CHAPTER-1

1. INTRODUCTION

“Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge posing an untapped opportunity to create markets, bring people in from the margins and give them the tools with which to help themselves”.

— Kofi Annan
Former United Nations Secretary-General

1.1. MICRO FINANCE:

Microfinance is one of the important finding in the world of finance. India is one of the main market of the world for microfinance. As reported by the Microfinance Outlook Report, India being one of the major microfinance market, its GDP growth rate would be high in comparison to the advanced economies of the world (Microfinance Outlook, 2016). The compound annual growth rate of microfinance market is projected to be more than 15% by 2020 by a leading market research company. (Global Microfinance Market, 2016-2020)

1.2. COMMENCEMENT OF MICROFINANCE:

The concept of financial services is long-standing. Since several years the informal institutions like the susus in Nigeria and Ghana, tontines in West Africa, pasanaku in Bolivia, chit funds and Rotating Savings and Credit Associations (ROSCAs) in India, hui in China, arisan in Indonesia, paluwagon in Philippines etc. have been operating. The informal financial institutions in Nigeria are believed to be emerged in the fifteenth century and such institutions in
Europe begun during the eighteenth century when in the year 1720 first loan fund for poor was founded in Ireland. (Seibel, 2005)

Some credit co-operatives in Germany were created in 1847, which served 1.4 million people within a reign of 60 years. This German experiment was adopted by Britishers in 1880 to address the issue of poverty in South India. The membership in credit co-operatives crossed nine million poor by 1946. During the same time the Dutch Colonial Administrators started a co-operative rural banking system in Indonesia which eventually became Bank of Rakyat Indonesia, now one of the largest Micro Finance Institution of the world. (Schwiecker, 2004). The failure of subsidized government or donor driven institutions in 1970s, to meet the demand for financial services in developing countries led to several new approaches in this area. Bank Dagan Bali (BDB) in Indonesia, came-up as the earliest bank to institute commercial microfinance with its establishment in 1970 (Schwiecker, 2004).

In 1973, ACCION International, a USA based NGO, disbursed its first loan in Brazil at commercial interest rate to start a micro-enterprise (www.accion.org).

One year later in 1974, the Self-Employed Women’s Association of India (SEWA) started a SwashrayiMahilaSewaSahakari Bank to provide loans to poor women with 4000 members and at present having 93,000 active depositors (http://www.sewa.org)

In 1976, Nobel laureate Muhammad Yunus initiated a series of experiments in a village called as “Jobra in Bangladesh” and the reason behind these experiments was to see whether a small amount of fund can really uplift the economic condition of the poor people. He himself offered his own fund to the poor people who were not able to take formal financing (because of
lack of collateral). With this fund, the poor people manage to engage themselves in some kind of income generating activities which helped to secure their livelihood and the poor people were also able to make repayment of the loan. This idea inspired Muhammad Yunus to approach and convince Bangladesh Bank, Central Bank of Bangladesh to set up a special Grameen Bank branch to cater to the needs of poor people of Jobra. This step went further and another branch in ‘Tangail’ was set up. The establishment of Grameen bank assured that the success of Grameen branch were not just lucky occurrence or a region specific success, so the Grameen went nation-wide. Group lending was one of the important innovations of Grameen that allowed it to grow explosively. In this mechanism the group members act as guarantor to each other. The success of Grameen in the entire Bangladesh was also backed by the financial support of International Fund for Agricultural Development, Ford Foundation and the government of Bangladesh, Sweden, Norway and Netherlands. At present the replication of Grameen bank exist in more than 30 countries. Grameen bank takes the advantage of community participation as the members of SHG acts as a guarantor to each other. These beneficiaries are although not able to offer any collateral but by acting as a group they support the member of their group to face difficulties.

Conventionally, bank provide loans to the borrower in lieu of the collaterals and the borrower use this loan as capital and invest to earn returns and repays the loans to the bank with interest. If the borrower is not able to repay than the bank has the right to seize the collateral. But the client of Grameen are too poor to offer any collateral, instead of collateral they use their ties with the community as collateral. They form groups and borrow fund; when difficulty arises they supports each other. (The Economics of Microfinance, 2005).
NGOs, such as Foundation for International Community Assistance (FINCA), Americans for Community Cooperation in Other Nations (ACCION), Freedom from Hunger, Opportunity International, Co-operative for Assistance and Relief Everywhere (CARE), Consultative Group for Assisting the Poor (CGAP), etc. are working for eradicating poverty by creating new business with the assistance of micro finance programmes. After the initiation of micro finance in Bangladesh it has been spread to many developing countries world-wide. To combat the problem of poverty and empowering the weaker section of the society, Bank Rakyat Indonesia (BRI) in Indonesia, Bancosol in Bolivia, Bank for Agriculture and Agricultural Co-operatives (BAAC) in Thailand, Grameen Bank, and Bangladesh Rural Advancement Committee (BRAC) of Bangladesh, NABARD in India, Amannahlkhtiar Malaysia (AIM) of Malaysia, Agriculture Development Bank of Nepal (ADBN), K-Rep in Kenya and Mibanco in Peru have taken steps by using micro finance as a tool which had yield positive results. (ietd.inflibnet.ac.in)

