CHAPTER – 1

INTRODUCTION AND APPROACH OF THE STUDY

INTRODUCTION

The word poverty is not unknown towards the world. It is that trap or vicious circle which is very hard to conquer. Poverty makes the situation very critical and hard that people spend their whole life to overcome it but can’t do it. The main reasons of the poverty are unemployment, lack of opportunities, misuse of powers (the deserving poor people are ignored due to corruption), improper family planning, illiteracy, ignorance, etc.

We know that poverty is the result of many institutions such as social psychological cultural political and most important is economic. The concept of poverty is outlined by many people differently. The sociologists outlined it as the phenomenon comes out due to the culture of poverty. The economists characterized it in terms of people living B.P.L. (below poverty line). This concept is based on many terms like per capita income, total of persons existing in one family through the quantity of earners in the family, consumption income etc. these features may be varies from place to place, region to region and country to country. The poor are not poor due to lack of resources or scared resources they are poor sometimes due to their habits or sometimes due to their circumstances. Sometimes poor are poor because of their habits, and sometimes because of their circumstances.

Though it is not always impossible to overcome the situation sometimes with appropriate planning or following with some schemes poor can change their fate and destiny. For letting poverty down our governments as well as individuals formed some types of planning and launched some schemes to alleviate poverty.

Some people come together and make group that is called SHGs (self-help groups) and these groups are financed or handled by some private as well as public institutions that are called NGOs(non-government organizations) and MFIms(microfinance institutions). So before explaining those schemes we have to know about concept of poverty and identification of poor people in Indian context.

Poverty is the most crucial issue faced by many third world countries. Experiments in this field have been going on in many countries and now a consensus
is emerging as to what constitutes poverty. Owing to the complexity of the problem, a number to conceptual and methodological issues have cropped up and it becomes very difficult to define poverty in a single way. In order to live, we must satisfy a variety of needs and our ability to function adequately in society depends upon the extent to which these needs are met.

When important needs are not met, individuals or families are said to lie in poverty, because the condition of their living are not considered satisfactory.

1. STATEMENT OF THE PROBLEM: MICROFINANCE AND ITS IMPACT ON THE SOCIO ECONOMIC LIVES OF POOR PEOPLE IN HARYANA.

The concept of microfinance has emerged in the 1970’s with strong collaboration between private sector solutions as well as rural credit market. The economist Morduch (2000) “this kind of enthusiasm for microfinance rests on an attractive win-win model followed by microfinance institutions on the good banking principles”. There are two sided aspects coming out about MFIs on the one side many studies indicate that MFIs has the power to eradicate the poverty, improves socio-economic lives of poor and generate employment. And on the other side of aspect is that there is little effect seen on the status of poor in the society especially women members who face many problems during field work including working hours. Aghion and Morduch (2005) “ MFIs can make a huge difference in lives of engaged people, but it is not a magic broom which takes poor towards the much better livelihood. It can’t work equally everywhere and for everyone. In this context, it is beneficial to learn from different operational practices and approaches and role of the government, NGOs and the private sector in extending these type of financial services to poor”.

1.1 Concept of Poverty

It requires a distinct way to define poor and concept of poverty. In which we differentiate poor from riches. The simple method of this differentiation is we called person poor if he didn’t get enough consumption norms even to satisfy its basic needs. Simply poor are because of low level of income generation.
This concept is clearly defined as an economic as well as the social phenomenon in which a group of persons not earn enough even to fulfill their basic requirements of life.

C.T. Kurien (1978) said that “poverty as the socio-economic phenomenon’s whereby the resources available to a society are used to satisfy the wants to the few while many do not have even their basic needs met. Poverty is generally manifested in term of low incomes, inadequate housing, and poor health, limited or no education, high infant mortality, low life and work expectancy, and in most cases a general sense of despondency and despair”.

Poverty is a concept which is closely related to inequality and may also be identified with unemployment. There are, two major problems involved in defining the concept of poverty. The first relates to the problem of identifying the ‘poor’ and the second is the problem of measurement.

The concept is classified in two categories- first is relative poverty and second is absolute poverty. Relative poverty is considered in terms of inequality in the distribution of income while absolute poverty measured as the resources available within the country and their circumstances.

The relative poverty prevails even in affluent societies like U.S.A. The concept of absolute poverty attempts to explain the extent of deprivation of resources in a system to one section of the population against other.

1.2 Identification of the Poor in India

There are controversies and diversity of opinions on the methodology and estimate of paucity unconstrainedly planning Commission. The issue of identification of poor in rural areas is one of the most important factors for effective implementation of various poverty alleviation programs.

