

## Impact Assessment of Microfinance for Poverty Alleviation in Kota District

Ashish Asopa\*, Dr. Kapil Dev Sharma\*\* & Dr. Kishna Ram Choudhary\*\*\*

\*Research Scholar, Assistant Professor, Department of Commerce and Management, University of Kota, Rajasthan

\*\*Former Principal, Government Commerce College, Kota, Rajasthan

\*\*\*Assistant Professor, Economics, Department of Social Sciences, University of Kota, Kota

### ABSTRACT

*Microfinance has gained popularity as an important policy intervention for alleviating poverty. It has been considered as a tool to improve participants on various dimensions like asset, income, saving, consumption, health and nutrition which are used in literature to measure poverty. As literature stands divided on impact of microfinance programme, this study assesses the impact of microfinance on poverty using multidimensional approach and measuring impact through change in housing conditions, consumption expenditure, income, expenditure of education and health and access to credit. The study concludes that microfinance programme has significant positive impact of most of the variables and contributes in alleviating poverty.*

**Key words:** *Microfinance, Poverty, Impact and Self Help Groups (SHGs)*

### INTRODUCTION

Microfinance has been established itself as a policy initiative to alleviate poverty in various countries throughout the world including India. Huge amount of resources has been pumped into microfinance initiative. Theoretically worldwide millions of households at the bottom of the pyramid are benefitted through microfinance programme and it is a common notion among policymakers that microfinance helps in pulling them out of poverty. It has earned a reputation as a magic pill to eradicate poverty. In India microfinance programme in the form of NABARD SHG Bank Linkage programme has increased many folds in last decade. In last decade only at national level savings of SHGs with bank increased by 472%, loan disbursed per year to SHGs increased by 251% and loan outstanding by the end of financial year increased by 184.23% from 2011-12 level. In last decade at state level saving of SHGs with bank increased by 1300%, loan disbursed per year to SHGs increased by 262% and loan outstanding at the end of financial year increased by 70% from 2012-13 levels. Average saving per SHGs also rose by 54.80 percent in last decade ending at 2021-22 (NABARD, India, 2022).

### LITERATURE REVIEW

Microfinance broadly is defined as facility of credit, deposits, savings, insurance and other financial services to those who are primarily not covered by formal financial system due to their poverty status and lack of collateral (Littlefield, Morduch, & Hashemi, 2003).

Literature on impact studies of microfinance on poverty reduction suggests that microfinance has significant impact on poverty reduction when estimated on household using assets base, income consumption, savings, education, health and nutrition. (Chomen, 2021), (Alam & Azad, 2021), (Khan, Bhat, & Sangmi, 2020), (Imai & Azam, 2012), (Ghalib, Malki, & Imai, 2015).

But good number of studies from literature also indicates that there is either little or no impact of microfinance on poverty (Angelucci, Karlan, & Zinman, 2015), (Rooyen, Stewart, & Wet, 2012) (Swain & Floro, 2012).

As the literature is divided on impact of microfinance on poverty reduction and huge resources are devoted to this intervention mechanism for reducing poverty, impact assessment of programme is inevitable.

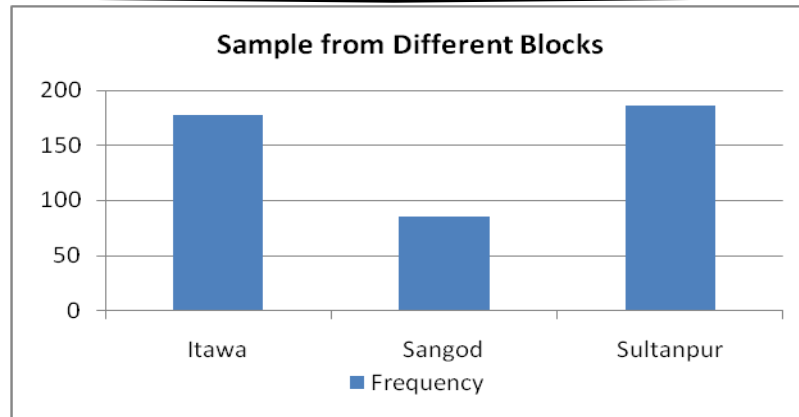
### **OBJECTIVE OF STUDY**

Objective of study is to find out the impact of microfinance on poverty assessed by variables like improvement in housing condition, increase in consumption expenditure on FMGC products, consumables, clothing/ornaments, utensils and festivals; increase in annual household income and seasonal household income; improvement in access to credit, frequency of credit, usage of credit for consumption purposes; improvement in expenditure on education and health before and after participation in microfinance programme.

