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A STUDY OF IMPACT OF MICROFINANCE FOR POVERTY ALLEVIATION IN SELECTED DISTRICT OF BANGALORE

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Abstract

This paper focus is to measure the impact of microfinance on poverty alleviation in different District of Bangalore for this report data has been composed through questionnaire, desc t is not available to the farmer on time or they can get it only on very high interest rate. So there is great potential of micro financing in Bangalore region. Many developing countries like India, Bangladesh and Pakistan are using microfinance to increase the living standard of their people. But in India main focus of Microfinance Institutes (MFIs) was only to give credit. There is a strong relationship between microfinance and poverty alleviation. The results also showed that Microfinance Scheme help people to improve their living standard and provide them financial opportunity to expand their business.

Keywords: *Microfinance, Poverty Alleviation, Finance, Loan.*

Introduction

As we know that India is a developing economy, India's 65% population lives in village area, and India has a major problem of poverty. All through the world, poor individuals are avoided from formal monetary framework rejection ranges from formal halfway prohibition in created nations to full or about full rejection in less created nations. Truant access to formal budgetary administrations, the poor have built up a wide assortment of casual group based monetary game plan to meet their money related requirements.

Microfinance alludes to little scale money related administrations basically credit and sparing gave to individuals who ranch or fish or crowd; who work little or miniaturized scale ventures where merchandise are created, reused, repaired or sold; who give administrations; who work for wages or commissions; who pick up wage from leasing little sums land, vehicles, draft creatures or hardware and apparatuses; and to different people and gatherings workmanship the

nearby levels of creating nations, both rustic and urban, Rovinson (2001). Microfinance is made to fill this hole (Irobi, 2008).

Rationale of Study

Around 4-5 million people living in developing countries and emerging economies, but they do not have access to financial services such as credit, insurance and saving. The larger part of developing countries lives in rural area, in which agriculture is the main source of Income, people ruing their lives with help of agriculture. Formal institution often avoids financing poor households due to the perceived higher costs and risks. The numerous initiatives taken by government of India, state government and other development agencies in recent decades to provide access to financial services for the part of the population not being served by the formal financial sector have some positive impact. However, significant challenges still remain, the most important ones being the creation of an appropriate economic environment, a conducive legal and regulatory framework and the development of sustainable

(subsidy-free) financial intermediaries, in both urban and rural areas. Without a well-functioning finance system, neither aid nor local entrepreneurship as such can create the right business climate conditions for long term economic growth.

Review of Literature

Microfinance, as indicated by Otero (1999, p.8) is "the procurement of money related administrations to low-wage poor and extremely poor independently employed individuals". These monetary administrations as indicated by Ledgerwood (1999) for the most part incorporate investment funds and credit however can likewise incorporate other budgetary administrations, for example, protection and installment administrations. Schreiner and Colombet (2001, p.339) characterize microfinance as "the Endeavour to enhance access to little stores and little advances for poor family units ignored by banks." Therefore, microfinance includes the procurement of monetary administrations, for example, funds, advances and protection to needy individuals living in both urban and rustic settings who can't get such administrations from the formal budgetary segment.

Scope of Study

In an attempt to investigate the impact of microfinance institution on poverty reduction; The study focused on MFIs, SHGs, NGOs, and Other Agencies working in area of microfinance. Study has done in area selected district of Bangalore, such as Lakhimpur kheri, Sitapur, Shahjahanpur. The study covers only poor people of urban and rural area which is availing facility of microfinance and trying for microcredit form microfinance institution and non-governmental organization.

Research Methodology

About the methodology of research and data collection with analysis.

Research Design

The study was conducted on the basis of Survey research, exploratory as well as descriptive methods used. Exploratory because deep study of policies of government, MFIs, NGOs, and other agencies. Descriptive because of Behavioural study of beneficiary of microfinance as per their needs.

Sample

The Universe comprises of poor people belongs to Rural and Urban area, who

avail facility of microfinance and trying for microcredit for their needs. Sample in my sampling frame was 105. In this study we determine 105 samples at 95% confident and accept 05% probability error, this calculation from Taro Yamane (1967) formula.

$$n = \frac{N}{1 + N(e^2)}$$

n = Sample
N = Population

$$e^2 = \text{Probability of error} = 0.05$$

Sampling Technique

In pursuance of the documented objective, Hypotheses and information need, the data for the study had been collected through the simple random sampling method.

Source of Data

The Sample unit (Respondent) for collecting primary data comprises the program/ schemes beneficiaries who were either individual beneficiaries or a member of SHGs. In addition secondary data had taken from journals, books, and internet etc.

Data Collection

The questionnaire was designed to match with the objectives of study and conceptual framework. A short questionnaire with conceptually clear and summarizing statements is judged to be desirable for both the respondents and the researcher. Interview conducted by the researcher himself to collect the data from the respondent. One page, single side questionnaire was designed keeping in mind the objective of study which were find the impact of microfinance for poverty alleviation and performance of microfinance. The Literature survey and pre study consultation with supervisor and experts were taken into account. The questionnaire consisted few open ended question and closed ended question.