Thought of describing poverty at the rate of poverty line was firstly given during the Indian labor conference in 1957. Rs 20/person monthly was stipulated as a poverty line on unemployed group under the planning commission. This poverty line was derived by using data related to caloric norms and consumer expenditure. The ‘Task Force’ on ‘forecast of least requirements and real demand’ was set up for assessment of the problem of poverty by planning commission in 1977.
The ‘Taskforce’ defined the poverty line on the basis of per capita intake for the country. This encounters the normal per capita everyday calorie constraint of 2100 calories in urban areas and 2400 calories in rural ranges. The Task Force evaluated that, and average consumption expenses of Rs. 49.09 per capita per month in 1973-74, met the calorie requirement of 2400 calories per capita per day in rural areas. This financial corresponding was set as the rural paucity line. Then persons with per capita disbursement beneath this status were precise as deprived. The rural poverty line distinct at the nationwide level was use in all statuses of India.

Though, this method disregarded value discrepancies which existed through countries. Henceforth in 1989, the Planning Commission founded an “Expert Group” under the chairmanship of Professor D.T. Lakadawala to consider methodology and computational aspects of estimation of proportion and number of poor in the country.

The Expert Group, suggested changes in the price deflator to update the poverty line for use in the later years.

1.3 Why microfinance

As all we know that banks have not facilitate the facility of monetary facilities to the people with small money such as different types of credits.

The main reasons for not giving or taking loans from banks are:

1. First of all income resources are less.
2. For the security purpose they don’t have any kind of documents.
3. The recovery cost of loans is much higher.
4. Since most of the people do not have that education level to fill the formality of the bank norms as it is very complex and thus, these people are left indulged in such kind of formalities only.
5. Banks don’t prefer giving low cost loans as income can’t be generated from them.

And for conquering on these situations one of the most useful tools which helps in eradication poverty and fulfill financial requirements of the poor people is microfinance institution (MFI).
1.4 DEFINITION OF MICROFINANCE

An introduction to microfinance: NABARD in 1999 “Micro finance is the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their income levels and to improve living standards”.

Micro finance is a monetary service of minor amount delivered by monetary organizations to very deprived people at the reasonable rate of interest to obtain the objective of their better living standard and high income level. The financial services include saving insurance, credit, money transfer and some form of monetary amenity providing to consumers to encounter their monetary requirements. The only qualification of getting financial services from micro finance institutions is that the customer is poor.

Credit plays a vital part in the growth of all economic activities as also in rural development and poverty alleviation. But the poor people have always found it difficult to get credit easily as their income generating capacities are uncertain and credit worthiness is low. If we have a look in the history of India and other countries, we find that poor people took loan from money lenders, businessmen and traders. These loans were provided at very high rate of interest and very often the debater was entrapped for life risking the loss of his meager capital asset (A. Majumder, 2007).

In 1976, Prof. Muhammad Yunus started micro finance and formed groups of women with 5 members. On group guarantee he started to provide small loan with his own money and was working perfectly. Then he continued to expand the programme, several stages latter the project was converted in to a formal bank named Garmin Bank, in 1983. This programme worked very well and idea of Garmin Bank spread all over the world through witch Prof. Yunus proved that the poor also needs the banking facilities and they are credit worthy too. (Susan Holcombe, 1995)

Micro finance institutions are semi-formal institutions that undertake micro finance services as their main activity. While both private and public ownership are found in case of formal financial institutions offering micro finance services the MFI’s are mainly in private sector.
**Introduction to mohommdyunus**

Muhammad Yunus is Grameen founder. He was born on 28th June, 1940 in the village of Bathua, Chittagong, the commercial center of what was then Eastern Bengal.

![Muhammad Yunus](https://en.wikipedia.org/wiki/Muhammad_Yunus)

Professor Muhammad Yunus

In 1974, Professor Muhammad Yunus, take his students on a field tour to a poor village. They questioned a female about making cane seats, in reverse answer she said that they had to borrow the equal of 15p to purchase raw cane for every seat complete. Afterward reimbursing the distributor, occasionally at charges as high as 10% per week, she was left with a penny profit margin. Had she been able to borrow at more beneficial amounts, she would have been capable to accumulate commercial cushion and increase herself beyond survival level.

He realized that there must be somewhat extremely wrong with the finances he was teaching, He grabbed problems in own hands, and starting to give money equivalent of17 to 42 basket weavers. Then He grasped that it was probably with this minor amount not only to profit them to live, but also helps them to eradicate poverty.