1.3. MICROFINANCE IN INDIA:

Establishment of Self-Employed Women’s Association (SEWA) in the year 1972, in Gujarat, as a trade union was the first initiative to introduce microfinance. Its main objective was to strengthen its members' bargaining power to improve income, employment and access to social security. SEWA was not merely as a workers' organization, but a movement. A small group of poor self-employed women residing in Ahmedabad, who were members of Self Employed Women's Association (SEWA) realized a need for "PROMOTING" THEIR OWN Financial Institution an their effort lead to establishment of Shri Mahila SEWA Sahakari Bank Ltd. (SEWA Bank). So, the first Micro-finance Institution, was established in year 1974, as an
Urban Co-operative Bank, at the initiative of few poor self-employed women (www.sewabank.com).

In 1986-87 NABARD took the major step to cater to the financial requirement of rural poor by supporting and funding Mysore Resettlement and Development Authority (MYRADA) project on ‘Saving and Credit Management of Self-Help Groups’ of Rs. One million which brought encouraging results. NABARD carried out a survey in 1988-89 of 43 Non-governmental organizations spread across eleven states of India to understand the possibilities of functioning of SHGs in collaboration with the banks for improving the credit delivery system to the poor and for improving and mobilizing their savings. The survey results encouraged NABARD to launch the ‘pilot project’ which linked 500 SHGs with banks with the help of NGOs for helping the homogeneous members of SHGs. In 1991, a circular was issued by the RBI for all the commercial banks stating that they have to extend credit to the 500 SHGs formed under NABARD’s pilot project, so that their credit requirement can be fulfilled.

Some NGOs like Association of SarvaSeva Farms (ASSEFA), People’s Rural Education Movement (PREM), Professional Assistance for Development Action (PRADAN) and Community Development Society (CDS) from Madras, Behrampur, Madurai and Kerela respectively played a very important role for promoting the SHGs under the NABARD’s pilot project. The launch of pilot project of SHG- Bank Linkage Program me (SHG-BLP) in the year 1992 was a landmark development for bringing the poor into formal financial sector. Another milestone was achieved in the year 1996, when RBI instructed all the commercial banks to give primacy to the SHGs financing for the priority sector lending and it gained national priority with
the announcement of budget, 1999. NABARD led the programme successfully with the help of Government of India, RBI and other stakeholders from the formal and informal sector. From its inception NABARD is playing a crucial role by providing technical support, policy guidance and most importantly by capacity building of SHGs and NGOs. The Government of India realized the potential of microfinance and allowed the private players to come forward for providing microfinance and these private players were the NGOs, MFIs, various NBFCs etc. Various state government also welcomed the private players and made changes in the state laws for using State co-operative in the field of microfinance.

As per the Millennium Development Goals (MDG) Report, 2013 target to eradicate extreme poverty and hunger has been met ahead of its 2015 deadline. Despite this impressive achievement at the global level, 1.2 billion people are still living in extreme poverty. Around the world, abject poverty is found in areas where poor health and lack of education deprive people of productive employment; environmental resources have been depleted or spoiled; and corruption, conflict and bad governance waste public resources and discourage private investment. The international community now needs to take the next steps to continue the fight against poverty at all these various levels. MDG has also set target to achieve full and productive employment and decent work for all, including women and young people. According to the International Labour Organization (ILO), unemployment has increased by 28 million since 2007, and an estimated 39 million people have dropped out of the labour market, leaving a 67million jobs gap as a result of the global economic and financial crisis (Global Employment Trends, 2013).
**1.4. GROWTH OF MICRO FINANCE:**

Micro finance has grown rapidly over the past by reaching approximately 130 million clients according to recent estimates. Yet it has not covered its potential market of 80% among the world’s three billion or more poor of developing countries. As a financial service it has a huge potentiality to reduce poverty by enabling the poor to gain livelihood assets which can support them to raise their standard of living also. Moreover, microfinance has also been a powerful catalyst for empowering women and rural folks. (International Finance Corporation)

**1.5. MILLENNIUM DEVELOPMENT GOALS (MDGS) TO SUSTAINABLE DEVELOPMENT GOALS (SDGS):**

Immense growth has taken place since 2000 when Millennium Development Goal (MDGs) were taken up by the world. The MDGs were based upon the following eight goals:

- Goal 1- Eradicate extreme hunger and poverty.
- Goal-2- Achieve Universal Primary Education
- Goal-3- Promote Gender Equality and empower women
- Goal-4- Reduce child mortality
- Goal-5- Improve maternal health
- Goal-6- Combat HIV/AIDS, Malaria and other diseases.
- Goal-7- Ensure environmental sustainability
- Goal-8- Develop a global partnership for development.

