

CHAPTER 1

PROBLEM AND METHODOLOGY

1.1 Introduction

Development of a nation largely depends on the development of the rural areas and the people living in those areas (Tandon 2009). Development of a country does not only refer to the development of infrastructure, innovations and technology but it is actually related to the development of each and every citizen in terms of their quality of life. A country will move on the development path if all the citizens are involved in the development process and enjoy good standard of living by having access to basic amenities of life such as food, clothing, housing, health, clean water, education, employment and good natural and social environment. But, if the people of a country are poor they will think about earning their livelihood only and their inclusion in the progress of nation will be miles away.

1.2 Basic Problem

The basic problem of our country is the problem of poverty and underutilization of the nationally cheap labour resource. India's effort to eradicate poverty has a long history. As we have seen, since the inception of our planning exercise, that various antipoverty programmes were being undertaken for the poverty-stricken population to reduce their number who lie below the poverty line. Side by side our national planners are also very keen to expand the number of working days to reduce the number of underutilization days through the various employment generation schemes. The main objectives of these programmes are to supply some sort of pecuniary help directly to the poverty trodden people through various developmental schemes and other schemes conceived at the top. But the fact remains and as we have observed since the middle of the last decade of last century that the working of these schemes and the subsequent trickle down effects of these centrally selected schemes are very low.

Another important point to be noted here is that these schemes were meant mainly for the men folk of the poverty trodden population neglecting the other section of the population of both of our rural and urban society. On the other hand, the anti-poverty programmes whatever have

been taken by the Republic is being trickled at a very lower rate towards the targeted population. This may be the poor functioning of the programmes already been taken as a result of the lethargic approach of the administrative officials in the execution of the projects, in the one hand, or may be due to lack of positive attitude of the beneficiaries for whom these projects were meant for. As a result, these programmes become a bundle of blossoms rather than blooming since the time of inception. We have seen that the failure of one anti-poverty scheme has been supplemented by another new scheme just to fulfill the planning preambles. This tradition is going on since the implementation of the anti-poverty programmes.

We have had another important problem that also cope up side by side in our rural society is the minimal use of the working potentiality of the employable female adults. This is equally true, more or less, for the men but for women it is in point of serious concern. From a recent village study it has been seen that more than 91 percent employed female adults are failed to make use even 40 percent of their labour power (Kar, 2009). Again, it is very clear from the employable male-female distribution of our labour population that the number of women labour is not less than half of the total labour force. So it might have been an important national task in front of our national planners to bring this under-utilized labour force in the fold of utilized labour force. So long as these under-utilized rural female labour forces remained in under-utilization state, we will not bring any change in our rural society. They are needed to be organized for doing something for their own sake and to establish the decision of their choices and voices.

Third problem that we like to point out here is the transitional aspect of our rural society that appears in the form of inter-state migration instead of traditional rural urban migration. This new kind of migration emerges in our rural society mainly because of the fact that we have failed to expand the good opportunity of livelihood before the rural employable adults. As a result, as we have noticed elsewhere in our rural area, that a large number of rural employable adult labour force left their houses just for searching of a better livelihoods in other states of our country. This type of inter-state migration creates some sort of severe social problems. In the first place, the children of the families who left the village for searching livelihood are generally deprived from their school education at the very first stage. When they come back again with their families they go to the schools either as a drop-out student or as a backward student. Secondly, these children

remain as isolated children in the new work place of their parents due to language and other environmental problems. In some cases, as has been reported by many sufferer families, they had been housed in such places far away from the locality and also far away from the civil living amenities. Thirdly, in some cases where the head of the family left the village for livelihood, the other family members remain in the villages as unsecured members with some social hegemony. These transitional aspects have a long term effect, as we think, on the society and on our civilization in a very near future.

In the development strategy adopted up to 1980s, institutional credit was considered as a powerful instrument for enhancing production and alleviating poverty. It was thought that lending to the poor should be a part of the normal business of banks. The strategy devised for this purpose was comprised of the expansion of the institutional structure, directed lending to the priority sector and subsidized interest rates to the poor. A multi-agency approach was adopted for delivering credit to the rural poor people. The institutional vehicles chosen for this purpose were cooperative banks, commercial banks and regional rural banks. The nationalization of fourteen major commercial banks in 1969 and another six commercial banks in 1980 and the setting up of regional rural banks in 1975 enabled the creation of an extensive financial infrastructure for taking banking to the far-flung rural areas. The extensive bank branch network was expected to meet the financial needs of the entire rural population.

