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A Study on Role of Micro Finance in Rural Development Ayodhya Region

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Abstract: India is a country which has its majority of population residing in rural areas hence rural development becomes an important aspect on which limelight should be bought. Micro-finance therefore becomes an anti-poverty vaccine. Small funds injected into rural areas will stimulate rural activities which is necessary to boost village economy. Micro-financing empowers bottom of the pyramid group for self-employment opportunities and to lift their standard of living. The study is conducted to examine the current scenario of outreach of micro-finance in said areas and whether it is helping in alleviating poverty. The data collection of the research would be based on primary and secondary data sources.

I. INTRODUCTION

The increasing volume of research around the world gives a clear picture that a well developed and inclusive financial system are related with speedy growth and better income distribution (Karmakar, K. G. 2008). The term "microfinance" can be defined as providing micro loans to economically weaker section in order to make them financially independent by starting some small business (Mawa, B. 2008). Microcredit facility is used to give women access to financial services to channelize their capabilities and skills for better economic development (Dobra, A. 2011). Micro credit plays a vital role in rural development and poverty alleviation. Micro finance institutions (MFIs) have its existence in rural areas for providing credit and helping in their basic issues because there is absence of formal financial institutions (Vatta, K. 2003). Majority of microfinance programs focuses on empowering women following a belief that women are most vulnerable part of rural India and should be prioritized. Empowering women also helps in reducing the social as well as economical problems (Karimzadeh, M., Nematinia, G., & Karimzadeh, M. 2011) Self help groups (SHG) is a small group of people mostly 8-20 people come together for a social or economic cause. There are several causes for which they work like medical issues, for livelihood generation and many more (Deshmukh-Ranadive, J 2004).

A. Research Problem

More than 800 million people in India are considered poor. It is very important to empower these people by providing micro-credit because these small amounts can add fuel to the economy. This research paper examines the importance of micro-finance in poverty alleviation by analyzing some parameters like –

1) Awareness
2) Access to funds
3) Purpose for taking micro-credit
4) Necessity
5) Whether the amount provided increases their standard of living

B. Objectives of the Study

1) To study the awareness of micro-finance amongst the weaker section of the economy
2) To study the outreach of micro-finance in Ayodhya region
3) To study whether micro-finance is necessary to alleviate poverty

C. Hypothesis

1) *Null Hypothesis:* there is no significant impact of micro-financing on poverty alleviation
2) *Alternate Hypothesis:* there is a significant impact of micro-financing on poverty alleviation
3) *Null Hypothesis:* Awareness of micro finance is independent to gender
4) *Alternate Hypothesis:* Awareness of micro finance is dependent to gender

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II. LITERATURE REVIEW

A. Outreach

Ingale, Pallavi (2014).The study focuses on whether access to micro finance reduces poverty. MFIs play an important role in delivering finances because where financial institutions failed micro financing institutes performed. Though its outreach is too small therefore its viability and sustainability is in a questionable state. The study concluded that micro financing is an important tool to alleviate poverty if some factors are taken into consideration.

B. Awareness

Misal, D.M.(2013).The study concluded that there is asymmetric growth of micro finance across the country. Micro-finance is one of the practical development strategies and approaches that should be implemented and supported to attain the bold ambition of reducing world poverty by half. Indeed, micro-finance is interwoven into many of the recommended strategies to achieve the Millennium Development Goals. It is an important means of halving poverty. When aggregated and invested properly, these small, sometimes seemingly insignificant amounts can add fuel to country economic growth.

C. Government Initiatives

Mohd, Sharif. (2018).The study concluded that microfinance plays an important role in developing countries like India and it cannot be undermined. It is very important for socio-economic upliftment of people who are in bottom of the pyramid. Poverty reduction has taken priority at both national and international levels since 1990s. Various government initiatives has been taken place in order boost the standard of living of below poverty line people.

D. Sustainability

Dasgupta, R. (2005).The study includes that high number of NPAs is one of the reasons for the dull performance of both public and private sector banks in extending credits to weaker section of economy. This study examines the self help group models and various other models which are used for extending credits to weaker section of economy.

Uddin, M. H., & Hossain, A. (2020). The study implies that microfinance service provisions should be more user-friendly for the customers so that the services can be advanced to the locals of the different regions of Bangladesh for facilitating the rapid economic growth. Financial education may be introduced for a better understanding of microfinance services collection, usage, and for return policy. Policymakers may also provide some guidelines to fight poverty for their rest of life.

III. RESEARCH METHODOLOGY

The research paper is descriptive in nature and was followed accordingly. The method used for data collection is primary and questionnaire was formed for the same. The questionnaire was structured for the bottom of the pyramid people to get the authentic data and to get a clear understanding of whether micro finance is a tool for alleviating poverty and whether it is boosting rural economy. The survey was conducted in Tajpur area of Ayodhya district. The determined sample size is 385 with considering a confidence interval of 95%, standard deviation as 0.5 and error within 5%. To analyze the primary data chi square test is performed.

IV. DATA ANALYSIS

Table 1 The below table shows that people who are aware about micro finance* who have taken micro finance

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	278.797[a]	4	.000
Likelihood Ratio	269.508	4	.000
N of Valid Cases	180		

a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is .16.

1) *Interpretation:* Since p value (0.000) is less than 0.05, we reject Ho and say that taking credit is dependent to awareness of microfinance
2) *Conclusion:* People who were aware about micro-finance took credit

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Table 2 The below table shows the Relationship between gender and awareness of micro finance

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	180.096[a]	4	.000
Likelihood Ratio	247.348	4	.000
N of Valid Cases	180		
a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is .80.			

1) *Interpretation:* Since p value (0.000) is less than 0.05, we reject Ho and say that awareness of microfinance is dependent to gender
2) *Conclusion:* Females are less aware about microfinance compared to males and to improve this government has introduced self help group program which aims at women empowerment.