In contradiction of the assistance of banks and government, Yunus carried on giving out ‘micro-loans’, and in 1983 formed the Gramin Banks, meaning ‘village bank’ founded on principles of trust and solidarity.

In India, micro finance started with SEWA (Self-employment women association Ahmadabad). In 1972, under the leadership of Smt. Ela Bhatt, SEWA, as a trade union was registered with the aim of creating an organization of poor women which become jobless due to the close down of many textile mill in Ahmadabad. SEWA main goal is to establish female workforces to gain full time occupation and independence. In 1974, it started SEWA Bank. As the first women bank in the

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2[https://en.wikipedia.org/wiki/Muhammad_Yunus](https://en.wikipedia.org/wiki/Muhammad_Yunus)
country, it found that credit could help these women a lot. SEWA also helps in improvement of designs of the traditional craft items of the women and in the scale of the product also. (Indra Misra, 2003)

By 2007, SEWA reached more than 5, 30,000 women in Gujarat alone with new initiatives in 5 other states (Reema Navavaty 2008).

NABARD, National Bank for Agriculture and Rural Development, as the leading bank in rural & agriculture sector launched a Pilot Project in 1991-92 to start and assist SHG and with this view to facilitate poor with more smoother and more meaningful banking. According to NABARD up to March 2009 47, 07,415 SHGs has been made and out of which 90% are of women. There are three model of SHGs through which loan are provided to the poor people.

1. First is the SHG bank linkage programme (SBLP). In this model SHGs are promoted by the banks and loan is also directly provided by the bank to the SHGs. 20% self-help groups are made according to this model.

2. In the second model, SHGs are formed by the NGOs and loan directly provided by the bank to the SHGs. NGOs only play the role of intermediary. Seventy four percent of SHGs are made through this model.

3. In the third model, SHGs are formed by NGOs, Non-Bank Financial Companies (NBFCs). They borrow from banks or any other source and provide loan to the SHGs.

According to RBI’s midterm evaluation of Yearly Policy for the year 2007-08, the SBLPs in the country as the main micro funding programme in the nation as is existence applied by commercial banks, Regional Rural Banks or cooperative banks. By 2006-07, 29, 24,973 SHGs are credit related to banks with collective bank loans of Rs.18047 crores. (RBI Bulletin, Nov.2007).

In Haryana SBLP has spread too late in comparison to other states in India. In Haryana this programme has made its presence during that year 2001-02 by linking 502 SHGs. According to NABARD 6867 SHGs has been made in Haryana up to March 2007. In Haryana microfinance work is going on through the first two models as discussed above, third model’s working are negligible.
1.5 MFIs in India

In India over the past decade, new micro finance approaches have emerged with the goal to increase paying capacity and increase living status. One of the best prominent schemes among these micro finance methods is Non-Governmental Organizations to generate relations among commercial banks and NGOs and informal local groups. Microfinance through Self Help Groups (SHGs) is spread as another scheme of credit distribution for the deprived of the deprived group.

This study tries to stretch an inclusive indication of all features of MFI in India, its principle, the several organizations linked in its promotion, its weakness and the challenges that lie ahead.

The source of SHGs is Garmin Bank of Bangladesh, was initiated by Mohammed Yunus in 1975. Today micro finance institutions have convert progressively significant mechanisms of policies to decreased efficiency or sponsor small enterprise development.

It (Micro finance) is a perfect model that can statement the requirements of the deprived. It envisions the liberation of the members by stimulating their tradable habits and spreading bank credits to them.

Robinson explains micro finance as “small-scale financial services primarily credit and savings-provided to people who farm, fish or herd” and ads that it “refer to all types of financial services provided to low-income households and enterprises”. It is predictable and recognized as one of the new growth models for lessening paucity through public and financial liberation of the deprived with special stress on empowering females.

It is an influential financial instrument, predictable to convert the life of the deprived. Cluster of persons; come with each other to form a relationship. In India, These groups are termed as “Self Help Group”. All associates of which go through a training on the basic actions and organization necessities. The associates of the SHG save frequently, to decrease the monetary liability. There are restrictions to the quantity borrowed and there fund is usually ended fifty weeks.

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3 www.indianmba.com
1.6 DEVELOPMENT OF MICRO FINANCING

As we know, Paucity is one of the stubborn evils predominant in the emerging and immature nations of the world. According to the World Bank report (2008) “about 1.4 billion population in developing countries is living on less than US $1.25 a day in 2005. This clearly highlights that poverty is widespread across developing world. The United Nation Organization announced Millennium Development Goals (MDGs) in 2008, and the first of eight critical goals is to eradicate poverty by the year 2015. Most of the developing and underdeveloped countries have recently been pursuing various policies and programs to eradicate poverty, an important impediments to sustainable economic development. Among these policies one of the most important and effective one is Micro-finance”.