It is true that development alone cannot bring peace and prosperity unless social justice and gender equality are ensured. There was a need for an innovative programme for credit which must be collateral free, flexible and must fulfill the needs of underprivileged classes. It has been well accepted that various development programmes have bypassed women who constitute about half of the population of the country. As a result, they remained laggard and less participative in poverty alleviation processes. Unless this section is provided opportunities to improve their condition, the poverty alleviation efforts are bound to fail and the development would be imperfect. As a result, the developing countries including India prioritized the combined goal of poverty alleviation and women empowerment among their development plans. Moreover, alleviating extreme poverty, gender equality and women empowerment were specified as

important targets to be achieved under the Millennium Development Goals set by World Bank and Organization for Economic Co-operation and Development in 2000.

Although the share of formal financial sector in total rural credit increased progressively from 8.8 per cent in 1951 to 53.3 per cent in 1991 but it was found that the rural banks served only the needs of comparatively rich rural borrowers instead of the deserving poor (Basu and Srivastava, 2005). This was mainly due to the reason that the lack of collateral makes the poor people not-bankable. Rural Finance Access Survey 2003 indicated that 70 per cent of marginal/landless farmers did not have a bank account and 87 per cent did not have any access to credit from a formal source.

Under the circumstances, we have need of a specially prepared target oriented plan and programme for the upliftment of the rural poor so that they can enjoy good standard of living. The rural poor, especially women with the intermediation of voluntary organizations join together for self help to secure better economic growth. Microfinance emerged all over the world as an innovative scheme of lending to the poor people, especially women. Under this programme collateral free small loans are given to a group of poor people who make savings regularly. These small loans are known as micro-credit, whereas microfinance is a broader term and it provides not only micro-credit but also savings, insurance and some other non-financial services such as guidance and motivation to start income generating activities and occupational training etc. The microfinance programme provides a model of development that is based on bottom up approach. According to Md. Yunus, microfinance can be defined as “giving access to financing means, to a maximum of poor people, by allowing them to use their capacities in favour of a durable development” (Yunus, 2003).

The United Nations proclaimed 2005 as the year of Micro-credit to globally promote the benefits and potentials of microfinance as means to fight poverty. In 2006, Muhammad Yunus, founder of microfinance programme in Bangladesh and the Grameen Bank was awarded the Nobel Peace Prize for his efforts in the economic and social development of poor people. Before the miracle had done by Md Yunus it was elsewhere in the air that the poor are not credit worthy. As a result, the poor remain out of the proximity of the credit net work as launched by the

commercial and other rural regional banks of our country. Credit goes to Prof. Yunus who for the first time had established his social laboratory in Bangladesh and had successfully proved that the poor are also credit worthy.

In India, microfinance programme was formally initiated by National Bank for Agriculture and Rural Development (NABARD) in 1992; and now it is the world's largest microfinance programme in terms of its client outreach. Microfinance in India is mainly provided through Self-Help Groups (SHGs), Microfinance Institutions (MFIs) and some other methodologies. The network of many financial institutions like public and private sector commercial banks, co-operative banks, regional rural banks and MFIs is used to provide microfinance to the poor people.

A number of studies on microfinance programme have been conducted in different States of India but there is a dearth of studies in West Bengal. In West Bengal, microfinance programme was started in 1998-99, and no comprehensive study, by any researcher or government organization, is available so far, which assessed the impact of microfinance programme in West Bengal. The study in hand is a modest attempt to assess the impact of microfinance programme on poor people. In this study the impact of microfinance programme has been assessed on livelihood and poverty alleviation in two districts of West Bengal.

1.3 Objectives of the Present Study

The basic objective of this research work is to find out the impact of microfinance on poverty, livelihood or employment and women empowerment in the study area. However, we mention below the objectives of our study in detail:

- 1) To find out the role of microfinance in the working of the SHGs.
- 2) To justify the working of the microfinance and SHGs in the existing socio-economic scenario.
- 3) To analyze the development of microfinance activities in the study area.
- 4) To find out the impact of microfinance on livelihood or employment creation for the people who are directly or indirectly involved in the everyday working of the SHGs.
- 5) To find out whether the groups are only interested in enjoying the subsidy amount of their loan amount or very keen to develop the productive activities of the group.

- 6) To make an assessment on the pre and post economic position of the SHG members in the light of their group activities.
- 7) To justify the impact of microfinance on income, income equality and poverty among the SHG households.
- 8) To find out the nature and extent of the empowerment enjoyed by the SHG members as a result of the working of the SHGs.
- 9) To find out the problem faced by the SHG members in the study area.
- 10) To make a comparative study on the socio-economic conditions of the SHG and non-SHG households.

1.4 Research Hypotheses

We have tested the following hypotheses in this study:

1. Microfinance helps in increasing the level of employment of the SHG members.
2. There is deference between SHG and non-SHG members regarding their employment generation.
3. Microfinance increases the level of income and reduces income inequalities among the SHG households.
4. There is difference between mean income level of the SHG and non-SHG households.
5. Microfinance reduces the level of poverty among the SHG households.
6. Participation in microfinance programme leads to women empowerment.
7. There is deference between SHG and non-SHG members regarding their level of empowerment.