Afterwards in the year 2015, on 25th September more than 150 world leaders came in the consensus of adopting the new plan of Sustainable Development Goals (SDGs) to be attained by
2030 in which the United Nations Development Programme (UNDP) will assist the other nations in achieving these goals. Poverty eradication is also an important target of SDGs and livelihood back up is a tool which can help in eradicating poverty. This study has focused on how microfinance can play an important role in taking up different livelihood generating activities which will ultimately play an important role in eradicating poverty (UNDP, 2015).

1.6.DEFINITION OF MICRO FINANCE:

The proposed Micro Finance Institutions (Development and Regulation) Bill, 2012 defines microfinance services as “providing financial assistance to an individual or an eligible client, either directly or through a group mechanism for:

i. an amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual) or

ii. an amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes, or

iii. Such other amounts, for any of the purposes mentioned at items (i) and (ii) above or other purposes, as may be prescribed.”

The task force on Supportive Policy and Regulatory Framework for Microfinance (NABARD), 1999, defines microfinance as ‘provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve living standards.’
Reserve Bank of India refers microfinance as a tool for economic development which covers wide range of services like savings, insurances, counselling etc. along with credit, which helps the poor to overcome poverty (rbi.org).

Robinson (1998) has defined microfinance in the following precise way-

“Microfinance refers to small-scale financial services for both credits and deposits — that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas”.

1.7. MICROFINANCE AS A TOOL OF FINANCIAL INCLUSION:

The Committee on Financial Inclusion defines financial inclusion as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”. (RBI, 2013)

Financial inclusion refers to the availability of financial services like savings, insurance, credit etc. at an affordable price by the individuals in a sustainable way.

Microfinance is a tool of financial inclusion for providing these services to the poor or weaker section of the society which plays significant role for creating job opportunity and ensuring sustainable livelihood for them (Microfinance Focus, 2014)
1.8. MICROFINANCE AND MICROCREDIT:

Microfinance or microcredit are those two words which are every so often used as a substitute to each other. But, these two terms represents different things. The term microfinance includes a wide range of financial services including savings, loans, insurance etc. and microcredit refers to the loan facility for the poor people. Or the small amount of loan disbursed to a borrower by the financial institutions.

Microfinance is a holistic concept- it includes not only micro – credit but also supports services such as savings, insurance, payments, markets and technical assistance and capacity building. The clients of microfinance are landless labourers engaged in agriculture, mining and construction; small and marginal farmers; rural artisans and weavers; self-employed in urban informal sectors; self-employed in non-farm activities; and women (Bharati V. Pathak).

Microfinance comprise small savings, credit for self-employment or business, insurance services offered to rural or urban poor. (Shete, 1999)

For the purpose of this study, the researcher has used the holistic approach of microfinance.

1.9. LIVELIHOOD:

The sustainable livelihood’s idea was first introduced by the Brundtland Commission on Environment and Development as a way of linking socioeconomic and ecological considerations in a cohesive, policy-relevant structure. The 1992 United Nations Conference on Environment and Development (UNCED) expanded the concept, especially in the context of Agenda 21, and advocated for the achievement of sustainable livelihoods as a broad goal for poverty eradication.
It stated that sustainable livelihoods could serve as ‘an integrating factor that allows policies to address ‘development, sustainable resource management, and poverty eradication simultaneously’.

The Oxford dictionary defines livelihood as ‘a means of earning money in order to live’ (www.oxfordlearnersdictionaries.com).

Most of the discussion on sustainable livelihood so far has focused on rural areas and situations where people are farmers or make a living from some kind of primary self managed production. In a classic way Chambers and Conway (1991) proposed the following composite definition of a sustainable rural livelihood (which is embraced by International Recovery Platform (IRP) and United Nation Development Programme India (UNDP-India) for preparing ‘the guidance note on recovery: Livelihood (2010)’:

_A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term._

_The guidance note on recovery: Livelihood (2010)_ developed by International Recovery Platform (IRP) and United Nation Development Programme India (UNDP-India) has pointed out the livelihood assets which supports livelihood generation as Human Asset, Social Asset, Natural Asset, Physical asset and financial asset. Moreover, the Department for
International Development has also mentioned in its Sustainable Livelihood Guidance Sheet about the significance of the above five livelihood assets for generating income.

