IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

MICROFINANCE AND SHG: AN ENGINE TO ECONOMIC UPLIFTMENT OF RURAL ASSAM – With Special Reference to Dhakuakhana Block of Lakhimpur District

Dr. Bikash Hazarika[1], Dr. Kabita Konch[2]

[1]Assistant Professor

Department of Economics North Bank College, Lakhimpur, Assam

[2]Assistant Professor

Department of Assamese, JagannathBarooah University, Jorhat, Assam

Abstract

Finance is the lifeblood of all economic activity. The demand for microfinance addresses the financial needs of low-income households. Regarding financial inclusion, the Northeastern region has been neglected and remains underdeveloped.Therefore, microfinance can be seen as a crucial tactic for tackling challenges of rural development, employment generation, and poverty alleviation. Rural development is a vital aspect of a nation's socioeconomic progress. In this context, microfinance and Self-Help Groups (SHGs) play an essential role in sustainably enhancing rural residents' quality of life by enabling them to participate collectively in decision-making.Microfinance has encouraged many researchers worldwide to reassess financial inclusion for marginalized populations. In this study, an attempt is made to assess the role of microfinance in Assam's rural development and examine the Pre-SHG and Post-SHG circumstances of SHG members in the study area using both primary and secondary data. For primary data collection, households primarily involved in microfinance and SHG linkage activities for their livelihood have been selected and for obtaining final sample multi-stage mix sampling technique has been employed. Findings show that 87 percent of respondents accessed credit facilities more readily after joining the SHG, compared to only 12.5 percent before membership. Family dependence on moneylenders fell from 90 percent to 30 percent after joining SHGs. The results indicate that family indebtedness decreased from 70 percent to 33 percent. Additionally, 52 percent of respondents were able to create assets through various microfinance schemes, compared to 14 percent previously.

Keywords: Assam, Microfinance, Rural Economy, SHG, Sustainable Development.

I.INTRODUCTION

Giving small-scale loans and other financial services to the underprivileged is known as microfinance. Due to the efforts of dedicated people and financial organizations to support self-employment, reduce poverty, and provide social security, microfinance has evolved. In the form of bank-affiliated savings and credit group known as Self-Help Group (SHG), India has been able to create its own microfinance organization model. These SHGs, which are primarily run by women and young people, have developed into a tool for rural development. The majority of microfinance organizations in Assam make an effort to offer microfinance services in the form of insurance and savings in addition to loan and savings groups.

NABARD has defined microfinance as "provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban provided to customers to meet their financial needs; with only qualification that (a) transaction value is small and (b) customers are poor."
The most fascinating discovery in the field of microfinance is the concept of the Self-Help Group (SHG). SHGs and their connections to banks dominate the microfinance scene in Assam. Microfinance and Self-Help Group have been playing a significant role in eradicating poverty and rural development in Assam. SHGs have their roots in the Grameen Bank of Bangladesh, which was established in 1975 by Muhammad Yunus. SHG is a good strategy for rural development.SHGs' operations have drawn attention as a supportive mechanism for satisfying the credit needs of the poor since they must gather savings from individuals or groups who were not typically considered to have any "savings" and successfully recycle the pooled resources among the members.

Lakhimpur district is one of the flood prone, economically backward and zero Industry base district of Assam. It has nine community development blocks, Dhakuakhana is one of the backward block among them. In Dhakuakhana block more than 80 per cent of the people living in rural areas and almost 75 per cent of the population directly or indirectly involved with agriculture for their livelihood. But agriculture performance is very poor, due to flood and traditional agricultural practice. The main reason of traditional practice is lack of finance. Therefore, microfinance through SHGs can play an important role in income generation and creation of self-employment for the rural poor of the Lakhimpur district.

II. OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives.

1. To analyze the role performed by microfinance in rural development of Assam.
2. To examine the Pre-SHG and Post-SHG status of SHG members in the study area.

III. DATA SOURCE AND METHODOLOGY

Both primary and secondary data have been collected for this study. The sources of the secondary data are published and unpublished sources like books, journals, reports, publications, unpublished doctoral thesis and concerned web sites etc. For assessing the performance of microfinance through SHGs in rural poverty alleviation and socio-economic development of rural Assam, data relating to microfinance and SHGs are compiled from the secondary sources. The primary data have been collected from field survey by questionnaire and direct interview method from the Dhakuakhana Block of Lakhimpur district.

