharth Nagar	24.19	72.	C. S. J. M. Nagar	---

Source: District wise Development Indicators Uttar Pradesh, 2011.

In this table shows the Balrampur, Lalitpur and Chitrakoot are top three districts of main workers in terms of percentage share. In the Balrampur district mainworkers is 29.82 per cent; in Lalitpur it is 29.57 per cent and in the Chitrakoot district it is 29.29 per cent. In the bottom levels three districts are Deoria, Ballia and Gorakhpur. In Deoria district main workers is 17.27 per cent and its rank is 70th, in Ballia it is 18.38 per cent and its rank is 69th and in Gorakhpur it is 18.38 per cent and its rank is 68th.

1.31 Urban Population in Eastern Utter Pradesh District:

In the Eastern Utter Pradesh district urbanization is low compared to the most of other districts in Uttar Pradesh. According to 2001 census the ratio of urban population is only 8.79 percent of total population. Thus, here is low urbanization, and most of population lives in rural areas. So this is one of the main causes of backwardness. Low urbanization causes the low level of Industrial growth, low level of literacy and Health indicator as compared to other districts in Uttar Pradesh. Scheduled caste population was 3,66,410 persons, which increased in 2001 to become 4,05,269 persons. Out of this 3,92,718 persons lived in rural areas and 11,806 person lived in urban areas. On the other hand in 1981 total Scheduled Tribe population have 6340 persons, which increased in 2001 to become 8610 persons. Out of this 8522 persons are living in rural area and only 18 persons lived in urban area.

1.32 Economic Development and Occupational Distribution in districts of Eastern

U.P:

Broadly, we have divide occupation into three types. Agriculture, Animal husbandry, Forestry, Fishery etc, are collectively known as primary activities. These are primary because their product is essential or vital for human existence because they are carried out with the help of the Nature. Manufacturing Industries like small and large scale is known as Secondary activities. Mining is sometimes included under secondary activities but properly speaking, it is a primary activity. Transport, Communications Banking and Finance and Services are tertiary activities which help the primary and secondary sectors. In Eastern Utter Pradesh district occupational distribution of population shows that Agriculture is major occupation and the largest share of population depends on agriculture. Among some of these

farmers have their own land and others are working as agricultural labour. The occupational distribution of population in Eastern Utter Pradesh district is shown in Table 3.20.

Table 1.19: The Occupational Distribution of population in Eastern Utter Pradesh District

Year	Cultivator	Agriculture Labour	Household worker	Other Worker	Total Main Worker	Marginal Worker	Total Worker
1981	577748 (56.5)	69072 (6.8)	8101 (0.8)	77218 (7.5)	732139 (71.6)	290978 (28.4)	1023117 (100.0)
1991	664576 (62.1)	136104 (12.7)	5511 (0.5)	104764 (9.8)	910955 (85.1)	160064 (14.9)	1071019 (100.0)
2001	449264 (46.8)	142497 (14.8)	16087 (1.7)	110582 (11.5)	718430 (74.8)	242176 (25.2)	960606 (100.0)
Total Rural	446120 (49.8)	139674 (15.6)	13580 (1.5)	64099 (7.1)	663473 (74.0)	233106 (26.0)	896579 (100.0)
Total Urban	2647 (4.4)	2074 (3.4)	2453 (4.0)	44640 (73.7)	51814 (85.5)	8789 (14.5)	60603 (100.0)
Total	449264 (46.8)	142497 (14.8)	16087 (1.7)	110582 (11.5)	718430 (74.8)	242176 (25.2)	960606 (100.0)

Note: Figure on Bracket is show on the Percentage Data. Source: Sankhiya ptrica 2010 & 2012.

It's clear that the main occupation of Eastern Utter Pradesh district is agriculture cultivator and agricultural labourer. Because in the year 1981, 56.5 percent workers was cultivator and 6.8 percent was an agricultural labour. Thus, the total percent of cultivator and Agricultural Labour is 63.3 percent. In other words, we can say that two-thirds of workers are directly engage in agricultural occupations. The household worker is 0.8 percent and other worker is 7.5 percent. So here total main worker is 71.6 percent and marginal worker is 28.4 percent. It shows that marginal workers are large in number reflecting upon poor economic conditions in Eastern Utter Pradesh.

In 2001 total worker of Eastern Utter Pradesh district was 9,60,606 and in which most of them were found to be engaged in agriculture, but its percentage has declined in comparison to 1991. The share of cultivator was 62.1 per cent and agricultural labour share was 12.7 per cent in 1991. These have become 46.8 percent and 14.8 percent respectively in 2001. This shows that workers engaged in agriculture is 61.6 percent in 2001. This shows that the share

of the farmers and farm labour is shrinking in the district while they are shifting to other occupations.

According to this table we say that Eastern Utter Pradesh district the development profile is based on mainly agricultural and its allied activities. Most of the workers are cultivators and agricultural labour. So this district is a backward district and majority of the population lived on agriculture not withstanding some changes.

1.33 Educational Development Profile in Eastern Utter Pradesh District:

The educational development profile of Eastern Utter Pradesh district is not at satisfactory level. The literacy position in Eastern Utter Pradesh district is almost at the bottom as it ranks third from the bottom in Uttar Pradesh. The literacy rate of Sharawasti district is the lowest with 33.8 per cent in which male literacy is 46.7 per cent and female literacy 18.6 per cent in 2001. Than Balrampur district comes next with a literacy rate of 34.6 per cent in which male literacy is 45.8 per cent and 21.8 per cent of female literacy. The third rank from the bottom is occupied by the Eastern Utter Pradesh district where literacy rate was 35.2 per cent in which male literacy is 45.6 per cent and female literacy is 22.8 per cent in 2001. Thus literacy position of Eastern Utter Pradesh district is given below in Table 3.15. In Eastern Utter Pradesh district inter district or block-wise data shows that there is not much difference in literacy rate among the blocks. The block-wise literacy rate is shown in table 3.21.

Table 1.20: Development block-wise literacy rate in the Eastern Utter Pradesh district

Sr.No	Development block	Literacy rate in percent (2001)
1	Mihinpurwa	30.9
2	Nawabganj	33.3
3	Balha	26.3
4	Shivpur	27.9
5	Rishiya	29.9
6	Chittaura	34.1
7	Mahsi	34.3
8	Tazawapur	32.1
9	Fakharpur	32.2
10	Hazurpur	30.3
11	Kaisarganj	37.3
12	Jarwal	34.5
13	Payagpur	43.5
14	Visesherganj	43.1

Eastern Utter Pradesh	
District (Average)	45.2
Uttar Pradesh	56.3
India	64.8

Source: Sankhiky diary Uttar Pradesh, 2010 page 227 and 230.

In Eastern Uttar Pradesh literacy rate is 45.2 per cent and in India- 64.8 per cent in 2001 census. Thus these data show that Eastern Utter Pradesh district is backward in literacy in the country and also the state of Uttar Pradesh.

1.34 NEED OF THE STUDY

A major constraint to the participation of poor in economic growth is access to financial credit. It has been estimated that more than 500 million people worldwide need access to financial services. However, formal financial intermediaries such as commercial banks often do not serve poor households for reasons that include the lack of traditional collateral, High costs of small transactions, inferiority complex among poor, illiteracy, ignorant to banking and geographic isolation. Thus microfinance institutions have made the informal sector more advantageous and welcoming for the poor and low income people.

In spite of the fact that India today has an extensive banking infrastructure, the importance of micro finance lies in the fact the formal/institutional banking sector has not lived up to its social responsibility of meeting the financial needs of the due to various reasons such as:

- (a) Lack of adequate branch network in the rural areas.
- (b) The inability of the poor to offer satisfactory collaterals for loan
- (c) Lack of education and awareness among the poor.
- (d) Reluctance of bank to foray into microfinance is primarily reflective of their:
 - (i) High risk perception of the rural sector
 - (ii) High transaction cost of small loans
 - (iii) Non stipulation of any specific target for the poor sector

The credit requirement in India has been estimated to be around Rs.50,000 crore per annum. Against this requirement the credit outstanding of the poor with the formal banking sector is stated to be Rs.5000 crore or ten percent of total demand. According to the simple survey conducted by the World Bank NCAER in 2003 in Uttar Pradesh and Andhra Pradesh, around 87 percent marginal farmers / landless labourers / poor do not access

credit from the formal banking sector. Most of the benefits have gone to relatively better off people. As the banking sector is not able to meet the entire credit needs of the poor, it is necessary to encourage the growth of microfinance institutions for substantial scaling up of the microfinance to prevent economic exploitation of poor from dominating money lenders, landlords, traders and middle man in the rural credit sector and magnifying the scope of employment opportunities and poverty eradication through micro finance creation.

To meet out this lacuna, the microfinance institutions have emerged as key providers of financial services for the poor. The micro finance which includes the small credit, micro saving and micro-insurance is gradually emerging as one of the most effective strategies to alleviate poverty. It effectively generates employment and sustains the income of the rural households by giving them open opportunity of work.

More efforts are needed to promote and strengthen microfinance to optimize the way against poverty because there is a crying need for timely and adequate availability of funds for rural finance for improving the income of the poor.

The microfinance institutions in the rural credit sector have made the access to rural credit convenient through a particular subset of financial services which provide small loans to very poor families, most often without any collateral. The loan and credit extended are typically small 'micro'. They are provided in varying contexts, either to individuals or groups, ranging from personal micro credit to small enterprise support and rural finance like agriculture, artisan, vocation etc.

Microfinance helps the rural people to avail and create economic growth opportunities. It is changing the level of rural people, re-energizing the poor community, particularly the most oppressed, suppressed and neglected community of the rural society mainly comprising of SC/ST. The access to credit as well as extending other financial-products and services to these people of low income group below poverty line includes women, small and marginal families, artisans, agricultural labourers and share croppers. It also gives them access to micro insurance through which sudden expenses relating to serious illness or loss of asset can be recovered. The facts reveal that interest rates charged by informal moneylenders are hidden than those charged by microfinance institutions, hence, there is an overwhelming demand from all corners to protect the rural people from these extorters and play a vital role by MFIs as vehicle to reach poor.

Realizing the importance of microcredit in the development process, the government and RBI have taken various regulatory and supportive initiatives which have encouraged financial institutions to make timely and adequate finance available to poor. To access the

institutional credit to poor sections of society, microfinance is one of the most sustainable and effective tool.

Thus the impressive growth of microfinance institutions and microfinance services has attracted the attention of Indian researchers, individuals and financial institutions during the last few years. Hence it is appropriate, relevant and topical to focus the attention as to how the micro finance has made an upsurge in credit off-take for the upliftment of rural life. With this objective the present study "Role Of Microfinance To Reduce Poverty In Eastern Uttar Pradesh" is selected.

The study would also help. the, existing and prospective financial and micro-financial institutions (MFIs), researchers, beneficiaries and policy makers to get an idea of then active and impact of micro-financial services, practices and performance of micro-financial institutions in India's rural development which will have broader implications for:

- Developing appropriate strategies.
- Becoming more rural people development oriented.
- Developing appropriate policies conducive to healthy socio-economic development of rural people of India.

1.35 Objectives of the Study:

- a) To justify the demographic profile of beneficiaries availing micro finance programme.
- b) To justify the impact of availability of microfinance through JLG on sustainable livelihood.
- c) To justify the prevalence of nonfinancial services in improving the economic status of poor people.
- d) To analyse the effect of microfinance activities on employment generation for economically weaker section.

In this thesis we have presented how microfinance helps in reducing the poverty and make stable the income of the poor people. We have identified how microfinance helps in social and economic development of Eastern Utter Pradesh. Further, we have examined the methodologies adopted by MFIs to reach the poor segment. At last, we have assessed the extent to which microfinance has leaded the reduction of poverty of the target group.

The present study also demonstrated an ongoing (though evolving) role for Micro Finance as innovators in the field, developing new ways to extend credit to population sectors as yet not adequately served, including those in the poorest levels of society, people in rural areas, and those involved in small animal husbandry or agriculture. In countries where regulated entities

have significant market penetration, we observed a crucial role for NGOs in the provision of other services such as training and business advisory services for micro entrepreneurs.

1.36 Implications and Future Scope

Micro-credit has assumed a special significance in the context of increased emphasis on rural development. The Noble peace prize to Muhammad Yunus for his work on microfinance in Bangladesh will not only boost the sector but also inspire governments, banks, voluntary agencies and individuals to strengthen and expand the microfinance sector. In India, the microfinance sector has grown from a few self-help group (SHGs) promoted by NGOs in the mid-1980s to over 29 lakh SHGs at present. The SHG-bank linkage program of NABARD accelerated the growth of the sector. The Government of India and RBI have laid greater focus on the microfinance sector to increase the access of the poor to financial services. In time to come, the microfinance sector is expected to grow further in terms of reaching out to more families and would include more services for the poor. To provide an enabling environment for realizing the potential of microfinance in India, a close scrutiny of issues that are constraining the growth of the sector is required and a strategy needs to be prepared for strong and consistent growth so that a majority of the poor have access to institutional financial services. The vision of microfinance is very simple to create systematic change in financial systems world-wide. Instead of the exclusive financial systems that have for decades benefited and protected the wealthy, microfinance intends that they serve the impoverished majorities, help lift them out of poverty, and make them full participants in their country's social and economic development. In the next ten years, our task is to make certain that millions of poor men and women currently unnerfed may access financial services. How do we get that? As we look forward, we will focus on what institutional channels we will reach, what innovations we will need, and what role governments and donors will need to play.

The study also demonstrated an ongoing (though evolving) role for NGOs as innovators in the field, developing new ways to extend credit to population sectors as yet not adequately served, including those in the poorest levels of society, people in rural areas, and those involved in small animal husbandry or agriculture. In countries where regulated entities have significant market penetration, we observe a crucial role for NGOs in the provision of other services such as training and business advisory services for micro entrepreneurs. Case studies, by their very nature are restricted in universality of their results. It is our intention to accumulate survey information from a large number of Micro-finance Institutions (MFIs) in the future so as to develop a rigorous empirical study of the different features of microfinance in India. In our opinion, developing and analysing a large database that would allow us to better understand these essential constituents of the microfinance revolution should be a

good and major subject of future research in the microfinance in India. No single intervention can defeat poverty. Poor people need employment, schooling, and health care. Some of the poorest require immediate income transfers or relief to survive. Access to financial services forms a fundamental basis on which many of the other essential interventions depend. Moreover, improvements in health care, nutritional advice and education can be sustained only when households have increased earnings and greater control over financial resources. Financial services, thus reduce poverty and its effects in multiple, concrete ways. And the beauty of microfinance is that, as programs approach financial sustainability, they can reach far beyond the limits of scarce donor resources.

1.37. WHAT IS MICROFINANCE?

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, if at all, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings. According to James Roth, “Microfinance is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These financial services include credit, savings and insurance products. A series of neologisms has emerged from the provision of these services, name micro-credit, micro-savings and micro-insurance”. The Canadian International Development Agency (CIDA) defines microfinance as, “the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions”.

