Chapter 1

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Chapter 1

Introduction

“If we can come up with a system which allows everybody access to credit while ensuring excellent repayment – I can give you guarantee that poverty will not last long”

- The founder of the Grameen Bank in Bangladesh, Prof. Muhammad Yunus

Poverty is the most excruciating blasphemy of human dignity. It alienates people from their homelands and makes the poor subservient of the rich. Poverty reduces productivity of a nation and the consequential malnourishment exposes people to extreme social abnormalities. Thus, poverty triggers most of the social evils. Therefore, elimination of poverty from the face of the planet should receive top priority of governments and citizens.

1.1. Concept of poverty:

Poverty is the lack of basic human needs, such as clean and fresh water, nutrition, health care, education, clothing and shelter, because of the inability to afford them. This is referred to as absolute poverty or destitution. Poverty can be relative also, relative poverty is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages\(^1\).

Accumulation of wealth, sometimes resulting in overall poverty reduction within a nation or society, has historically been a result of economic growth as increased levels
of production, such as modern industrial technology, made more wealth available for some individuals and groups within societies and nation states. Wealth distribution however, often occurs along highly unequal lines. This sometimes prompts redistributive approaches to poverty reduction. Investments in modernizing agriculture and increasing yields via green revolution technology is often considered the core of the antipoverty effort, given three-quarters of the world’s poor are rural farmers. However, alternative theories of development economics cite the process of agricultural industrialization as a driver of unequal land distribution, declining food security, and rural-urban migration.

Poverty is pronounced deprivation in well-being and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one’s life.

— World Bank

1.2. Approaches to poverty:

Basically there are two approaches to poverty:

1.2.1. Basic necessities approach

1.2.2. Multidimensional approach
Basic necessities approach:

In basic necessities terms poverty can be defined as deprivation of necessities of life. If a person is not able to fulfill the necessities of life he is poor. Poverty is a condition wherein a person cannot satisfy his or her basic needs, namely, food, shelter, clothing, health and education.

The parameters of multidimensional approach to poverty are derived from Human Development Report 2010.

Multidimensional Poverty Index:

The Multidimensional Poverty Index (MPI) was developed in 2010 by Oxford Poverty and Human Development Initiative and the United Nations Development Programme.

The MPI was created for the 20th Anniversary edition of the UNDP Human Development Report and uses different factors to determine poverty beyond income-based lists. It uses a range of deprivations that afflict an individual's life. The measure assesses the nature and intensity of poverty at the individual level in education, health outcomes, and standard of living.

The MPI is an index of acute multidimensional poverty. It reflects deprivations in very rudimentary services and core human functioning for people across 104 countries. Although deeply constrained by data limitations, MPI reveals a different pattern of poverty than income poverty, as it illuminates a different set of deprivations. The MPI has three dimensions: health, education and standard of living. These are measured using ten indicators. Poor households are identified and an aggregate measure constructed using the methodology proposed by Alkire and Foster. Each dimension and each indicator within a dimension is equally weighted.
Calculation of the index

The MPI is calculated as follows:

$$MPI = H \times A$$

H: Percentage of people who are MPI poor (incidence of poverty)

A: Average intensity of MPI poverty across the poor (%)

Indicators used

The following ten indicators are used to calculate the MPI:

- Education (each indicator is weighted equally at $1/6$)
  1. Years of Schooling: deprived if no household member has completed five years of schooling
  2. Child Enrolment: deprived if any school-aged child is not attending school in years 1 to 8

- Health (each indicator is weighted equally at $1/6$)
  3. Child mortality: deprived if any child has died in the family
  4. Nutrition: deprived if any adult or child for whom there is nutritional information is malnourished

- Standard of Living (each indicator is weighted equally at $1/18$)
  5. Electricity: deprived if the household has no electricity
  6. Sanitation: deprived if they do not have an improved toilet or if their toilet is shared
7. Drinking water: deprived if the household does not have access to clean
drinking water or clean water is more than 30 minutes walk from home

8. Floor: deprived if the household has dirt, sand or dung floor

9. Cooking fuel: deprived if they cook with wood, charcoal or dung

10. Assets: deprived if the household does not own more than one of: radio, TV,
television, bike, or motorbike

A person is considered poor if they are deprived in at least 30% of the weighted
indicators. The intensity of poverty denotes the proportion of indicators in which
they are deprived\(^3\).