For the purpose of studying the status of livelihood among the beneficiaries of microfinance the researcher has taken the above shown five capitals as the pointers, which means based upon the availability of these assets the status of livelihood have been studied. The data have been collected from both primary and secondary source to know the availability of different assets among the beneficiaries.

The following table shows the livelihood assets taken into consideration for the purpose of the study:

**Table 1.1.: Livelihood Assets**

<table>
<thead>
<tr>
<th>Capital</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human capital</td>
<td>Education, health and ability to work</td>
</tr>
<tr>
<td>Social capital</td>
<td>Membership of formalized groups and informal groups</td>
</tr>
<tr>
<td>Natural capital</td>
<td>Land, water supply, tree, fishery.</td>
</tr>
<tr>
<td>Physical capital</td>
<td>Basic infrastructure, bicycle, livestock, improved agricultural implements</td>
</tr>
<tr>
<td>Financial capital</td>
<td>Financial resources including savings, credit, and income from employment, salary and wages</td>
</tr>
</tbody>
</table>

Source: Compiled by the researcher based upon the UNDP guidance note

The area selected for the study, Sonitpur district, whose economy is Agriculture based-the traditional one and is underdeveloped. Besides, this is basically an agrarian economy, approximately 80 percent of the population of which depends on agriculture allied (primary
sector) activities for their livelihood. The share of agriculture in Gross Domestic Product (GDP) has declined from over half at Independence to less than one-fifth currently, agriculture remains the predominant sector in terms of employment and livelihood with more than half of India’s workforce engaged in it as the principal occupation. Agriculture still contributes significantly to export earnings and is an important source of raw materials as well as of demand for many industries (11th five year plan, planning commission, Government of India). For securing livelihood, in such an area the inhabitants of this area must have to get adequate financial services which can assist them in creating a source of income.

To resolve this problem of getting financial services by the poor who do not have access to formal financial services, micro finance can play a greater role because it can assist them in obtaining the financial services without the use of collaterals. Moreover, microfinance is given to entrepreneurs who are too poor to qualify for traditional bank loans. This concept was extremely effective and the discoverer of this concept Muhammad Yunus was honored with Nobel Peace Prize, 2006 "for the efforts through microcredit to create economic and social development from below" along with “Grameen Bank” (nobelprize.org).

1.10. STATEMENT OF THE PROBLEM:

India is one of the fastest growing G20 economy with projected annual growth of 7.5% in 2017-18 (OECD, 2016). With the rapid growth rates, however, come new challenges and new questions. One such challenging question concerns the spread of the benefits of growth across different segments of society. To ensure that growth has been well distributed, India’s Planning
Commission has made Inclusive Growth their explicit goal in the eleventh five-year plan and has given importance to Micro Finance, which can contribute immensely to the financial inclusion of the poor without which it will be difficult for them to come out of the vicious cycle of poverty. Microfinance in India has been viewed as a development tool which would alleviate poverty by generating livelihood.

In a rural area like Sonitpur district whose economy is agriculture based-the traditional one and underdeveloped and which is basically an agrarian economy, approximately 80 percent of the population of which depends on agriculture allied (primary sector) activities for their livelihood, emphasis should be given to support their livelihood on a sustainable basis and to help the unemployed people in creating source of income.

Livelihood creation depends upon adequate availability of financial service, which is difficult for the poor to access without providing collaterals to the financial institutions. And to resolve this problem of getting financial services by the poor who do not have access to formal financial services, micro finance can play a greater role because it can assist them in obtaining the financial services without the use of collaterals and by availing this service the rural poor will be able to enhance their livelihood assets which are the human, social, natural, physical and financial capital. Moreover, microfinance is given to entrepreneurs who are too poor to qualify for traditional bank loans.

Micro finance is a reliable service to assist rural folks in taking up livelihood activities. Along with this people can acquire micro finance assistance also to undertake subsidiary
occupation as well, to support or enhance their main source of living. All these assistance can be provided to rural folk in a better way if they have the proper awareness about micro finance. Further, being the beneficiary of micro finance they are expected to be aware of micro finance. Therefore it is necessary to study the level of awareness and along with the status of livelihood among the beneficiaries. It is also important to identify the diversified livelihood activities and the changes in the socio-economic status of the beneficiaries. Moreover it is also imperative to study the government initiatives for enhancing livelihood through micro finance.

1.11. REVIEW OF LITERATURE:

In order to understand the concept of micro finance and also to identify the areas already investigated, some of the important studies already undertaken and related to the objectives of the present study have been reviewed thoroughly. The detailed review of literature is mentioned in the second chapter of the thesis.

1.12. RESEARCH GAP:

Although an extensive literature exists to understand micro finance in an elaborate way and pertaining to the various issues related to micro finance but it has been reckoned that the researches has not focused on studying micro finance and livelihood generation which could enable the weaker section of the society to promote and protect their livelihood, particularly in Sonitpur district of Assam.
The review of literature has shown that micro finance has helped the weaker section of the society in availing finance from the organized sector and has the scope to act as an accessible input in taking up various livelihood generating activities.

