

# A Study of Role of Micro Finance in Financial Inclusion of Below Poverty Line Women in Haryana

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## Abstract:

Empowerment is a social action process that promotes participation of people, organization and communities in gaining control over their lives in their community. There is urgent need of empowering women especially in rural areas. The formation of Self Help Group and Micro Financing will enhance their socio-economic position in the society. Small loans can make good business sense among the women. It has been noticed that women in particular stand to gain a lot from micro-finance because it gives them an independent means of generating wealth and becoming self-reliant in a society that does not offer them much scope for entrepreneurship. And since it is women who run the household, a higher standard of living for women ensures better governance and a healthier and more prosperous future for the children and a better future for the nation. The success of micro credit initiatives have often been attributed to their particular focus on empowering women and encouraging their self-reliance through developing their own means of income.

## Keywords:

Microfinance, BPL, Scheme, Empowerment and economic Growth, SHG etc.

## Introduction:

The influential role played by micro finance for speeding up the economic growth has been well acknowledged across the world. The Indian government has already recognized the financial requirements of the rural sector and developed policies that contributing to the flow of institutional credit. Haryana, land with around 25 million population, is one of India's wealthy states. It is one of those regions in India which are categorized by significantly minimal levels of poverty, which is also lower than the national average to a great extent. However, the state has people belong to below poverty line (BPL) to certain extent. Haryana has been always considered as a pioneer land in executing financial reforms. Micro-finance is contributed as an influential instrument for accomplishing 'financial inclusion' and mitigation of dearth, empowering the rural poor to enhance their revenue opportunities and lessen economic vulnerability. Microfinance in India through its major channels served over 33 million Indians in the financial year 2007-08, up by 9 million over the last financial year, out of which around 80% clients were women (Bhatt, N. and Tang, S.-Y. 2001). Various case studies show that there is a positive correlation between credit availability and women empowerment. It is observed that majority of rural women who are associated with self- help group activity positively succeeded to make them empowered. Women in rural India lived in virtual isolation, unable to access even the most basic of services, but with the formation of Women Self-Help Groups, these women are now achieving social and physical mobility. It is recognized that while the empowerment of women is a

process that will not happen automatically, SHG is a suitable means for the empowerment of women. The impacts of SHGs on socio-economic status of women were found significant. Cope stake J.G. (2000),

One of the most important empirical relationships revealed in the last decade has been the establishment of the causal link between financial depth and growth (Honohan, 2004). There is a schematic representation of the theoretical basis for the link between financial depth and growth. Policy-makers would do well to recognize the relationships between well-developed financial systems and economic growth as well as economic growth and poverty reduction. Thus, the question arises; does a well-developed financial system serve the poor? There are in fact ample theoretical justifications and empirical evidence indicating that a well-developed financial system can be an effective poverty alleviation tool. For one, there are large costs to small and poor entrepreneurs for the market imperfections in a poorly developed financial system. These burdens include informational asymmetries, transaction costs and contract enforcement costs, compounded by lack of collateral, credit histories, and contacts. For these entrepreneurs, broad access to financial services would smooth project financing, positively impacting growth and poverty alleviation (Galor & Zeira, 1993).

The poverty alleviation programs in India can be categorized based on whether it is targeted for rural areas or urban areas. Most of the Programs are designed to target rural poverty as the prevalence of the poverty is high in rural areas. Also targeting of the poverty is challenging in rural areas due to various geographic and infrastructure limitations. The Programs can be mainly grouped into 1) Wage employment Programs, 2) Self-employment Programs, 3) Food security Programs, 4) Social security Programs and 5) Urban poverty alleviation Programs. The five year plans immediately after independence tried to focus on poverty alleviation through Sectoral Programs.

Kakkadan, R.N. and Sameeksha, T. (2006), The first five-year plan focused on agricultural production as a way of addressing poverty while second and third plans focused on massive state led investments for employment generation in public sector. While these policies did some policy generation, they did not have enough strength to affect a sweeping effect.

- Jawahar Gram Samridhi Yojana (JGSY)
- National Old Age Pension Scheme (NOAPS)
- National Family Benefit Scheme (NFBS)
- National Maternity Benefit Scheme.
- Annapurna.
- Integrated Rural Development Program(IRDP)
- Pradhan Mantri Gramin Awaas Yojana
- National Rural Employment Guarantee Act (NREGA)

## Microfinance Institutions and Bank

A MFI is an organization that acts as an interface between the formal credit delivery institutions and credit seekers, with an aim to assist for the socio economic development of poor and marginalized people. MFIs are essential to encourage micro enterprises and empower local people including women. Sriram, M.S. and Upadhyayula, R. (2004)

The geographical distribution of MFIs is very much concentrated in the Southern India where the rural branch network of formal bank is excellent.

### Below Poverty Line (BPL)

Below Poverty Line is an economic benchmark used by the government of India to indicate economic disadvantage and to identify individuals and households in need of government assistance and aid. It is determined using various parameters which vary from state to state and within states. The present criteria are based on a survey conducted in 2002. Going into a survey due for a decade, India's central government is undecided on the criteria to identify families below poverty line.