As per 2011 census, there are 9 community development blocks in the district. From these 9 blocks Dhakuakhana Block has been selected purposively for this particular study. Dhakuakhana Block has 162 villages. Five villages have been selected by using simple random sampling technique. Lastly, for obtaining final sample 25 percent of the households have been selected randomly from each village, which are basically involved with microfinance and SHG linkage activities for their livelihood ৮

IV. DISCUSSION AND FINDINGS

One of the most promising and economical strategies for combating global poverty is microfinance. The Indian government introduced the microfinance program through SHG-Bank linkage as a means of reducing poverty and promoting rural development. The National Bank for Agriculture and Rural Development (NABARD), which is tasked with creating suitable policies for rural credit, providing technical assistance, bank liquidity support, bank supervision of rural credit institutions, and other economic development initiatives, has been at the forefront of this.

4.1 Role of Microfinance in Rural Development of Assam

The primary sources of income for the rural residents of Assam are small businesses, agriculture, and related industries. Due to a lack of financial resources, they are not making agriculture and business successful. In rural Assam, very few individuals farm their land using capital-intensive methods. Due to a lack of funds, the majority of rural residents are unable to maintain their small businesses for an extended length of time. One of the key instruments that significantly contributes to the reduction of poverty and the economic growth of the impoverished in rural areas is microfinance.

The primary sources of income for the rural residents of Assam are small businesses, agriculture, and related industries. Due to a lack of financial resources, they are not making agriculture and business successful. In rural Assam, very few individuals farm their land using capital-intensive methods. Due to a lack of funds, the majority of rural residents are unable to maintain their small businesses for an extended length of time. One of the key instruments that significantly contributes to the reduction of poverty and the economic growth of the impoverished in rural areas is microfinance.These days, microfinance is regarded as one of the most significant and successful strategies for reducing poverty. The danger of default is decreased in microfinance because borrowers are grouped together and subject to peer pressure. With a primary focus on Assam, the study examines microfinance and its effects on rural development. Therefore, the goal of this study is to demonstrate how microfinance operates, what part MFIs play in lowering poverty, and how it impacts the living standards (income, savings, etc.) of Assamese impoverished people. Asomi, Assam GrameenVikash Bank, NERFS, NEDFI, Bandhan, RGVN-CSP, and Bosco Reach Out are a few of the well-known MFIs that have been operating in Assam for the past several years. These organizations are successfully promoting rural residents' economic empowerment, reducing poverty, and raising the standard of living for Assamese impoverished people.

4.2. Performance of Microfinance through SHGs in Economic Development of Dhakuakhana Block

Lakhimpur district is one of the flood affected, economically backward and zero Industry base district of Assam. It has nine development blocks, Dhakuakhana is one of the backward block among them. In Dhakuakhana block more than 80 percent of the people living in rural areas and almost 75 percent of the population directly or indirectly involved with agriculture for their livelihood. But agriculture performance is very poor, due to flood and traditional agricultural practice. The main reason of traditional practice is lack of finance. Therefore, microfinance through SHGs can play an important role in income generation and creation of self-employment for the rural poor of the Dhakuakhana Development Block. It has been found from the study that microfinance through SGHs has been playing a significant role in poverty alleviation and economic development of the block

4.2.1 Income status of the respondents in Pre-SHG and Post-SIHG stage:

At the time of study it has been found microfinance through SHGs could able to change the scenario of income of the respondents. The income of the respondents in pre-SHG and post-SHG stage is shown in the following Tablel

Table 1: Income status of the respondents in pre-SHG and post-SIHG stage.

(In Rs.)

Monthly Income	Pre-SHG stage	Post-SHG stage
No Income	15 (7.5%)	Nil
Up to 1500	75 (37.5%)	69 (34%)
1500-2000	86 (43%)	91 (45.5%)
2000-2500	24 (12%)	27 (13.5%)
Above 2500	Nil	13 (6.5%)
Total	200 (100%)	200 (100%)

Source: Field Survey.

