



MICRO FINANCE IN INDIA POVERTY ERADICATION (WITH SPECIAL REFERENCE TO KANCHIPURAM DISTRICT TAMILNADU)

Dr. S. Sheik Kalil

Asst. Professor and Head, Dept. of Corporate Secretaryship, Quaide Milleth College.

Abstract

This study deal with analyzing micro finance initiation for the Kanchipuram District in the state of Tamil Nadu. The objectives of the study are to access the benefits of micro finance of the study area and other objectives are to provide an efficient mechanism for cost providing financial service to the poor. The poor requires financial services in the form of credit, savings, insurance and other services for meeting their survival needs and to improve their living conditions. In order to meet their needs, they generally rely on informal and formal resources. In response to the inadequacy of the formal financial institutions to meet the credit needs of the poor and non-availability of other financial services, the developing countries, all over the world, for the past few decades, witnessed the emergence of alternative financial institutions differing in form and characteristics but having a common goal of providing financial services to the unreached and unbanked segment of the population. These institutions have empty demonstrated that the poor are bankable and credit worthy. The data analysis was done using statistical tools such as ratios and percentage for the purpose of graphical presentation was used to understand the nature of the data. Finally paper concludes with possible suggestions for overcoming the problems and challenges of micro finance in India.

Keywords: *Micro Finance, Poverty Alleviation, Savings, Uplift The Poor.*

Introduction

Micro finance is a financial innovation which originated in developing countries where it has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate an income and, in many cases, begins to build wealth and exit poverty. Financial services in Micro finance usually include credit and savings. But there are Micro Finance Institutions who provide additional services such as issue of cheques, drafts, guarantee, etc.

Micro finance is of recent origin and is commonly used while discussing issues related to:

1. Income distribution amongst a wider section of population.
2. Savings is small amounts and small Loans.
3. The availability of Loan, adequate and finance to those who cannot provide collateral security in a non-bureaucratic style.
4. Financial support to micro entrepreneurs.
5. Gender development, etc.,

The Micro credit summits organizers are spreader in different countries. Micro credit is a key tool and it is the struggle to end poverty and economic dependence. Across the world micro finance or micro credit is coming out of the closets of international aid agencies with many of the programmes having been considered successful. Several micro finance institutions have been studied in-depth from the point of the view of self-sustainability and outreach. In this research work, it is proposed to deal with the nature of micro finance. In general, it analyses the status and trends of micro finance in India with specific reference to the role of commercial Banks in Kanchipuram District.

Due to the globalization of economy the rich are getting richer while the poor are becoming still poorer. When the fruits of globalization are not reaching the poor, what is the use of globalization of economy?



Non-Government Organization (NGOs) to assume social responsibility to uplift the poor. In this context, some organizations have already included some of the following objectives to bring a balanced development in the society.

1. To lift the poor above the poverty line.
2. To provide basic amenities.
3. To provide the required coaching to the poor in technical skills.
4. To supply food and books to the students.
5. To lay roads to the rural areas for better connectivity with the urban areas.
6. To provide health facilities to rural people.
7. To provide the financial aid to them,
8. To provide the education and create literacy.
9. To provide housing facilities.
10. To provide proper water facilities.
11. To provide loans to rural women.
12. To establish old age homes and orphanages.

The Microfinance, which started as a small wave is now taking the shape of a huge tide to wash out poverty from the world. The unique features of microfinance are as follows:

1. To support small scale businesses.
2. To finance crops of poor farmers.
3. To provide educational facilities to the children of the poor.
4. To release the poor from the shackles of higher interest loans, etc.

It's obviously right that microfinance enables the poor to raise their standard of living. Another unique and innovative trend in the form of Micro insurance has come up to ensure safety and security for the poor. It has the following features to support the downtrodden against any natural calamity.

1. To provide insurance coverage to the bread winner of the family.
2. To provide an insurance cover to ensure continuance of education of poor in the event of any unforeseen incident.
3. To provide insurance cover to the crops against the loss rising from natural calamities as well as from usage of fake pesticides, seeds, etc.
4. To provide insurance cover to sheep and other domestic as well as commercial animals in order to mitigate the loss of such animals arising from diseases, accidents, etc.