### **RESEARCH DESIGN**

Impact assessment studies evaluate the changes occurred after implementation of microfinance programs on the unit of assessment. To establish reasonable association between program participation and changes occurred, various methods are being employed (Barnes & Sebstad, 2000). Objective of such studies is to understand the process of intervention and hence measure the impact as accurately as possible to improve these processes (Hulme, 2000). As per the guidelines suggested by (Hulme, 2000) and (Barnes & Sebstad, 2000) the design and methodology of this research study has been formulated. Unit of assessment for the purpose of this study is 'household'. Changes in variables at household level before and after joining the SHG is collected through interview schedule developed on the basis of literature review.

Impact of microfinance was studied on microfinance beneficiaries and self help group members formed under National Rural Livelihood mission operated by Rajasthan Grameen Ajeevika Vikas Parishad (RAJEEVIKA) in five districts of Kota district. A Sample size is of 450 units has been finalized as per the guidelines provided in 'Assessing the Impact of Micro Enterprise Services' (AIMS) document (Chen, 1997).

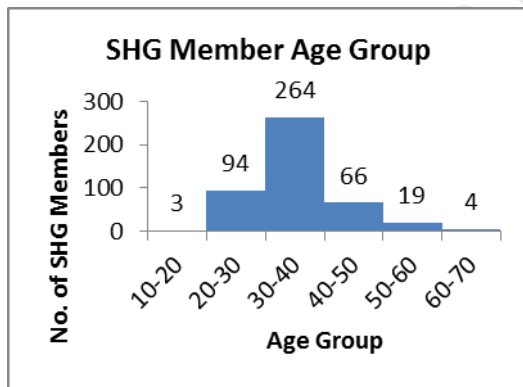


**Fig. 1: Sample Number of Respondents in Three Blocks of Kota District**

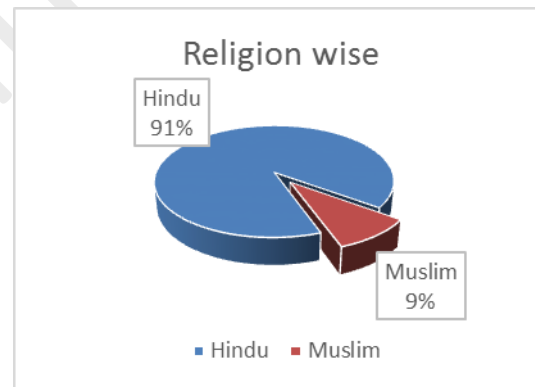
Sample of total 450 respondents is finalized and responses were collected from three blocks of Kota district. 186 respondents belong to Sultanpur block, 178 respondents belong to Itawa block and 86 respondents belong to Sangod block.

Percentage, frequency and Chi-square test of independence is used to analyze the data and find out the impact of microfinance programme of various variables used to assess impact on poverty reduction.

**DEMOGRAPHIC ANALYSIS OF SAMPLE RESPONDENTS**



**Fig. 2: Age-wise Distribution**



**Fig. 3: Religion-wise Distribution**

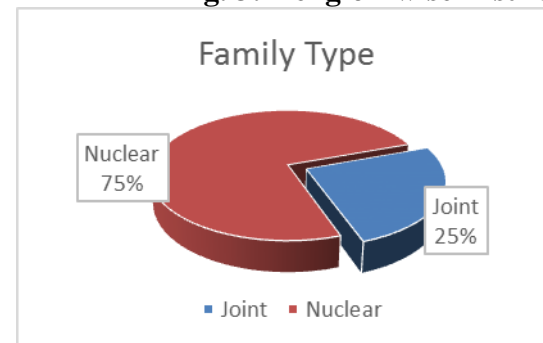
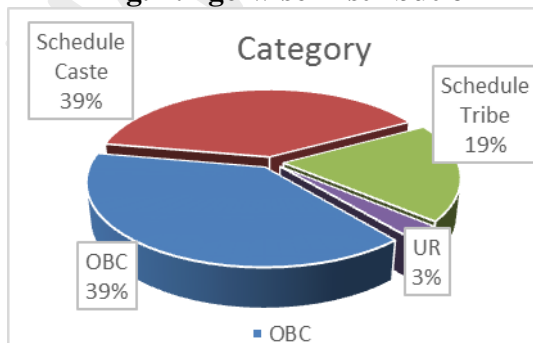