From the literature reviews (Chapter-2) it has been observed that there is a gap in between existing literatures and the proposed study. Therefore, the researcher ought to take this study, so that it can help in focusing on the various issues related to awareness of micro finance, diversified livelihood activities that can be supported by micro finance and the government initiatives for enhancing livelihood through micro finance.

1.13. OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1.13.1. To study the status of livelihood among the beneficiaries of micro finance.
1.13.2. To examine the awareness among the Self Help Group members.
1.13.3. To identify the diversified livelihood activities supported by Micro Finance.
1.13.4. To study the changes in socio-economic conditions of the beneficiaries after availing micro finance.
1.13.5. To study the initiatives taken by the government for enhancing livelihood through micro finance.
1.14. **RESEARCH QUERIES:**

In the light of the above objectives the following queries were intended to be addressed:

1.14.1. Whether there is any difference in the status of livelihood among the beneficiaries after availing micro finance?

1.14.2. Whether there is significant awareness among the self-help group members regarding group constitutions, accounts and book-keeping, managerial aspect and banking aspect?

1.14.3. Whether diversified livelihood activities are supported by microfinance or not?

1.14.4. Whether there is significant relation between purpose of securing loan and livelihood generating activities?

1.14.5. Whether there is significant relation between education and livelihood generating activities?

1.14.6. Whether there is significant changes in the social status of the respondents by availing micro finance?

1.14.7. Whether there is significant changes in the economic status of the respondents by availing micro finance?

1.15. **HYPOTHESES:**

In the light of the objectives and research queries of present study, the following hypotheses were intended to be tested:

**For objective 1**

- $H_0$: There is no significant difference between the status of livelihood among the beneficiaries before and after availing micro finance.
- **H1**: There is significant difference between the status of livelihood among the beneficiaries before and after availing micro finance.

For objective 2:

- **H02**: There is no significant awareness among the beneficiaries in respect to Self-Help Group constitution.

  **H12**: There is significant awareness among the beneficiaries in respect to Self-Help Group constitution.

- **H03**: There is no significant awareness among the beneficiaries of micro finance regarding accounting aspect.

  **H13**: There is significant awareness among the beneficiaries of micro finance regarding accounting aspect.

- **H04**: There is no significant awareness among the beneficiaries regarding managerial aspect.

  **H14**: There is significant awareness among the beneficiaries regarding managerial aspect.

- **H05**: There is no significant awareness among the beneficiaries regarding banking aspect.

  **H15**: There is significant awareness among the beneficiaries regarding banking aspect.

For objective 3:

- **H06**: There is no significant relation between the purpose of securing loan and livelihood generating activities.
$H_{16}$: There is significant relation between the purpose of securing loan and livelihood generating activities.

$H_{07}$: There is no significant relation between the education and livelihood generating activities.

$H_{17}$: There is significant relation between the education and livelihood generating activities.

For objective 4:

$H_{0}:$ There are no significant changes in the social status of the respondents by availing micro finance.

$H_{1}:$ There are significant changes the social status of the respondents by availing micro finance.

$H_{0}:$ There are no significant changes in the economic status of the respondents by availing micro finance.

$H_{1}:$ There are significant changes in the economic status of the respondents by availing micro finance.

1.16. RESEARCH METHODOLOGY OF THE STUDY:

1.16.1. Area of the study:

For the purpose of the research the area of the study is the Sonitpur district of Assam. It is the third most populated district among the 27 district of Assam (Census, 2011). Presently, there
are 35 districts in Assam, announced after 2015. Geographically it is the second largest district of Assam covering an area of 5,324 k.m.². Moreover, it was the first district where 100 percent financial inclusion of household was declared by the Lead Bank of Sonitpur (UCO Bank). (State Level Bankers Committee, 2007).

1.16.2. Sources of data:

For the purpose of the research both primary and secondary sources of data have been used. Primary data are collected with the help of questionnaire and schedule. On the other hand, the sources of secondary data are journals, research papers, articles, existing thesis, reports of different organisations like United Nation, World Bank, National Bank for Agricultural and Rural Development (NABARD), Micro Finance Institution Network (MFIN), World Commission on Environment and Development (WECD) etc.

1.16.3. Research design:

As the proposed research study will involve the survey and fact finding enquiries of different kinds, it will also describe the state of affairs as it exist at present. So the research design for the purpose of the study will be descriptive research⁷.