1.38. CHARACTERISTICS OF MICROFINANCE

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be ‘bankable’, that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. The characteristics of microfinance products include little amounts of loans and savings. Short- terms loan (usually up to the term of one year). Payment schedules attribute frequent installments (or frequent deposits). Instalments made up from both principal and interest, which amortized in course of time. Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the

microfinance intermediary to become sustainable over time. Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status. Application procedures are simple. Short processing periods (between the completion of the application and the disbursement of the loan). The clients who pay on time become eligible for repeat loans with higher amounts. The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

1.39. THE GRAMEEN MODEL

In most developing countries, policies for rural financial development have been based on three erroneous beliefs concerning their target groups: 1. rural micro-entrepreneurs are unable to recognize themselves, 2. they are too poor to save; and 3. they need cheap credit for their income-generating activities or small enterprises. Three financial policies have resulted from these conjectures. Firstly, the credit-oriented development banks and special programs were set up which ignored savings mobilization. Secondly, credit was subsidized, and lastly generous credit guarantee schemes were set up to cover the anticipated losses. The consequences of these policies contributed neither to the self-sustained growth of rural finance, nor did they sufficiently benefit the rural poor.

For commercial reasons financial services historically have been targeted to the rich section of the society, which have a greater capability to repay loans and preserve their savings. However, the poor community generally remained either un-served or were offered improper financial services. Poor farmers and landless labourers had acute difficulty in accessing financial services from conventional financial institutions. Banks and other formal financial institutions are currently estimated to provide services to only 25% of potential clients worldwide. Statistics indicate that apparently only 2% of micro entrepreneurs are being provided service by banks (Women's World Banking, 1994). To overcome these obstacles, a prominent economist and professor from Bangladesh, **Muhammad Yunus in 1976**, came up with a new concept and model, which is called, "The Grameen Model". During a field trip to a relatively poor village in Bangladesh with his students in 1974, Muhammad Yunus interviewed a woman who had a small business of making bamboo benches. Due to the shortage of the resources to purchase the raw materials, she was forced to borrow small amounts of money from a local lender. Without any collateral, she could only

borrow enough money to buy the raw materials to build one piece at a time. The woman had to repay the lender with high interest rates. Sometimes the interest rate of that loan exceeded 10% of the principal amount. After repaying the lender, the woman was left with a profit margin that was not enough even to meet her basic daily needs. Had she had access to more complimentary terms for her loan, she would have been able to save enough money to protect her from future uncertainties and in the long run, would have been able to raise herself above the survival level. Discouraged by what he saw, Dr. Yunus took matters into his own hands and lent a small amount of money as a loan to some 42 rural basket-weavers. He found that these small loans went a long way, and almost everyone who had borrowed the money, were keen to repay their loans. Dr. Yunus found out that even with this tiny amount of money it is possible not only to help the poor to survive but also to create the spark of personal initiative and enterprise in the people, necessary to pull themselves out of poverty.

Just after two years of his field trip, Dr. **Yunus** established the Grameen Bank, and introduced “Grameen Model”, which is now being considered as one of the most successful models in the microfinance industry. The Grameen Bank finds the economically active poor, who are excluded from formal financial services, and helps them by providing financial services. The Grameen bank also emphasizes on the mobilization of savings. The Grameen Bank is a kind of institution that provides small loans to the poor, especially women in Bangladesh, using innovative ways of getting around their borrowing constraints. The Grameen Bank has been enormously successful in generating sustainable livelihoods, reducing poverty and driving development in Bangladesh. Since its start in 1976, it has grown to over 1084 national branches, in over half the villages of Bangladesh. Recognized as a huge success, the “microfinance” model pioneered by Dr. Yunus has been replicated and implemented in dozens of other underdeveloped and developing countries around the world. Presently there are approximately 7000 microfinance institutions serving over 54 million clients worldwide, who have received US\$18 billion in loans and have accumulated US\$13 billion in savings.

1.40. HUMAN DEVELOPMENT

Development is deeply related to rising income. However, it is true that other variables have also deep relation with development. Goals of development emphasize on the reduction of poverty rather than raising average incomes. All microfinance program targets one thing in general: human development that is geared towards both the economic and social uplift of the people they cater for. Tackling poverty has taken a new and broader dimension. Now the escalating income and savings, and building the assets are not the only means to fight the poverty. Tackling poverty points to multidimensional concepts that emphasizes on reducing unemployment, infant mortality, maintaining essential healthcare, sanitation, food,

nutrition basic hygiene, establishing gender equality etc.⁶⁸ On the other hand, how these kinds of development can be achieved? It is possible to achieve those development indexes, if disposable income is increased. Without maintaining balance between income and expenditure, it is difficult to tackle poverty. Microfinance programs target both economic and social poverty. To assess the success of their efforts microfinance institutions need to measure the impact on the borrowers. The primary objective of all MFIs interventions is poverty reduction. Poverty reduction is perceived from the economic point of view. On the other hand, MFIs interventions promote living condition of poor people by offering supportive service. These supportive services are important indicators of human development. The objective of this program is to create sustainable changes in the lives and livelihood of the poor, women in particular.⁶⁹ As a strategy for removing poverty, microfinance institutions emphasize on improving the health of the poor, which is a main concern worldwide and particularly in low-income countries, where the burden of disease is heaviest. The relationship between poverty and ill health has been characterized as synergistic and bidirectional. Poverty confines the capacity to produce health and ill health leads to further impoverishment that diminishing the potential of individuals and households to improve their economic status.

Poverty alleviation strategies (PASs), like micro-credit programs, may pilot to health benefits. There is a growing recognition that poor health is a dimension of poverty; therefore, one potential result of poverty reduction is progress in the health of the poor PASs can adopt various forms. Debra Lipson's (1998) review of potentially pro-health PASs included community and micro-enterprise economic development, agriculture and food policies, education policies, macroeconomic policies, and environment or infrastructure investments to improve the supply of safe water and basic sanitation. Human development has close relation with few other development programs, some of them are described below.

1.41. Health Program

Health intervention has been an integral part of the MFIs. Different organizations apply different or similar policy to identify the health problems, undertake rigorous experimentation and try to explore and then apply suitable, affordable and culturally acceptable technology. Throughout the work process, they measure and monitor its implementations and recommends corrective actions to modify methods of implementation of program, health message, training and management, where needed.

1.42. Education Program:

Another important goal of all MFIs is to spread the light of education throughout the society. Development through this program, along with the health program, indicates human

development among the people. Their effort and mission is to build up a society free of poverty, illiteracy and disease. Their goals are to expand education opportunities for disadvantaged children and provide them with necessary technical and financial support.

1.43. Food Security Program

In the developing countries, achieving household food security remains a critical objective of rural development. This can be done in principle by escalating agricultural productivity and off-farm income, thus improving the capability of households to steady their income and food purchasing power. Food security, at the household level, is defined in its most basic form as access, by all people at all times, to the food needed for a healthy life.

1.44. Reflections about Theories

One of the most important elements need to be discussed is that in which aspects the above-mentioned theories are linked to our study. Firstly, we are going to investigate the impact of microfinance on the living standards of the poor people in Bangladesh. Income is one of the important elements of living standards as well as of savings. The MFIs are providing loans to the poor not only to increase their income but also to mobilize their savings. By mobilizing savings, poor people can secure their future and feel safe. For this reason, we have emphasized more to know the situation about the income and savings of poor community of the society. Apart from these, other factors that contribute to human development, like education, level of access to treatment facilities and empowerment are also included in our investigations as these variables are also related to the core program and methodology of microfinance.

1.45. Issues and Challenges

Sarvaiya,(2009) studied on topic microfinance Opportunities and Challenges and classified MFIs into categories Mainstream MFI (NABARD, SIDBI, HDFC and RRBs) and Alternative MFIs (NGOs, NBFCs). He defined four segments of demand for Microcredit in rural areas, as seasonal employed of consumption credit, self-employed of working capital credit, small cum medium farmers and traders of commercial business credit, and women's of both consumption and productive credit. Women's are regarded as the best credit utilise, because they mostly spend their profit for benefit of children's by making increment which helps in breaking generational cycle of poverty. As a matter of safety and security the supply of insurance services to the poor has increased substantially over 90s due to existence of low premium schemes covering death, accident, natural calamities and loss of asset, but the usage is limited because of low awareness among the poor's. The author stated major reasons behind failure of microfinance institutions like problem in placing certain programme with differed policies and cost structure, unfavourable local circumstances, institutional junctures, problem of alternative MFIs, inappropriate legal forms, lack of commercial orientation and

accountability. In order to overcome these shortcomings the establishment of new monitoring and model should be developed by MFIs, improvement in regulation, and non-interference of government in administration and policies of MFIs have been suggested. **Jerinabi and Kanniammal** through *Microcredit – an anti-poverty tool* tries to explain the basic characteristic and degree of poverty alleviation through microcredit to the beneficiaries. From the study of three Panchayats (Anamalai, Karamadai, and Periyanaickken) consisting 202 women samples found that 45 per cent sample earned Rs. 1000 to 2000 per month. Majority of women 41 per cent are engaged in food related items business. In addition to group loan members have also employed their own capital in business. As the matter of profit concern, 56 per cent women have earned below Rs. 500 per month from their enterprises.

Microcredit only helps the poor beneficiaries to gain extra income and move out of poverty but failed to work for economic deprivation of very poor and destitute because of inappropriate credit distribution. The broader target of Microcredit schemes with training and capacity building should be adopted to overcome these deficiencies. Pathak and Pant³⁸ (2008), made study on Microfinance a case study of Jaunpur District in order to analyze the socio-economic impact of microfinance on poverty alleviation. He further highlights the impact of SGSY programme on poverty alleviation in Ramnagar block. The study found 74 per cent of samples have not received any kind of training. The author has divided the samples into Treatment group (SHGs under SGSY) and comparison group was higher than comparisons group. Moreover the treatment group enjoys better quality of life due to improved shelter and housing. But major finding of study shows that SGSY has not contributed significant change in the level of income. Therefore, the author suggested public accountability in working schemes, transparency and interference of village level organization (through NSS and college students), and organization of training programmes.

1.46. Methodology of Microfinance

Majority of the microfinance institutions offer and provide credit on a solidarity-group lending basis without collateral. There is also a range of other methodologies that MFIs follow. Some MFIs start with one methodology and later on move or diversify to another methodology so that they do not exclude certain socio-economic categories of clients. So it becomes important to have a basic understanding of methodologies and activity of MFIs.

1.46.1 Group Lending

Group based lending is one of the most novel approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most groups have between four to eight members. The group self-selects its members before acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most MFIs require a percentage of the loan that is supposed to be saved

in advance, which points out the ability to make regular payments and serve as collateral. Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. To ensure repayment, peer pressure and joint liability works very well. The entire group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter. The creditworthiness of the borrower is therefore determined by the members rather than by the MFI. One of the best-known institutions for lending and savings money, in Bangladesh, is the Grameen Bank. Grameen Bank mainly targets women (98% of their clients are women) on the basis that women repay their loans better than men and due to the oppression they need more favor. It is believed that loans expanded to women benefit all the household members with improved level of food intake, health, and education. Average loans range from US\$100 to US\$200 for a period of 3-12 months. The loan amount varies from country to country. Average loan amounts tend to be higher (\$500 or more) in countries in transition of adapting to this system. On one hand, the group formation guides to lower transaction costs for the MFIs, but on the other hand there are social costs related with this process. These social costs can be a negative restraint to group borrowing and joint liability approaches, and include coercive peer pressure, loss of faith and the likelihood that the poorest and most vulnerable will remain excluded or further stigmatized.

1.46.2 Individual Lending

Unlike MFIs, there are very few conventional financial institutions which provide individual loans to low-income people because poorer clients are considered higher risk clients due to their lack of collateral, plus the labor-intensive nature of the credits and hence the lack of profitability of small-credits. BASIC BANK (Bangladesh), Bank Rakyat Indonesia (BRI) in Indonesia, ADEMI in the Dominican Republic and are some examples of successful lenders to poor clients. However, BRI does request collateral and a loan co-signer, while ADEMI and BASIC BANK will take the best collateral it can.

1.46.3 Credit Unions

Credit unions are the organizations that are formed on the basis of financial relation of savings and loans between its members. They accumulate savings from its members and provide short-term credit to the needed members. The demand for loans in general exceeds the supply of savings. In most rural areas credit unions are still the solitary source of deposit and credit services, besides the informal financial market. Because credit unions have social as well as commercial objectives, they may have a key role to play in offering pro-poor financial services. It has been observed that some women have not benefited much from the credit unions because the level of savings required is too high. Credit unions have achieved financial self-sufficiency within the last few decades. According to one statistics from the

World Council of Credit Unions (WOCCU), by the end of the 1980s there were about 17,000 credit unions in 67 developing countries around the world. These unions maintain nearly 9 million members and 60% of these members are from Africa and the Caribbean Islands. These credit unions handled approximately US\$2 billion in deposits and share capital. It is estimated that they are disbursing US\$300 million in small loans to about 1.5 million small businesses.

1.46.4 Village Banking

Village banking is a kind of financial services model that assists poor communities to establish their own credit and saving associations, or village banks. Village bank provides non-collateralized loans to its members and a place to invest savings and promote social solidarity. The sponsoring agency provides loan for the village banks and village banks in turn provide individual loans to its members. Peer pressure and peer support among the members are considered as the bank guarantees of these loans, to ensure repayment where small working capital is repaid every four to six months by its borrowers. Borrowers start with a very small loan and gradually they establish loan ceiling. Loan sizes depend on the amount which borrower has saved. Member's savings are kept for the purpose of lending or investing to increase the resource base of the bank. Commercial standards are applied to determine interest rates and fees.

1.46.5 Self Help Groups/Associations

Rotating Savings and Credit Associations (ROSCAs) exist in several parts of the world but recognized under different names, like as Tontines and Susus. They are known to be female dominated organizations that save small amount of money and members can borrow from common pool on a rotating basis. These types of organizations or self-help groups, have sometimes been used by MFI for group lending among the members.⁵⁷

1.46.6 Savings Mobilization

Savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation (Vogel 1984).The importance of savings mobilization has been highlighted in several papers in the context of microfinance. Few analyses have been shaped in order to take an in-depth look at the savings mobilization strategies, which are employed by various institutions and are then compared to the results. Deficiency of savings facilities creates problems at three levels: (i) at the individual level, (ii) at the level of the financial institution; and (iii) at the level of the national economy. At the individual level, the lack of appropriate institutional savings facilities forces the individual to rely upon in-kind

savings, such as the savings in the form of gold, animals or raw materials, or upon informal financial intermediaries, such as Rotating Savings and Credit Associations (ROSCAs) or money-keepers. These alternative informal savings facilities do not guarantee the combination of security of funds, ready access or liquidity, positive real return and convenience, which are basic requirements or necessity of a depositor.

1.47 RELEVANCE OF THE STUDY

The study is of utmost importance with the constitutional point of view, as 40 percent of the credit as per Indian constitution (Article-39-directive principle) be diversified to neglected / rural sector. A sudden spurt in the rural and priority sector credits was experienced after nationalization of banks in 1969 for which banks had a little experience. It is revealed that the performance of the financial institutions / banks which are involved in extending rural credit has deteriorated; consequently the development of rural areas has stagnated significantly.

During the last few years, the microfinance movement has challenged conventional financial sector and government thinking in the process of fundamentally altering the financial landscape. Today micro credit programmes offer a combination of services and resources to their clients in addition to credit for self-employment. These often include savings, training networking and peer support, but it is still a separate part of the financial system with direct service provision to the poor by mainstream commercial institutions.