Fig.4: Category-wise Distribution

Fig.5: Family Type

Distribution

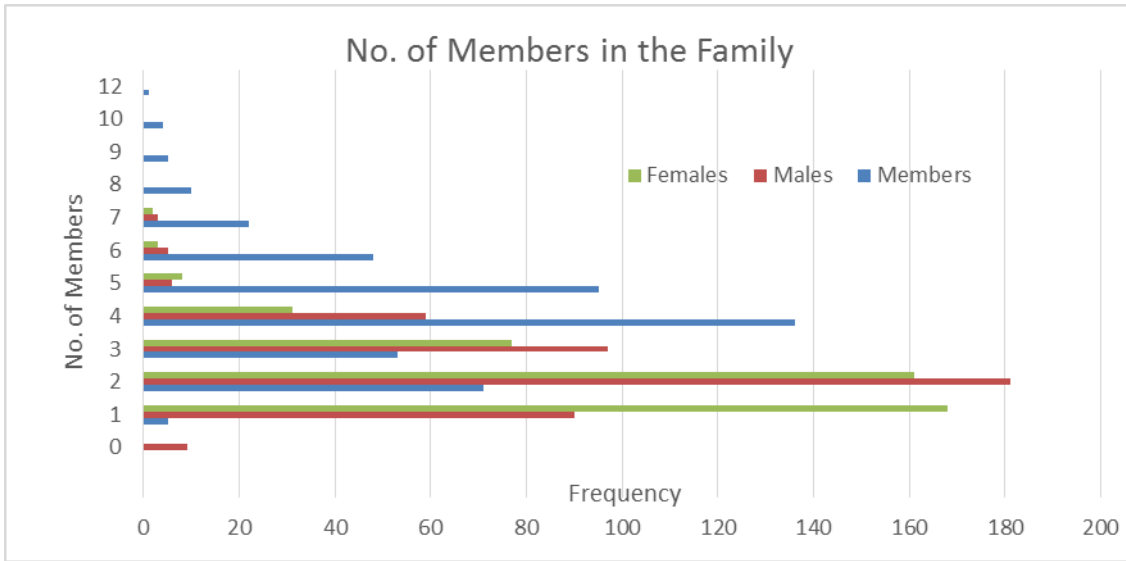


Fig. 6: No. of Family Members in the Family of SHG Members

