

# “AN EMPIRICAL STUDY ON AN AWARENESS OF MICROFINANCE IN RURAL AREA ON THE BASIS OF LITERACY LEVEL IN KHEDA DISTRICT”

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## ABSTRACT

Microfinance is the arrangement of wide scope of budgetary administrations, e.g. deposits, loans, instalment administrations, cash exchanges and protection to needy individuals and low salary family units and their small scale undertakings. It is compelling tool for making the keeping money administrations available to the provincial unbanked territories. Improved access and productive arrangement of investment funds, credit and protection offices would empower the poor to set up decreased scale undertaking, develop financial resources, deal with the dangers better and upgrade salary winning limit and resultantly improve their way of life. India is a nation of towns even today however by virtue of absence of foundation bringing about absence of chances for the populace movement of youth proceeds unabated. The urban focuses are getting overwhelmed with masses. To stop this relocation we need to give chances to under advantaged individuals of country zones. Microfinance is a noteworthy instrument accessible to make openings and help individuals to raise their personal satisfaction. In the advancement worldview, smaller scale money has developed as a need-based strategy and program to take into account the so far ignored target gatherings (women, poor, rural, deprived, etc.). The fundamental thought of small scale money is straightforward: if needy individuals are given access to monetary administrations, including credit, they might just have the capacity to begin or extend a miniaturized scale venture that will enable them to break out of neediness. Along these lines, miniaturized scale fund has turned out to be a standout amongst the best intercessions for monetary strengthening of poor people. This paper inspects familiarity with Micro-Finance in Rural Area on the Basis of Literacy Level in Kheda District.

**Keywords:** *Micro Finance, Policies and Procedures, Awareness, Potential Market, Promotional Programmes & SHG.*

## INTRODUCTION

Poverty is one of the determined common problems in the developing and under developed countries of the world. (Satish, 2005) Microfinance is the supply of loans, savings and other financial services to the poor. The term —micro is in reference to the small amounts typically involved in the practice. These services are small – —micro – because a person who does not have a lot of money most likely will not need a loan of several thousand rupees. (Kamath & Srinivasan, 2009) However, a loan of a few hundred rupees may make

a huge difference in their lives, giving them the ability to purchase livestock for a small farm, a sewing machine to help make accessories and clothes, or supplies for a small store. (Bank, 2003)

India has 1.37 billion populations, out of that 66% means 9.01 billion populations are living in rural areas and only 34% means 4.63 billion populations are living in urban areas. The total literacy rate of India is 79.31% out of that male literacy rate is 80.90% and female literacy rate is 64.60%. (Karamkar, 1999) Same as Gujarat has 6.93 million populations, out of that nearly 57% (about 3 Crore) live in Gujarat rural part and 43% (about 3 Crore) population live in the Gujarat urban part. The total literacy rate of Gujarat is 78% out of that male literacy rate is 86.00% and female literacy rate is 70% approximately. And same as Kheda district has 23 lakh populations, among them 77% (about 17.8 lakh) live in Kheda District rural part and 23% (about 5.2 lakh) population live in the Kheda District urban part. The total literacy of Kheda district 16.6 lakh people, among them about 9.4 lakh are male and about 7.2 lakh are female. (Sampark, 2003)

Schreiner and Colombes define microfinance as “*The attempt to improve access to small deposits and small loans for poor households neglected by banks.*” (Fields, 2010) Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. (T, Praseeda, & Jayanth, 2008); (Gordon, 2011)

## LITERATURE REVIEW

**J & Kasynathan (2002)** has examined that poor women and men in the developing world need access to microfinance and donors should continue to facilitate this. This research suggests that equity and efficiency arguments for targeting credit to women remain powerful: the whole family is more likely to benefit from credit targeted to women, where they control income, than when it is targeted to men. Microfinance must also be re-assessed in the light of evidence that the poorest families and the poorest women are not able to access credit. A range of microfinance packages is required to meet the needs of the poorest, both women and men.

**Reginald Indon (2007)** has examined that informal businesses represent a very large cross-section of economic enterprises operating in the country. Informal businesses may be classified as the livelihood/survival type or the entrepreneurial/ growth-oriented type. Livelihood enterprises are those which show very limited potential for growth in both income and employment generation.