**1.3. Poverty Trends in U.P.(With special reference to Allahabad):**

The Oxford Poverty and Human Development Initiative using a Multi-dimensional
Poverty Index (MPI) found that there were 650 million people (53.7% of population)
living in poverty in India, of which 340 million people (28.6% of the population)
were living in severe poverty, and that a further 198 million people (16.4% of the
population) were vulnerable to poverty. 421 million of the poor are concentrated in
eight North Indian and East Indian states of Bihar, Chattisgarh, Jharkhand, Madhya
Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal. This number is higher
than the 410 million poor living in the 26 poorest African nations. \(^4\)

The Uniform Recall Period (URP) Consumption distribution data of NSS 61st Round
places the poverty ratio at 28.3 per cent in rural areas, 25.7 per cent in urban areas
and 27.5 percent for the country as a whole. The corresponding poverty ratios from
the Mixed Recall Period (MRP) consumption distribution data are 21.8 percent for
rural areas, 21.7 for urban areas and 21.8 percent for India as a whole. While the former consumption data uses 30-day recall reference period for all items of consumption, the latter uses 365-day recall reference period for five infrequently purchased non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses and 30-day recall reference period for remaining items. 

Percentage of population below poverty line in U. P. was 32.8% (URP) for the 61st round whereas it was 25.5% (MRP) for the same round.

Number of families below poverty line in U. P. were 590.03 (URP) whereas it was 458.15 (MRP) for the 61st round and U. P’s contribution to total poverty (India) was 19.56% (URP) and 19.21% (MRP) for the 61st round.

On the basis of rural population below poverty line Kaushambi, Hardoi, Bahraich, Mirzapur, Sonbhadra, Kanpur Dehat, Sharavasti, Unnao, Ambedkar Nagar, Rae Bareli, Sitapur, Chitrakoot, Sultanpur, Shahjahanpur, Ballia, Lakhimpur Kheri find place among very high (above 50%) poverty districts. Kanpur Nagar Pratapgarh, Lucknow, Ghazipur, Jalaun (Orai), Faizabad, Basti, Etawah, Barabanki, Sant Kabir Nagar, Hamirpur, Piliphit, Jaunpur, Mau, Orraiya, Chaudauli, Fatehpur, Siddharth Nagar, Kushi Nagar, Mainpuri, Banda find place among high (40% to 50%) poverty districts. Gonda, Kannauj, Balrampur Azamgarh, Farukhabad, Rampur, Maharajganj, Lalitpur, Jhansi, Gorakhpur, Allahabad, Bareilly, Saharanpur, Jyotiba Phule Nagar, Varanasi, Bijnor, Sant Ravidas Nagar and Mahoba find place among moderate (20% to 40%) poverty districts. Lastly Moradabad, Agra, Gautam Buddha Nagar, Hathras,
Etah, Mathura, Aligarh, Firozabad, Badaun, Mujaffer Nagar, Deoria, Bulandshaher, Meerut, Ghadiabad and Baghpat find place among low (below 20%) poverty districts. Allahabad find place among moderate (20% to 40%) poverty districts as per the latest BPL survey.

**Tehsil wise Poverty in Allahabad District:**

<table>
<thead>
<tr>
<th>TEHSIL NAME</th>
<th>BLOCK NAME</th>
<th>NUMBER OF FAMILIES BELOW POVERTY LINE</th>
<th>TOTAL</th>
<th>%BPLF</th>
</tr>
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<tbody>
<tr>
<td>SORON</td>
<td>KAURIHAR</td>
<td>23503</td>
<td>53271</td>
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</tr>
<tr>
<td>HOLAGARH</td>
<td>8504</td>
<td>24828</td>
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<td>34.25</td>
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<tr>
<td>MAUAIMA</td>
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<td>22516</td>
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<td>42.83</td>
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<tr>
<td>SORON</td>
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<td>26931</td>
<td></td>
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</tr>
<tr>
<td>BHARIA</td>
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<td>33665</td>
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<tr>
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<td>PHULPUR</td>
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<tr>
<td>BHADURPUR</td>
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<tr>
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<td>23734</td>
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<td>59.50</td>
</tr>
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<td>BARA</td>
<td>JASRA</td>
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<td>21879</td>
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<td>SHANKERGARH</td>
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<td></td>
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<tr>
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<td>KAUDHIYARA</td>
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<tr>
<td>TOTAL</td>
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<td>279542</td>
<td>740941</td>
<td>37.72</td>
</tr>
</tbody>
</table>

Exhibit No.1.1

(7)
Block wise poverty in Allahabad District:

Percentage of poverty (in terms of BPL families) was highest in Koron block of Allahabad, whereas it was least in Chaka block of Allahabad as per District Statistical Register 2010.