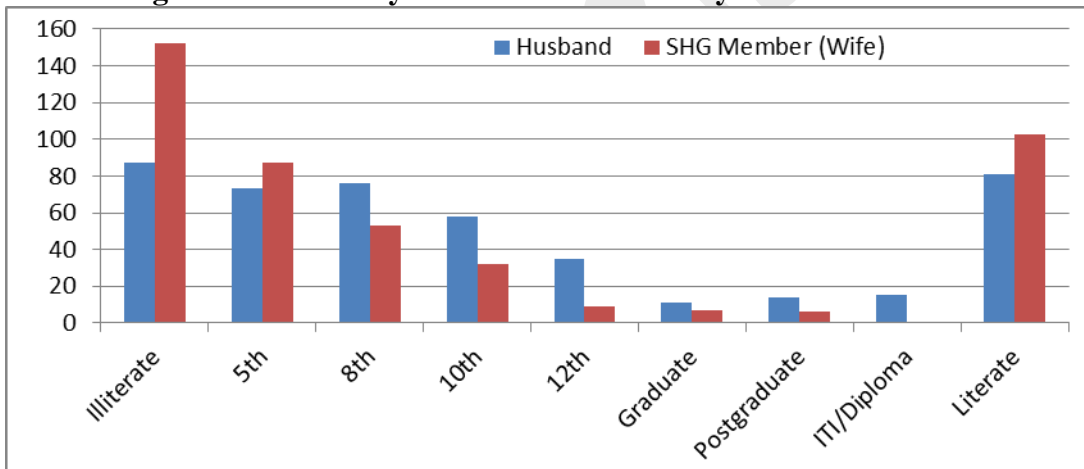
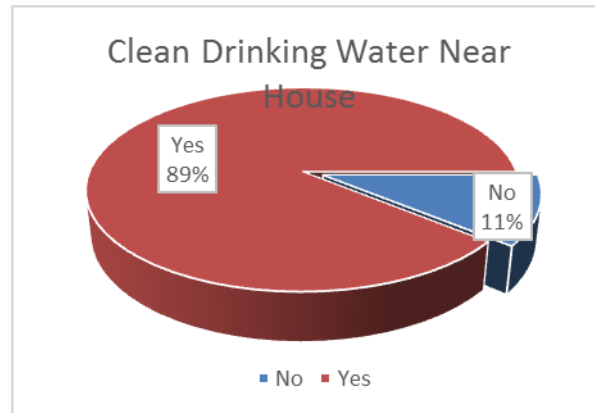
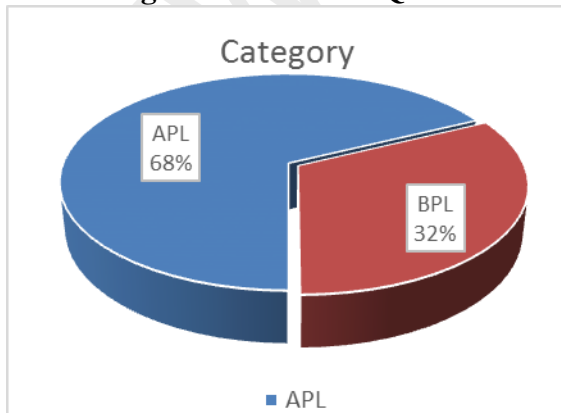
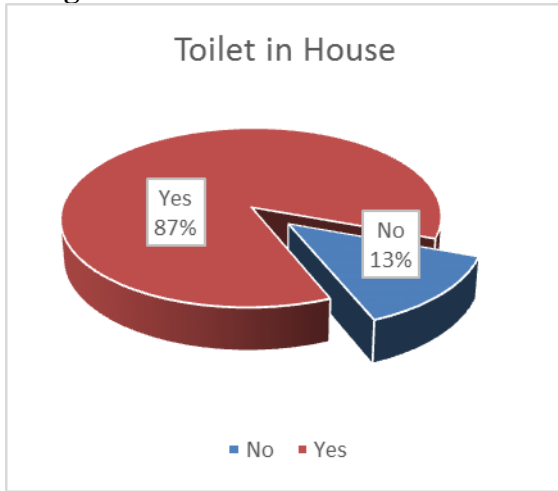