**R.Prabhavathy (2012)** has examined that collective strategies beyond micro-credit to increase the endowments of the poor/women enhance their exchange outcomes the family, markets, state and community, and socio-cultural and political spaces are required for both poverty reduction and women empowerment. Even though there were many benefits due to micro-finance towards women empowerment and poverty alleviation, there are some concerns. First, these are dependent on the programmatic and institutional strategies adopted by the intermediaries, second, there are limits to how far micro-credit interventions can alone reach the ultra-poor, third the extent of positive results varies across household headship, caste and religion and fourth the regulation of both public and private infrastructure in the context of LPG to sustain the benefits of social service providers.

## RESEARCH GAP

Most of the researchers have research on poor man and women, economics enterprises, micro credit to the household. This paper has filled the gap with title of an awareness of microfinance in rural area on the basis of literacy level in Kheda district which is the new topic for Gujarat state.

## RESEARCH METHODOLOGY

### OBJECTIVE:

- To study the awareness level of the people of Micro Finance in rural area of Kheda District.
- To find the awareness level of the urban poor people about the concept of Micro Finance.
- To find the awareness level of the urban poor people about various schemes & services of Micro Finance.

### HYPOTHESIS

The hypothesis formulated for this particular research work is as follows:

**H<sub>0</sub>:** literate & illiterate People are aware about the Microfinance in rural area.

**H<sub>1</sub>:** illiterate & illiterate People are not aware about the microfinance in rural area.

### RESEARCH DESIGN

- **Research Design:** - It includes descriptive design, which is relating with the qualitative and quantitative analysis and collect the information by individual interview and survey method.

- **Source of Data:-**

**Primary Source:** In which that I have design the questionnaire and take personal interview with DGM of Dena Bank and Bank of Baroda to collect the financing schemes of the various nationalized banks under micro finance.

**Secondary Source:** It includes brochures of various banks were collected, Periodicals about Micro finance have been collected and also collect the information from newspaper, magazine, books, article and internet database etc.

### DATA COLLECTION METHOD:

- **Survey Field:** - Field Survey gives the both type information, quantitative and qualitative.
- **Personal interview:** - I have got the best information from personal interview with DGM of Dena Bank and Bank of Baroda. We ask the question and get the reliable answer which is related with my research issue and also get the most useful data through the personal interview.

### SAMPLING PLAN

- **Sampling frame:** I have select five rural area of Kheda district.
- **Sampling size:** 40.
- **Sampling unit:** - we consider the sampling unit is 8 household from every one rural area of district.
- **Sampling method** – probability – randomly selection, without replacement sampling.

### DATA ANALYSIS & INTERPRETATION

#### Test Validity and Reliability

The researcher has used SPSS 17 for analysing the data.

#### ❖ Classification of Questionnaire

Part	Name	No. of items
I.	Respondent's Profile	8
II.	Micro Finance Awareness	3
III.	Micro Finance services/schemes Awareness	2
<b>Total</b>		<b>13 items</b>

Initially 125 questionnaires were distributed at the various rural like Thasra, Matar, Mahudha, Virpur, Mahemdabad and the other slums in the Kheda District. The questionnaires were translated in Gujarati for the convenience of the respondents, as the regional language is Gujarati and people converse in Gujarati. Only 40 questionnaires are received back.

### 1) Age of Respondents:

Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	3	7.5%	7.5%	7.5%
26-30	6	15%	15%	22.5%
31-35	6	15%	15%	37.5%
36-40	6	15%	15%	52.5%
41-46	5	12.5%	12.5%	65%
46-50	3	7.5%	7.5%	72.5%
50 & above	11	27.5%	27.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

The maximum number of respondents is in the age group of 50 & above which is 27.5% and minimum number of respondents is in the age group of 18-25 & 46-50 which is 7.5%. 15% respondents are in the age group of 26-30, 31-35 and 36-40. 12.5% respondents are in the age group of 41-46. It shows that 50 & above age group of persons are available at the time of survey.