1.16.4. Population of the study:

Micro finance is an important tool in creation of assets by facilitating the poor to enhance their income for bolstering their livelihoods, and it is imperative to identify the income
generating activities with focus on micro finance as the indispensable input (Balamurugan et al., 2014). As the study is focused on role of micro finance towards generating livelihood, so the population of the study is registered self-help group members of Sonitpur district of Assam. The members of Self Help Group (registered) of four Development Blocks viz. Balipara, Rangapara, Dhekiajuli and Barchala of Sonitpur district and the clients of Micro Finance Institutions viz. Asomi (Balipara and Dhekiajuli Block), Prochesta (Balipara Block), are termed as the beneficiaries of micro finance for the purpose of this study. As a whole, 81,495 beneficiaries of micro finance in these four development block comprises the population for the purpose of this study. Importantly, only the clients of MFI extending their services by using Self Help Group Methodology are considered for the purpose of this study.

The following MFIs were extending their services as shown in the table below:

**Table 1.2. : Block-wise Micro Finance Institutions**

<table>
<thead>
<tr>
<th>Community Development Block</th>
<th>Micro Finance Institution</th>
<th>Methodology</th>
<th>Covered in the study (Yes/No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhekiajuli CD Block</td>
<td>Asomi Finance Private Limited (AFPL),</td>
<td>Self-Help Group</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>RGVN (North East) Microfinance Limited</td>
<td>Joint Liability Group</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Arohan Financial Services Private Limited</td>
<td>Joint Liability Group</td>
<td>No</td>
</tr>
<tr>
<td>Balipara CD Block</td>
<td>Prochesta</td>
<td>Self-Help Group</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Asomi Finance Private Limited (AFPL),</td>
<td>Self-Help Group</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>UNACCO Financial Services</td>
<td>Joint Liability Group</td>
<td>No</td>
</tr>
<tr>
<td>CD Block</td>
<td>Private Limited</td>
<td>Group</td>
<td>No</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------------</td>
<td>---------------------</td>
<td>----</td>
</tr>
<tr>
<td>Barchala CD Block</td>
<td>RGVN (North East)</td>
<td>Joint Liability Group</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Microfinance Limited</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Rangapara CD Block</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Note: NA represents there is no MFI working in these CD Blocks

Source: Micro Finance Institution Network and field survey.

1.16.5. **Sampling frame:**

The ‘registered Self Help Group’ members of Sonitpur district of Assam is the sampling frame for the study.

1.16.6. **Periodicity of the study:**

The study is conducted by analyzing the data of last two financial years i.e. from 2014-2016. The Reserve Bank of India vide its circular no. RPCD.GSSD.CO.No 81/ 09.01.13/2012-13 dated 27 June, 2013 announced to the all scheduled Commercial Banks including Regional Rural Banks to extend their loan (priority sector lending) to National Rural Livelihood Mission-Aajeevika which was launched by restructuring Swarnajayanti Gram SwarojgarYojana (SGSY). Therefore, the researcher has opted to study the next two financial year which are 2014-15 and 2015-16.
1.16.7. Sampling design:

The following table represents the sample design for the study:

Table 1.3.: Sample Design:

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>TOTAL DEVELOPMENT BLOCKS IN SONITPUR</th>
<th>SELECT BLOCKS FOR THE PURPOSE OF STUDY (RANDOM SAMPLING)</th>
<th>TOTAL NO. OF MICRO FINANCE BENEFICIARIES IN SELECT FOUR BLOCKS</th>
<th>SAMPLE SIZE (AS PER YAMANE’S FORMULA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SONITPUR</td>
<td>14</td>
<td>4 (=30% OF TOTAL POPULATION)</td>
<td>81,495</td>
<td>398 (=400)</td>
</tr>
</tbody>
</table>

Source: Self compiled by the researcher

Yamane’s Formula:

The sample size of members of the beneficiaries of micro finance has been determined with the help of Yamane’s formula. According to him at 95% confidence level and e = .05, the size of sample should be-

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

Where n is the sample size, N is the population size, and e is the level of precision.
1.16.8. Sample size:

As computed above the sample size for the purpose of the study was 400 samples. Only 362 samples responded back by filling up the questionnaire/schedule and among these 362, 8 questionnaires were dropped as the respondents have not provided the adequate information required for the study. Consequently, data were received from 354 numbers of sampling units, i.e. 88.5% of sample size.

1.16.9. Sampling technique and sampling unit:

The Sonitpur district of Assam is divided into 14 Community development Blocks, again the C.D. Blocks are divided into two categories- Intensive (Dhekiajuli, Pub-Chaiduar, Barchala and Chaiduar) and Non-Intensive Blocks (Ghabharu, Balipara, Bihaguri, Naduar, Rangapara, Sootea, Biswanath, Sokomatha, Behali, Baghmara) based upon the implementation of National Rural Livelihood Mission. Out of these fourteen blocks, two blocks from each category have been selected with the help of lottery method (Random sampling without replacement). The results of lottery method were- Dhekiajuli and Barchala from the intensive block category and Balipara and Rangapara from the non-intensive block category.