Statement of the Problem

Micro Finance is a miniscule but potentially significant and effective credit delivery system which seeks to meet the credit needs of rural poor, including the non-bankable and landless persons. Another reason for the poor financial conditions of the entrepreneur, is their lack of organization, and socio economic handicaps they that overcome made the researcher to select this topic and see how banks in a backward districts viz., Kanchipuram District plays a vital role in promoting weaker section and thereby the society at large.

Review of Literature

1. "R. Anenachalans article entitled "Micro Finance – Delivery Channels In The Indian Context" alternative technologies in Indian Micro-finance Industry even though it may seem that MFIs are well poised to serve in Micro finance, their opportunities to serve the poor with small amounts of loan do not have a long track record.
2. K. Kaladhar in his article entitled Micro finance in India Design, structure and governance. Economic and political weekly October 18, 1997 said that there has been a surge of interest in micro finance in the recent past, particularly in the context of reaching the world's poorest families in a more effective way.
3. Priya R. Devi, Dr. Kumari Susharma in his article entitled "Micro credit origin and prospects" Department of Agricultural Extension college at Agriculture Vellayani. Kisan World February 2004 said



that Micro credit has been defined by the RBI as the provision of thrift, credit and other financial services to the poor in rural semi urban areas to enable them to raise their standards of living.

Objectives of the Study

1. To study the performance of micro credit in Kanchipuram District.
2. To ascertain the extent of implementation of micro credit scheme in all banks of Kanchipuram District.
3. To give suitable suggestions for improving the Bank performance under the scheme.
4. To present the impact details of people who have taken Micro credit loan.

Scope of the Study

The geographical coverage of the study is limited to Kanchipuram District only. The problem is limited to micro credit facility extended by banks in this District.

Methodology

The primary data's like Questionnaire for beneficiaries are prepared. Secondary data's were obtained from journals, articles, and internet and through Commercial Banks, Kanchipuram Distirict.

Sources of Data

The primary data's like Questionnaire for beneficiaries are prepared. The secondary data are collected from different Journals, Books, Reviews, Research papers, Internet Dissertation, Magazines, Banks and various institutions, etc.

Sample Size

The sample size of the individual beneficiaries under micro credit scheme taken for the survey stood at 60. A convenient sampling, method is used to select the individual beneficiaries residing in and around Kanchipuram District.

Data Analysis and Interpretation

Table-1: Gender Wise Distribution of Beneficiaries

Gender	No. of beneficiaries	Percentage
Male	38	63
Female	22	37
Total	60	100

Source: Primary data

The investigation brings to light that the beneficiaries accounting for 63% are males where as the rest 37% are females. Even though the bankers are particular in encouraging women entrepreneurs, the response from them is not encouraging. But by understanding the importance of the policy, bankers have to support them by all means.

Table-2 : Age Group of Beneficiaries

Age group	Male	Female	Total	
	No.	No.	No.	%
18 - 25	5	3	8	13
26 - 30	12	7	19	32
31 – 40	14	8	22	37
Above 40	7	4	11	18
Total	38	22	60	100

Source: Primary data

An enquiry into the age group of the beneficiaries reveals the fact that 8 of them are in the age group of 18 – 25 years, 19 of them are between 26 – 30 years, 22 of them are between 31 – 40 year and the remaining 11 are above



40 years of age. The percentages of these categories are 13%, 32%, 37% and 18% respectively. The totals of 38 are male and 22 are female out of 60 beneficiaries.

