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**Impact of Micro Finance on Income and Employment Generation  
(With Special Reference to Meerut District)**

**Dr. Vijeta Chaudhary<sup>1</sup>**

Research Associate,

N. L. Dalmia Institute of Management Studies and Research

**Dr. Raja Roy Choudhury<sup>2</sup>**

PhD (Eco), PhD (Psy)

Director N. L. Dalmia Institute of Management Studies and Research.

Sector 1, Srishti Complex, Opp. Bhaktivedanta Hospital,

Mira Road (East), Mumbai - 401 104.

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**Abstract**

Poverty and unemployment are the two most important problems faced by any developing country. In a developing country like India, where major part of the population resides in rural areas, rural development becomes necessary for the financial growth. Since independence though the Government of India has initiated a variety of programs to alleviate poverty but an important progress did not happen. The poor people are often deprived of the financial services by the banks. Consequently, they have to rely upon the informal sources of finance which exploit them by charging an exorbitant rate of interest, and resulting in their misery and indebtedness. Micro finance is one such initiative that aims at poverty reduction by ensuring basic economic services to the underserved sections at affordable costs. The objective of the present paper is to study impact of micro finance through self-help groups in generating employment opportunities, improving incomes and savings of the people.

**Keywords: Microfinance, Self-Help Groups, Poverty Reduction, Employment, Income,**

## **Introduction**

Micro finance is one of those small ideas that turn out have enormous implications when Prof. Mohammad Yunus an Economics Professor of Chittagong University at Bangladesh discovered the idea of Grameen Bank (GB) and started making small loan to local villagers in the 1970s. He felt concerned at the pittance earned by landless women; he reasoned that if they could work for themselves instead of working for others they could retain much of the surplus generated by their labour which is currently enjoyed by others. Established in 1976, The Grameen Bank has over 1000 branches (a branch covers 25-30 villages around 240 groups and 1200 borrowers) in every province of Bangladesh, borrowing groups in 2800 villages and 12 lakh borrowers with over 90% being women, it has annual growth rate of 20% in terms of its borrowers.

According to CGAP, "Microfinance can be defined as the supply of loans, saving and other basic financial services to the poor".

There are majorly two models for delivery of microfinance in India SHG bank linkage model and microfinance institution (MFI) model. In this study microfinance present only SHG bank Linkage model. Self-help group have a significant role to play in micro finance programmes for boosting developmental activities, employment generation, women empowerment and poverty deduction etc.

According to NABARD, "SHG consists of an average size of 15 people from a homogeneous social or economic class all of them come together for addressing their common problems. The SHGs meet regularly and save small sums of money. They rotate these small-pooled savings as loans within the SHG. They maintain records of such financial transactions and slowly learn the basic aspects of financial management. They then approach a bank and leverage their accumulated savings for higher loans, which they then intermediate within the SHG. The groups are promoted either by banks or non-governmental organizations and are credit linked to various models developed by banks.

## **Aajeevika - National Rural Livelihoods Mission (NRLM)**

Government of India in June 2011. Aided in part through investment support by the World Bank, the Mission aims at creating efficient and effective institutional platforms of the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services. NRLM has set out with an agenda to cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-managed Self Help Groups (SHGs) and federated institutions and support them for livelihoods collectives in a period of 8 -10 years. There are four components of the NRLM (World Bank - Government of India project). The first component of the project is

institutional and human capacity development. The objective of this component is to transform the role of the Ministry of Rural Development (MORD) into a provider of high quality technical assistance in the field of rural livelihoods promotion. The second component of the project is state livelihood support.

The third component of the project is innovation and partnership support. The objective of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor. The fourth component of the project is project implementation support. The objective of this component is to establish an effective project management unit at the national level that develops key systems and processes for coordination and management of the project and the NRLM.

According to the latest report of DAY-NRLM, NRLM has now been rolled out across 30 States/UTs, Number of Districts with intensive blocks in NRLM States stood at 493, Number of Blocks identified for intensive approach in NRLM States is 3240, Number of Blocks where intensive implementation has commenced is 3217, Number of villages in which intensive implementation has started is 190154, Number of households mobilized into SHGs (in Lakh) is 305.4, Number of SHGs promoted (in Lakh) is 26.3, Number of Village Organizations promoted is 137060, Amount of credit mobilized through banks reached (in Lakh) 56197.8 The tables below indicate the present status of NRLM.

**Table-1 NRLM Status of SHGs Mapping**

	No of SHGs	Total Loan A/cs	Total SGSy A/sc	NRLM Compliant	NRLM Compliant
				No of SHGs	No of loan
Uttar Pradesh	122,842	128,622	60,595	3890	4028
Meerut	1,442	1,543	524	-	-