### Financial Inclusions

Financial Inclusion means the timely delivery of financial services to disadvantaged sections of the society. This simple definition encompasses the concepts into two primary dimensions (United Nations, 2006). Firstly, financial inclusion refers to a customer having access to a range of formal financial services, from simple credit and savings services to the more complex such as insurance and pensions. Secondly, financial inclusion implies that customers have access to more than one financial service provider, which ensures a variety of competitive options. Flowing from this definition, financial exclusion would mean the inability of the disadvantaged to access financial services. A range of obstacles could lead to financial exclusion; barriers include geography (limiting physical access), regulations (lack of formal identification proof or of appropriate products for poor households), psychology (fear of financial institution's staff, structures, complicated financial products, etc.), information (lack of knowledge regarding products and procedures), and low financial acumen (low income and poor financial discipline), among others.

### Self Help Group (SHG)

A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia.

## Review of Literature

The effort to extend microfinance services to the people who are underserved by financial institutions is technically referred to as outreach (Aghion and Morduch, 2005). Outreach can be measured in terms of breadth which is the number of clients served and volume of services; that is, the number of available service to each client or depth which is the poverty level of clients reached by the MFI for levels of poverty (Lafourcade *et al.*, 2005). To illustrate this, an MFI can choose to provide just one service such as micro-loans to clients or can choose to provide complementary services as well such as micro savings and insurance. Greater breadth is achieved where a large number of clients can access a diverse range of complementary services from that same provider. On the other hand, greater depth is achieved when these services are provided to the most deserving of the poor in terms of income and poverty levels.

Brau and Woller (2004) identify two primary challenges in client targeting- First, the rationale of gender targets which is lending to women vs lending to men and; Second, the rationale of poverty targets which is lending to the "very poor" vs the "poor" and lending to the marginally poor vs non-poor or near poor. Simanowitz and Walter (2002) argued that conventional microfinance excludes the poorest deliberately or through unintentional mechanisms such as products attractive to the non-poor and difficult for the poor to access.

Simanowitz and Walter further argued that through increasing their understanding of poverty, MFIs can take simple steps to improve their outreach and their effectiveness for the poorest (Simanowitz and Walter, 2002). Mathie (2001) argued that outreach debate should consider the extent to which microfinance services are able to reach the poor client for whom they are intended and the impact such outreach is likely to have. However, Schreiner (2002) contended that outreach should be considered in light of six key variables, namely; worth to clients, cost to clients, depth, breadth, length and scope. While outreach is traditionally conceived as consisting of two dimensions; breadth and depth as discussed earlier, Schreiner proposes that outreach consists of these six dimensions, each of which is also arguably a component of social value (Woller and Schreiner, 2002)

The effectiveness of finance provision to the poor people in terms of helping them to establish financial shock resilience and progress them out of poverty has generated a lot of debate in recent years. IAs including systematic reviews carried out on microfinance across the world produced conflicting results with some studies showing negative impacts on the poor while others showed positive impact on the poor's poverty situations (Duvendack *et al.*, 2011).

Barnes and Sebstad (2000) define an IA as a study to identify changes that result from a program by employing methods to establish plausible association between changes experienced and participation in the program. The prevalence of microfinance impact evaluations has increased in recent years, with programs using studies not just to prove the effectiveness of microfinance, but to improve it as well (Goldberg, 2005).

Copes take (2000) explored the effectiveness of IA and says it is not just about producing timely, reliable, cost-effective and relevant information about the impact of services on clients, but is also about producing this information in a way that contributes constructively to policy debates among internal and external stakeholders.

Simanowitz (2004) argued that, IAs used to be seen as the requirements of donors to prove impact and effective use of resources. However, practitioners now appreciate the relevance of IAs as a way to improve understanding of their clients in addition to generating information to improve MFIs' services, and client impact (Simanowitz, 2004).

According to (Karlan, 2001) some microfinance organizations assess their impact through a cross-sectional impact methodology which compares veteran to new participants and then calls any difference between these two groups the "impact" of the program. Such studies have risen recently in popularity because they are cheap, easy to implement and often encouraged by donors. USAID, through its AIMS project, encourages this methodology with its SEEP/AIMS practitioner-oriented tools.

### **Research Gap**

The following research gap has been identified through literature review and will be addressed in current research.

- The variables which has already been studied in International and national study has no such coverage in wider way, which explicitly shows there is a gap which exist in the state of Haryana and that there is no such research which has covered the study undertaken by researcher.
- The factors helpful in financial inclusion to raise the status of BPL women are not studied earlier and will be covered in my research.
- This is how it has propelled researcher to select the study on Role of Micro Finance in Financial Inclusion of Below Poverty Line (BPL) Women in Haryana.

### **OBJECTIVES OF THE STUDY**

**The main objective of the study is to analyze the role of micro finance in financial inclusion of BPL women in Haryana.**

To Achieve this objective the following sub objective of this study has been identified:-

- To find out the current position of BPL women in Haryana
- To study about the existing microfinance schemes available particularly for BPL women in Haryana
- To evaluate the factors helpful in the financial inclusion to raise the status of BPL women in Haryana
- To investigate the role of micro finance in financial inclusion and raising the status of BPL women in Haryana

- To suggest innovative strategies and policy measures for effective implementation of microfinance schemes to help BPL women in Haryana.