The above Table 1 depicts that before joining SHG 7.5 percent of the respondents were no income and none of the respondent had income more than Rs 2500. But after joining SHG there is no respondents without income and 6.5 percent of the respondents crossed their income level above Rs 2500 91 of the respondent out of 200 representing 45.5 percent have monthly income of Rs 1500 to 2000 after joining the SHGs

4.2.2. Economic impact of microfinance and SIIG linkage programmes on the respondent:

An effort was also made to access the economic impact on the respondents of microfinance through SHG and the data relating in this regard is presented in the Table 2

Table 2: Economic impact on the respondents (multiple responses).

Economic Impact	Pre-SHG stage	Post-SHG stage
Better access to the credit facility	25 (12.5%)	176 (88%)
Minimized family dependence on money lenders	181 (90.5%)	61 (30.5%)
Economic independent	27 (13.5%)	97 (48.5%)
Better access/control of financial resources & Households	38 (19%)	122 (61%)
Improve food security	51 (25.5%)	155 (77.5%)
Increase savings	37 (18.5%)	121 (60.5%)
Minimized family indebtedness	141 (70.5%)	67 (33.5%)
Asset creation	29 (14.5%)	105 (52.5%)

Source: Field Survey.

It has been observed from the above Table 2 that 88 percent of the respondents were better access to the credit facilities after joining the SHG which was only 12.5 percent before joining the SHG Family dependence on money-lenders was also reduced from 90.5 percent to 30.5 percent after joining SHGs. After joining the SHG the number of respondents had also increase their savings from 18.5 percent to 60.5 percent. The result of the study indicates that the family indebtedness has been reduced from 70.5 percent to 33.5 percent. 52.5 percent respondents were found that they able to create assets under various scheme of microfinance, earlier it were 14.5 percent.

V. CONCLUSION

The microfinance revolution, a recent product of development, ensures the availability of institutional credit and financial inclusion to the poor, who were so far excluded from the institutional credit system. Lakhimpur is one of the flood affected backward district of Assam. Though, most of the people engaged in agriculture and allied activities for their livelihood, but due to heavy flood every year destroys a huge portion of the cultivation. Moreover, Lakhimpur district is a zero industry based district of Assam and the development of service sector is also very poor. Therefore, microfinance through SHG can play an important role in creation of self-employment and generation of income for the rural poor of the district, which will provide the base for sustainable development. Even though, in Assam, the microfinance model extends credit and savings to the poor, the challenges faced by the industry has to be rectified

REFERENCES

[1]Basu, P. and P. Srivastava (2005): "Exploring Possibilities: Microfinance and Rural Credit", Oxford University Press.

[2] Chandra, D. (1993). Rural Credit: Role of Informal Sector, Segment Book,New Delhi.

[3] Chowdhury, A. (2005). "Micro Finance as a poverty Reduction Tool-A Critical Assessment" Desa Working Paper, No. 89.

[4] Chowdhury, J. (2009). Role of Rural Women and Self Help Groups in Economic Development of Assam, Purbachal Prakash, Guwahati, pp. 121-125.

[5] Ghate, P. (2006): "Microfinance in India: A State of the Sector Report." CARE & Ford Foundation, New Delhi.

[6] Kabeer, N. (2005): "Microfinance a Magic Bullet for Women's Empowerment", Economic and Political Weekly, 29 October

[7] Kour, A. (2008). "Self Help Group (SHG) and Rural Development" Kurukshetra, Journal of Rural Development, December, Vol. 57, pp. 25-29.

[8] Pangannavar, A. Y. (2008): "Self Help Group (SHG) and Rural Poverty" Kurukshetra, Journal of Rural Development, December, Vol. 57, pp. 12-15.

[9] Robinson, S. M. (2001): The Microfinance Revolution- Sustainable Finance for the Poor, World Bank, Washington and Open Society Institute, New York.

[10] Singh, D. K. (2001): "Impact of SHG on the Economy of Marginalized Farmers of Kanpur Dehat District of Uttar Pradesh", Indian Journal of Agricultural Economics, Vol. 56, No. 3, July-September, p. 464.