Microfinance through self help group and joint liability groups has become an important instrument to meet the credit needs of the poor, especially in the rural areas. Microfinance helps the poor households meet their credit need, moreover they enjoy high credit ratings compared to bigger users of loans from financial institutions. The government initiative to give credit to the poor has made Self Help Group (SHG)Bank linkage program in India as the largest microfinance program in the world. The self help groups which form the nucleolus of the microfinance program is a close–knit group, which ensures high credit ratings, as their repayment of loan is very high.
However, still there is a systematic inbuilt bias against small borrowers by formal banking systems who feel burdened with small and frequent transactions from small time borrowers. The rural poor are efficient managers of credit and finance.

2. Need of the study:

Microfinance is a financial service of small quantity provided by financial institutions to the poor. Poverty is one of social crime that has kept into the Indian scenario since independence. Number of measures has been taken both by the central and state government to eradicate poverty in India. Many programmes for supply of credit to needy poor had also been introduced. Majority of the people belonging to depressed and backward sections could not take any benefit from the programmes introduced by the government for their welfare. Consequently they remained retarded and exploited as usual. The poor segment of rural areas, disappointed from all sides, needed a programme which would be carried on with their cooperation and loan available according to their need and contracting capability. With the passage of time various schemes run by the government and non–government financial institutions have failed to achieve their objective of eliminating poverty in India. At this stage the Self Help Groups and Joint Liability Groups were considered as the only way to have access to credit. The JLGs are formed to help the poor in saving money, to manage their funds and help one another in getting credit. Banks participate with JLGs in making loan available to members on the basis of mutual need and trust. With the emergence of self help groups and MFIs for providing funds to the weaker sections of the society, it is necessary to evaluate their performance and hence the study has been done to assess their existence in the economic system.
3. Scope of the Study:

The present research work will help in knowing the structure of microfinance prevailing in Allahabad, its outreach, its role in poverty alleviation. It provides useful insights in policy framing regarding poverty alleviation with special reference to Allahabad district and it also provide guidelines for policy framing regarding poverty alleviation in other parts of the country with similar characteristics. Banks and other financial institutions can also know that whether their funds have been utilized in productive activities or not and if not they can take corrective measures accordingly.

4. Review of Literature:

Review of literature deals with the investigations carried out in India and abroad pertaining to the variables studied in the present research. It gives an account of the literature and also brings forth the related factors of the variables investigated. It consist of the impact of microfinance on poverty and current debate about MFIs(Microfinance Institutions) and their role in alleviating poverty.

Articles:

Christen(2001) has made in depth study of the role of NGOs in providing micro-credit services in developing countries like India. The author has discussed the role of IRDP(Integrated Rural Development Program) and RRBs(Regional Rural Banks) in poverty alleviation. The Paper seeks to highlight the role of various institutions on selected indicators like targeting the poor, increase in earnings, asset holding of the poor, employment generation and skill improvement.

The study shows that micro-credit programmes have been able to bring about a marginal improvement in the income of beneficiaries but they have not gained much in the aspect of technological improvement. The author has made an honest attempt to discuss the issues involved in the expansion and replication of rural development programmes and institutions across various countries.
Dadhitch(2001) has highlighted the importance of microfinance as an effective vehicle of alleviating poverty in rural areas through women empowerment. The author has discussed the role of public sector banks in microfinancing.

The Oriental Bank of commerce, a public sector bank's role in providing microfinance has been discussed in the article this service had been provided in certain villages of Rajasthan and Uttrakhand. The author has recommended measures for the improvement of the service provided by the Self-Help Groups for poverty alleviation.

Kulshrestha and Gupta (2001) has discussed the role of microfinance institutions in poverty alleviation and is of the opinion that the real beneficiaries are facing problems in getting credit through these institutions. The poor people require small and regular credit which are not available due to government regulations. The author discusses the role of NABARD and other agencies in bridging the gap between demand and supply in providing micro-credit finance schemes to the poor.