Table-3: Educational Qualification of Beneficiaries

Education	Male	Female	Total	
	No.	No.	No.	%
S.S.L.C	19	12	31	52
H.Sc	9	8	17	28
ITI (or) Diploma	2	0	2	3
Degree	2	0	2	3
No formal education	6	2	8	14
Total	38	22	60	100

Source: Primary data

With regard to educational qualifications of the respondents, 31 of them are S.S.L.C holders, including 19 are male and 12 are female respondents, 17 respondents are higher secondary holders, with 9 are male and 8 are female respondents, 2 respondents are technically qualified, include 2 are male respondents only and 2 respondents are degree holder 2 are male respondents only. 8 respondents have No formal education with 6 are male and 2 are female respondents. The percentages of respondents in these categories are 52%, 28%, 3%, 3% and 14% respectively. From the table it is clear that most of the beneficiaries possess the minimum educational qualification required and stipulated under the micro credit scheme.

Table-4: Adequacy of Loan

Adequacy	Male	Female	Total	
	No.	No.	No.	%
Adequate	25	16	41	68
Inadequate	13	6	19	32
Total	38	22	60	100

Source: Primary data

The above table shows that 41 constituting 68% (include 25 males and 16 females) respondents of the sample felt that the loan amount is adequate while 19 respondents representing 32% (include 11 are male and 6 are female respondents) of the sample opened that the loan amount given is inadequate. Most of the beneficiaries are satisfied with microcredit loan given by the bank.

Following table-4 is constructed to indicate the annual income of the beneficiaries of micro credit scheme.

Table -5: Annual Income of the Beneficiaries

Annual Income	Male	Female	Total	
	No.	No.	No.	%
Below Rs.15,000	7	4	11	18
Rs.16,000 to 25,000	11	7	18	30
Rs.26,000 to Rs.35,000	16	8	24	40
Above Rs. 36,000	4	3	7	12
Total	38	22	60	100

Source: Primary data

With regard to annual income of the respondents, 11 respondents are earning income below Rs.15,000 constituting 18%(include 7 males and 4 females), 18 respondents are earning income between Rs.16,000 to Rs.25,000 constituting 30% (include 11 males and 7 are females), 24 respondents are earning income between Rs.26,000 to



Rs.35,000 constituting 40% (include 16 males and 8 females) and 6 respondents are above 36,000/- constituting 12% include 4 males and 3 females respondents.

Table-6: Economy Development or Non-Development of the Beneficiaries

Economy development	Male	Female	Total	
	No.	No.	No.	%
Development	28	17	45	75
Non development	10	5	15	25
Total	38	22	60	100

Source: Primary Data

Above table reveals that 45 respondents (include 28 males and 17 females) of the beneficiaries have benefited after borrowing the loan under micro credit scheme constituting 75% and remaining 15 respondents (include 10 males and 5 females) constituting 25% felt that they were not benefited. It depends on the economic use of the funds raised by them the bankers. The pre-availing and post-availing financial position of the beneficiaries were asked and results derived from that information.

Loan repayment is another important factor that, the beneficiaries are effectively uplifting the funds and generates expended income which has been clearly pictured in the following table 6 that gives the repayable and defaulters' beneficiaries under various micro credit schemes.

Table 7: Schemes Types Chosen by Beneficiaries

Schemes	Male	Female	Total	
	No.	No.	No.	%
Agriculture	10	3	13	22
Education	5	3	8	13
Housing finance to weaker section	6	2	8	13
Small road & Water transport	6	0	6	10
Retail Trade	3	6	9	15
Small Business	4	8	12	21
Small scale industries	2	0	2	3
Self employed	2	0	2	3
Total	38	22	60	100

Source: Primary data

Beneficiaries' Perception about Effectiveness of Micro Credit Scheme

The last part of the survey results highlight the opinion of sample respondents for the effectiveness of micro credit scheme is Kanchipuram District given in table 7.

Table 8: Effectiveness of Micro Credit Scheme In Kanchipuram District

Suggestions	No. of respondents	Percentage
Politicians and outside agencies should not interfaced	14	23
Loan amount should be increased	19	32
Interest subsidy should be given	12	20
New schemes for physically challenged	15	25
Total	60	100

Source: Primary data

It is clear from the above table that the majority of the respondents opined the politicians and other outside agencies should not be involved in the selecting and granting the microfinance loan. Beside all banks should be forced to fulfill the targets.