1.5 Research Methodology

In the present study, the impact of microfinance programme has been analyzed by comparing two districts as well as SHG and non-SHG women members and their respective households in the rural areas. Here non-SHG women are those who are not involved in any microfinance programme.

1.5.1 Universe of the Study

To perform the research two districts have been selected from the state of West Bengal. They are Darjeeling district, a northern district of West Bengal and Nadia district, a southern district of West Bengal. These two districts make the universe of the present study.

1.5.2 Sampling Frame and Sampling Procedure

In this study, multi-stage sampling technique has been used. The sampling involves (i) selection of Self-Help Group (SHG); (ii) selection of district; (iii) selection of block; (iv) selection of sample. In the first stage, we have selected those women SHGs which are under Swarna Jayanti Gram Swarozgar Yojana (SGSY). At the second stage, we have used purposive sampling for the selection of the study districts. At the third stage, from each district two blocks have been selected on the basis of the highest and the lowest performance in respect of number of project linkage SHGs. At the next stage, from each selected block eight credit linkage SHGs under SGSY have been selected which were formed in 2004-2005. Therefore, our pre-SHG period was 2004-2005. From each selected group, five BPL members (only women) have been selected randomly and total 40 women members have been selected for the purpose of the study. For checking the BPL members, we have used Rural Household Survey Report 2005 and this report was collected from panchayat office. Finally, from each selected block 40 non-SHG women members who are BPL category have also been selected for the purpose of the study. Thus, altogether 320 respondents been selected from four blocks of two districts. The sampling design has been presented in Table 1.1

Table: 1.1
Sample Frame for the Study

District	Blocks	No. of SHGs	SHG Members	Non-SHG Members
Darjeeling	1.Kharibari	8	40	40
	2.Garubathan	8	40	40
Nadia	1.Rnaghat-II	8	40	40
	2.Chakdaha	8	40	40
Total	4	32	160	160

1.5.3 Units of Observation and Sample Size

Our unit of the observation has been the SHG and SHG members. Side by side we have also investigated the households where there are no members of any SHGs. So the non-SHG members (control group) have also been our unit of observation. We have taken 160 SHG members and the same number of non-SHG members from the two districts. Altogether 320 members were the sample size in our study.

1.5.4 Tools and Techniques of Data Collection

We have used two types of schedule for the collection of primary data. One was the SHG-schedule through which we collected all the relevant data on SHGs. The other was the specially prepared household-schedule. We have used this schedule to collect information on the basis of our hypotheses and objectives from the SHG member households. Side by side we have also collected secondary data from the various development agencies and officials.

1.5.5 Data Collection

We have collected the relevant data on the basis of the objectives of the study and through a structured questionnaire.

1.5.6 Analysis of Data

Data collected from the study area have been processed and analyzed carefully. Simple average and percentage techniques have been used to analyze the data. Findings of the study have been presented with the help of tables and graphs. A number of statistical techniques, such as t-test, F-test, Chi-square test, poverty measurement indexes, Lorenz Curve, Gini-coefficient etc., have been used to find out the impact of microfinance programme.

1.6 Limitations of the Study

In order to conduct and complete this study in a meaningful and manageable way with the available time, some limitations have been identified, especially in methodology. The limitations are as follows:

1. The data collection was restricted to four blocks of Darjeeling and Nadia districts in West Bengal, which may fail to represent the actual scenario of the whole country.

2. Only the women who are in BPL category and involved in Swarna Jayanti Gram Swarozgar Jojana (SGSY) programme were considered for this study.
3. Only 320 rural women were considered for the study.
4. There are several indicators cited by different authors or researchers on women's livelihood, but in this study for measuring rural women's livelihood we have used only two indicators, viz., (i) employment of the SHG members before and after joining SHGs and (ii) employment of the SHG and non- SHG members.

1.7 Organization of the Study

This research work consists of nine chapters followed by a bibliography. At the end, an appendix section has been included for further information on some specific issues. A brief outline of the chapters is as follows:

Chapter 1 deals with the introduction to the study, the problem statement, the objectives, the hypotheses and the methodology.

Chapter 2 deals with the review of literature relating to the study.

Chapter 3 delineates the socio-economic profile of the study area.

Chapter 4 deals with the development of microfinance activities in the study area.

In chapter 5, impact of microfinance on livelihoods has been analyzed.

Chapter 6 deals with the role of microfinance in eradication of poverty.

Chapter 7 is related to microfinance and women empowerment.

In chapter 8, a comparative study of the two districts has been made in the light of various aspects of livelihood and women empowerment.

Chapter 9 presents conclusions and recommendations of the study. In this chapter, few suggestions have been provided for attaining the goals of sustainable rural livelihood, poverty eradication and women empowerment.