Mayer (2002) has discussed the role of microfinance in reducing poverty and improving food security to the people in India. The paper discusses the evolution of microfinance as a valuable proposition in the provision of financial services. The author has made an in depth study of strength and weakness of microfinance in India. The author has evaluated the objectives of microfinance in three perspectives. The first objective is to reach a large number of poor population. Second is to have a long term sustainability and alleviating poverty of the served population. The author suggested several measures by which microfinance could be strengthened to improve its contribution in poverty alleviation and improving food security in India.
Littlefield, Murduch and Hashemi (2003) has stated that various studies document increase in income and assets, and decrease in vulnerability of microfinance beneficiaries. They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all show very positive impacts of microfinance in reducing poverty. For instance, a report on a SHARE project in India showed that three-quarters of beneficiaries saw significant improvements in their economic well-being and that half of the beneficiaries graduated out of poverty\(^{12}\).

Greeley (2003) has reviewed the various methodologies of assessing the performance of microfinance. Major international partners and microfinance network on the development of impact assessment tools that address specific dimensions of poverty outreach. The paper also points out that CGAP has developed and implemented a relative poverty targeting tool and synthesising this approach with absolute poverty measures. CGAP (Consultative Group to Assist the Poor) has been involved in developing social performance indicators linked to millennium development Goals to reflect the double bottom line in microfinance\(^{13}\).

Das (2004) has opined that micro-credit insures the right to save and hence it is one of the important weapons in the hands of the poor which help them to rise above the poverty level. In a country like India where majority of the population list below the poverty line, the credit for income generation helps in eradicating the poverty. Through micro-credit basic necessities can be provided to the poor. The author concludes that no program can be effective unless there is proper co-ordination and cooperation between the government and the poor people, in spite of the various poverty alleviation programs have ended up in failure due to this aspect\(^{14}\).

Gupta (2005) has pointed out that the reason for weak performance of both public and private sector banks is extending credit to weaker sections is the high level of
Non Performing Assets (NPAs). By comparing the SGSY (Swarn Jayanti Gram Swarozgar Yojana) scheme with SHG-Bank linkage programme, the study points out that while credit under the SGSY schemes across states has been extended in proportion to the poor in the population, this is not so in the case of SHG Credit that has been growing at the rate of 120% per annum. However, growth in SHG credit has been uneven. The southern states are seen as SHG developed states while Bihar, Madhya Pradesh are among those characterized as SHG backward states.

Besides the SHG Model in extending credit to the weaker sections, several models exist for extending micro-credit to the poor and weaker sections.\(^\text{15}\) Rena and Tesfy (2007) have showed that the poverty levels in Eritrea are alarming. In the light of the escalating nature of poverty, there is an urgent need for a poverty alleviation initiative to reduce miseries of the majority of the poor. An attempt is made to analyse the incidence of poverty in the country with a particular focus on agriculture. It also throws light on the agriculture sector and its crucial role in providing the Saving and micro-credit programme and its impact in reducing the poverty. It concludes that microfinance has strong capacity to drive economic growth and poverty reduction in Eritrea.\(^\text{16}\)

Pangannvar (2008) has highlighted that Self –Help Groups and Joint Liability Group programme is the right approach to create self-employment opportunities so as to supplement the income and assets of the rural poor. The SHG programme provides the rural poor women entrepreneurship and rural women empowerment.\(^\text{17}\)

Sivachithappa (2008) has pointed out that a number of important results have emerged out of the study. These results are in contrast to the findings of a number of earlier studies. Some of the disagreements of this study with earlier studies are: the
income impact of the extreme poor is lower, the poorest borrowers may tend to have lower levels of assets accumulation, borrowers taking more number of loans, generates more income, larger organizations have larger outreach and formal schooling is an essential criterion for exerting better effect of SHG’s on income generation\textsuperscript{18}.

\textbf{Patel (2008)} has opined that microfinance is a very effective tool of reducing poverty. Members of SHG and JLG are making use of loan, from various sources for children education, income generating activities and rural development\textsuperscript{19}.