**On the basis of the objectives considered for the study, the following null hypotheses were developed for the purpose of the**

Present study:

**H01:** There is no significant mean difference in status of rural women and BPL women status in Haryana

**H11:** There is a significant difference in status of rural women status and BPL women status in Haryana

**H02:** There are no significant financial inclusion schemes available for the BPL Women

**H22:** There are some significant financial inclusion schemes available for the BPL Women

**H03:** There are no specific factors associated with financial inclusion to raise the status of BPL Women

**H33:** There are specific factors associated with financial inclusion to raise the status of BPL Women

**H04:** There are no specific factors associated with credit related financial exclusions to BPL Women

**H44:** There are some specific factors associated with credit related financial exclusions to BPL Women.

**H05:** There is no significant impact of micro finance on financial inclusions with special focus on poverty alleviation and socio economic changes

**H55:** There is an impact of micro finance on financial inclusions with special focus on poverty alleviation and socio economic changes

**H06:** There is no significant role of micro finance schemes in financial inclusion and upliftment of BPL women

**H66:** There is a significant role of micro finance schemes in financial inclusion and upliftment of BPL women

### **Research Methodology**

The study will be conducted based on field survey in Haryana of approximate 1000 women who are below poverty line. Mix model research design will be suitable for this kind of research, hence researcher will take Mix model approach where qualitative and quantitative research both will be applicable. Under Qualitative research Action Research will be used.

## Data Collection

Data will be collection using both Primary and Secondary sources. Primary data will be collected using Field Survey and Schedule method will be applied to find the awareness of women under BPL , their knowledge about the MFI's and financial inclusion scheme, the reasons for availing and not availing the MFI's Scheme and factors contributing to knowledge about Credit related activities. Where 1000 women (approx.) will be questioned and analyzed. A detail study would also be conducted to gauge the awareness created by various Financial Institutions across the state and its effect on the decisions of the investors.

Secondary data will be collected to understand the descriptive nature of the study and various published data would be taken into account such as Referred journals online and offline both, Government annual reports and Scholarly articles published.

## Sample Size

Study will be conducted across the districts of Haryana. The sampling method used will be Stratified Random Sampling. The sample units were BPL Families in India. The sample would be collected from women who have reach to financial inclusion scheme.

### Sample Size: Total sample size for the study will be 1000 Sample Plan

The target population of the study is identified as BPL Families and women Labor from across the country. Since the universe cannot be defined, the sample size of the study is ascertained to be 1000 interviews of present BPL women's group.

$$n = [Z^2 \times (P) \times (1-P)] \div C^2$$

Where,

Z = Z value (1.96 for 95% Confidence level)

P = Percentage picking a choice, expressed as a decimal C = Confidence interval, expressed as a decimal

Various tools and techniques will be used to analyze the gathered data. Following are some of the areas which will be considered in the thesis:

### Statistical Inference of Primary Data:

Based on the sample survey of the 1000 respondents across Haryana, the Tendulkar Methodology and most affected with BPL Population, little key statistical inference will be made. The benchmarks mentioned in the Research Methodology will be used to calculate the few causes of failures, the effects of failure for the various components on overall awareness and availability of Financial Inclusion Schemes.

## Research Instrument

The research will be conducted using Field Survey method under the precautionary steps that most of the women will not be able to read and understand the questions. So schedule will be filled up by volunteers to make the respondents comfortable and convenient. It comprises of quantitative and qualitative statements. The quantitative section will be tested using SPSS 21 (Version) by applying suitable analysis tools like Chi-square Analysis, T-test and ANOVA. In the synopsis, work is in progress to identify appropriate tool and pre standardized tool will be taken and adapted according to my research after pilot study.

## Rationale of study

The study will examine the relationship between BPL Women awareness, perceived risk attitudes and Barriers in Financial Inclusions. BPL Women awareness addressed aspects of financial Awareness, social learning while Credit availability and usage behavior will be measured based on respondent's psychological, emotional & social aspects of behavior. Perceived risk attitudes will look at respondent's perception as driven by both affective and cognitive factors leading to risk averse, risk neutral or risk taking capacity to avail the credit available through Financial Inclusion Scheme.

## Conclusions and scope of the Study

The research is intended to expand the pool of knowledge in the area of awareness as well as give an insight on the fact that Financial inclusion can be driven by behavioral motives as opposed to fundamental motives which will help conduct further studies through the provided research findings. The research will provide information that will be useful to the MFI'S and many other types of MFI'S, government bodies, institutions, potential listing companies & individuals in our society, and researchers. The findings will form an information base for policy makers on how to better performance of these kinds of Financial Inclusion schemes.

The study will also contribute to emphasize that microfinance programs in Haryana have been a major contributor to the women empowerment with regard to decision-making for resource usage and family planning. Evidence puts forward that microfinance-based SHG programs could enhance the social and financial situation of deprived women. Comprehending the paths through which micro finance and SHGs programs enhance health effects of the poor is consequently of essential importance.

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