### 2) Education Status:

Education Status	Frequency	Percent	Valid Percent	Cumulative Percent
Illiterate	7	17.5%	17.5%	17.5%
SSC Fail	4	10%	10%	27.5%
SSC Pass	5	12.5%	12.5%	40%
HSC Pass	10	25%	25%	65%
Graduate	9	22.5%	22.5%	87.5%
Any Other	5	12.5%	12.5%	100
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

The education status of the respondents is as follows. The maximum numbers of respondents are HSC pass which is 25%. The minimum numbers of respondents are SSC fails and with various other courses which counts to be 12.5% respectively. 17.5% respondents are Illiterate, 12.5% respondents are SSC Pass and 22.5% respondents are Graduate. Out of 40 respondents feedback most of the respondents are HSC pass.

### 3) Marital Status:

Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
Married	31	77.5%	77.5%	77.5%
Divorce	4	10%	10%	87.5%
Widow	5	12.5%	12.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Maximum number of respondents is married and is 77.5%. The minimum number of respondents is divorced which is 10%. 12.5% of the respondents are widow and none of the respondents are unmarried.

**4) Occupation:**

Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Service	12	30%	30%	30%
Labour	4	10%	10%	40%
Maid Servant	5	12.5%	12.5%	52.5%
Petty Business	5	12.5%	12.5%	65%
Any Other	14	35%	35%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Maximum numbers of respondents are into various other occupations which count 35%. Minimum numbers of respondents are labour which count to be 10%. 12.5% respondents are into Maid Servant & Petty Business and 30% respondents are doing service. In Kheda District, there are more population are attached with various Business Activities.

**5) Total Number of Family Members:**

Numbers	Frequency	Percent	Valid Percent	Cumulative Percent
1	5	12.5%	12.5%	12.5%
2	2	5%	5%	17.5%
3	2	5%	5%	22.5%
4	10	25%	25%	47.5%
5	16	40%	40%	87.5%
6	5	12.5%	12.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Maximum numbers of respondents (16) have 5 members in their family which is 40%. Minimum number of respondents have 2-3 (2) members in their family which is 5%, 12.5% respondents have only one member in their family. Additionally there 10 number of respondents who has 4 members in their family and there is only 5 respondents has more than 5(i.e. 6) members in their family. From the above result we have seen that, in rural area family members are more and they have believes in living in joint family.

**6) Earning Members in a Family:**

Number of Members	Frequency	Percent	Valid Percent	Cumulative Percent
1	9	22.5%	22.5%	22.5%
2	9	22.5%	22.5%	45%
3	15	37.5%	37.5%	82.5%
4	6	15%	15%	97.5%
5	1	2.5%	2.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Maximum number of respondents (15) has 03 earning members in the family which is 37.5%. There is only one respondent, in their family only one earning members which is 2.5%. From the above study we have identified that there are 22.5% respondents have 01 and 02 earning members in their family and 15% respondents have 04 earning members in their family. From the above result we can see that all members are trying to get the employment for his/her families.

**7) Monthly Income:**

Monthly Income	Frequency	Percent	Valid Percent	Cumulative Percent
1000	4	10%	10%	10%
1001-2000	2	5%	5%	15%
2001-3000	4	10%	10%	25%
3001 and more	30	75%	75%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	



Maximum numbers of respondents earn more than Rs.3000 per month. Minimum numbers of respondents earn 1001-2000 in a month. 10% respondents earn between 1001-3000 in a month. In digital world, rural persons are getting more employment and monthly income for his life.

#### 8) Housing Status:

Housing Status	Frequency	Percent	Valid Percent	Cumulative Percent
Rented House	12	30%	30%	30%
Own House	28	70%	70%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

From the above result we can see that 70% respondents have own house.

#### 9) Micro Finance Awareness Amongst Respondents :

Micro Finance Awareness amongst Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	34	85%	85%	85%
No	06	15%	15%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Question number 9 deals with, whether respondents have heard about micro finance. Out of 40 respondents, 34 respondents responded Yes', which is 85%. The outcome of this question is positive about the awareness about micro finance.