Further, the data of MFIs working in these four blocks were obtained with the help of research data related to MFIs in Sonitpur District published in various journals, list published by Micro Finance Institution Network and compilation of data on the basis of field survey. The following table represents disproportionate distribution of the sampling unit block-wise.
### Table 1.4. : Block wise distribution of sampling unit

<table>
<thead>
<tr>
<th>Block Name</th>
<th>Block Office / Micro Finance Institution</th>
<th>Number of beneficiaries</th>
<th>TOTAL</th>
<th>Proportionate Sample (Figure rounded off)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014-15</td>
<td>2015-16</td>
<td></td>
</tr>
<tr>
<td>Dhekiajuli CD Block</td>
<td>Dhekiajuli Block Office</td>
<td></td>
<td></td>
<td>1720</td>
</tr>
<tr>
<td></td>
<td>Asomi Finance Private Limited (AFPL),</td>
<td></td>
<td></td>
<td>1939</td>
</tr>
<tr>
<td>Balipara CD Block</td>
<td>Balipara Development Block</td>
<td></td>
<td></td>
<td>19770</td>
</tr>
<tr>
<td></td>
<td>Asomi Finance Private Limited (AFPL),</td>
<td></td>
<td></td>
<td>2519</td>
</tr>
<tr>
<td></td>
<td>PROCHESTA</td>
<td></td>
<td></td>
<td>6500</td>
</tr>
<tr>
<td>Rangapara CD Block</td>
<td>Rangapara Block Office</td>
<td></td>
<td></td>
<td>4550</td>
</tr>
<tr>
<td>Barchala CD Block</td>
<td>Barchala Block Office</td>
<td></td>
<td></td>
<td>798</td>
</tr>
<tr>
<td><strong>Total Sample</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1.16.10. Pilot study:

A pilot study is nothing but a preliminary small scale study to check whether there is any flaw in the formulation of questionnaire, whether there is feasibility to conduct the study or not. It is always preferable to do pilot-study before questionnaire is finalized (Fink, 2003). In addition, it improves the reliability of the instrument (Neuman, 2003). In this study the 30 members from whom responses were sought during pilot study were not included in the main study. The pilot study helped the researcher to understand the necessity of preparing the questionnaire in local language. Therefore, for conducting the main study, questionnaire were prepared in two languages- ‘Assamese’ and ‘English.

1.16.11. Tool for collecting primary data:

In order to meet the objectives of the present study the researcher have collected the requisite primary data by using the following tools:

- **Questionnaire:** A structured questionnaire based upon the principles of questionnaire design, which helped in ensuring the reliability and validity of the questionnaire and helped to increase the accuracy in responses. The questionnaire was prepared in two parts-
  
  - Part ‘A’- consisting of questions pertaining to the demographic feature of the respondent and
- Part ‘B’- consisting of questions related to microfinance and livelihood generation as a whole.

Questions were asked in a short and simple way to make it easier for respondents and was prepared in both ‘English’ and ‘Assamese’ language. The questions were following a logical sequence and to the extent possible they were constructed in a close ended way with all possible responses. To reduce the time in filling-up the responses, the questions were asked which were directly related to the variable identified for the study. Moreover, questions based on five point Likert scale were also included in the questionnaire. Some changes were made after conducting pilot study among 30 members of self-help group. The respondents of pilot study were not included in the main study.

The full set of questionnaire is attached in the annexure.

- **Observation method:** while doing the field survey the researcher collected some data pertaining to the study based upon the observation.

- **Interview method:** the researcher got the opportunity to take interview of the block officials and Micro Finance Institution officials. The view points of the officials were taken regarding micro finance and livelihood generation. The interviews were taken in an unstructured way.
1.16.12.  Test of reliability:

The results of Cronbach Alpha (α), measure of internal consistency of a test, were interpreted to test the reliability of the collected primary data. The values of this test are interpreted as follows:

\[ \geq 0.9 \quad \text{–} \quad \text{Excellent}; \quad \geq 0.8 \quad \text{–} \quad \text{Good}; \quad \geq 0.7 \quad \text{–} \quad \text{Acceptable}; \quad \geq 0.6 \quad \text{–} \quad \text{Questionable}; \quad \geq 0.5 \quad \text{–} \quad \text{Poor and} \leq 0.5 \quad \text{–} \quad \text{Unacceptable.} \]

According to this, Cronbach's Alpha measuring the internal consistency for Socio-economic changes is Acceptable (George and Mallery, 2003; Gliem and Gliem, 2003).

