

ABSTRACT

International Labor Organization (ILO) defined “*Microfinance is an economic development approach that involves providing financial services through institutions to low income clients*”. The banking policies, procedures and systems were not suitable and sufficient prior to 1980’s for poorer, which they used to borrow money from moneylenders i.e. through unorganized sources. NABARD has suggested alternative policies, procedures and systems for poorer and introduced microfinance in banking sector.

Microfinance is the provision of broad range of financial services provided to poor and low-income clients to help them to raise their income and standard of living. The micro-financing is regarded as a tool for socio-economic up-liftmen in developing countries like India. As Per the National Microfinance Taskforce 1999 - “*provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards*”.

United Nations declared 2005 as “The International year of microfinance”. Microfinance has thus emerged as a feasible financial alternative for poor people with no access to credit from formal financial institutions. Microfinance is an innovative financial service that caters to the specific needs of the poor, as formal institutions need collateral requirements that exclude most of the poor from their scope. Microfinance is not only viewed as “banking for the poor,” but also as an instrument of development. Originally pioneered by the Grameen Bank around 1976 in Bangladesh by Dr. Muhammad Yunus the winner of the 2006 Nobel Peace prize who sought to make financial provisions to clients conventionally, microfinance have since flourished in low income economies.

In India, the microfinance movement has almost assumed the shape of an industry embracing thousands of NGOs/MFIs, community-based self-help groups and their federations, co-operatives in their varied forms, credit unions, public and private banks. During the last decade, the sector has witnessed a sharp growth with the emergence of several Micro Finance Institutions (MFIs) that are providing financial and non-financial support to the poor to lift them out of poverty. The MFI channel of credit delivery, coupled with the national level program of SHG-Bank Linkage, today, reaches out to millions of poor across the country

The present research analyzes the socio-economic impact of microfinance intervention with an assumption that *'the poor stay poor, not because they are lethargic but for the reason that they have lack of access to capita'* and to find such evidence among rural households of Dang district in Gujarat, India.

Aim

In today's time also, rural finance is an issue of great concern in a developing country like India where still nearly 60% of the population is earning their livelihood from primary activities. Also, not less than 40% of the GDP is generated from rural sector. A broader role for rural finance is the need of the day. *Rural finance should not only encompass credit but also savings and insurance to improve allocation of assets and income generation.* And microfinance promises for the same and aims to better the living standards of the poor households.

Scholars have divergent views whether and how much is impact of Microfinance and no conclusive evidence as such represents that microfinance services have positive effects on socio-economic well-being of beneficiaries. Also, a large majority of microfinance impact studies are only microcredit centered in the name of microfinance. Available evidence from micro insurance implementations is much scarcer than for microcredit (Young et al. 2006, Dercon and Kirchberger 2008).

In last few years Gujarat has seen extraordinary in leaps and bounds in the microfinance industry. Gujarat is one of the rapidly developing states in India. As per the last *census study report of year 2011, Dang in Gujarat is the most backward district in the country.* This drew the researcher's attention here that, how one of the most developed state of the country has the most backward district in the economy? And to what extent microfinance programs are contributing in development households of Dang district?

Hence, this study revisits the evidence of microfinance services which comprises not only Microcredit but also savings and Micro Insurance, with a focus to analyses its impact on socio-economic improvement and on evaluations of the challenges in its implementation from the viewpoint of beneficiaries. There is no significant study so far is conducted in Dang district which comprehensively measure the performance of the MF services on the socio-economic improvement of household.

Research Methodology

The Research Design of this study is a combination of Descriptive and Exploratory Research both. Descriptive Research Design involved a pre-planned and structured design for qualitative analysis which includes hypothesis testing and using survey for data through one-to-one approach. In this present study, the survey had been conducted through a primary study of 600 beneficiaries of microfinance either as borrowers or non-borrowers in selected areas of three blocks of Dang district of Gujarat State. The surveyed respondent's households responses (converted in to numeric data) have been analyzed on defined socio-economic parameters. The hypothesis testing is carried out on data collected with statistical techniques such as Top Box Analysis, Spearman's rho (correlation coefficient), Cronbach's alpha test, Test for normality, Mann-Whitney U-Test, Levene's test for equality of variances, Principal Component Analysis (PCA) and Factor Analysis (FA) and Discriminant Analysis. Additional information also gathered from officials of financial organizations and beneficiaries to get more insight in to the problems, opportunities and challenges faced in implementation as part of exploratory research.

Results

The testing of hypothesis has confirmed mixed (positive and need some more efforts) contribution of formal financial organizations for microfinance activities with the surveyed respondents in upliftment of beneficiaries/members on defined parameters in varying proportions.

Conclusion

As a socio-economic vehicle of transformation, microfinance activities in Dang district of Gujarat played pivotal role. The process of transformation will be accelerated with constructive support from policy makers and regulators. There is *need of technology* and concept *training at grass root* level for every one i.e. beneficiaries and the employees of financial organizations with good corporate governance practices will play catalyst role for inclusive growth.

Scope for future research

This structured specific study can be extended to other districts of Gujarat (specific rural areas) and also in other different states of India. The relevant modification in structured questionnaires can be made for MFIs and financial organizations to evaluate their socio

economic contribution. Even parameter-wise standalone studies can be carried out for impact assessment while making other parameters as constant.

Key Words

Key Words: Microfinance (MF), Micro Credit, Micro Savings, Micro Insurance, Commercial Banks, Cooperative Banks, Microfinance Institutions (MFIs), Impact Assessment Studies (IAS), Socio-Economic Status (SES), Kuppuswamy Scale for SES, Self-help Groups (SHG), SHG-Bank Linkage Program (SBLP), National Bank for Agriculture and Rural Development (NABARD), Reserve Bank of India (RBI), LIC Micro insurance scheme, Government's Micro insurance policy, SBI Micro group Insurance. Financial Inclusion (FI).