Through	Frequency	Percent	Valid Percent	Cumulative Percent
Advertisement	5	14.71%	14.71%	14.71%
Friends	6	17.65%	17.65%	32.36%
Relatives	4	11.77%	11.77%	44.13%
Agents	13	38.23%	38.23%	82.36%
Others	6	17.65%	17.65%	100%
<b>Total</b>	<b>34</b>	<b>100</b>	<b>100</b>	

Maximum numbers of respondents (13) are aware about micro finance through agents which count is 38.23%. Minimum numbers of respondents (4) are aware about micro finance through Relatives which count is 11.77%. From the above study we can say that there is only 05 respondents are aware about micro finance through advertisements which count is 14.71, 17.65% respondents are aware about micro finance through friends and other sources.

#### 10) Impact of Awareness Activity done by Microfinance Service Provider Group and Institutes:

Impact on Awareness Activity	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	33	82.5%	82.5%	82.5%
Disagree	07	17.5%	17.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Question number 10 deals with, whether it is Impact of Awareness Activity done by Microfinance Service Provider Group and Institutes. Out of 40 respondents, 33 respondents responded 'Agree', which is 85%. The outcome of this question is positive impact about Awareness Activity done by Microfinance Service Provider Group and Institutes.

Impact of awareness activity done by MF Service Provider Group and Institutes	Frequency	Percent	Valid Percent	Cumulative Percent
Good	9	27.27%	27.27%	27.27%
Average	13	39.38%	39.38%	66.65%
Best	11	33.33%	33.33%	100%
<b>Total</b>	<b>33</b>	<b>100</b>	<b>100</b>	

Maximum numbers of respondents (13) are believes that Impact of awareness activity done by MF Service Provider Group and Institutes is an average which counts 39.38%. Minimum number of respondents (9) are believes that Impact of awareness activity done by MF Service Provider Group and Institutes is good which counts 27.27%. And 33.33% respondents (11) are believes that Impact of awareness activity done by MF Service Provider Group and Institutes is best.

#### 11) Awareness About Various Schemes of Micro Finance:

Awareness of Scheme	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	33	82.5%	82.5%	82.5%
No	07	17.5%	17.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Question number 11 deals with, whether respondents have aware about micro finance scheme. Out of 40 respondents, 33 respondents responded 'Yes', which is 82.5%. The outcome of this question is more respondents are about Awareness of Micro Finance Scheme.

Schemes	Frequency	Percent	Valid Percent	Cumulative Percent
Micro Credit	3	9.09%	9.09%	9.09%
Micro Insurance	7	21.21%	21.21%	30.30%
Saving Schemes	13	39.39%	39.39%	69.69%
Employment Schemes	10	30.30%	30.30%	100%
<b>Total</b>	<b>33</b>	<b>100</b>	<b>100</b>	

Maximum number of respondents (13) has come to know about saving schemes which counts to be 39.39%. Minimum number of respondents (3) has come to know about micro finance schemes which count to be 9.09%. 30.30% respondents have come to know about employment scheme and 21.21% respondents have come to know about micro insurance scheme.

#### 12) Awareness about Micro Finance Services:

Aware About Services	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	36	90%	90%	90%
No	04	10%	10%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Question number 12 deals with, whether respondents have aware about micro finance services. Out of 40 respondents, 36 respondents responded 'Yes', which is 90%. The outcome of this question is more respondents are about Awareness of Micro Finance Services.

Services	Frequency	Percent	Valid Percent	Cumulative Percent
Credit Services	7	19.44%	19.44%	19.44%
Loan Services	10	27.78%	27.78%	47.22%
Insurance Services	5	13.89%	13.89%	61.11%
Payment Services	5	13.89%	13.89%	75%
Saving Services	9	25%	25%	100%
<b>Total</b>	<b>36</b>	<b>100</b>	<b>100</b>	

Maximum number of respondents (10) has come to know about loan services which count to be 27.78%. Minimum number of respondents (5) has come to know about insurance and payment services which count to be 13.89%. 19.44% respondents have come to know about credit services and 25% respondents have come to know about saving services. From the above result we can say that most of the respondents are taking service of microfinance for saving and loan purpose.