\textbf{Dhaundiyal and Srivastava (2008)} have discussed about the role of various microfinance institutions in reducing poverty. The concept of micro-credit can be seen in the removal of poverty through entrepreneurship. The author is of the opinion that deposit mobilization is the major means for microfinance institutions to expand outreach by leveraging equity. In order to be sustainable microfinance, lending should be based on marketing principles as large scale lending can be achieved through subsidies. The authors are of the opinion that microfinance can contribute (solve) the problem of inadequate housing and urban services as an integral part of poverty alleviation program\textsuperscript{20}.

\textbf{Shylendra (2008)} has concluded that SHG members making use of SHG loan for various purposes health, education, housing etc. This means they are using loans for various economic activities investment in all these activities leads to income generation that ultimately leads to poverty alleviation\textsuperscript{21}.

\textbf{Suryanarayana (2009)} has highlighted that the MFI has been successful in reducing poverty in Bangladesh because of its ‘social capital’ to achieve the goal of alleviating poverty\textsuperscript{22}.
In the article entitled ‘Microfinance a new mantra in rural finance’ elaborated the factors and the various aspects associated with the evolution of microfinance in India. The author discusses the factors which can help in reducing the Poverty through the activities of various microfinance institutions. The author makes an assessment of the various programmes promoted by the microfinance institution in fulfilling the objectives like poverty reduction. The paper also discusses the role of various JLGs in the states of Andhra Pradesh and Uttar Pradesh and come to the conclusion that there was increase in income generation of the poor people.

Books:

Hulme and Mosley (1996) have stated that the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the middle and upper poor. However, they also show that when MFIs such as the Grameen Bank and BRAC (Bangladesh Rehabilitation Assistance Committee) provided credit to very poor households, those households were able to raise their incomes and their assets.

Johnson and Rogaly (1997) have also cite some examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, They have seen that when MFIs understand the needs of the poor and try to
meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society\textsuperscript{25}.

\textbf{Dichter (1999)} has concluded that microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is generally below expectation, he does concede that some positive impacts do take place. From a study of a number of MFIs, he states that findings show that consumption smoothing effects, signs of redistribution of wealth and influence within the household are the most common impact of MFI programmes\textsuperscript{26}.

\textbf{Wright (1999)} has highlighted the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is a significant difference between increasing income and reducing poverty. He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends what the poor do with this money, oftentimes it is gambled away or spent on alcohol, so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to sustain a specified level of well-being by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' scepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations\textsuperscript{27}.

\textbf{Mayoux (2001)} has concluded that while microfinance has much potential but its main impact on poverty eradication.

- Credit makes a significant contribution in increasing incomes of the better off poor, including women,
Microfinance services contributing to the smoothing out of peaks and thoughts in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies\(^{28}\).

Simanowitz (2001) has stated that there is a certain amount of debate about whether impact assessment of microfinance projects is necessary. The argument is that if the market can provide adequate proxies for impact, showing that beneficiaries are happy to pay for a service, assessments are a waste of resources. However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI s. Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFI s so that they can improve their services and the impact of their projects\(^{29}\).

Harris (2002) has made an attempt to study the role of microfinance in poverty-alleviation. The book explores in depth the basic themes like reaching the poorest, empowering women, building financially self-sufficient institutions which could be able to provide funds to a large section of poor population and ensuring a measurable impact on the lives of beneficiaries and their families. The role of micro-financial institutions in countries like China, Indonesia, Thailand were studied and at the same-time a comparative analysis has been done in order to bring out the relevance of microfinance in poverty alleviation. The author has tried to suggest the various measures that have been adopted in order to provide various innovative products and services to the poorest families living in the above countries\(^{30}\).

Mishra (2003) has made an attempt to study the evolution of microfinance in India and around the world. The author had presented the role of different stakeholders of the microfinance sector in a lucid manner. The book makes a comprehensive study of
the Self Help Group movement and makes a critical analysis of their functioning as the various non-government organisations were involved in the starting of these groups. The author has made an honest attempt to analyze importance, performance and provide valuable suggestions to the various non-government organizations, who are waiting to enter the microfinance arena.