Fig. 7: Educational Qualification of SHG Members and Their Husbands

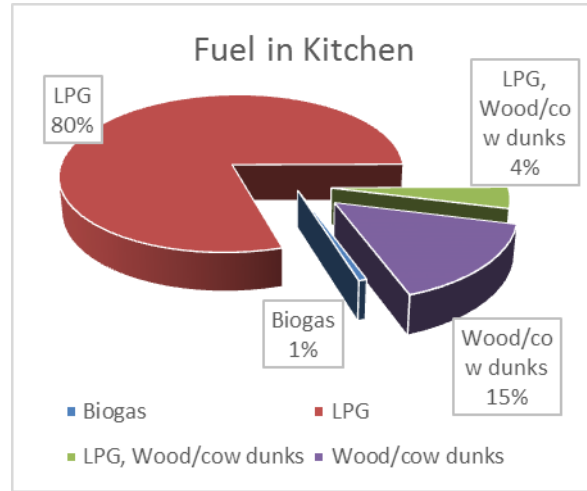


**Fig. 8: Poverty Status**

Drinking Water



**Fig. 9: Availability of Clean**

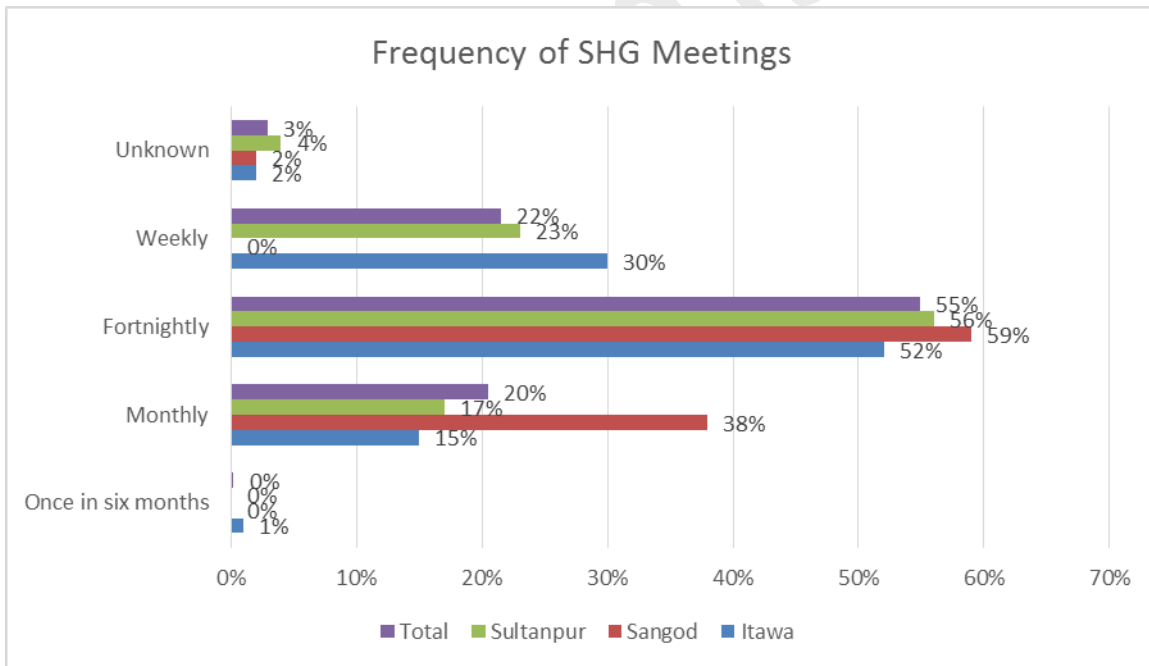


**Fig. 10: Availability of Toilet within House**

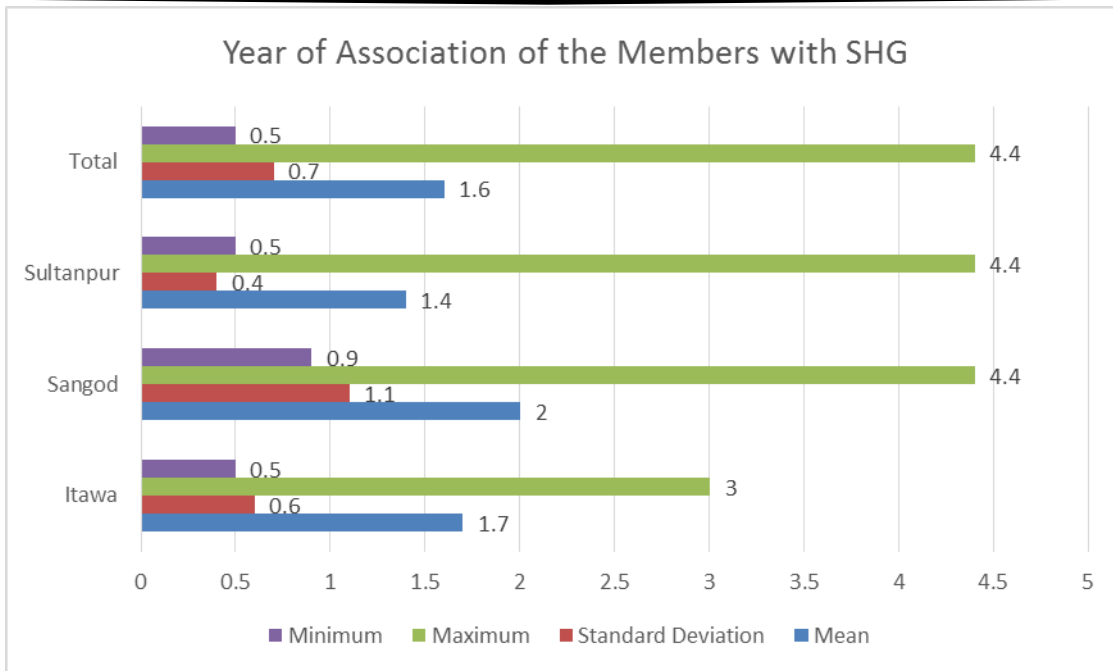
**Fig. 11: Major Fuel Type Used in**

**Kitchen**

**DESCRIPTIVE STATISTICS (SHG SAMPLE DETAILS)**



**Fig. 12: Block-wise Frequency of SHG Meetings**



**Fig. 13: Mean and Standard deviation of Years of Association**

### Finding and Discussion on Impact of Microfinance Programme

There is significant positive impact of microfinance programme on type of structure of houses programme participants were residing, as major numbers of households were able to improve type of structure of their houses. This outcome in long run gives stability to houses as well as households, it improves standard of living and have direct positive impact on self image and social image of families. But no impact is associated for ownership status of houses.

Impact of microfinance on asset base is measured by assessing change in ownership of consumer durables, farm and poultry animals and farm and non-farm land. Microfinance has mixed impact on asset base of SHG members household. It has positive impact on ownership of consumer durables as well as farm and poultry animals but no impact of microfinance on farm and non-farm land is registered.

Microfinance has positive impact on consumption expenditure of SHG members household. Impact has been assessed through movement of SHG members' household from lower expenditure categories to higher expenditure categories for FMCG products, consumables, clothing/ornaments, utensils and festivals.

Microfinance has positive impact on SHG members' household income. Impact has been measured and is significantly positive for annual household income and household seasonal income but impact of microfinance on sources of income cannot be established from the study.

Microfinance programme impact on household saving and financial security are assessed by annual household savings, bank account holdings, and place of keeping savings, life insurance and health insurance. Overall impact on household saving and financial security is significantly positive.