Table 3 The table below shows the relationship between micro finance* poverty alleviation

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	180.000[a]	2	.000
Likelihood Ratio	247.306	2	.000
N of Valid Cases	180		
a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.78.			

1) *Interpretation:* Since p value (0.000) is less than 0.05, we reject Ho and say that poverty alleviation is dependent on micro finance
2) *Conclusion:* Micro-finance is important tool for poverty alleviation and it helps in boosting rural economy

V. FINDINGS & CONCLUSION

The major findings from the survey taken were that people were aware about micro credit facility and even women of the rural areas were aware and took its advantage. There was a clear understanding about self help groups and its functioning amongst the weaker section of economy. Penetration of micro credit facility amongst the areas is commendable and there is both private and public sector lending involved. Micro credit is taken for various purposes like to earn livelihood, to start small business, for dairy farming, for agricultural uses as well as for personal purpose. Some people find loan taking process difficult but majority says it easy. The repayment time for loan is less according to 11% of people but majority believes they get sufficient time to repay loan. 100% people who were surveyed believed that micro lending helps them and it is a good measure as very less papers are required to get loans and it is easily available to them.

Considering the results and findings it can be said that definitely micro credit is a very useful tool for alleviating poverty and it is important to inject small credit in rural India as it decreases poverty and unemployment and boosts rural economy.

VI. LIMITATIONS

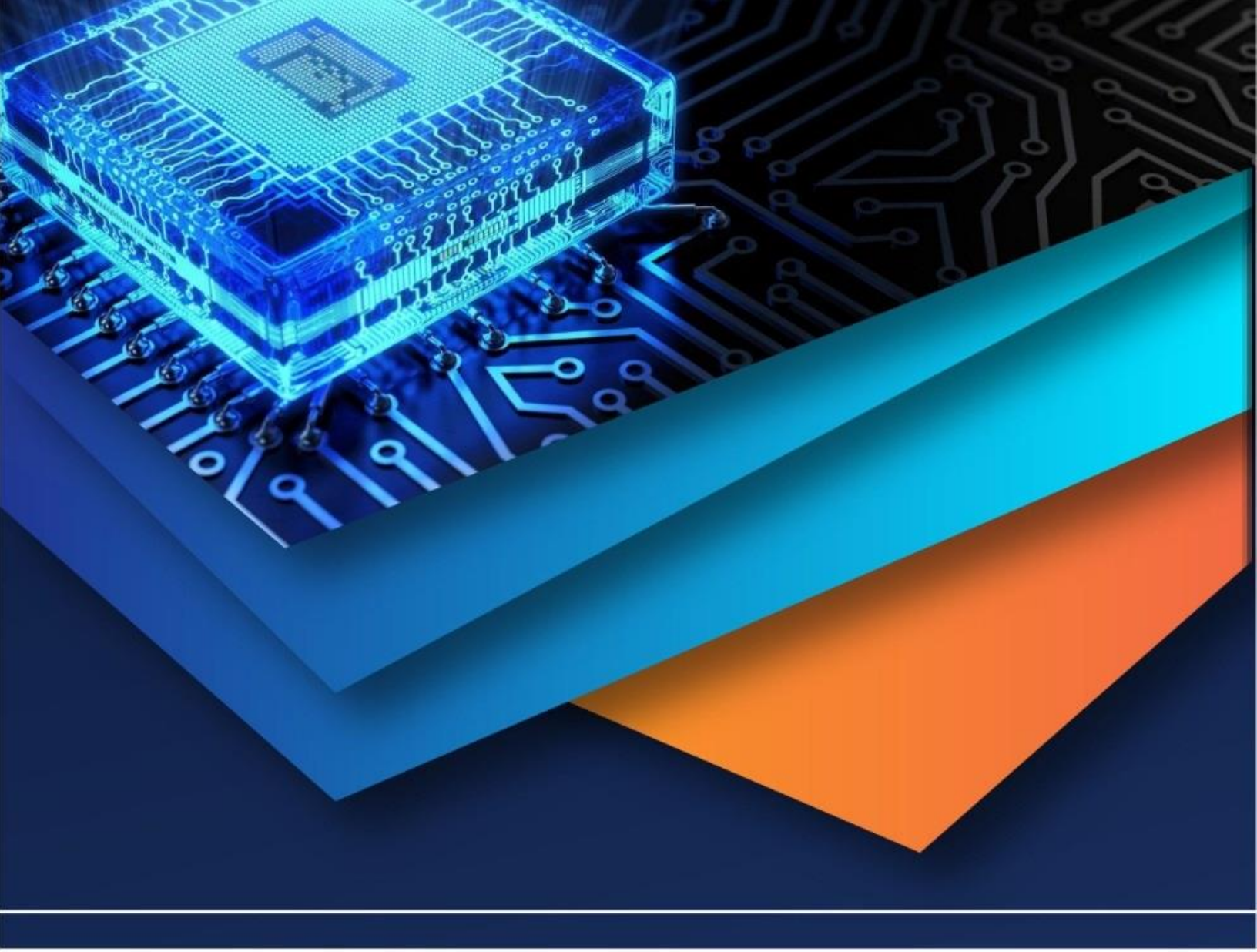
A. The study is restricted to Ayodhya region so the findings of the study are applicable to Ayodhya region only and cannot be generalized to other geographical areas.
B. It is a descriptive research with majorly close ended questions which decreases the scope of unique insights.
C. The insights from experienced professionals like researchers and professionals working with the cooperative banks are missing.
D. Due to covid 19 travel restrictions the responses of 82 respondents have been collected.
E. Due to time and resources constraints only Tajpur area of Ayodhya district has been surveyed.

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