It is earnestly hoped by the researcher that the proposed study will be proved as a useful tool to the rural people to access micro finance service as well as to the MFIs in providing a structured vision plan to reach specific level of comfort in micro finance lending and will give a new strategy to reach new expansion in lending portfolio. The study will also be beneficial to unemployed youths in the poor / low income households in the rural areas of all the regions of India and also to the people who wish to stand on their own feet to earn their livelihood and wish to uplift their socio economic status in the society.

1.48 LIMITATIONS OF THE STUDY

- Since microfinance services covers predominantly in the form of credit and not address much more the poor's need for saving and insurance services, hence the proposed study is confined to a detailed study of micro credits. The later services are not covered under the parameters of the study.
- Since micro-credit has not been an area of significant importance so far to the commercial banks, hence the study concentrates only on the role of main micro financial institutions other than the commercial banks. The private sector banks and foreign banks do not fall within its preview.

- Since during the, limited period of time and financial resources with the scholar, it is not feasible to have a detailed study of entire regions of Indian economy. Hence the study has examined and analysed the micro financial services and their impact in major areas of India which are mainly concerned with the poor people.

CHAPTER-II

REVIEW OF LITERATURE

Devereux & Pares. (1987), presented a manual on credit and savings for the poor of the developing countries. Microcredit has recently assumed a certain degree of prominence. It is based on the recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small-scale loans and would introduce them to the small-enterprise sector. This could allow them to be more self-reliant, create employment opportunities, and, not least, engage women in economically productive activities. Currently, there are estimated to be about 3,000 microfinance institutions in developing countries. These institutions also help create deeper and more widespread financial markets in those countries

Jorimon et al.(1991), examined faces of poverty. *Fast Facts: The Faces of Poverty*. More than one billion people in the world live on less than one dollar a day. Another 2.7 billion struggle to survive on less than two dollars per day. Poverty in the developing world, however, goes far beyond income poverty. It means having to walk more than one mile everyday simply to collect water and fire-wood; it means suffering diseases that were eradicated from rich countries decades ago. Every year eleven million children die—most under the age of five and more than six million from completely preventable causes like malaria, diarrhea and pneumonia. In some deeply impoverished nations less than half of the children are in primary school and under 20 percent go to secondary school. Around the world, a total of 114 million children do not get even a basic education and 584 million women are illiterate.

Schenk and Sandbergen (1991) in their paper “Empowerment of Women in a Development Project” published in ‘Economic and Political Weekly’ observed that, the concept of women’s interests assumes compatibility of interest based on biological similarities. In fact that position of women in society depends on a variety of different criteria, such as class and ethnicity as well gender, and consequently the interest they may have in common may be determined as much by their class position or their ethnic identity as by their biological similarity as women.

Hamsa (1992) in his article entitled “Women in Economic Development Process” published in ‘Southern Economist’ observed that the concern for women in economic and social development arises from the relative exclusion of women from the development process in different countries across the world. This calls for special provisions for women in self-employment and for education and training policies to that effect together improvements in wages and working conditions. One of the approaches for the

integration of women in economic and social development, therefore, is to identify opportunities that would provide women with more avenues for self-employment and a conscious effort towards the development of entrepreneurship among women.

Joshi & Little. (1993), observed Indian's economic reforms. The progress of economic reforms in India is followed closely. The World Bank suggests that the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labour regulations, reforms in lagging states, and HIV/AIDS For 2012, India ranked 132nd in Ease of Doing Business Index, which is setback as compared with China 91st and Brazil 126th. According to Index of Economic Freedom World Ranking an annual survey on economic freedom of the nations, India ranks 123rd as compared with China and Russia which ranks 138th and 144th respectively in 2012.

Puhazheni (1995) conducted study of 10 SHGs and 5 bank branches in Karnataka and Tamil Nadu and concluded in her paper "Transaction Cost of lending to the Rural Poor in India" that the intermediation of SHGs reduced the time spent by bank personnel in identification of borrowers, documentation, follow up and recoveries. Effecting 40 per cent reduction in the transaction cost of the bank, as compared to direct lending to individual borrowers. Transaction cost of borrowers was reduced by 85 per cent.

Indian Bank (1995) had conducted a similar study in Tamil Nadu, covering 45 branches of their bank and 101 SHGs. The study examined only the transaction costs of the branches under different models for credit delivered for medium term loans up to Rs. 25,000. It concluded in her paper "Performance of Indian Bank Branches in SHG lending" published in 'Rural Bankers' that lending to SHGs, which lend to borrowers with NGO acting as non-financial intermediary, resulted in saving of transaction costs to the extent of 45 per cent as compared to lending under government sponsored programmes and other direct lending projects.

BIRD (1996) the Bank performance improvement study under the Maharashtra Rural Credit Project (MRCP) concluded that with SHG intermediation, the transaction and risk costs of the advances of the rural branches could be brought down that could help turn around many loss making rural branches.

Sinha (1997) says that, our social organizations involved in the task of women's emancipation and, uplift should lay great stress on creating consciousness among the people to treat women at par in all walks of life. The Government should be a helping hand to their efforts, particularly in field of constant monitoring and evaluation of progress in the direction of raising the social status of women. Cruelties against them, including dowry deaths, should become things of the past in the new milieu of our social life.

Bayadas,Mayada,Dougals,Graham&Liza.(1997), presented commercial banks in microfinance. Microfinance is the category of financial services offered to lower income people, where the unit size of the transaction is usually small (“micro”), typically lower than the average GDP per capita, although the exact definition varies by country. Starting in the 1970s, well-known pioneers, such as Grameen Bank in Bangladesh and ACCIÓN in Latin America, demonstrated that poor people can be creditworthy. Today, microfinance covers the full range of financial services—credit, savings, remittances, insurance, and leasing, among others—which are increasingly provided by a diverse set of financial service providers. In 1998, CGAP described commercial banks as “new actors in the microfinance world.”

Gulli.(1998), examined microfinance and poverty. Microfinance supports mainly informal activities that often have a low return and low market demand. It may therefore be hypothesized that the aggregate poverty impact of microfinance is modest or even nonexistent. If true; the poverty impact of microfinance observed at the participant level represents either income redistribution or short-run income generation from the microfinance intervention. This article examines the effects of microfinance on poverty reduction at both the participant and the aggregate levels using panel data from Bangladesh. The results suggest that access to microfinance contributes to poverty reduction; especially for female participants; and to overall poverty reduction at the village level. Microfinance thus helps not only poor participants but also the local economy.

Hannig & Wisniwski.(1998), observed successful mobilization of small and micro-savings: Experiences from seven deposit-taking institutions. Mobilizing savings strategies have assumed increasing importance for micro finance institutions. This research compares the strategies of seven micro finance institutions operating in Asia, South America and Africa and investigates the different characteristics that make the savings mobilization strategies of the seven deposit-taking institutions optimal.

Agarwal (1998) said in his article “A field of one’s own” that in the present context, ‘Empowerment’ could be defined as ‘a process that enhances ability of disadvantaged(powerless individuals) groups to challenges and change existing power relationshipsthat placed them in subordinate economic, social and political position’.Empowerment can manifest itself in act of individual resistance as well as in groupmobilization. Entitling women with land on the one hand, empower themeconomically on the other hand. Strengthen their ability to challenge social andpolitical gender inequalities i.e., land rights would enhance women’s “freedom toachieve” or “capability to function” in non-economic spheres as well.

Prasad (1998) of the 'National Institute of Rural Development, Hyderabad' carried out two case studies, one in Salem district of Tamil Nadu and another in the Tribal Development Project areas of Andhra Pradesh to understand the process of economic empowerment of women. In Salem district 11 blocks were covered under International Fund for Agricultural Development Programme (IFAD). This project broadly envisaged empowering rural women by expanding their resources, improving access to credit, raising the level of awareness, better access to health and establishment of a viable model for women's development.

Srivasan and Satish (1999) in their study on impact of SHG lending on the profitability of branches studied eight branches where the SHG lending constituted more than five per cent of the loan portfolio. They concluded that lending to SHGs and NGOs carried the least cost when compared with other models of lending. Lending through SHGs reduced the costs by 85 per cent and through a federation, reduced the costs by 95 per cent as compared to direct lending. The default risk was negligible in the case of lending to SHG and NGO/federation.

Singh (1999) mentioned in his article entitled "Rural Development-Principles, Policies and Management" in the context of micro-finance, SHGs are formed around the theme of savings and credit. Under the SHG-Bank Linkage Programme, three linkage models have broadly emerged. Under the first model, banks are directly linked to SHGs without the intervention of the NGOs. In the second model, banks are providing credit to SHGs and NGOs act as Self-Help Promoting Institutions (SHPIs). Under the third model, NGOs are acting both as Self-Help promoting Institutions and financial intermediaries for channelizing credit from banks to SHGs. As on 31st March, 1997, the SHGs linked to banks under the three models numbered, 1,105, 3,889 and 3,604 respectively, and the bank loans advanced to them were worth Rs. 11.84 crore.

Selvaraj and Vasanthi (1999) observed in his article, "Role of Self Help Groups in Entrepreneurship Development" published in the 'Tamilnadu Journal of Cooperation' that these SHGs, because of their manageable size, close knit identity and operational flexibility are fast emerging as promising instruments of job creation and income generation among rural youth. The basic needs of rural youth for starting self-employment ventures are finance and organizational help. Financial requirements of the SHG's members are very small. Poverty alleviation would be the immediate objective of promotion of self-employment in rural areas the long term objectives should be entrepreneurial development of rural youth.

The National Bank for Agriculture and Rural Development (2000) conducted a study on the "Impact of Micro-Finance (MF) on the living Standards of SHG

Members". The study concluded that the involvement in the group significantly contributed to improving the self-confidence of the members. The feelings of self-worth and communication with others improved after association with the SHGs and the members were relatively more assertive in confronting social evils and problem situations. As a result, there was a fall in the incidence of family violence.

Sen (2000) has attempted a study to find out the development of SHGs promoted by Sree mamahiala Samity and its impact on socio-economic development on women members. The findings of the study revealed that the individual loans were mostly used for productive purposes, the rate of recovery was very high compared to the rate of recovery of the formal institutional system and group dynamics was an instrument for change in the quality of life of the poor people. The study also revealed that other than economic activities, the groups worked towards primary education, basic health care of family, safe drinking water and environment protection. The study concluded that group cohesion, group action, need-based credit, timely repayment is essential elements for sustainability of the groups.

Satish (2001) in the study entitled "Some Issues in the Formation of Self Help Groups" published in 'Indian Journal of Agricultural economics' revealed that several SHGs included very poor members and the process of SHG formation had to be systematic whether it was formed by a bank or an NGO. It also observed that most of the SHGs had faced initial resistance in their efforts. The study concluded that the NGOs were more suited for forming and nurturing the SHGs.

The National Institute of Bank Management (NIRM, 2001) has studied SHGs in four districts of Maharashtra promoted under Maharashtra Rural Credit Project (MRCP). The average savings of the SHGs in MRCP was Rs. 24 per month per member. This rate was more for new groups than for the old groups. The study also found that the average amount of savings mobilized amounted to Rs. 10658 per group that the SHGs in MRCP had started lending their own thrift from the eighth month of their formation.

Karmakar.(2002), stated that SHGs as an approach towards alleviation of poverty. According to him poor people hold tentative and uncertain behaviour while, the group membership helps in removing this rough edge behaviour pattern. SHGs work on the principle of cooperation and mutual help which tries to fulfil the individual member's financial and social requirements.

Littlefield, Morduch &Hashemi.(2003), presented "Is Microfinance an Effective strategy to reach the Millennium Development Goals?" The United Nations' Millennium Development Goals (MDGs) have galvanized the development community with an urgent challenge to improve the welfare of the world's neediest people. Donor agencies are orienting their programming around the attainment of the MDGs and are mobilizing new resources to reduce

hunger and poverty, eliminate HIV/AIDS and infectious diseases, empower women and improve their health, educate all children, and lower child mortality. The MDGs are framed as concrete outcomes in the areas of nutrition, education, health, gender equity, and environment. Thus work in these specific areas will be a large part of any development strategy driven by the MDGs. But decades of experience has shown that progress in these areas is powerfully affected by other factors in the broader context, such as a functioning government, physical security, economic growth, and basic infrastructure (for example, transportation).

Khandakar.(2004), presented microcredit and the third world. **Microcredit** is the extension of very small loans (**microloans**) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans. As of 2009 an estimated 74 million men and women held microloans that totaled US\$38 billion .Grameen Bank reports that repayment success rates are between 95 and 98 per cent. Microcredit is part of microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. Modern microcredit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983. Many traditional banks subsequently introduced microcredit despite initial misgivings. The United Nations declared 2005 the International Year of Microcredit. As of 2012, microcredit is widely used in developing countries and is presented as having "enormous potential as a tool for poverty alleviation.

Pandian and Eswaran(2004) made a study on Microenterprises and Rural Women and defines micro credit programme as extent of small loans to poor women for self-employment projects that generate income allowing them to care for themselves and their families. Microfinance helps them to start up microenterprises which in turn support in creation of self-employment earn livelihood and hence uplifting of family living standard.

Tripathy(2006), stated the factors behind the failure of formal financial institution as inadequate supply of credit, poor recovery demand-supply gap, improper identification of beneficiaries and unhealthy competition from informal credit agencies. He explained different models of SHGs-Bank linkage programme for credit needs of the poor women by combining flexibility, sensitivity and responsiveness and regarded mutual trust and confidence between banker and rural women as a major factor in encouraging banking

services in rural areas. Further, he suggested promotion of literacy programme, proper record maintenance of member's cash matter and government intervention as major factor required for further growth of SHGs.

Ghosal (2007) remarks in his paper "Business Model for Banks to lend to Poor" published in 'Professional Banker' that as financial inclusion is a strategy for poverty alleviation. Banks play a vital role in this effort, through strategic partnership model which involves equity participation with the MFIs, loan funding, securitization and agency appointment for delivery of products and services. This model of partnership of the banks, MFIs and farmers and artisans will create viable and sustainable organizations to not only fund the poor but also to make the unorganized sector as organized. In order to make it a reality, a lot of home work and dedication of selfless NGOs will be required. Nothing is impossible if people see the benefit and comprehend the same and are also assured of adequate support of dependable institutions like the banks.

Ramamurti (2007) observed in his paper "Business model for Banks to lend to Poor" published in 'Professional Banker' that the banks will be more successful in the provision of the micro finance activity through SHG-bank linkage program. Both the support and guidance of the government and the apex banks, all measures taken in this direction will prove to be beneficial to the providers and the receivers. There would be an extension of diversified activities covering large sections of the rural community. This in turn could lead to the "socio economic empowerment" of the less advantaged sections. The continued support of the branch banks along with the cooperative banks in the provision of credit and credit related services including MF factoring with the renewed vigor and innovation in the rural areas appears to be the imperative need for the present day Indian economy.

Sharma (2007) has found in his paper "Micro Finance through Self Help Groups" published in 'Professional Banker' that the results of micro financing through SHGs are so impressive that it is attracting the attention of many. There is a real danger that it may be hijacked by the unwanted or by influential agencies, including the government program. In addition, a lot should be done for sustaining and up scaling the SHG movement. Change agents will have to struggle and find solutions for making SHGs suitable vehicles for sustainable microfinance services and eventually for sustainable rural development.