Data Analysis and Interpretation

Data analysis done with the help of statistical software SPSS version 24., data from questionnaire were processed in terms of frequency in table form and chart form descriptive statistics.

Did you feel any difficulty during sanction your loan?

On the basis of analysis of data first question of questionnaire we can say that 90 per cent respondent face problem for their finance and 10 per cent respondent do not feel any type of problem during their loan sanction.

Statistics

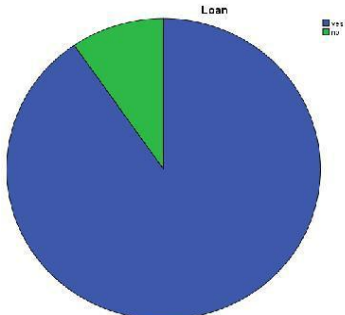
Table 2: Loan Statistics

N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 3: Loan Frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	75	90.4	90.4	90.4
	no	8	9.6	9.6	100.0
Total		83	100.0	100.0	

Impact of microfinance for poverty alleviation



Do you feel any change in your life after availing facility of microfinance?

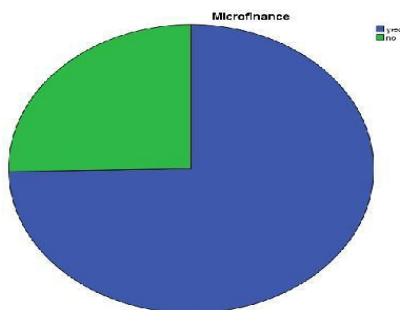
Statistics

Table 4: Microfinance Statistics

N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 5: Microfinance Frequencies

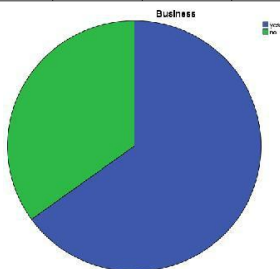
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	62	74.7	74.7	74.7
	no	21	25.3	25.3	100.0
Total		83	100.0	100.0	



As per Third question third 95 per cent respondent told that after availing facility of microfinance they feel change in their.

Table 7: Business Frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	54	65.1	65.1	65.1
	no	29	34.9	34.9	100.0
Total		83	100.0	100.0	



According to question five 65 percent beneficiaries operating business activities and 35 per cent did not had any type of business.

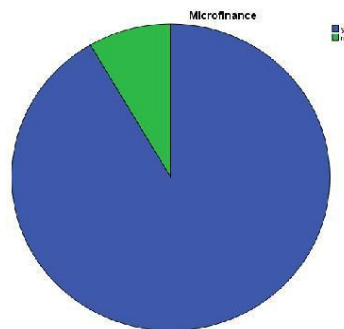
If yes, Microfinance helps you to improve your business?

Table 8: Microfinance Change Statistics

N	Valid	83
	Missing	0
Percentiles	100	2.0000

Table 9: Microfinance Change Frequencies Micro finance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	76	91.6	91.6	91.6
	no	7	8.4	8.4	100.0
Total		83	100.0	100.0	



As per question six 92 per said that microfinance helps then in their business and 8 per cent respondent said that they did not feel that microfinance helps them in improving them in improving their business.

Findings and Implications

- The NGOs were in lead in providing training to the trainees followed by gram panchayat.
- Family problem is quoted as the most important reason for the delayed payment/default for 40-55 per cent of the beneficiaries.
- About 80 percent respondent told that it is easy to take loan form private institution, Money lenders then MFIs, government body.
- Many of the SHGs respondent operating dairy activities for their lives.
- The Study found that the beneficiaries are lacking in many basic problems of infrastructural like road and bank branches which hinder them in operation their business.
- During study it found that 90 per cent people facing difficulty taking loan from the bank and other financial institution
- Microfinance can reduce the poverty if implementation of schemes at ground level.
- Credit size ought to be expanded to meet the necessities of borrowers.
- The general population ought to be given more open doors for credit offices.

Conclusion

The 90 percent respondent who facing problem in taking finance from financial institution, or NGOs, told about their issues, which occurring during finance.

1. We face lot of problem during sanction loan like, when we approach to bank branch bank manager asked me lots of paper that was very difficult for us to submit the entire document to the branch manager then manager said that he was not able to sanction us loan.
2. Outside the branch a person met us, he told that you want loan, we said yes, then he said that 15 percent of total loan amount he want, if we gave them that amount then he could sanctioned our loan.
3. Respondent also said that they did not know about the banking that's why they face many problem during sanction loan from bank.

In all actuality, nonetheless, nor is new. Poor people have been getting from cash banks (proprietors) from time immemorial. Small scale endeavours have been working for quite a while in numerous poor social orders, and frame the inconceivable casual area connected with creating nations. Be that as it may, the genuine disclosure is the idea of "bunch loaning" which adequately conquers the issues of security and unfriendly determination because of data sway examination of microfinance recommends that the greater part of borrowers who as of now have a few resources (Alternately business abilities and instruction) will probably succeed. In this way, when William Easterly (2006) alludes to MFIs as "searchers", the quest ought to rather be for existing little

endeavours in the casual division, not the exceptionally poor with no advantages or entrepreneurial aptitudes.

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