The book entitled "Microfinance perspectives and operations" provides an overview of microfinance concepts world-wide trends and its growth in India and in countries around the world. The book deliberates on the various delivery methodologies of microfinance, issues and challenges faced in India and other countries. The legal and regulatory framework for institutions engaged directly or indirectly are being considered. The author has tried to focus on the role of microfinance institutions in micro-financing. The various models of microfinance are being properly discussed. The various financial products and services available for microfinance beneficiaries are being beautifully dealt with. The revenue models of microfinance, related to profitability, efficiency, productivity are discussed in detail. The authors have an honest attempt to explain the role of banking institution in microfinance.

5. Research Gap:

During the course of research study it was discovered that majority of the work on microfinance have been done in Southern and Eastern states but Northern states are covered in a niche manner. Microfinance in Allahabad started gaining ground and a very few studies were conducted to judge its role in poverty alleviation. Thus the study has been conducted to know the role of microfinance in poverty alleviation in Allahabad.

6. Objectives of Study:

- To study the role of Microfinance Institutions in poverty alleviation in Allahabad District.
• To gauge the benefits of microfinance to the poverty stricken folks.

• To compare the impact of microfinance before and after providing microfinance on the standard of living of the poor.

7. Research Methodology:

Research methodology is a procedure designed to the extent to which it is planned and evaluated before conducting the enquiry and the extent to which the method for making decision is evaluated. Research methodology is a way to systematically solve the research problems. It includes research methods used in context of research study and explanation by using particular technique so that the result, are capable of being evaluated either by the researcher himself or by other person who have keen interest in the study area. The present research on microfinance as a tool for poverty alleviation involves such research methodology which would be able to justify certain objectives. In this study only MFIs were taken into consideration as banks have very less outreach regarding micro-financing.

The present research work is exploratory in nature because in it the researcher had tried to investigate how microfinance has helped the poor to come out from the vicious cycle of poverty and also there is not much data available in this regard with special reference to Allahabad district.

Microfinance covers a wide range of services- micro-credit, insurance, remittance, business development services, financial literacy, counseling etc. In the present study, it is delimited only micro-credit and in few cases insurance have been taken for judging the poverty level because only these services are provided in Allahabad.

8. Hypotheses:

Poverty depends on basically three parameters: education, health and standard of living and further pilot survey conducted during the study revealed that the factors
responsible for poverty in Allahabad are low level of education, ill health and unawareness towards their social and political rights. Considering these aspects, the hypotheses have been formulated.

There are four hypothesis in the study:

**Assumptions:**

The following assumptions have been taken in the study:

1. Income level status: If 60% beneficiaries after taking micro-credit utilise it productive purposes annual income after taking loan from MFIs comes from regular sources, poverty is alleviating.

2. Housing structure level: If 60% and more people have pucca houses, poverty is alleviating.

3. Facilities used level: If 60% and more people use facilities as discussed below, poverty is alleviating.

4. Participation level: If 60% and more people participate as discussed below social activities, poverty is alleviating.

The hypotheses taken for the study were:

**Hypothesis-1**

Ho-There is no significant difference in income of the people before taking micro-credit and after taking micro-credit from Microfinance Institutions.

H1-There is significant difference in income of the people before taking micro-credit and after taking micro-credit from Microfinance Institutions.
Hypothesis-2

Ho- The undertaken facilities used indicators are not associated with poverty alleviation.

H1- The undertaken facilities used indicators are associated with poverty alleviation.

The facilities used indicators adopted in the study were-

1. Time devoted by child at school
2. Sanitary facilities
3. Accessibility to Government hospitals
4. Insurance services

Hypothesis-3

Ho- The undertaken participation level indicators are not associated with poverty alleviation.

H1- The undertaken participation level indicators are associated with poverty alleviation.

The participation level indicators adopted in the study were-

1. Participation in family decisions
2. Visiting and staying with relatives and friends
3. Attending and organizing functions
4. Participation in vote casting

- The difference is measured at 5% level of significance.
• Respondents were the beneficiaries of Microfinance Institutions.

• The parameters selected for the study were income level, time devoted by child at school, Sanitary facilities, accessibility to Government hospitals, Insurance services, participation in family decisions, visiting and staying with relatives and friends, attending and organizing functions and participation in vote casting.