Subramanian (2007) has observed in his Paper "Microfinance – A Promoting Instrument for SHGs" that NGOs are playing a major role in promoting both microfinance and SHGs. But NABARD has to promote independent agencies which will act as a facilitating mode and act like a bridge between the banks and the SHGs to ensure a healthy relationship

for the growth of the economy. Government has to gear up and allocate huge funds for setting up modal research centers in every state capital and thereby it has to train individuals in various aspects of project functioning, project appraisal, agriculture production, marketing of services and other similar activities which the SHG is capable of carrying through. Banks have to employ external agencies to monitor the procedural aspects of forming SHGs and act as a facilitator in backing up the various forthcoming activities of SHGs.

Yunus, Muhammad, Jolis & Alan (2007), examined banker to the poor: Micro-lending and the battle against world poverty. In January 1977, the Grameen Bank was born. This bank started under completely new principles than any bank in Bangladesh. Its premise was that each borrower has a human right to credit. The borrowers had to form groups of five in order to form some type of security on the loan. A loan was then given to two members of the group. After payments were successfully made for six straight weeks, the next two members could take out a loan from Grameen. The chairperson is usually the last person to obtain ability to borrow. This micro-credit program started by Grameen has been tested throughout Bangladesh, and has even been expanded through other programs into much of the world today and has been proven to work with minor variances in the basic principles.

Jasmine (2008), studied on topic SHG and poverty alleviation in Ramanathapuram district of Tamil Nadu. Various NGOs work on SHGs nourishment and growth in the District, but among them only TRMM and SMSSS are major players and have greater share in membership.

Natrajan (2008), defined Microfinance as the miniscule but potentially significant and effective credit delivery system which seeks to achieve the broad range and multifaceted objectives i.e. meeting the credit needs of poor. The major objective of Microfinance is to build up mutual trust and confidence between bankers and rural poor and to evolve supplementary strategy for meeting the credit need of the poor by strengthening technical, administrative capabilities of formal credit institutions and combining formal credit system.

Sudalaimuthu and Kumar (2008) analyzed the SHGs formation, functions and socio-economic status of members before and after joining the group. The study was based on secondary and primary data of 150 samples with limited study area of Coimbatore district.

Shaik and Nubala (2008) have observed in their paper entitled "Microfinance – The Road Ahead" published in 'Kurukshetra' that micro finance is intended to deliver credit to the target communities, especially in the rural areas, through MFIs. In the recent past, MFIs are becoming more popular and promoting additional capable ways to use inadequate development funds to complete the objectives of poverty alleviation. Both NABARD and SIDBI exemplify that state-run financial institutions are making meaningful intervention. In

the present globalization era, micro finance, microcredit, micro insurance etc. are enriching the living standards of the poor. In spite of many problems MFIs are playing a vital role in the development of rural economy and helping to improve the economic stability and financial inclusion of the country.

Majumdar (2009), highlighted evolution, growth and impact of micro credit in India. He defined micro credit as specific loans to the poor and credit needs of clients, while Microfinance as broader range of financial services which create wider range of opportunities to the poorest spectrum of society.

Ramesh (2009), highlighted that the worst condition of physically challenged persons especially focusing rural India. The rural disabled were at disadvantage position when compared their access to resources, employment opportunities and rehabilitation. Further they were regarded as most neglected, marginalized, uneducated and untrained and burden on family.

Singh (2009), made a study on „Microfinance for Rural Women Empowerment“ and stated the concept of rural women has been underestimated and discriminated against all walks of life despite of their substantial contribution towards households and national economy.

Somnath (2009),described of origin, growth and sustainability of SHG-bank linkage programme in India. He addressed SHG-Bank programme as a unique process of empowering the poor and enabling them to control direction of own development by identifying their felt needs.

Sowani,(2009) analysed that the 87 per cent of poor households were without access to any formal credit and 70.4 per cent of poor did not have any deposit account. This big gap cannot be bridged alone by Indian Banking industry and therefore the need of microfinance emerges. He define “Microfinance as a term which is normally associated with a very small loan with no collateral to the borrower both from rural and urban areas for income generating through market based selfemployment under terms and condition of promoting agencies.”

Vandra,(2009) regarded that micro credit programme as an instrument to meet the requirement of rural development. The study focused on the growth of microfinance in India which in the beginning was slow but today it attracts the attention of whole world due to liberal refinance and successful repayment performance of SHGs.

Variyani, (2009) defined Microfinance as provision of thrift, credit and other financial services and products of very small account to the poor for enabling them to raise their income level and improve living standard. The microfinance programme in India was associated with SGSY, NABARD, and RMK has emerged as world“s largest financial programme in terms of outreach with 7.8 million households“ accessed credit through 17085 branches of formal banking system.

Lokhande (2009) has observed in his study “Microfinance Initiatives in India” that micro-finance programme has a significant role to play in Indian economy for boosting micro entrepreneurial activities for creating productive assets coupled with employment generation. So in order to cover all the poor households, particularly BPL households, there is a need for providing full support by the government, financial institutions and NGOs and SHGs programme. So far the SHGs -bank linkage programme has been much successful in achieving quantitative targets women self help groups have to face problems such as, indifferent attitude of bank officers, exploitation by promoting NGOs, lack of marketing facilities for product / services, these bottlenecks should be rooted out on priority basis. Women groups should be given responsibility of running Anganwadi, fair price shops so that they become permanent entities. The banks and the respective NGOs should nourish and develop the SHGs by providing financial assistance, organizing skill based training programmes in rural as well as in semi urban areas.

Malaisamy (2010),stated the reason behind disempowerment of people in India is due to unequal distribution of benefits from economic growth and development. He made comparison between the members of SHG (75 per cent) and members of co-operative (25 per cent) out of 120 samples from three villages made through simple random sampling.

Panda and Panda (2009) made a study on *Levels of living of Tribal Self Helpgroups promoted under watershed programme in KBK districts of Orissa*. Due toMicrofinance support there is increase in plantation and horticulture crops.

CHAPTER-III

RESEARCH METHODOLOGY

3.1. Introduction:

There are mainly two kinds of research methods, quantitative method and qualitative method. These two methods differ in terms of the numeric (numbers) or non-numeric. Quantitative method is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure, such as: graphs or statistics that generates or uses numerical data. On the other hand, qualitative method is predominantly used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data. Therefore, the other difference between qualitative and quantitative data is that, the qualitative data refers to words, such as pictures and video-clips, rather than numerical results. It is not easy to express the impact of microfinance on the general people of a country with the help of few sentences. On one hand, some impacts can be shown only in numerical figures like, savings and income, while on the other hand other impacts can be expressed only in descriptive ways, like, access to education, business experience etc.

When the questionnaire prepared, the researcher tried to make it fully structured to get most of the impact of microfinance on the society. In the questionnaire, we tried to combine the numerical questions as well as some non-numerical questions. Hence, this study will also focus on the numerical data and perform the statistical tests. Thus, the result of our research depends on numerical and non-numerical analysis, using both quantitative and qualitative methods.

3.2. Sample Selection and Data Collection Procedure

The population for our study encompasses the people who have been engaged in microfinance activities for at least two years and live in Eastern Uttar Pradesh region. We chose the people with a long experience in microfinance activities because they are well informed and know much about the pros and cons about its activities, so they can reflect better to our questionnaire. We have used structured questionnaire for collecting the data by interviewing the clients attached to the MFIs. The people for the

interview were selected randomly. To get the address and particulars of the interviews in different areas, we took help from the local branches of MFIs and from the local people of the particular areas. The data collection procedure started from village where the microfinance activities started in Eastern Uttar Pradesh.

3.3. Questionnaire Design

The questionnaire comprised of background questions about gender, age, education, number of family members and living standards, and questions related to income, saving, capital etc. Structured questions and some dichotomous question were asked to collect the information from the respondents. The same context of questions was given to all interviewees and they received exactly the same interview stimulus. Questions were very specific with a fixed range of answers. Our structured questionnaire had multiple-choice questions in which the researcher provided a choice of answers and respondents were asked to select one or more of the alternatives, and dichotomous questions that had only two response alternatives, yes or no. We also used 'Likert Scale' (considered on 1-5 points scale) to measure the respondents' perceptions based on few statements to perceive the impact of microfinance on their overall living standards. The points of the scale indicate the degree of satisfaction or agreement level of the household or a person after he or she has received loan from a micro finance. '1' represents the lowest level of satisfaction or high disagreement, whereas '5' represents the highest level of satisfaction or high agreement.

3.4. Secondary sources collections

Although the result of the research is highly dependent on the primary sources that we have gathered from the structured interview, but it also required some secondary sources to understand the concepts, definitions, theories and empirical results. We have used several books, research literatures, articles, journals and thesis, as secondary sources for our study. Internet sources were also used as a secondary source for our thesis. Since the internet sources are less reliable, we have limited the use of those sources to the web pages of prominent organizations like Grameen Bank. Most of the sources, we tried to use, are reliable and are acceptable almost everywhere. Further, we have also used the handbooks and annual reports of some of the MFIs in Eastern Uttar Pradesh.

However, it is not always easy to find out the appropriate research materials for the thesis. Many studies have been conducted on microfinance over the last few decades. Nevertheless, from them we had to choose the most appropriate literature for our thesis. For this reason, we had to go through numerous references related to this topic, to find the suitable materials. These materials were mainly collected from the university library and using available search tool. The researcher have accessed and searched the databases that we found via ALBUM on the website of the Umeå university library. Besides these, Google Scholars, JSTOR and LIBRIS were also used to find the suitable research material. The keywords used when searching for scientific articles and literatures were microfinance, microfinance and India, poverty reduction and microfinance, Muhammad Yunus and microfinance, living standards and microfinance; Savings mobilization, Solidarity, Group lending, Liquidity and microfinance etc.

3.5. Criticism of Secondary Sources

It is important that the secondary sources, we have used, should be of relevance and should be of good source of inspiration. Hence, we tried to pick up most of the researches, which were peer-reviewed and used by other researchers for their studies. This criterion of selection ensured the quality of secondary sources. It is necessary to ensure that the sources used in the thesis were up-to-date due to the fact that microfinance is a rapidly growing and developing methodology. New researches, articles, books, ideas and previews, linked to microfinance, appear regularly. To ensure the reliability of our research in the present situation and scenario, we tried to refer to the latest articles or studies available to us. While getting ourselves acquainted with the facts about the origin and working of MFIs, we tried to link the recent studies with the earlier ones. This helped to give us a true picture of the things as these studies were updated regularly to ensure the availability of most of the facts. One of the most remarkable achievements of the MFIs is to spread their idea over many other developing countries. Starting from the small village in Eastern Uttar Pradesh, its impact has been recognized even at the highest international body, UNO. To give the idea of this impact we have referred to many recent economic and social reports from UNO and other important institutions as, UNESCO, CIDA, World Bank etc.

The most important thing, which we like to point out, is the problem involved in the collection of secondary data. There are some books and articles used as references in the theoretical framework are quite practically oriented rather than based on pure theory. We have already motioned in our limitation part that there are no particular and established theories in microfinance. Previous authors and researchers have not yet defined any solid theory-based assumptions that may allow the understanding of the several areas of microfinance. Due to the fact that the books and articles are more practical-oriented, there are no purely theoretical references in this thesis and that is why the theoretical framework of this work provides practical insight. Furthermore, most of the books and research papers about microfinance are the combinations of different sources, which have mainly emphasized on the empirical findings and the effect of microfinance rather than theoretical issue. For this reasons, we have used the Grameen bank model, savings mobilizations, solidarity, liquidity and human development concepts as theories, to get the important base for our questionnaire and findings.

3.6. When to Use Random Sampling

When surveying a large population it may not make sense to survey everyone in the population, as this would be very time consuming and often quite expensive. Random sampling in this case would be proportionate to the size of the population, and the results from surveying the samples would be later used to infer how the population as a whole may have responded and to draw conclusions about the larger group.

3.7. Benefits and Risks of Random Sampling.

One of the biggest benefits of using random sampling in a survey is the fact that, since subjects are obviously randomized, it is the best way to ensure that results are unbiased. It is also much faster and often less expensive to use random sampling and as a result is a much more efficient way to obtain results. Additionally, random sampling consistently provides results that are valid, making it easy for researchers to draw conclusions about large populations.

As with any survey, there is no way to guarantee that the results that come from a sample in a random survey are 100% accurate, although the results do tend to be more accurate than those obtained through other methods. The sample may not be

representative of the larger population, which can incur a sampling error, but the chance of this occurring can be determined early in the survey by mathematical theories. Despite the problems associated with this method, it's important to remember that every survey comes with measures of uncertainty.

CHAPTER-4

RESULTS AND DISCUSSION

4.1 Introduction:

General features of microfinance and pattern of availability is important for assessing the role of microfinance in improve the poverty alleviation and employment generation. With better availability of microfinance the poor people are likely to benefit more. Microfinance programmes play significant role in poverty alleviation, employment generation and women empowerment in developing countries. There is a lot of possibility to develop the better applications of microfinance for the people like in Eastern Utter Pradesh whose annual income is significantly low. So this can be a true helper of poor and unskilled population. In this chapter we present the general features of the people using the microfinance and its pattern of availability in the Allahabad district. For this we collected primary data by sample survey method. The sample survey was carried out using a semi-structured questionnaire, and data from 200 respondents were collected during the study.

Allahabad is one of the most backward districts in Uttar Pradesh. In the district major problems are poverty, unemployment, illiteracy, labour migration, nutrition, and sanitation and women empowerment. Therefore, Allahabad district can be selected as the base district for the applicability of microfinance in alleviation of these problems. The study includes all the four tehsils in the district. We conducted interview for those who were using microfinance for self-employment purpose and raising their income levels besides enhancing their living standard.

4.2 Methodology and Sample Design:

Allahabad district has been selected for the study because as compared to other districts of the state, this district is poor and backward in terms of literacy rate, infrastructure facility, people's involvement and participation in different government and institutional programmes.

4.3 Sample of Primary Data Collection of the Study:

The study is based on both secondary as well as primary data collected from the study area. The required data is obtained from the annual report of NABARD, Status of Microfinance in India, Uttar Pradesh planning department, District Statistical Office, etc. For studying the role of Microfinance in all tehsils, a specific schedule was prepared in order to collect primary data from the field. Keeping in view the objectives of the study, survey technique along with personal interview method has been employed for the collection of data. A separate schedule has been prepared and strictly followed for the collection of the relevant information. Primary data at individual level has been collected during the period of January 2012 to June 2012. Keeping in view the objectives of the study, both tabular as well as statistical test has been used for data analysis. Further Regression and (Analysis of Variance) ANOVA repeated measures has been used to access the performance of beneficiaries on the basis of personal income, household expenditure, personal savings and personal employment.

Table 4.1 Distribution of subject according to living place (N=200)

S. No.	Place of living	Number of Respondent	Percentage
1	Rural	396	99
2	Urban	04	01
	Total	400	100

Source: Compiled by author from primary survey data.

The respondent distributions according to their place of residence have been shown in Table 4.1 This can be concluded from the above table that 99.0 percent of the total respondents belong to the rural areas.

4.4 Household Information of the Respondents:

The Household information of the respondents is carried by using the following parameters age, gender, religion, category, house ownership, house type, electricity, Telephone/Mobile, source of drinking water and respondent's education level. These parameters are the primary data collected for the analysis.