Table 1.5. - Reliability Statistics:

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihood Assets</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Livelihood Generating Activity</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Socio-economic changes</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Awareness of the Self-Help Group members</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: Self compiled (by using SPSS)

The test results shows that reliability statistics for livelihood asset is .823 which is \( \geq 0.8 \), so it falls in category ‘Good’; reliability statistics for livelihood generating activity is .771 which is \( \geq 0.7 \) therefore, the collected data fall in the ‘acceptable’ category. Further, reliability statistics for socio-economic changes is .827 which is \( \geq 0.8 \), so it falls in category ‘Good’ and that
reliability statistics for awareness of the Self-Help Group members is .961 which is ≥0.9, so it falls in category “Excellent’.

1.16.13. Data analysis and representation tool:

In order to meet the objectives of the present study the researcher have analyzed the collected data with the help of descriptive statistics like percentage, mean, frequencies, cross-tabulation etc. and various representation tools like bar diagrams, histograms, pie charts etc. have been used. Moreover to test the hypotheses ANOVA, one sample t-test, paired t-test were used. Further, to measure socio-economic changes Social Change Index and Economic Change Index have been computed.

1.17. IMPORTANCE OF THE STUDY

The study has been undertaken to understand the status of livelihood among the beneficiaries of micro finance, the livelihood assets owned by them and the significant changes in the livelihood assets. Moreover, the study is significant in understanding the awareness among the SHG members related to group constitution, accounting and book keeping, managerial aspect and banking aspect. This study has considerate how micro finance can assist the rural folk in generating or improving their source of livelihood. Further, it has helped in understanding the importance of grass root level development for the overall development of an economy. Last but not the least this study has played an important role in providing suitable suggestion related to
how microfinance can play an effective role in generating livelihood by acquiring the required livelihood assets as an accessible input.

1.18. SCOPE OF THE STUDY

The research have been undertaken to study the different aspects related to micro finance and livelihood generation within the vicinity of four community development Blocks under Sonitpur district of Assam viz. Dhekiajuli, Balipara, Barchala and Rangapara Community Development Block. The beneficiaries who have availed the micro finance service under the Block office or Micro finance Institution, by joining Self Help Groups during the financial years 2014-15 and 2015-16 are being studied. The study primarily focused on the status of livelihood among the beneficiaries of micro finance based upon the livelihood assets owned by them. Further, the awareness related to group constitution, book-keeping, managerial and banking aspect, among the Self Help Group members have also been studied. The study also focuses on identifying the different types of livelihood generating activities undertaken by the beneficiaries and the changes in their socio economic conditions. Lastly, an attempt has also been made to study the government initiatives which could enhance livelihoods in the selected area.

1.19. LIMITATIONS OF THE STUDY

The study has been restricted to registered Self-Help Group members of Sonitpur district only. There were non-availability of extensive research work, books and articles in the context of
Livelihood at regional level. Moreover, the protocol relating to getting data of the beneficiaries from Micro Finance Institution and block officials were tough. Further the geographical distances between the community development blocks increased the time and cost involved in collecting the data. Connectivity was another problem while collecting the data from Rangapara Development Block. Lastly, the data collected were based on the feedback of the respondents and some of them may have given fake information to cover the reality.

1.20. CHAPTER SCHEME

A brief summary of the chapter scheme is provided below for the purpose of the research:

1.20.1. Chapter 1: Introduction- the first chapter deals with the introductory part of the research and also covers the objectives, research queries, hypotheses related to the study. Further, and overview of the research methodology of the study has been provided in this chapter.

1.20.2. Chapter 2: Review of literature- the second chapter covers the review of literature of various studies at the national and international level. The research gap has been identified after undertaking this reviews.

1.20.3. Chapter 3: Sustainable livelihood framework and micro finance – The third chapter outlines the sustainable livelihood framework followed by the United Nation
Development Program (UNDP), the Cooperative for Assistance and Relief Everywhere (CARE) and the Department for International Development (DFID). It also covers the analysis of primary data pertaining to sustainable livelihood, livelihood assets, activities and awareness related to various aspects of Self-Help Groups. A sustainable livelihood framework has been developed by the researcher for Sonitpur district is mentioned here. Further a brief overview of the Micro Finance Institution has also been given here.

1.20.4. **Chapter 4:** Socio- economic condition of beneficiaries of micro finance- the forth chapter presents the data pertaining to socio-economic status of the beneficiaries. Further the Economic Status Index and Social Status Index have been computed and discussed here.

1.20.5. **Chapter 5:** Government initiatives for micro finance and livelihood- the fifth chapter highlights some schemes and institutions, which were entrusted to work for livelihood generations and microfinance by the Government of India. Further the regulatory framework of microfinance and models to deliver microfinance services have been discussed.

1.20.6. **Chapter 6:** Findings, suggestion and conclusion- the last chapter of this study deals with the findings, suggestion and conclusion pertaining to the research.

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