Some of the methods suggested above may appear to be too strict for implementation. But proper planning for better recovery will only help in keeping the position under control before it becomes too late to take any action.

Some of the respondents suggest that the loan given for their scheme is not sufficient, this is because some were falling into agriculture, small business, small scale industries, self-employed schemes which requires some additional cost for running their business.

Some of the respondents suggest that bankers should subsidize the interest rates across all the microfinance schemes, because they were charging some high interest rates. Some respondents paying higher interest rates are getting lower annual income.

Additionally some respondents suggested that bank should introduce new microfinance schemes for physically challenged people. So that they were also able to get some income for their daily activities and improve their standard of living in the society.

Findings

1. Micro credit scheme to a large majority of the weaker sections of the society to take up important activities like agriculture, small scale industries (SSI) and retail trade and small business.
2. Micro credit scheme is purely meant for the educated unemployed to taken ventures like business, service and industry. Loan facilities are not provided to agriculture & allied activities under this scheme.
3. Micro credit scheme has created awareness in the young minds to take up self-employment ventures.
4. All self-employment schemes have been considered for financial assistance are: Agriculture and Allied Activities, Small Scale Industries, Services and Small Ventures.
5. Micro finance as a miniscule but potentially significant and effective credit delivery system seeks to achieve the following broad range and multi-faceted objective to meet the credit needs of rural poor, including the non-bankable and landless.
6. Support financial services to the rural poor particularly enterprises who have not been able to secure the needed services from the formal financial system.
7. Support all initiatives for up scaling of the SHG bank linking programmes through thrift related banking activity.
8. To evolve supplementary strategy for meeting the credit needs of the poor by combining flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the formal credit institutions.
9. The high transaction cost involved in reaching loan to the respondents.
10. Improper identification of borrowers and / or loan purposes which lead to misuse of credit, non-repayment of loan and eventually resulted in mounting NPAs of banks.
11. Formal banking agencies are involved in multiple activities and hence cannot devote attention to the poor, particularly the poor women they deserve.
12. Finally there was lack of mutual trust and confidence between the bankers and the rural poor.

Suggestions

The above mentioned findings made the researcher to offer few viable suggestions in order to make the study as a complete one.

1. While analysis the % of the recovery of the micro credit has been 65% in Kanchipuram District. This is an inadequacy recovery. So all banks should raise their recovery.
2. Micro credit was launched for the weaker sections of the society. But they don't know meaning of micro credit almost all the weaker sections. So, the government should give publicity properly.
3. Government should consider giving lower interest rate loan to agricultural and allied activities under micro credit scheme.



4. The merits of micro credit scheme should be well explained to educated and unemployed people in rural and urban areas.
5. The borrowers are to be educated that the money given to them is the public money and it should necessarily be repaid for the banking system and the economy.
6. Bankers feel that sufficient employees are to be appointed to demand and collection made the loan and to undertake follow-up action.
7. Government should introduce new microfinance schemes for physically challenged people.
8. Banker should subsidize the interest rates across all of micro finance schemes.

Conclusion

Micro finance is not only a good business proposition but also addressed the larger social agent of poverty alleviation. All this without any significant cost to the state exchequer as most of the activities are now being funded by commercial sources with focus on self-sustainability in the long run.

References

1. Priya R. Devi, Dr. Kumari Sushama, Kisan World, Feb. 2004.
2. Dr. Amrit Patel “Micro Credit and Role of Banks “Kurukshetra Feb. 2004”.
3. The ICFAI University Press. Reference No. 08M-2008-04-12-01
4. R. Anenachalans – Alternative technologies in Indian Micro-finance Industry
5. J.C. Mishra and RK. Thenvi., Indian Banking system and Micro Finance Kurukshetra, Feb. 2004. Indian Banking system and microfinance Kurukshetra, February 2004
6. Dr. G. Jayabal, M. ViswanathanTNJC, June.
7. Vijay Mahajan, Economic and political weekly Oct 8.