4.4(a) Age of respondent:

The actual age of respondents is shown in questionnaire, and in the data tabulation and data analysis age of respondents. We are dividing these data into three groups of the respondent age less than 18 years, the age between 18 to 60 years and the respondent age more than 60 years.

Table 4.2 Age wise distribution of respondents (N=200)

Sr. No.	Age-group of respondents	No. of respondents	Percentage
1	Less than 18 years	12	3.0
2	Between 18 to 60 years	340	85.0
3	More than 60 years	48	12.0
	Total	400	100

Source: Compiled by author from primary survey data.

Table 4.2 shows the age wise distributions of respondents and it can be concluded that majority of subjects (n=340, 85.0 per cent) were having the age between 18 to 60 years. There were (n=48, 12.0 per cent) respondents having age above 60 years and (n=12, 3.0 per cent) below the 18 years. Thus, the majority of the respondents are between the age group of 18-60 years engaged in microfinance for their occupations and livelihood.

4.4(b) Gender of respondents:

Male and female both engaged in microfinance activity but the male dominates over female. In the Allahabad district respondents are male and female beneficiaries and non-beneficiaries of microfinance and its related activities. These respondents are direct microfinance beneficiaries; self-help groups members and kisan-credit card (KCC) holders. We collected data on Self-Help Groups (SHGs). The maximum 10 members in any Self-Help Group were approached for the study.

Table 4.3: Gender wise distribution of respondents

Sr. No.	Gender of respondents	No. of respondents	percentage
1	Male	320	80.0
2	Female	80	20.0
	Total	400	100

Source: Compiled by author from primary survey data.

Table 4.3 shows the gender wise respondent's distribution and it can be concluded that more than four/fifth (80.0 per cent) respondents are male. There were only 80 (20.0 per cent) female respondents. The lesser ratio of female is observed because in Allahabad district we find very low literacy rate, many social evils and low awareness and the majority of female population is not doing outdoor work.

4.4(c) Category wise distribution of respondent:

In Allahabad district people associated with the microfinance belong to different categories. In the survey we find that other backward categories (OBCs) respondents are more than other category respondents. So in the Allahabad district, there is much involvement of other backward category people than the General and Scheduled caste category people. The category wise respondent's distribution is given in Table 4.4 its shows the category wise distribution of the respondents and further it can be concluded that OBC category is dominating over all other categories. There were 22 (11.0 per cent) scheduled castes and remaining 58 (29.0 per cent) belong to general category. Thus this sample study of Allahabad district covers all categories respondents which are engaged in microfinance activity for their livelihood.

Table 4.4: Category wise respondent distributions in Allahabad district

Sr. No.	Category of respondents	Number of respondents	Percentage
1	General	116	29.0
2	OBC	240	60.0
3	SC	44	11.0
	Total	400	100

Source: Compiled by author from primary survey data.

4.4(d) House ownership and house type of respondent:

The House ownership of respondent shows that excluding two all other respondents are their own houses and they stay with their relatives or friends. For the analysis purpose the house type is categorised into Pucca, Semi-Pucch, Kuchcha and Hut categories. The house ownership and house type of respondents in Allahabad district is shown in Table 4.5.

Table 4.5: House ownership and house type of respondents

Sr. No.	Variable(House ownership)	Number of respondents	Percentage
1.	Own	197	98.5
2.	Other	02	1.5
House Type			
1.	Pucca	43	21.5
2.	Semi-Pucca	62	31.0
3.	Kuchcha	78	39.0
4.	Hut	18	8.6

Source: Compiled by author from primary survey data.

In the study we found that almost all 98.5 per cent respondents used to live in their own houses, and while remaining 1.5 per cent used to live as tenants. The 21.5 per cent respondents are living in pucca house and 62 (31.0 per cent) respondent have semi-pucca house. On the other hand 78 (39.0 per cent) respondents are living in Kuchcha house while 18 (8.6 per cent) respondents reported that they were living in huts. This table shows that the number of pucca house is increasing day by day in rural areas. Later I also show that microfinance is helping in this regard. Thus, fast growing pucca house in rural area is being helped by microfinance in Allahabad district.

4.4 (e) Availability of Electricity, Telephone/Mobile and source of drinking water for respondents:

In the Allahabad district electricity availability is very poor. Large numbers of villages were not connected with the electricity till 2013. But mobile revolution is spread to almost all the respondents. On the other hand, sources of drinking water are Hand Pump available for the major segment of the respondents. Thus, we found very poor infrastructure development in the Allahabad district, because road, electricity and railways are in underdeveloped condition. This poor infrastructure also disturbs its development process. Due to mobile revolution, it has reached to almost all the

respondents. The availability of Electricity, Telephone and source of drinking water are shown in Table 4.6.

Table 4.6: Availability of electricity, Telephone and source of Drinking water

Sr. No.	Variable	No. of respondents	Percentage
Electricity connection			
1	Yes	49	24.5
2	No	151	75.5
Telephone/Mobile			
1	Yes	181	90.5
2	No	19	9.5
Source of Drinking water			
1	Hand Pump	200	100

Source: Compiled by author from primary survey data.

Table 4.6 shows that only 49 (24.5 per cent) of the respondents were having electricity in their house, and rest 151 (75.5 per cent) respondents have no electricity connection in their house. Thus in the Allahabad district most part of the rural area is not connected with the electricity. Besides this rural area that connected with electricity experience poor quality and quantity of electricity. This poor electricity facility affects development process. Although microfinance related activity of income and employment generation does not get much affected because primary data shows that its activities are successful without electricity apparently.

The second part of table 4.6 shows the ownership of Telephone/Mobile. It can be seen that 181 (90.5 per cent), respondents are showing availability of mobile phone, while only 19 (9.5 per cent) respondents have no mobile phone. Thus in the Allahabad district mobile revolution seems to be good and satisfactory. On the other hand, all the respondents have Hand Pump as their drinking water source. Thus availability of mobiles and hand Pumps for drinking water is perfect for the respondents in the Allahabad district.

4.4(f) Education level in Allahabad district:

The actual education level of the respondent is presented in Table 4.7. In the tabulation of the primary data we divide education level into four groups- Graduation and above, up to matriculation, up to primary and illiterate. In terms of education of the respondent and average district education level lies at the bottom level in Uttar Pradesh. There is significant variation of the education level in the district.

Table 4.7: Education Level in Allahabad district

Sr. No.	Respondent education level	Number of respondents	Percentage
1	Graduate & above	10	2.5
2	Matriculate	106	26.5
3	Primary	122	30.5
4	Illiterate	162	40.5
	Total	400	100

Source: Compiled by author from primary survey data.

Table 4.7 shows that the maximum numbers of respondents are illiterate 162 (40.5 per cent) and only 10 (2.5 per cent) respondents are having education up to Graduation or above. There were 106 (26.5 per cent) respondents having education up to Matriculation and 122 (30.5 per cent) of the respondents were educated up to primary level only.

This figure is not equally distributed. People having education up to graduation and above are from urban areas whereas people having education up to primary level and illiterate people belong to rural areas. Thus these primary data are showing general and household information of the respondents in Allahabad district. In the case study we found that microfinance provides much support for providing education to children of the respondents. So we can say that all of these characteristics are also applicable for other households in the Allahabad district.

4.5 Demography and other Particulars of Household Members:

In this section we analyze the demography and other particulars of household members of respondents in Allahabad district. Here the parameters studied are average family size, educated members in family, monthly income of household, having bank accounts and frequency of bank transactions. We included these parameters because in economic development these indicators play very important role. In India from pre independence period these indicators are very poor. But after independence these indicators started improving. In Uttar Pradesh these indicators are for better than in Allahabad district because Uttar Pradesh is assigning greater significance towards these indicators. This shows that Allahabad district has low levels of these indicators as compared to India and Uttar Pradesh. Therefore, microfinance may play very important role in improving these indicators, by raising the economic status of the poor and marginalized sections in the district.

4.5(a) Average family size:

In this study we found that the actual family member of respondent and recorded the details in the questionnaire. For tabulating the data we divide all sizes into three groups as follows family size less than 5 members, family size between 5 to 10 members and family size more than 10 members. The family size less than 5 members showing small family, family size between 5 to 10 member is medium size family and family size more than 10 member is big size family. The average family members of household are medium size. In the sample survey we found that the average family size of respondent and the other peoples family also having the same size in the Allahabad district. In the table 4.8 we are shown the average family size of respondents in Allahabad district.

Table 4.8: Average family size of respondent

S. No.	Average family members	Number of respondents	Percentage
1	Less than 5 members	91	45.5
2	Between 5 to 10 members	99	49.5
3	More than 10 members	10	5
	Total	200	100

Source: Compiled by author from primary survey data.

Table 4.8 shows that in the Allahabad district respondents having less than 5 members in a family are 91 (45.5 per cent). Between 5 to 10 members in family size the respondents were 99 (49.5 per cent) and respondents having more than 10 members in family size are just 10 (5.0 per cent). Thus, the majority of the respondents had 5 or more members in their family (n=99, 49.5 per cent). These family sizes were like other poor and non-respondent people in the Allahabad district.

4.5(b) Education of family members of the respondents:

In this section we discuss the number of educated members in the family of the respondents. For the tabulation of the data we grouped all data into three groups that all family members educated, some members are educated and no one of the members is educated. With this data we can know education of family members of the respondents. In the sample survey we found that respondents, who started self-employment occupation with the help of microfinance this increases their income and employment and at the same time increase their children's education. Thus microfinance is playing very important role in improving education level of the respondents. Members of educated family members of respondents are shown in Table 4.9.

Table 4.9: Numbers of educated family members of respondents

Sr. No.	Educated family members	Number of respondents	Percentage
1	All	55	27.5
2	Some	94	47.0
3	None	51	25.5
	Total	200	100

Source: Compiled by author from primary survey data.

Table 4.9 shows that the respondent whose all members of family are educated are 55 (27.5 per cent) of the total respondents and number of the respondents with some members of family educated, is 94 (47.0 per cent). Around one fourth of the respondents did not have any one literate in the family. Thus in Allahabad district

only one quarter (25.5 per cent) of the respondents are whose all family members were educated. There were 94 (47.0 per cent) respondents who reported some members of their family are educated while 51 (25.5 per cent) respondents reported no one of the family members being educated. In the case study we discuss with the respondent about their quality of the education after using the microfinance and they reported positively that after starting microfinance activity, they started sending their children to schools. Thus, we can conclude that microfinance has impact on increasing children's education.

4.5 (c) Monthly Income of the respondents:

Monthly income of respondent means the income earned by respondent and their family member by all sources during the entire month. For the analysis purpose we divide the monthly income of the family of respondents into three groups. Household income has less than Rs. 5000, between Rs. 5000 to 10000 and respondent income more than Rs. 10000. In the case study we found that microfinance plays an important role in increasing the income of the respondents. They reported that with the help of microfinance income and employment both increase.

Table 4.10 Monthly incomes of respondent

Sr. No.	Monthly income (Rs.)	Number of respondents	Percentage
1	Less than Rs. 5000	144	38.5
2	Rs. 5000 to Rs. 10000	166	44.5
3	More than Rs. 10000	90	22.5
	Total	400	100

Source: Compiled by author from primary survey data.

Table 4.10 shows that 144 (38.5 per cent) have per month income of less than Rs. 5,000, income between Rs. 5000 to Rs. 10000 and 88 respondents (44.5 per cent) and more than Rs. 10,000 income per month are 90 (22.5 per cent) respondents. The majority of the respondents (n=123, 62.0 per cent) had a monthly income above Rs. 5000. There were 144 (38.5 per cent) households with monthly income less than Rs. 5000.

4.5(d) Having bank account and frequency of bank transactions:

In this section we describe the respondents having bank accounts and frequency of the transaction. In the case study we asked respondents that if they have bank account. They have to reply in Yes or No. Then we asked frequency of the transaction. They replied the transaction of duration wise weekly, fortnightly, monthly, quarterly, half-yearly and yearly. In the study we found that banks play very effective role in development of microfinance and its related activity because by opening a bank account they can increase their savings. After some saving collection they would be able to get loan plus grants and may start self-employment by any occupation. In their savings they could borrow at very easy terms and condition and fulfill their basic needs of financial requirement. Thus, banks play very important role in savings collection, providing loan and grants, promote self-employment occupation and micro-credit facility to poor people. Information of having bank account and frequency of transactions is shown in Tables 4.11.

Table 4.11: Having bank account (n=200)

Sr. No.	Have Bank Account	No. of respondents	Percentage
1	Yes	356	89.0
2	No	44	11.0
	Total	400	100

Source: Compiled by author from primary survey data.

4.5 Pattern of Microfinance Availability:

Although, we have achieved high growth rate, but still problems of poverty and unemployment persists in the economy and so is the case in Uttar Pradesh. There are various studies showing that microfinance is a possible way to reduce poverty, increase employment opportunity and improve social justice in different parts of the world. SHG-Bank linkage program has proved to be successful in providing financial services from the formal banking sector to the poor. However, the issue of linking the small/marginal farmers, tenant farmers/oral lessees, share croppers and the rural non-farm entrepreneurs with the formal banking sector is concern for NABARD as their demand are not met through the SHG as in SHGs, loan amount is linked to savings. Let us define tenant-any person who holds land under another person's name and pays

rent to such other person on account of the use of land is called tenant i.e. tenant is a person who has taken the lease and is liable to pay rent for the piece of land. Oral lessees mean the term refers to tenancy without legal sanction and permission or without any written agreement. Sharecroppers mean tenants who pay rent to landlords by way of sharing crops grown. (in lieu of rent by cash). NABARD has piloted Joint Liability Groups (JLGs) program during 2004-05 in eight states of the country with the help of 13 RRBs through the mechanism of joint liability approach. The JLGs promoted in 2004-05 are 285 with bank finance of Rs. 4.48 crores and to 488 JLGs with bank loan of Rs. 6.79 crores in 2005-06. Besides the above pilot project, the Government of Andhra Pradesh through its Agriculture Department primarily designed the initiative by promoting Rythu Mithra Groups (RMGs) on the SHG model. During 2005-06, banks extended finance of Rs. 131.78 crores to 12,468 RMGs. RMGs are also expected serve as a conduit for technology transfer, facilitate access to market information and assist in carrying out activities like soil testing, training, health camps, access input requirements, etc., to its members. Over the last few years NABARD has been propagating the idea of JLGs at various fora, Based on the experience obtained in implementation of the pilot project, a scheme for financing JLGs by the Commercial Banks, RRBs and Cooperative Banks has been formulated and circulated to RRBs and Cooperative Banks by NABARD and to Commercial Banks through Reserve Bank of India/Indian Banks Association.

4.6 Promotional Support-MFI Bank Linkage:

NABARD has taken three major initiatives to support Micro Finance Development Fund (MFDF) to strengthen them as:

(1) Capital Support to MFIs:

(a) The Scheme: The Micro Finance Development Fund (MFDF) was set up with NABARD by Government of India in 2000-01 with the initial corpus of Rs. 100 crore to be contributed by Reserve Bank of India (40%), NABARD (40%) and Commercial Banks (20%). The MFDF was redesignated to Micro Finance Development and Equity Fund (MFDEF) in 2005-06 and the corpus was increased to Rs. 100 crore and the same has been increased to Rs. 400 crore during 2010-11. Accordingly, NABARD presented a scheme called "Capital/Equity Support to MFIs" in 2007-08 for providing Capital/Equity to various types of MFIs to enable them to leverage commercial and

other funds from banks. This would help MFIs in providing financial services at an affordable cost to the poor. During 2009-10, NABARD presented a new scheme for "Capital Support to Start-up MFIs" having potential to scale-up their activities but lacking in capital, infrastructural facilities and managerial skills.