Microfinance programme impact on SHG members' household accessibility to credit is assessed by change in borrowing status, frequency of loan and usage of loan. Overall impact on household's access to credit is largely positive. Only 44% of programme participants have taken loan from formal financial system that is through Regional Rural Bank, Cooperative Banks or Commercial Banks. Frequency of loan and usage of loan for occupational and household purposes increased significantly.

Microfinance programme impact on SHG members' household expenditure on health and education is significantly positive. Expenditure on both variables increased after joining microfinance programme.

## CONCLUSION

There is positive significant impact of participation in microfinance programme on poverty alleviation. After participation in programme there is significant increase in housing structure, farm and poultry assets and consumer durables, annual household income and annual seasonal income, expenditure of consumption of FMCG products, consumables, clothing/ornaments, utensils and festivals, and savings which show that microfinance program are successful in achieving the outcome of alleviating poverty..

## SUGGESTIONS AND RECOMMENDATIONS

SHG members should be provided proper training for maintaining records. Meeting should be held regularly for motivation of SHG members and also to make them aware about various schemes available. Banks must be provided motivation and support for proper assessment of SHG members credit needs and for timely completion of process. Training and support to SHG members for documentation must also be provided. To improve productive activities and business enterprises performance, training for group purchasing, quality products, attractive packaging, and technical know-how should be provided. Workshops on managerial roles and leadership skills should be organized. Study concluded that microfinance programmes should continue to provide its services as it helps in improving standard of living of SHG member household and also pulling them out of poverty in various dimensions.

## REFERENCES

- i. Alam, P., & Azad, I. (2021). Impact of Microfinance on Income and Employment of Women in Jijiga, Ethiopia. *International Journal of Economics and Business Administration* , IX (1), 373-381.
- ii. Angelucci, M., Karlan, D., & Zinman, J. (2015). Microcredit Impacts: Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco. *American Economic Journal: Applied Economics* , 7 (1), 151-182.
- iii. Barnes, C., & Sebstad, J. (2000). *Guidelines for microfinance impact assessments. Assisting the Impact of Microenterprise Services*. (AIMS)–USAID.