1.7 Need of study for Micro Finance

The main aim of the micro financial institutions are to provide credit facility to the poor through many sources such as banks, MFIs, SHGs. They mainly focused on economically weak or excluded poor from society, as with the help given by these institutions they attain superior heights of wealth formation and earnings safety at the domestic and public level. Providing credit facility has long been measured a main paucity reduction policy in India. It has given poor especially to women in India an opportunity to become role model for others. Poor people, who are in the front of micro credit programme in the nation use minor credits to jump, start an extensive series of financial movement. Micro finance is retrieving monetary facilities in an casually official method, in a flexible, receptive and delicate method which else would not have been conceivable for the official organization for showing such amenities as of elements like high contract price evading from the small measure of process, high income of patrons, regularity of contract etc. (Vijay Mahajan and G. Nagasri, 1999) “Microfinance and Self Help Group (SHG) must be evolved to see that SHGs don’t charge high rates of interest from their clients and improve access to those who cannot sign by making their use through thumb impression. The current literature on micro finance is also dominated by the positive linkages between micro finance and achievement of Millennium Development Goals (MDGs)”.

According to Micro Credit Summit Campaign’s 2005 “the Campaigns offers much needed hope for achieving the Millennium Development Goals especially
relating to poverty reduction, IFAD along with Food and Agriculture Organization (FAO) and the World Food Program (WFP) declared that it will be possible to achieve the eight MDGs by the established deadline of 2015, if the developing and industrialized countries take action immediately, by implementing plans and projects, in which microcredit could play a major role”.

In Haryana different microfinance institutions are playing very important role in providing microfinance to the poor people in rural areas through SHGs. As noted earlier, 20% SHGs are formed 1st model and 74% are formed under 2nd model of microfinance. The present study aims to study the extent, structure, functioning and impact of SHGs on the lives of members or poor people in the Haryana and further this type of study has not been done up to now.

1.8 Impact of Microfinance on Women Empowerment

1975 was declared as, The Year of Women and Decade (1975-1985) was declared as The Decade of Women because at that time for the empowerment of women, agitation was organized and about 50% of the people took part in it. At that time focus was to give women equal rights to work.

Again, 2001 was declared as year of women empowerment as till that time, for empowerment; women had got a new hike which included Education for them, self-esteem as well as respect and ways to earn a better livelihood. And this was all due to Micro-Financing Institutions (MFI) that women got their rights to work and every possible help that could be provided for the same.

1.9 ECONOMIC AND SOCIAL EMPOWERMENT

As we know that MFI plays a vital role for Economic stability and thus poor who get help from them can establish a small business for themselves to earn their livelihood.

According to the report National Commission for women (NCW) – Status of women 2001) “in India, women work for longer hour then men do. The Proportion of unpaid activities is 51% for females as compared to only 33% for males. Over and above this unpaid work, they have the responsibilities of caring for household which involves cooking, fetching water and fuel, collecting fodder for the cattle, protecting the environment and providing voluntary assistance to vulnerable and disadvantaged individuals in the family.
Not only earning money but with that they are inclined towards education also. They get their children educated thus it helps in shaping there as well as country’s future. Thus MFI and SHG programme has been successful in strengthening collective self-help capacities of the poor at the local level, meeting their peculiar needs leading to their empowerment”.

1.10 OBJECTIVES OF THE STUDY

Normally SHGs are made with the aim to strength the poor people as well as to initiate the process of social change in the community through empowerment of women. As the name SHG- self-help-group suggests that groups should not be dependent on any outside element, Government officer or any other person and organization i.e. in due course organizational initiative should be transferred to local people for SHG to be able to act as agent of social change. Moreover social change can occur only if groups are not really individually controlled of family based. To be true SHG, it works in a democratic and collective system. So there are things that we need to check.

1. To assess the performance of the group available at NGOs level and SBLP particularly at Haryana level.

2. To study the functioning of SHGs with the aim to identify their strength and weakness particular to:
   a. If these SHGs are really groups or individual/family based initiative
   b. To assess the financial impact of SHGs on the life of rural poor households.
   c. To assess the impact of SHG on the empowerment of women and vulnerability of the beneficiaries.
   d. To review the trends and patterns of microfinance in Haryana.