Micro Finance Organizations (MFOs) and MFI- NBFCs, identified as "Start-ups" on the basis of area of operation, client outreach, lending model, borrowing history etc., are eligible for support under the scheme. Financial support will be in the form of 'subordinated debt' which shall be sub-ordinate to the claims of all other creditors. The quantum of support will be commensurate with the business plan of the MFO/MFI-NBFC but not exceeding Rs. 50 lakh in any case. The rate of interest has been fixed at 3.5% to be repaid over a period of 7 years including moratorium of 2 years.

(b) Progress under Scheme: During 2009-10, RFA of Rs. 23 crore was sanctioned to 13 MFIs taking cumulative RFA sanction to 65.98 crore to 51 agencies. The disbursements made during 2009-10 were at Rs. 22.55 crore and the cumulative disbursement reached Rs. 55.49 crore. As on 31 March 2010, the total RFA outstanding was Rs. 33.27 crore against 22 MFIs. Besides Capital Support and RFA from MFDEF, refinance assistance of Rs. 30 crore was also released during 2009-10 of which outstanding as on 31 March 2010 was Rs. 28.33 crore.

(iii) Rating of MFIs:

In order to identify, classify and rate Micro Finance Institutions (MFIs) and empower them to function as intermediaries between the lending banks and their clients, NABARD had introduced a scheme for providing financial assistance by way of grant to CBs, RRBs and Co-operative Banks to avail of the services of accredited rating agencies for rating of MFIs. Banks may avail the services of credit rating agencies viz. CRISIL, M-CRIL, ICRA, CARE and Plant Finance for rating of MFIs and also avail financial assistance by way of grant to the extent of 100% of the professional fees of the credit rating agency.

During 2009-10, the scheme has been refined and the grant support has been increased to a maximum of Rs. 3.00 lakh. The facility is available for the first rating and an MFI with a minimum loan outstanding of Rs. 50.00 lakh and maximum loan

outstanding of Rs. 10.00 crore. During 2009-10, NABARD has provided grant support of Rs. 15.83 lakh for rating of 13 MFIs to Banks or MFIs.

4.7 Centre for Micro Finance Research:

With funding support from MFDEF, a centre for Micro Finance Research (CMR) has been setup in Bankers Institute of Rural Development, Lucknow to take up research studies in the field of microfinance with the mission of strengthening microfinance sector through supply of research inputs to facilitate policy initiatives and improvements to design and delivery system that provide poor with sustainable access to quality financial services. The CMR along with four sub-centers viz. Indian Institute of Bank Management (IIBM) Guwahati, Institute of Financial Management and Research (IFMR), Chennai, Institute of Development Studies (IDS), Jaipur, and Chandragupta Institute of management, Patna (CIMP) had initiated several studies on critical issues of microfinance. Grant assistances of Rs. 375.00 lakh were sanctioned to CMR from MFDEF to pursue the above-envisaged activities.

4.8 NABARD-GTZ Technical Collaboration in Rural Finance Institutions

Programme:

Under the purview of technical collaboration in Rural Finance Institutions Program between GTZ and NABARD, technical assistance continued to be extended to NABARD during the year for, interlay, promotion and development of microfinance as well as improvement in the quality and viability of financial services under SHG-Bank Linkage Program. Exposure-cum-studies, capacity building interventions and documentation, etc., were undertaken in collaboration process for furtherance of the sector.

The report of the 'Committee on Financial Inclusion' has indicated the need for addressing the remittance needs of the poor and NABARD has to play an important role in this direction. Keeping in view, NABARD and GTZ have undertaken a quick study on present practices of remittance and the team leader was Dr. Y.S.P. Thorat (ex-chairman, NABARD). Based on the findings of the study report, a joint appraisal mission on remittance discussed the issue with various partners viz., Ministry of Finance, Gol, Reserve Bank of India, State Bank of India, India Post, Mr. Nandan Nilekani (Unique ID), etc. On the basis of the discussions of the appraisal team,

NABARD and GTZ signed 'Agreed Minutes on the Joint Appraisal of the Program' on 19 January 2010. The NABARD and GTZ have now commissioned a detailed study on "Remittance needs of the poor" in different corridors .

4.9 Formation of JLGs and Saving by JLGs:

Banks may initially form JLGs by using their own staff wherever feasible. Banks may also engage business facilitators like NGOs and other individual rural volunteers to assist banks in promoting the concept and formation of groups. The JLG is intended primarily to be a credit group. Hence, savings by JLG members is voluntary and not compulsory as in the case of SHG. All the JLG members may be encouraged to open an individual 'no frills' account. However, if the JLG chooses to undertake savings as well as credit operations through the group mechanism, such groups should open a saving account in the name of JLG with at least two members being authorized to operate the account on behalf of the group.

4.10 Joint Liability Group Models (JLGMs):

Banks may finance JLG by adopting any one of the following two models:-

Model A:

Financing individuals in the Group. The group would be eligible for accessing separate individual loans from the financing bank. All members would jointly execute one inter-se document (making each one jointly and severally liable for repayment of all loans taken by all individuals in the group). The financing bank could assess the credit requirement, depending on the activities being undertaken and credit absorption capacity of the individual. However, there has to be mutual agreement and consensus among all members about the amount of individual debt liability that will be created.

Model B:

Financing the Group:

The JLG would consist preferably of 4 to 10 individuals and function as one borrowing unit. The group would be eligible for accessing one loan, which could be combined credit requirement of all its members. In the case of crop loan, the credit assessment of the group could be based on crop/s to be grown and the available cultivable area by each member of the JLG. All members would jointly execute the document and own the debt liability jointly and severally.

Source of direct microfinance:

For the tabulation of the data of main source of direct microfinance we grouped it into two groups institutional and non-institutional. In the study, we found that the main source of direct microfinance is non-institutional sources because in the rural area of Allahabad district low literacy and unawareness among the respondents is high. So they prefer non-institutional borrowings because institutional sources need much documents charge high interest rates. Table 4.18 shows the main source of direct microfinance and verification although they charge low rates of interest. However, non-institutional sources availed by the respondents.

Table 4.12: Main sources of direct microfinance (n=48)

Sr. No.	Main source	No. of respondents	Percentage
1	Institutional	110	27.5
2	Non-institutional	290	72.5
	Total	400	100.0

Source: Compiled by author from primary survey data.

Table 4.12 shows that majority of the respondents preferred the non-institutional sources. There were 290 respondents who used non-institutional sources of the borrowing which comes to 72.5 per cent of the total respondents. The respondents preferring the institutional sources of the borrowing were 110 and this figure is 27.5 per cent of the total respondents.

4.11 Poverty: Concepts 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 who are unable to fulfil their minimum nutritional needs due to lack of income are considered to be poor. Poverty could be relative (He has two cars and I only one.... sic....) as well as absolute (I don't have enough to have even one square meal). In developing countries like India, relative poverty is not taken to be a cause of concern but absolute poverty is. The discourse on poverty largely revolves around the notion of a poverty line: a critical threshold of income, consumption, or more generally, access to goods and

services below which the individuals are declared to be poor (Ray, 2002). To determine poverty line based on nutritional requirements, the minimum physical quantities of cereals, pulses, milk, butter, etc. are determined for a subsistence level and then using price quotations, the physical quantities are converted into monetary terms. Aggregating these monetary terms for various physical quantities of commodities, the poverty line is thereby drawn. People whose income is below poverty line are said to be poor. The most common measure of poverty is the Head-Court ratio, defined as the percentage of population living below the poverty line.

In 1979, the Task Force on Projections of Minimum Needs and Effective Consumption Demand constituted by the 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. An average food basket was chosen which provides the required calorie and using the 28th round NSS data, the Task Force estimated that consumer expenditure of Rs.49.09 per capita per month, in 1973-74, met the calorie requirement in rural areas. This monetary equivalent of the calorie requirement was set as the rural poverty line and those with per capita expenditure below this level were defined as the poor. This was common for all states of India. In 1993, the Planning Commission 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 pion of traditional welfare economics, which typically conflate well-being with either opulence (income, commodity command) or utility (happiness, desire fulfillment). Sen makes a distinction between commodities, human functioning/capability and utility which could be summarized as follows:

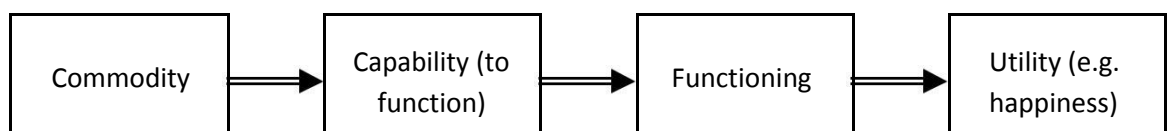


Figure 4.1: Relation between commodity and utility

Thus, the lack of command over commodities (entitlement) leads to decline in the levels of utility and vice-versa.

Poverty invariably affects all the indicators of human development index. Thus, we should look at a comprehensive picture inclusive of both income and non-income indicators while analyzing overall poverty scenario. This research uses both income-poverty measures and social indicators which affect the capability of individual and utilizes the field data to see change in these parameters in the block sampled for the study.

4.12 Indian Planning Experience with Poverty Reduction:

Since the inception of economic planning in India, efforts have been made in successive plans to mitigate the incidence of poverty. Depending on the dominant development paradigms of the age, India has tried various strategies for addressing the issue of poverty. Some of them could be summarized as the Community Development, Trickle Down, Basic Needs, Human Resource Development, Labour-Intensive growth with targeted program and empowerment and enhancing security, to name a few.

Despite all these efforts, there has been no conspicuous change at the poverty front: though the relative poverty has fallen marginally, the absolute poverty is still alarmingly high. The growth strategy followed in 1960s and 1970s had presumed that a higher rate of economic growth, through "Trickle Down" effect, would enhance the standard of living of the poor. But the "Trickle Down" concept has failed to precipitate. Therefore, during the 1970s the Government of India had initiated Anti-Poverty Programs. Since the Sixth Plan (1980-85), a more direct approach was adopted. "The 'direct' approach to poverty reduction emphasizes that it is essential to directly provide the poor with adequate purchasing power, other assets or access to food grains at subsidized prices to meet their minimum consumption requirement" (Nayyar, 2005). "Bypassing the traditional growth approach, special Poverty Alleviation Program (PAPs) was to be implemented in order to reduce poverty to 30 per cent by 1985. The schemes involved income generation for the poor, meeting their minimum basic needs (like rural drinking water supply, primary education, primary health care facilities, rural infrastructure electrification, low cost housing and other social services), and provide specific support for the backward areas" (Stuijvenberg, 1996). Program such as these were considered an acute necessity because there has been a gradual decline in the incidence of poverty, in absolute terms 277 million

persons were still living below the poverty line, facing conditions of ill health and short life expectancy (Planning Commission, 1996-97). Lack of basic educational skills and access to the means of production, prevented the masses to participate in, and derive benefit from, economic growth. Besides, household in India often suffered from transient rather than chronic poverty. Their economic position also varied from year to year depending on a good or bad harvest, and within a year due to the seasonality of employment and wage earnings.

The Anti-Poverty Programs (APP henceforth) could be broadly classed into two groups: Rural Wage Employment Schemes and Rural Self-Employment Schemes. We have focused here on Self-employment program only. Rural Self-Employment Scheme includes an array of program like integrated Rural Development program (IRDP), Training of the Rural Youth for self-employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Toolkits to Rural Artisans (SITRA) and Ganga Kalyan Yojna (GKY) etc. All these programs were intended to sub serve specific areas in order to prepare the rural poor for self-employment and enable them to cross the poverty line. The multiplicity of different programs without appropriate linkages was one of the cardinal reasons for the underperformance of these schemes.

Concerned over the sterile performance of these programs, the Planning Commission subsequently set up a committee under the chairmanship of Prof. Hashim to review and rationalize the various centrally sponsored schemes for poverty alleviation and employment generation. The Hashim Committee recommended integration of all rural wage employment programs into a single scheme and rechristened it as Jawahar Gram Samridhi Yojna (JGSY) and that of all rural self-employment program into a single scheme called Swarnajayanti Gram Swarozgar Yojna (SGSY). The present exercise mainly focuses on the performance of the rural self-employment programs.

In case of rural self-employment programs, the Hashim Committee also recommended a concerted move from the predominantly individual beneficiary approach to a group approach, as well as on identification of activity clusters for concerted action.

4.13 Micro Credit and Microfinance:

It has generally been observed that the poor people don't have access to bank loans. Private money lenders charge very high interest rates. This makes it difficult for poor people to access funds for starting small income generation activities like sewing, buying buffalo, opening a tea stall or some other small shop. Micro Credit caters the need of people for small loans. Micro finance includes support services along with the loan component. In Micro Credit, more emphasis is placed on loans. Microfinance, thereby, opens up channels for thrift, market assistance, technical assistance, capacity building, insurance, social and cultural program. Thus, Microfinance has an element of 'Credit plus' while micro credit is 'only credit'.

4.14 India and Eastern Uttar Pradesh: Comparison on bases of Income and Non-Income indicators

We are comparing India and Eastern Uttar Pradesh (Allahabad, Gonda, Basti, Gorakhpur etc.) on both financial and non-financial indicators. For Financial indicators, we are using income and For the non- financial indicators, we are using Quality of Housing, Access to drinking water, Shelter and Access to sanitation facility and Access to electricity.

(A) Income:

The Eastern Uttar Pradesh in 2000-01 per capita Domestic Production was Rs. 3207.00, while the consistent figure for India was Rs. 10306.00 (UP Planning Department). This displays how much the state intervals from India. Not only has the incidence of combined level increased from 2010-11 but it has improved to a more acute level in urban areas (5.1).

The 5.1 Shows a comparative picture of head-count charge of poverty in India and Eastern Uttar Pradesh:

4.13 Eastern Uttar Pradesh & India

Population below poverty line (in Percentage)

Year	Combined (Urban & Rural)		Urban		Rural	
	Eastern Uttar Pradesh	India	Eastern Uttar Pradesh	India	Eastern Uttar Pradesh	India
2094-95	38	34	42	36	39	35
2000-01	35	32	39	35	35	34
2005-06	33	30	36	31	33	32
2010-11	29	27	33	26	28	30

(B) Non-Income Indicators:

Measuring domestic welfare in terms of utilization or income does not take into account his assets like access to drinking water, sanitation, type of house and electricity. While access to these services and property is not common, a household with access to these may be enjoying happiness level quite higher than a household without access to these services and property, though their earnings or spending levels are almost similar.

Access to Drinking Water:

As per survey of India, if a household has access to drinking water supplied by a tap or a hand pump/tube well situated within or outer the premises, it's considered as having uses to secure drinking water. The Table-4.14 shows a relative image of India and Eastern Uttar Pradesh for uses to secure drinking water. Hardly 7.5% of the Eastern Uttar Pradesh rural population in the state had uses to secure drinking water source (piped water) to 26.3% at all India level.