9. Sample Profile:

Data for this study were collected from the beneficiaries of microfinance with the help of schedule, observation and personal interviews. The analysis had been based on the basis of schedule containing nineteen questions, covering various aspects of role of microfinance in poverty alleviation. A pilot survey was conducted before the draft of the final schedule, for this we had taken the help of four Microfinance Institutions. The suggestions had been taken into account and accordingly the final schedule was prepared. There were 54,521 beneficiaries of microfinance (JLG Model) in the district (SONATA - 27,567, SKS- 14,437, UTKARSH - 8,189, SHARE - 4,328, MORAL - 1,035). Since there are five MFIs operating in Allahabad, out of these four (SONATA, SKS, UTKARSH, SHARE) were selected, as MORAL has negligible presence in the district, so it was left out. After that the branches of the selected organizations (SONATA, SKS, UTKARSH and SHARE) were arranged in the decreasing order of performance and the branches that were placed on top and bottom were selected. For SONATA it was Phulpur and Bhadewra, Naini, Bharatganj for SKS, Karchana and Soron for Utkarsh and it was Naini and Meja for Share. The
total client base for selected MFIs for the selected branches was 15022. 2% of the 15022 is 300.44, therefore researcher had taken 300 respondents.

10. Data Collection:

The data has been collected from primary and secondary sources. The primary data is being collected through field visit by using schedule. The schedule has been drafted according to certain parameters like annual income from the project, level of asset owned, facilities used (time devoted by child at school, sanitary facilities, accessibility to Government hospital and insurance services) participation level parameters (participation in family decisions, visiting and staying with relatives and friends, attending and organizing functions and participation in vote casting). Apart from this suggestions have been taken from the microfinance practitioners for the betterment and development of microfinance beneficiaries. A pilot survey has been conducted before drafting the final schedule that provides useful insights to the final draft of the schedule. The schedule consist of nineteen detailed questions relating to the above parameters. These questions are both open and close ended. 350 microfinance beneficiaries have been approached, out of these only 300 had given their responses. The questionnaire was open ended to collect qualitative data, to avoid the bias of list of response possibilities, to generate ideas for future close-ended response options and to allow the respondents to suggest a range of possibilities unknown to the researcher. An effort has been made to prepare the questions simple and clear. Depending upon the suitability, interviews have been conducted in both structured as well as unstructured form and were held both in formal as well as in an informal way. Observation technique has also been used to map the missing responses. Secondary has been collected by visiting various offices like NABARD’s
office, District Economics and Statistics department office, MFI offices etc and through Books, Magazines, Reputed Journals, Newspapers and Websites. The secondary data has been collected for the period of four financial years from 2008-2009 to 2011-2012.

11. Analysis of Data:

For analysis of data pie chart, tables and other pictorial representations have been used at relevant places and for hypothesis testing chi-square test have been used. Chi square test is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. The formula for chi-square is:

\[ \chi^2 = \frac{(O-E)^2}{E} \]

where, \( \chi^2 \) = chi-square,

O= Observed frequency,

E= Expected frequency.

After the calculation of chi-square, Degree of freedom is determined. The formula for Degree of freedom is \((N-1)\). Then the feasibility of the result is tested on the 5% level of significance. Chi-square is used because the data is non-parametric and cannot be quantified.

12. Area of Study:

The economic condition of eastern Uttar Pradesh is not very good as it comprises of the majority of the people living below the poverty line. Allahabad being one of the major districts of Uttar Pradesh, consisting of diversified demographic population has been selected for case study as number of MFIs, JLGs, NGOs are providing credit to
the weaker sections for improving their economic conditions.

13. Scope for Further Research: In the present study the beneficiaries of microfinance have been selected from Microfinance Institutions, the base unit for these is Joint Liability Group, it can further be extended to banks and other organizations delivering microfinance service.

Conclusion:

In this chapter, an attempt has been made to give an idea about microfinance and poverty. The role of MFIs in development, specifically in relation to alleviating poverty, was also examined. Key challenges facing MFIs today are affecting their sustainability, over social objectives, and become a reason for failure of many MFIs to work with the poorest in society. Therefore, there is a greater need for MFIs to carefully design services that meet the needs of the poor and this can only be done when MFIs understand their needs and the context within the poor are working. If MFIs are to meet their overall development objectives, then they need to ensure financial sustainability and outreach of financial services designed to meet the needs of those mostly in need of such services.
References:


4. Ibid., S.N.3.


6. Ibid., S.N.5.

7. Ibid., S.N.5.


26. Ibid., S.N.25.


28. Ibid., S.N.39.


