



**MICRO-FINANCE AND DEVELOPMENT OF POOR IN  
ORISSA:  
A CASE STUDY OF SAMBALPUR DISTRICT**

**Narendra Meher<sup>1</sup>**



*<sup>1</sup>Post Graduate Teacher, Kendriya Vidyalaya Sangathan, Sambalpur University,  
Sambalpur, Odisha, India*

**ABSTRACT**

Micro-finance refers to the provision of financial services to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Grameen bank in Bangladesh introduced the concept of micro-finance and now it is a worldwide movement as it was replicated in different countries like India, Philippines, Ghana and Indonesia etc. Access to finance at reasonable interest rates has become one of the essential pre-conditions though not a sufficient condition, for successful entrepreneurship even among the poor. Various NGOs and Self-Help Groups in different parts of the country have also demonstrated that micro-finance could be a powerful tool for alleviating poverty.

**KEYWORDS:** Micro-Finance, Poverty, Wage, Employment, Credit, Self Employment.

**INTRODUCTION**

The importance of micro-finance lies in the fact that the formal banking sector has not fully discharged its social responsibility of meeting the financial needs of the poor due to several reasons such as (i) Lack of adequate branch network in the rural areas, (ii) the inability of the poor to offer desired collaterals for the loans and (iii) lack of awareness among the poor. This is in spite of India at present having an extensive banking network. The credit need of the poor in India has been estimated to be around Rs 50,000 Crore per annum as per NABARD report 2000. As against this, the

credit availability with the poor from the institutional banking sector is only Rs 500 crore or 10 % of actual demand. As per the sample survey conducted by the NCAER in 2003, in Andhra Pradesh and Uttar Pradesh, around 87% of marginal farmers/landless labourers do not access to credit from the formal banking sector. A large chunk of the benefits of the elaborate network of banking infrastructure have gone to relatively better off people, around 66% of big farmers have a deposit account and 44% of have access to credit.



Poverty reduction is major concerns of rural development strategies in India. Experience in implementing a wide range of rural development programmers in the country suggest that the incidence of poverty cannot be brought down through wage employment programmers alone. Creation of viable and sustainable self employment through micro credit should be complementary to this strategy. Expert in different parts of India and across the globe have demonstrated that organizing the poor into Self-Help Groups and entrusting the schemes directly for these groups is the best way to implement the antipoverty programmers locally. As P.Kotaiah former Chairman of NABARD observes "SHG route is one of the effective method of delivery of credit for the un-reached poor. Thus, the emphasis on SHG is primarily aimed at poverty and its eradication through credit.

An important factor in the success of many of these ventures has been the involvement of the designing planning, implementation and evaluation of the projects. Access for the credit especially for the poor can create additional self employment opportunities most immediately and result in perceptible increase in income. Recent studies and fields level experiments have brought out clearly that women are better credit risk takers than men are. The present study is primarily intended to document the experience of SHGs in promoting micro enterprises through micro credit inventions and the efficiency of self help promoting institution (SHPI) in this process. The study will analyze the core issue of poverty reduction and efficiency of SHG route for micro enterprise promotion in this process.

### **OBJECTIVES OF THE STUDY**

1. To study the broad spectrum of micro-finance products and services in the area.
2. To analyze the current living condition of poor.
3. To measure impacts of various products on the poor with regards to housing, Income generation, health, education, employment, reducing vulnerability.
4. To understand the time scale that is needed for any change take place.

5. To analyze the operating systems in SELF HELF GROUPS (SHGs) for mobilization of savings, delivery of credit to needy, management of group funds, recovery and linking process with the Banks, etc.
5. To explore the effectiveness of SHGs in identifying, nurturing entrepreneurial talent among poor and providing services for micro enterprise development.
6. To analyze the role played by Government institutions and NGO in building up leadership, establishing linkage with Banks, access to product market, technical up gradation management groups funds, skill development etc for sustainable development for micro enterprises.
7. To suggest appropriate policy for effective performance of micro-finance to attain sustainable rural development.