4.14 Access of drinking water (2010-11)

Access of drinking water	All India Level			Eastern Uttar Pradesh		
	Urban	Rural	Total	Urban	Rural	Total
Piped	76.7	26.3	38.6	47.9	7.5	18.9
Well water	8.0	24.6	29.7	11.0	19.2	13.6
Hand pump	24.2	43.8	41.2	38.4	68.6	66.7
Surface water	1.6	2.7	2.8	1.2	3.5	1.6
Other	1.0	0.9	0.7	0.1	0.1	0.0

(b) Sanitation conveniences:

Welfare of people is also affected by their uses to sanitation facility. Accessibility of sanitary atmosphere reduces the danger of contamination of water bodies. The T-15 shows the access to sanitation facility, India and Eastern Uttar Pradesh level.

4.15 Sanitation facility (2010-11)

Sanitation Facility	All India Level			Eastern Uttar Pradesh		
	Urban	Rural	Total	Urban	Rural	Total
Pit toilet/latrine	30.2	12.6	16.9	48.6	10.5	16.3
Flush toilet	68.9	8.8	24.0	58.6	3.6	10.2
Other	0.0	0.1	0.1	0.1	2.6	0.2
No Facility	17.3	78.1	54.0	12.6	80.6	73.3

(c) Superiority of Housing:

In rising countries, the particular most important asset owned by household is often the residence in which they live. Hence, "the type of residence in which a household lives is an most imperative indicator of its welfare level" (Monitoring Poverty in Uttar Pradesh, 2006). 5.4 gives the statistics for quality of shelter according to which during 2010-11, at all India level, 47.3% of household in rural areas were living in Kuccha house while the corresponding figure for Eastern Uttar Pradesh was 32.5%.

4.16 Housing Characteristic (2010-11)

Housing Characteristic	All India Level			Eastern Uttar Pradesh		
	Urban	Rural	Total	Urban	Rural	Total
Kachha	8.5	40.7	32.5	11.6	51.7	47.3
Semi-Pacca	23.3	38.6	35.3	17.3	34.3	31.2
Pacca	63.0	19.0	32.0	73.3	13.7	24.8

(d) Access to Electricity:

An essential infrastructural service provided by states is electricity. A use to electricity affects life of people in numerous ways. The farmer can get electricity for operated pump set which can be cheaper compared to one operate by diesel. This will reduce his expenses. Accessibility of electricity will be helpful for village children to study. T- 17 show access to electricity at India and Eastern Uttar Pradesh level. Scarcely 39.7% of rural household of Eastern Uttar Pradesh have uses to electricity as compared to 68.1% at the India level.

4.17 Electricity Accessibility (2010-11)

Electricity	All India Level			Eastern Uttar Pradesh		
	Urban	Rural	Total	Urban	Rural	Total
Yes	96.3	68.1	63.2	91.7	39.7	38.9
No	3.7	33.9	37.8	8.5	69.3	61.7

4.15 Impact of Micro finance program in Eastern Uttar Pradesh:

Uttar Pradesh has been divided into four regions namely, Western, Central, Eastern, and Bundelkhand. District Allahabad, Gonda, Gorakhpur, Basti comes under Eastern region. We have studied impact of Micro finance program in Handia block in District Allahabad.

(A) Impact on earnings:

The study couldn't find any significant impact of Micro finance program on earnings of beneficiaries of SHG in the Handia block. The Mann-Whitney test comes to be immaterial for the variables 'Status of the beneficiaries: SHG or Non-SHG' and 'what has been the change in earnings for Households from 2006-2012.

4.18 Par Tests

Mann-Whitney Test

Ranks

	Status of the beneficiaries SHG or Non-SHG	N	Mean Rank	Sum of Ranks
What has been the change in earnings for households from 2006 to 2012.	Non-SHG	50	53.63	2681.50
	SHG	50	47.37	2368.50
	Total	100		

Test figures

	What is the change in earnings for households from 2006 to 2012
Mann-Whitney U	1093.500
Wilcoxon W	2368.500
Z	-1.085
Asymp.Sig. (2-tailed)	.278

Status of the Beneficiaries SHG or Non-SHG

The following supplementary result may show toward the possible reasons:

- (a) Only 42% of beneficiaries have created any asset out of the Micro finance program loan which was operational at the time of survey. 4% were not prepared while 28% hadn't formed any benefit at all.
- (b) 76% of the beneficiaries were occupied in individual activities. Only 8 % were occupied in group activity, while 16% had not started any activity at all.
- (c) 40 % of Beneficiaries said that they would not form an SHG in future, if given opportunity
- (d) 64% of beneficiaries have informed that they have not acknowledged any kind of education in the program.

.There has been one very remarkable result from field data. A point-biserial relationship between the sex of the Beneficiaries and the change in earnings was found to be statistically considerable at 0.01 level (2-tailed). The test outcomes are below given:

4.19 Point- Biserial Correlation between Sex of the Beneficiaries and the Change in Income from 2006-2012.

		Sex of the Beneficiaries	Change in earnings for Households from 2006 to 2012
Sex of the Beneficiaries	Pearson Correlation Sig. (2-tailed)	1	-.408**
	N	100	100
What is the change in earnings for Households from 2006 to 2012	Pearson Correlation Sig. (2-tailed)	-.408**	1
	N	.000 100	. 100

** Correlation is significant at the 0.01 level (2-tailed).

It has frequently been pointed out in several studies that women-SHG's execute better than those formed by men. We attempted to examine whether there has been any important link between the number of women beneficiaries in a SHG and the change in earnings during 2006-2012. we performed a Pearson correlation test for the ratio of women beneficiaries with the total number of beneficiaries in a SHG. The resultant correlation coefficient was found to be statistically significant at 0.01 levels (2-tailed). The 5.8 summarizes the outcome.

4.20 Correlations

Status of the Respondent SHG or Non-SHG			Change in Income for Households from 2006 to 2012	Ratio of Female member to total members in a SHG
SHG	What is the change in earnings for Households from 2006 to 2012	Pearson Correlation	1	-.643**
		Sig. (2-tailed)	.50	.000
SHG	Ratio of Female beneficiaries to Male beneficiaries in a SHG	Pearson Correlation	-.643**	1
		Sig. (2-tailed)	.000	.50
		N		

** Correlation is significant at the 0.01 level (2-tailed).

But similar to other studies, we establish that the sign of the Pearson correlation coefficient (r) was negative. This shows a negative relationship between the ratio of women beneficiaries to total members in a SHG and the change in income from 2006 to 2012. A probable reason to this result could be as follows: Almost of the women beneficiaries in a SHG were working as an alternative for their husband. Since the emphasized on arrangement of women SHGs, or since the male beneficiaries were already occupied with some kind of useful employment, they made their wives/mothers/ daughters a beneficiaries of the SHG and used the loan for their own purpose. This had two-fold effect: first, the number of women members increased significantly in a SHG, second, the income couldn't increase extensively as the loan was not used accurately.

Although, I also came across some women SHGs that were very well performance and the women showed great interest. These SHGs were the best performers in the study field.

(B) Impact on Non-Income Indicators:

(a) Uses to Drinking Water:

The T-21 shows the transform in situation of drinking water. The SHG were improved off to begin with as 46% of them had own hand pump, compared to 25% for the Non-SHG. They also fared well as the percentage change in favor of own hand pump was also more for SHGs. The reasonable cause may be two-fold: also the SHGs were fairly aware group who were conscious to provide safe drinking water to their family, or the SHGs were well-off than Non-SHGs since beginning and figured in the Below Poverty Line list speciously. Additional analysis of information is needed to achieve at a actual conclusion. The good news, however, was that dependence on wells compared to all sources was falling in both SHGs and Non-SHGs.

Table-4.21 Change in Sources of drinking water (2006-2012)

Source of Drinking water	Status of the Respondent SHG or Non-SHG (%)					
	Non-SHG 2006	Non-SHG 2012	Non-SHG	SHG 2006	SHG 2012	SHG
Own Handpump	25	38	13	46	61	15
Public Handpump	12	35	23	9	26	17
Well	60	24	-36	43	11	-32
Others	3	3	0	2	2	0

Source: Field data

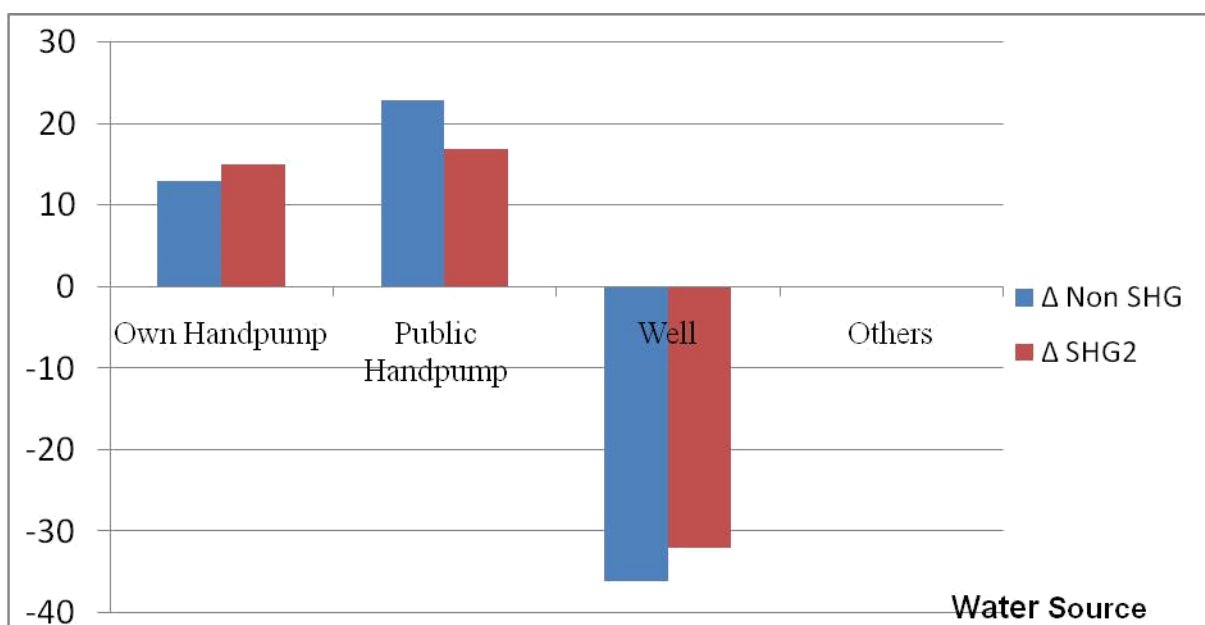


Fig 4.1: Change in Sources of Drinking Water: Handia (2006-2012)

(b) Access to Sanitation:

The Access to sanitary services was comparatively enhanced for SHGs to start with and it enhanced more than that for the Non-SHGs. This may again be due to the fact that some people have got chosen in SHGs by officials due to incorrect list. The only exclusion was that 10% of the Non-SHGs beneficiaries were having uses to public toilet in 2006, while none of the SHGs beneficiaries had this facility.

Table-4.22 Change in Sources of drinking water (2006-2012)

Sanitation Facility	Status of the Respondent SHG or Non-SHG (%)					
	Non-SHG 2006	Non-SHG 2012	Non-SHG	SHG 2006	SHG 2012	SHG
Flush Toilet	0	2	2	5	9	4
No Facility/Bush/Field	86	88	2	95	91	-4
Public Toilet provided by government	14	10	-4	0	0	0

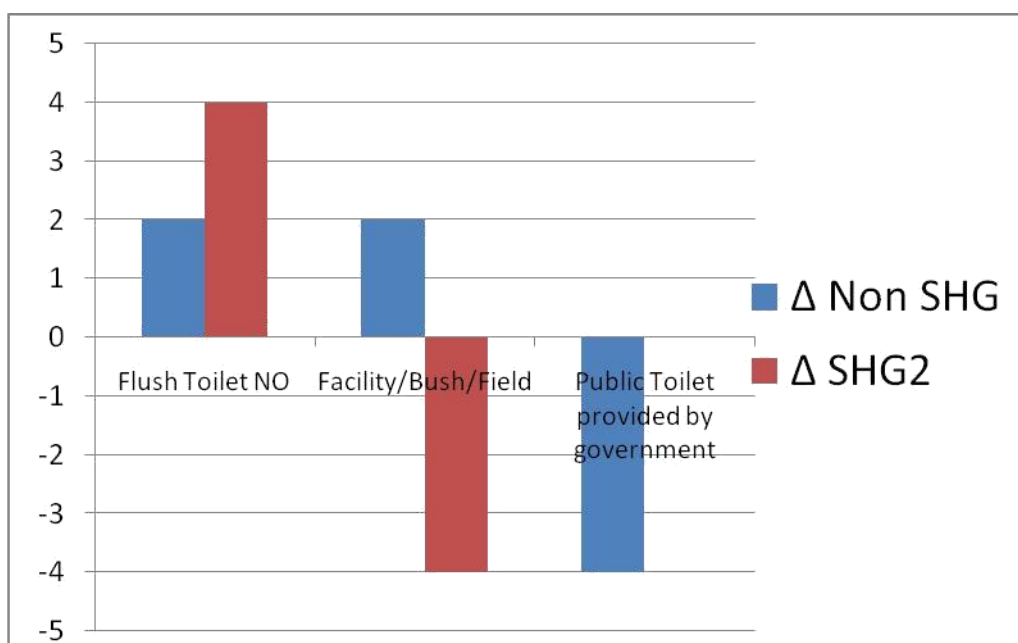


Fig 4.2: Change in Access to Sanitation Facility: Handia (2006-2012)

(c) Superiority of Housing:

The information shows that the change in type of house was more outstanding for the Non-SHG group than for the SHG group. The reason may be established in the fact that the SHG beneficiaries had been improved to begin with. And they were still improved at the complete number but the modify was more in favour of Non-SHG people. This may be fairly due to the fact that SHGs have not been able to manipulate the earnings change significantly so far.

T-4.23 House type : Handia Block

Type of House	Position of the household: SHG or Non-SHG					
	Non-SHG 2006	Non-SHG 2012	Non-SHG	SHG 2006	SHG 2012	SHG
Pucca	19	48	29	32	58	27
Half Pucca	9	15	6	19	23	4
Kuchha	72	37	-32	49	19	-29
Total percent	100	100	100	100	100	100

Source: Field data

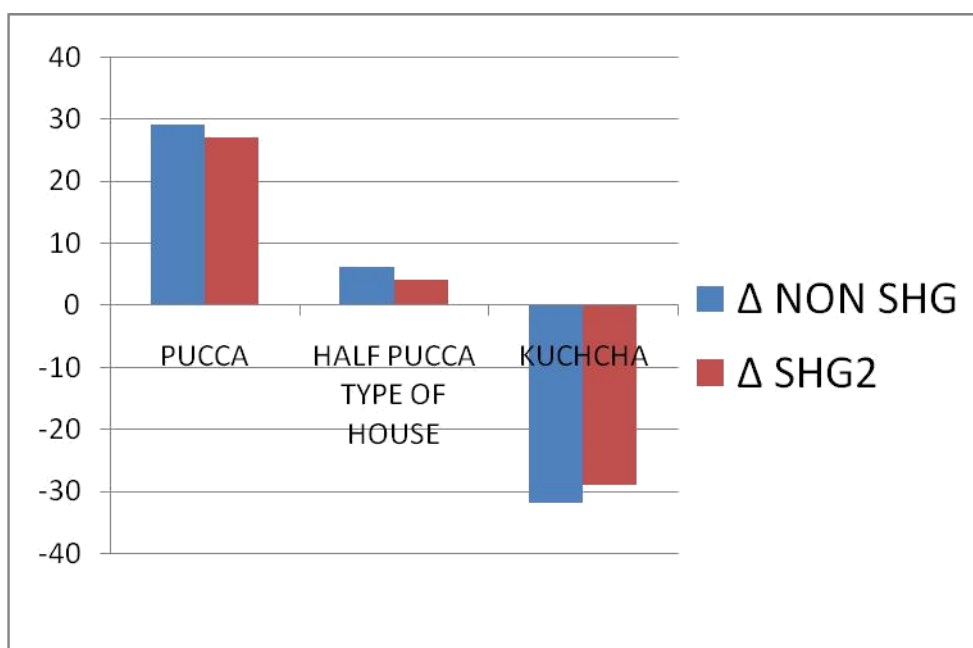


Fig.4.3: Change in Housing Condition: Handia (2006-2012)

(d) Access of Electricity:

Most of the SHGs beneficiaries were having uses to electricity, both legal and illegal, in 2006 than their Non-SHG beneficiaries. This indicates their high level of wakefulness; though negative awareness in case of ill-legal connections. Also the change is much more prominent for SHGs beneficiaries than Non-SHG beneficiaries.