1.11 Research Methodology

Theoretically, a research design is a detailed plan of investigation. It is a blue print of the detailed procedure of testing the hypothesis and analyzing the obtained data. The research design is obviously not based upon the whims of the investigator. Rather it is based upon the objective of the investigation, types of variables and conditions in which the research is to be conducted. Therefore the research is based on secondary as well as primary data, collected through a field survey; basically we
called it study based on empirical nature. The process of data collection involved preparation of interview schedule, step by step pre testing of the schedule, sample selection, preliminary survey, and interviews with respondents. The case study method also has been used in study and information has been composed over consultations with other area level representatives: such as bureaucrats of bank offices, officials of the district rural development agency (DRDA), official functionaries handling integrated child development scheme (ICDS), and NGO officials in the districts. Besides primary and secondary data and pertinent literature has also been compiled from published and documented sources. The secondary data is composed from the yearly reports and organizational strategies of the government of rural development, Govt. of India NABARD, UNDP and WB as well as books, journals, seminar papers, websites.

- **Preparation of Interview schedule**

  The interview schedule was planned to capture both quantitative and qualitative data. Two type of schedules were prepared to collect the information from the beneficiaries of different micro finance programs. Detailed information of a variety of factors like demographic information (age, sex, marital status, etc.) and socio economic information (education, employment, expenditure on health, food consumption etc.) has been collected from the beneficiaries by the interview schedule. Group Dynamics, Socio Economic profiles, marketing, training, assets accumulation, income, savings, food and non-food expenditure, education, vulnerability and socio economic empowerment were collected from all member households. A pilot survey was conducted in local area in order to determine if there were questions that would not yield responses from the beneficiaries as well as checking if questions were comprehensive enough to collect the information required. After pretesting some of the questions were restructured. The period of field work was from January 2013 to May 2013.

- **Sampling**

  **Selection of District Blocks and Villages**
The method of a multi Stage sampling is implemented for the research. The districts are documented at 1st stage and considered based on program accessibility, Existence of communal grounded administrations and local illustration. The Scheme of SGSY is being implemented across the nation and in all districts of the states. Swayam Siddha was not throughout implemented in the state and SCRIA is present in Rewari district. Considering all these factors, three districts kaithal, Hisar, and mahendergarh were selected for the study. A total of 6 blocks were selected from these districts. In the case of SGSY two blocks Siwan and Guhla of Kaithal district were selected on the basis of performance of the block in the implementation of the SHGs. In the case of SCRIA, Ateli and Kanina Blocks of Mahendergarh district were selected because the organization initiated and scaled up its operations in only these two blocks. Hansi-I and Adampurwas randomly selected for Swayam Siddha. And later on based on the performance of the schemes, the villages were also selected.

- **Selection of self-help groups (SHGs)**

Self-help groups (SHGs) are designated randomly concluded selection of a list providing by several governments and non-governments officials. All SHGs are designated from 3 districts of Haryana state were 120. A purposive and random sampling technique was used to select SHGs. For this, distinct lists of SHGs, under SGSY, Swayam Siddha and SCRIA were organized. And out of these lists; those SHGs which had existed for two or more years on 1/1/2013 are detached out to form the lists of SHGs adequate to be designated for this study (assuming that the benefits from the microfinance programs are more or less stabilized). Commencing these lists of 65 SHGs functioning underneath the SGSY strategies, 30 SHGs functioning under the Swayam Siddha recommendations and 25 underneath SCRIA were randomly selected for the study. Different groups/SHGs credit linked under these programs are not considered for the study. The villages of these districts selected for the study are generally engaged in agrarian and animal husbandry works but in this study number of beneficiaries are relates in agrarian non-agrarian activities, like stitching and tailoring, embroidery, dairy works and making dairy products, kiryna shops, maniyari shops, cloths shop, and soft toys making etc.
• **Data analysis**

The process of analysis of data is initiated after the scrutiny of schedules and coded in excel. Statistical tools like ranges, percentages & means were used in data analysis.

• **Major variables**

The data analysis is mainly based on economic status, social status, cultural, age factor, group mechanism, education, caste, religion, awareness, ownership, developmental progress, poverty alleviation programs, size of group, literacy rate, credit utilization, funds utilization, etc. have been considered for analysis of the study.

1.13 **Limitation of the study**

The present research study has some limitations that should be taken into consideration. The research has not included other microfinance programme like NABARD-SHG link programme, Haryana community forest project, Mewat development programme, etc. running in state. The study also not included those peoples who were earlier member of the group but later on withdraw their name. That dimension could be important in analyzing the internal dimensions of the group.