- iv. Chen, M. A. (1997). *A guide for assessing the impact of microenterprise services at the individual level.*
- v. Chomen, D. A. (2021). The role of microfinance institutions on poverty reduction in Ethiopia: the case of Oromia Credit and Saving Share Company at Welmera district. *Future Business Journal* .
- vi. Ghalib, A. K., Malki, I., & Imai, K. S. (2015). Microfinance and Household Poverty Reduction: Empirical Evidence from Rural Pakistan. *Oxford Development Studies* , 43 (1), 84-104.
- vii. Hulme, D. (2000). Impact Assessment Methodologies for Microfinance: Theory, Experience and Better Practice. *World Development* , 28 (1), 79-98.
- viii. Imai, K. S., & Azam, M. S. (2012). Does Microfinance Reduce Poverty in Bangladesh? New Evidence from Household Panel Data. *The Journal of Development Studies* , 48 (5), 633-653.
- ix. Khan, S. T., Bhat, M. A., & Sangmi, M.-U.-D. (2020). Impact of Microfinance on Economic, Social, Political and Psychological Empowerment: Evidence from Women's Self-Help-Groups in Kashmir Valley, India. *FIIB Business Review* , 1-16.
- x. LITTLEFIELD, I. M., MORDUCH, J., & HASHEMI, S. (2003). Is Microfinance an effective strategy to reach the millennium development goals? (*CGAP Focus Note 24*) Washington, DC: CGAP .
- xi. NABARD, India. (2022). *Status of Microfinance Report 2021-22.*
- xii. Rooyen, C. V., Stewart, R., & Wet, T. D. (2012). The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of Evidence. *World Development* , 40 (11), 2249-2262.
- xiii. Swain, R. B., & Floro, M. (2012). Assessing the effect of microfinance on vulnerability and poverty among low income households. *The Journal of Development Studies* , 48 (5), 605-618.

**Appendix**

**TABLE: CUMULATIVE RESULTS OF HYPOTHESIS TESTING**

Particulars	Pearson Chi-Square Value	No. of Valid Cases	Df	p-value	Ho Accept/Reject	Impact
<b>Chi-Square test result of Impact of Microfinance on Housing Conditions</b>						
Own/Rented	-	450	-	-	Failed to reject	-
Housing Structure	548.176	450	9	<0.05	Reject	Significant
<b>Chi-Square test result of Impact of Microfinance on Asset Base</b>						
Households Cattle/Poultry Assets	322.195	450	4	<0.05	Reject	Significant



Durable Assets	432.419	450	4	<0.05	Reject	Significant
Farm and Non-farm assets	-	450	4		Failed to reject	-
<b>Chi-Square test result of Impact of Microfinance on Consumption Expenditure</b>						
FMCG Products	993.970	450	25	<0.05	Reject	Significant
Consumables	924.402	450	16	<0.05	Reject	Significant
Clothing/ornaments	557.970	450	36	<0.05	Reject	Significant
Utensils	488.684	450	9	<0.05	Reject	Significant
Festivals	787.268	450	9	<0.05	Reject	Significant
<b>Chi-Square test result of Impact of Microfinance on Household Income</b>						
Annual Household Income	496.974	450	9	<0.05	Reject	Significant
Seasonal Work	326.640	450	9	<0.05	Reject	Significant
No. of Income Sources	-	450	16	-	Fails to Reject	-
<b>Chi-Square test result of Impact of Microfinance on Saving and Financial Security</b>						
Savings	130.245	450	9	<0.05	Reject	Significant
Bank A/c holding	-	450	-	<0.05	Reject	Significant
Place of Savings	278.240	450	6	<0.05	Reject	Significant
Life Insurance	-	450	-	-	Reject	Significant
Health Insurance	-	450	-	-	Reject	Significant
<b>Chi-Square test result of Impact of Microfinance on Education and Health</b>						
Education	323.469	450	25	<0.05	Reject	Significant
Health	1138.374	450	25	<0.05	Reject	Significant
<b>Chi-Square test result of Impact of Microfinance on Access to Credit</b>						
Loan taken	75	450	1	0.07	Reject at 10% level of sig.	Significant
Frequency of loan	300.961	450	9	<0.05	Reject	Significant
Usage for occupational purposes	294.044	316	9	<0.05	Reject	Significant
Usage for household purposes	99.911	288	1	<0.05	Reject	Significant
Usage for loan repayment	3.068	27	1	0.08	Failed to reject	-