T 4.24 Change in Access to Electricity: Handia (2006-2012)

Type of connection	Status of the Respondent SHG or Non-SHG (%)					
	Non-SHG 2006	Non-SHG 2012	Non-SHG	SHG 2006	SHG 2012	SHG
No connection	55	46	-9	44	40	-4
Legal Connection	3	3	0	16	22	6
Ill-Legal Connection	42	51	9	40	38	-2

Source: Field data

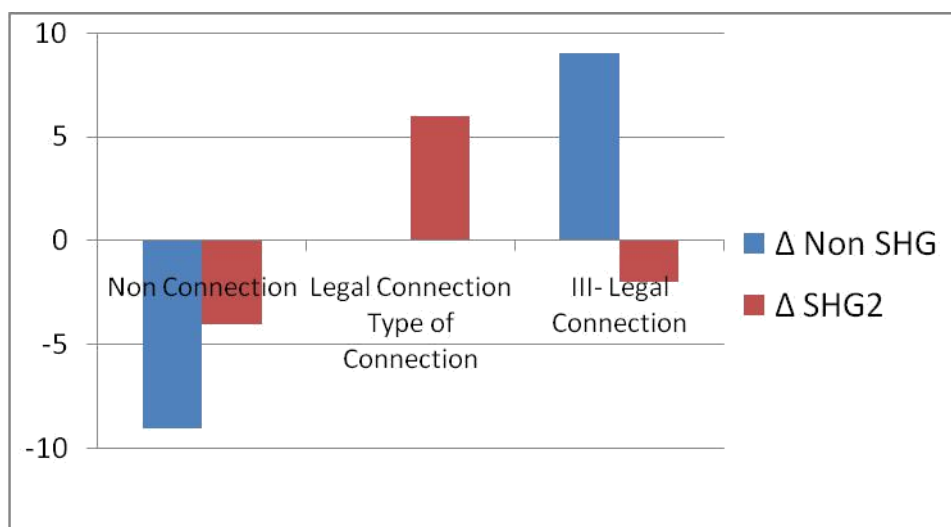


Fig.4.4 Change in Access to Electricity: Handia (2006-2012)

(C) Other benefits due to SHGs (Spin-Off Effects):

(i) Saving on interest paid to loans:

Earlier to combination the Micro finance program, the main lending source for the villagers was the village money lender who charged overpriced rate of interest. About 60% of beneficiaries including SHGs and Non-SHGs reported that they used to borrow from village money lenders. Conversely after joining a Micro Finance, they could get loans at 1% per month while it used to be around 4 to 5 percent per month in case of money lenders still the Non-SHGs beneficiaries could borrow from SHGs at considerably lower rate of interest.

I could appear at the saving on interest rates paid on loans due to Micro finance program by using the following formula:

$$RSavEMFP = \text{Rate of interest}_{PRIOR} - \text{Rate of interest}_{MFP}$$

The representation value for $RSavEMFP$ from our field data was 5.0 while Median was 4.2. The mean is 3.87 which is due to the fact we have some people who don't take loans before joining Micro finance program (They may be either well-off or too poor to get a loan).

Table 4.25 Figures for RSavEMFP

The difference in rate of interest paid (Before SHG and after SHG)

N	Valid	200
	Missing	0
Mean	3,8776	
Median	4,2000	
Mode	5,00	

I could also get similar values for those who are not a member of any SHG under Micro program but took loans from some SHG-member. They may also have some saving on rate of interest to be paid on loans as the SHGs charge a bit less than the money lender to be competitive. Let's call this RSaveNON-SHG. This could be calculated using the following formula:

$$\text{RSaveNON-SHG} = \text{Rate of interest}_{\text{PRIOR}} - \text{Rate of interest}_{\text{SHG}}$$

The Model value of RSavenON-SHG from our field data is 5.0 while Median is 2.2 and the mean is 2.82.

T 4.26 Figures for RSavenON-SHG

The saving in interest rate (Non-SHG individuals)

N	Valid	200
	Missing	0
Mean	2,8200	
Median	2,2010	
Mode	5.00	

Hypotheses Testing: Hypothesis (H₁)

The hypothesis (H₁) states that ‘People used services of microfinance have been able to generate resources which are helpful in growth of their economic status.

The corresponding null hypothesis (H₁)₀ states that ‘People used services of microfinance are not able to generate resources which are helpful in growth of their economic status.

H₀: u₁ - u₂ = 0, where u₁ is the mean of first population and u₂ the mean of the second.

As above, the null hypothesis tends to be that there is no difference between the means of the two populations; or, more formally, that the difference is zero.

Equation:

Difference Scores Calculations for T test
Treatment 1

Treatment 1
N1: 400
df1 = N - 1 = 400 - 1 = 399
M1: 4.42
SS1: 98.88
s21 = SS1/(N - 1) = 98.88/(200-1) = 0.5
1.11 = 1.11

Treatment

Treatment 2
N2: 400
df2 = N - 1 = 400 - 1 = 399
M2: 2.27
SS2: 221.42
s22 = SS2/(N - 1) = 221.42/(200-1) = 1.11

T-value Calculation

$s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((199/398) * 0.5) + ((199/398) * 1.11) = 0.8$
s2M1 = s2p/N1 = 0.8/200 = 0.004
s2M2 = s2p/N2 = 0.8/200 = 0.004
t = (M1 - M2)/√(s2M1 + s2M2) = 2.16/√0.008 = 24.02.
The t-value is 24.02225. The p-value is < .00001. The result is significant at p < .05

Therefore, the null hypothesis is rejected and I conclude that there is association between microfinance services and generating resources. Using the t value approach, the computed value of t = 24.02, with df = 199, From the T Table , One-Tailed, 0.05, with df = 199, the critical t value is 1.645
Since the calculated t = 24.02 which is larger than the critical t = 1.645, it is concluded that t-test is significant.
Hence, null hypothesis is rejected. This means there is a relationship microfinance services and generating resources, which are helpful in growth of economic status of economically weaker people.

Hypothesis (H₂)

Hypothesis (H₂) proposed that Nonfinancial services provided by Micro finance. institutions helps in proper utilization of funds in different activities for sustainable livelihood.

The corresponding null hypothesis (H₂)₀ states that 'Nonfinancial services provided by Micro finance institutions does not helps in proper utilization of funds in different activities for sustainable livelihood

Difference Scores Calculations for T test
Treatment 1

N1: 400
df1 = N - 1 = 400 - 1 = 399
M1: 2.8
SS1: 404
s21 = SS1/(N - 1) = 404/(200-1) = 2.03
1.11 = 1.11

Treatment 2

N2: 400
df2 = N - 1 = 400 - 1 = 399
M2: 2.27
SS2: 221.42
s22 = SS2/(N - 1) = 221.42/(200-1) = 1.11

T-value Calculation

$s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((199/398) * 2.03) + ((199/398) * 1.11) = 1.57$
s2M1 = s2p/N1 = 1.57/200 = 0.01
s2M2 = s2p/N2 = 1.57/200 = 0.01
t = (M1 - M2)/√(s2M1 + s2M2) = 0.53/√0.02 = 4.23
The t-value is 4.22797. The p-value is .000015. The result is significant at p < .05.

Therefore, the null hypothesis is rejected and I conclude, that there is association between Nonfinancial services provided by Micro finance and utilisation of funds in different activities for sustainable livelihood. Using the t value approach, the computed value of t = 4.23, with df = 199, From the T Table , One-Tailed, 0.05, with df = 199, the critical t value is 1.645
Since our calculated t = 4.23 which is larger than the critical t = 1.645, we conclude that our t-test is significant.
Hence, null hypothesis is rejected. This means there is a relationship microfinance services and proper utilisation of funds in different activities for sustainable livelihood

CHAPTER V

FINDINGS AND CONCLUSION

Finding of the Results:-

5.1 Benefits of Microfinance:

Availability of microfinance includes- own savings, personal credit, government credit, co-operative bank finance and other types of microfinance. In the study, we found that this type of microfinance was available to the respondents and they establish or promote different occupations which enhance respondents income, reduce poverty, create self-employment and develop their socio-economic situation. The direct mode of microfinance is very booming for the reason that the people desire to establish an occupation then manage direct microfinance. In the study, 400 respondents were direct microfinance beneficiaries. All the respondents got benefit excluding five. In this exclusion, one does not analyze the benefit and another one was not benefited.

Who were in work by direct microfinance, maximum had the private loan as the supply of money (n= 180; 32.5 per cent). A total of 26.6 percent had own saving as the source of funding. There was 6.7 per cent respondents who had own savings and private loan as the basis of funding.

The rising scale of job was the most general reason of microfinance concerned to be helpful. The microfinance effect on respondent business is about 60% who reported major change in terms of change in income level of Rs 5000 to Rs 7000. Whereas the 27% of respondents which is 48 out of 178 are having average change in production business and their earning is also positively changed in between Rs 2000 to 4000 permonth. The remaining 13% respondents claimed that they have got minor changes in production business and getting a minor change of Rs 500 to 1000. These changes are due to lack of knowledge , lack of proper guidance related to investment for other factor.

5.2 The Socio–Economic Profile of Beneficiaries:

In the study we found 58 beneficiaries are using direct microfinance, 96 beneficiaries are using microfinance by SHGs and 23 beneficiaries are using microfinance through KCC and Some KCC holders also are SHG members.

Most of the beneficiaries in the study region belong to middle age group (18-60) is 85.0 percent and old age group (above 60) is 12 percent and young age group (below 18 years) is 3.0 percent, 80 percent were male and 20 percent beneficiaries are female. The category wise situation in Eastern Uttar Pradesh is 60.0 percent of total beneficiaries belong to OBC, 29 percent General category and 11 percent scheduled caste and The religion-wise distribution of respondents shows that the majority are Hindu (71.2 percent) and followed by Muslims is (27.8 per cent).

The House type of respondents shows that largest has been Kuchcha house 39 per cent followed by Semi-Pucca 31 per cent and Pucca house 21.5 per cent and hut is 8.6 per cent. The electricity availability with the majority of the beneficiaries is 68.2 per cent reported no electricity while 21.2 per cent connection and the 94.2 per cent respondents have mobile and only 5.8 per cent have no such facility.

The research level that almost 59.5% of respondents are educated out of which 2.5% i.e 10 respondents are Graduate, where as 106 respondents i.e. 26.5% are matriculate and 30.5% of overall respondents are illiterate.

5.3 Eastern Uttar Pradesh of Development Profile :

Eastern Uttar Pradesh is enriched in terms of Geographical area, Forest resource, better climate condition, fertile land and much water resource and sufficient agriculture land is available and farmers produce major Food grain crops, Cash and Horticulture crops.

Eastern Uttar Pradesh has backward situation because low Sex ratio, low urban population ratio, low literacy rate and low Human Development are manifested. This is an economically and industrially backward in India. Agriculture is the main occupation and Agriculture production process is based mainly on traditional technology. Eastern Uttar Pradesh is backward in terms of Road, Transportation, Industrial development, Human development and Social development. In this area also found that high level of poverty, low per capita income, and lack of better schools/ college and health care centres. Thus, we can say that microfinance has played a better role in poverty alleviation and employment generation in Eastern Uttar Pradesh.

Conclusion:

On the basis of the analysis, the following conclusions could be drawn:

In the overall case study Eastern Uttar Pradesh, we found that 82.6 percent respondents have acknowledged that their employment level have increased with the help of microfinance. In which 38.0 per cent respondents have much success because of their occupation more than one family or other members have found employment. 52.6 per cent respondents are success's because in their occupation, self-engagement or a single person find employment. By this data, I can say that microfinance playing a better role in employment generation in Easter Uttar Pradesh.

A micro Finance institution is working with a task to alleviate the poverty in Eastern Uttar Pradesh region and has made constructive impact on the clients. Data of safe drinking water, sanitation facility, and electricity and housing conditions shows that it achieved self-sufficiency level. However, in as much as the encouraging effects, the study also witnesses some challenges inhibiting the development of micro-finance institutions in the area such as dishonest staff and beneficiaries, interest rate, markets and infrastructure linkages which, if it is well addressed by policy makers, micro-finance will donate significantly in the fight to reduce worldwide poverty not only in Eastern Uttar Pradesh.

5.4 Suggestions and Policy Recommendation:

5.4.1 Reducing rate of interest in the direct microfinance

The microfinance beneficiaries reporting that the interest rate is high, if interest rate reduces the better result of microfinance in income and employment generation activities.

5.4.2 Increase in credit amount

It has been observed that the normal loan approved to each SHG member at the Village level is reasonably low compared to the loan/credit available to the individual SHG member at the national level. Hence, it is required to enhance the credit amount available to the SHG members, ensuing in an increase of employment and income opportunity.

5.4.3 Proper Planning, identification and motivation

I recommend including an factor of public accountability in the working of the Micro Finance scheme, ensuring community involvement, bringing forth transparency in selection of beneficiaries viz Organizing nukkad nataks, using radios broadcasts, stage shows and door-to-door campaigns etc. on group issues could change the scenario significantly. The help of specialized bodies with essential knowledge could also be very useful. The local university youths, especially those who have joined NCC, NSS and other should be encouraged to organize camps at villages where they can prompt the villages to join these programs and also tell them the intricacies of the scheme through campaigns, and also help them to lodge complaints against malfunctioning of the scheme in a proper way.

These youths could also be given a basic education about using the Right to Information Act and they should convey the same to the villagers by means of campaigns. The government agencies should provide the youth participating in such activities some extra credit so that they also have proper motivation for engaging in awareness of Micro finance program in Eastern Uttar Pradesh.

A radio club could be formed in village and people could be encouraged to come and listen some program that spread awareness about government schemes. Group activities in Eastern Uttar Pradesh should also be promoted by officials. Training

workshops must be organized. If the SHGs come up with a finished product, there should be infrastructural support for its marketing.

A micro financial program optimistically affects the position of Eastern Uttar Pradesh poor and nourishes the position of living positively. Microfinance is one way of fighting poverty in Eastern Uttar Pradesh areas and to conquer poverty, rural people need to be able to borrow, save and invest, and to protect their families against adversity.

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