**13) Impact on your Standard of Living through Micro Finance Services:**

Is there any Impact on Standard of Living	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	33	82.5%	82.5%	85%
No	07	17.5%	17.5%	100%
<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

Question number 13 deals with, whether it is any impact on standard of living? Out of 40 respondents, 33 respondents responded 'Yes', which is 82.5%. The outcome of this question is shows that respondent's standard of living more impact through Micro Finance Services.

Impact	Frequency	Percent	Valid Percent	Cumulative Percent
Positive	26	78.79%	78.79%	78.79%
Negative	7	21.21%	21.21%	100%
No Impact	0	0	0	100
<b>Total</b>	<b>33</b>	<b>100</b>	<b>100</b>	

From the above result we can say that there is maximum number of respondents (26) believes that there is a positive impact on standard of living through Micro Finance Services. And only 07 respondents believes that there is a negative impact on standard of living through Micro Finance Services

**MAJOR FINDINGS & RECOMMENDATIONS**

There have been some objectives while conducting the research and these have been proved by the research as below:

1. The study has focused on the awareness level of microfinance. The study shows that the awareness level about micro finance of the sample studied is 38.23% (Q. 09).
2. The study reveals that most of the poor people of Kheda District are aware about micro saving schemes and also these schemes are the most opted for options amongst the targeted consumers.
3. Micro finance is only given to the poor married women for starting their own business or for financing the existing business. Also various saving schemes are being provided to the consumers. Consumers are also being provided with loans for purchase of commercial vehicles and personal two wheelers.

There has been some Recommendation for Further Research Study:

1. Loan size should be increased enough to meet the requirements of borrowers.
2. The people should be given more opportunities for loan accomplishment.
3. Knowledge should be provided by MFIs to interested borrowers for the better utilization of credit.
4. Interest rate should be decreased so that more and more applicants can avail microfinance facilities.
5. If microfinance is to be made a successful mass movement, the operations need to be made simplified, cost effective and transparent.
6. MFI should disclose effective interest rate to the borrowers. Hiding effective interest rate to poor and illiterate borrowers by using —creative accounting practices is highly immoral. The poor borrowers have a right to know the true asking price of the micro loan in form of effective annual interest rate, so that, they can take right borrowing decisions.
7. The government should provide the basic infrastructural facilities such as good roads, schools, hospitals, constant power supply etc. in the state to enable individuals achieve the benefits of microfinance.
8. The Poverty Alleviation Programme should be restructured to meet the needs of the less privileged members of the society mostly the women that are in serious need for microfinance.
9. There is urgent need to streamline the procedure for applying, seeking and releasing of credit from the banks. The procedural difficulties are one of the major issues, which have denied women the



financial benefits of the banks. Therefore, the procedure for credit access to women should be made more easy and simple.

## CONCLUSION

Microfinance as an instrument of neediness decrease has been endeavouring exemplary endeavours and giving a hope like to the poor who have the capacity just as ability to spare however are denied off the sufficient fund at sensible terms. The examination discovered great sparing propensities among the provincial poor. Limit of them spare consistently and that too in formal money related roads. Comparative is the situation of credit usage, majority of the respondents (27.78%) were utilizing bank advance administrations that breaks the old fantasy about country individuals to approach their own contacts for credit. This might be a direct result of far reaching bank offices in country/territories which was not the scene of the past.

Curiously, individuals having assumed smaller scale acknowledgment from the formal sources are observed to be abundantly happy with the administrations than the one benefiting credit from the casual sources. It demonstrates that the formal sources have been fruitful to some degree in improving the frame of mind of the country individuals towards the sorted out budgetary sources, in this way decreasing a lot of their reliance on the costlier and exploitative methods for account, for example, moneylenders. Individuals do esteem microfinance benefits and perceive their positive effects on their lives.

In this way, it has been seen that no uncertainty, the formal area of fund, explicitly the financial division has denoted a critical advancement in accomplishing the monetary incorporation target. Yet, great deals of endeavours are required to make ready for the smaller scale financing development among the financial segment. The need of great importance is to change the frame of mind of the general population towards utilization of formal wellsprings of fund by spreading more consciousness of the smaller scale financing administrations accessible with the banks and the utilization of such administrations so they feel roused to get to these sources. Last but not the least for microfinance, to be a ground-breaking instrument of destitution destruction, endeavours ought to be made right way with right soul.

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