### **METHODOLOGY**

The study will be based upon empirical method of data collection with the help of an exhaustive questionnaire and response of SHG members will be collected through interview. The questionnaire will be formulated in such a way as to be easily understood by the respondents and will cover all the relevant aspect of theme of research. After the collection of data, it will be analyzed and the conclusion will be drawn and presented in a systematic manner. Besides gathering the responses, data collected from primary and secondary sources such as interview, government offices, different library, governments, work done by scholar, books and journals etc. will be studied and information will be collected and analyzed. A sincere attempt will be undertaken make the data collection both qualitative and quantitative. Data will be analyzed through tabulation percentage, ratio and statistical tools such as regression analysis etc.

Even though there are voluminous literatures on various aspects of problems of rural development, there are limited works with regard to micro finance as a tool for economic development and alleviation of poverty. The fact that is to be reckoned with those resources is not available to the majority of people resulting in

multiple deprivations, economic, social, cultural and political as well.

Keeping the objectives of the study in view, it was decided to collect data both from primary and secondary sources. The purposive sampling method has been adopted for the selection of the district Sambalpur. This selection is made on the basis that the research scholar is native of the said district, which has facilitated to collect primary data collection. The primary sources of data have been collected with the help of structured questionnaire and schedules. From the list of blocks, two blocks namely Maneswar block and Dhankauda block were selected from the district of Sambalpur (Odisha), through simple random sampling techniques. Moreover, in these two identified blocks; SHG finance has been actively and extensively manifested.

After the sample blocks were finalized, one grampanchayat from each block, thus a total of two grampanchayats were selected on the basis of simple random sampling techniques. Again, from each grampanchayat two villages and thus, a total of 4 villages were selected on the basis of simple random sampling techniques.

From among the sample villages, 50 Self help Group member households from each village and thus, a total of 200 beneficiaries SHGs members have been identified on the basis of same technique to elicit/extract primary data.

### **IMPORTANCE OF THE STUDY**

Since the inception of planning, the Government have initiated several schemes and programmes for rural development. But due to various reasons, the strategy of development has not succeeded. It is in this context the role of micro-finance in rural development and poverty alleviation programmes have been duly recognized. The present study will therefore, be an attempt to examine the effectiveness of micro-finance in promotion of micro-enterprises and removal of poverty and unemployment in one of the important districts of Orissa.

### **RESULTS**

1. Unless microfinance is tuned with livelihoods in production, manufacturing, and service sectors, it would not be able to deliver anything. It will make more and more people indebted because of an easy access to credit. It is imperative that the money is used productively. It has to produce something – goods or services – that could be marketed at a remunerative price. The de-linking of credit from livelihood is a very susceptible trend and credit – micro or any other – will not lead us anywhere. Microfinance by itself is no solution to the problems encountered by rural India. The answer lies in production and successful marketing of goods and services that will bring back the small producer a reasonable return. We have to look beyond microfinance.
2. Poverty alleviation strategies that focus on empowering women not only improve the lives of women, but also positively affect entire families and communities. Studies show that when women are given greater autonomy over their lives and the lives of their children, living conditions invariably improve. This is mostly due to the fact that women are most apt to use household income to better the nutrition and educational opportunities of their children.
3. According to the World Bank, “societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people...overall, evidence is mounting that improved gender equality is a critical component of any development strategy” . World leaders are finally beginning to realize that poverty alleviation will only be achieved through the empowerment and economic improvement of women. Thus, microfinance is an integral component to new development strategies because it allows women greater autonomy and control over their economic well-being.

## SUGGESTIONS

But it should be remembered that microfinance is not a miracle solution. It is not for everyone and is not solely responsible for poverty alleviation. Microfinance must also be coupled with other social programs that are flexible to meet the diverse needs of destitute families. An MFI should also be sure to incorporate the customs and practices of the people into its programs. But through a holistic approach to fighting poverty and a recognition of the importance of the poor as agents of change, the battle against extreme poverty can be fought and won.

Self-sufficiency in resources is important to any credit institution. To achieve this, three main actions, namely reduction in default rates, mobilizing savings and guarding against inflation are necessary. Institutions that combine deposit mobilization and lending become more familiar with their clients' cash flow, savings habits and wealth. This is true especially for countries with low inflation, can provide positive real rates of return on savings and several savings options.

## CONCLUSION

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The study in Sambalpur district (Odisha) highlights that there has been significant dent on poverty due to the successful functioning of the SHGs. The reduction in the level of poverty has been manifested in terms of increase of income, employment, productivity and linkage effects to all also.

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