*Source: National Rural Livelihoods Mission Report 2016-17*

**Table-2 Target No of SHGs for (2017-18)**

Target	Achievement
2081344	1692582

*Source: Ministry of Rural Development, Govt. of India.*

**Table-3 Loan Amount Disbursed (Rs. In Cr.)**

Target	Achievement
30964.88	22947.29

**Table-4 Expected outstanding as of march-18 (Rs. In Cr.)**

Target	Achievement
56060.30	59031.49

### Literature of Review

- Montgomery, Bhattacharya & Hulme (1996) analyzed their study find that the significant change in household income has led to reduce in the percentage of expenditure on food and that the better off among the poor benefit more from credit. To use credit effectively, the household has to reach a minimum economic level.
- Fisher, T., Sriram, S., (2003) investigated how development can be put back into micro finance. It sets out how micro finance can be designed in practice to make a payment to a wide range of development objectives, including providing social and economic security, promoting livelihoods building democratic people's organizations, empowering women, and changing wider system with in society.
- Venkata, G. N., & Ramappa P. (2011) in their study found that the self-help group movement in Anantapur district bought some positive change in socio political employment and economic development of the poor women. By joining the SHGs the women have improved their saving capacity.
- Taramol. K.G (2015) in his study reviewed micro finance has become one of the most effective instruments for economic development of the poor. The poverty alleviation and government sponsored schemes in banks have problems in implementation, with more nonperforming assets than of other schemes and therefore failed to deliver the expected results. Micro Finance or micro credit for the poor has received extensive recognition as a strategy for poverty reduction and for economic development.
- Selvaraj A., Balamurugan P (2017) in their study details on the satisfaction level of beneficiaries about the services providing by microfinance institutions in the study area. Beneficiaries were noted other money to these institutions in the manner of annual savings. In the meantime they were hired the amount of loan in the microfinance institutions for professionals" commitments. The findings also specify that the maximum of the sample beneficiaries less level satisfaction about the microfinance institutions.

### **Objectives of the Study**

- To examine the impact of micro finance through self-help groups in generating employment opportunities.
- To investigate the impact of micro finance through self-help groups improving incomes and savings of the people.

### **Research Methodology**

**Fred Kerlinger** “Research is an organized enquiry designed and carried out to provide information for solving problems”.

“Research can be classified according to purpose or stage in the decision making process, it is claimed that the research purpose or stage in the decision making process, determines the characteristics desired in the research design.” (Silverman, 2005).

This is an empirical study based on survey method Meerut district has been purposely selected for the study. In our Research, We have taken Sample size of 68 SHG members. The primary data has been collected with the help of structured interview schedule questionnaire.

**Interpretation of the Data****Table 5 Socio Economic Profile of the Respondents**

Variable	Particulars	Percentage %
Age	18-28	8.8
	29-38	51.5
	39-48	30.9
	49-58	8.8
Qualification	Primary	32.4
	Secondary	23.5
	Intermediate	20.6
	Degree	2.9
	0	20.6
Occupation	Farmer	26.5
	Labour	38.2
	Shopowher	20.6
	Business	13.2
	Private job	1.5
Who Motivated join group	Group leader	23.5
	Neighbors	17.6
	Ngo	10.3
	Friends	22.1
	Other Members	26.5
Satisfied functioning with group	Yes	85.3
	No	14.7
Acquire skills After join SHG	Yes	63.2
	No	36.8
SHG increase income	Disagree	2.9
	Neutral	5.9
	Agree	79.4
	Strongly Agree	11.8
SHG increase Saving	Neutral	5.9
	Agree	64.7
	Strongly Agree	29.4
SHG Generate employment opportunities	Neutral	1.5
	Agree	75
	Strongly Agree	23.5
SHG improves literacy skills	Disagree	11.8
	Neutral	30.9
	Agree	51.5
	Strongly Agree	5.9

**Table 6 Descriptive Statistics of Socio Economic Profile of the Respondents**

Variable	N	Mean	S.td	Variance
Age	68	2.40	0.775	.601
Qualification	68	2.97	2.22	4.92
Occupation	68	2.26	1.08	1.18
Who Motivated join group	68	4.10	1.56	2.42
Satisfied functioning with group	68	1.15	0.35	.127
Acquire skills After join SHG	68	1.37	0.486	.236
Monthly Income after joining SHG	68	6.18	1.476	2.17
SHG increase income	68	4.0	0.546	.299
SHG increase Saving	68	4.24	0.550	.302
SHG Generate employment opportunities	68	4.22	0.452	.204
SHG improves literacy skills	68	3.51	.482	.612

- Majority of the respondents belong to young age group (29-38) and the mean age of the respondents is 2.40.
- Education plays a vital role in the economic and social emancipation of the members of SHGs. The members who have studied up to primary (32.4).
- Most of the respondents (38.2) % were involved in non-farm activity. It mainly consists of respondents who are engaged in milk production and trading by maintaining few cattle or buffalos.
- 26% of respondents have joined the group motivated by other group members. 23.5% of the respondents were motivated by group leader and 21.1% of the respondents were motivated to join the group by friends.

**Chi - Square Test**

Chi - Square test is a non-parametric test of statistical significance for bi-variant tabular analysis. A non-parametric test, like chi square, is a rough estimate of confidence. Chi-square is used most frequently to test the statistical significance of results reported in bi-variant tables.

**Association between Training and Its Effectiveness**

**Ho:** There is no association between attend training programme and its effectiveness for the respondents' join to the SHG.

**H<sub>1</sub>:** There is association between attend training programme and its effectiveness for the respondents' join to the SHG.

Chi square calculated = 67

Chi square table value = 11.070

As chi square table < chi square calculated,

So we reject the null hypothesis there is an association between attend training programme and training content useful for the respondents.

**Table 7 Chi Square Test**

Test	Value	D. f	Asymp. Sig (2-sided)
Pearson Chi-Square	67	5	.000

**Association Between qualification and SHG Generate Employment Opportunities**

**H<sub>0</sub>:** There is no association between qualification and SHGs generate employment opportunities.

**H<sub>1</sub>:** There is association between qualification and SHGs generate employment opportunities.

Chi square calculated = 9.116

Chi square table value = 15.507

As chi square table > chi square calculated,

So we accept the null hypothesis there is no association between qualification and SHGs generate employment opportunities.

**Table 8 Chi Square Test**

Test	Value	D. f	Asymp. Sig (2-sided)
Pearson Chi-Square	9.116	8	.000

**Paired t test**

A paired t-test is used to compare two population **means** where you have two samples in which observations in one sample can be paired with observations in the other sample.

**Respondents Income Before and After Joining the SHGs**

**H<sub>0</sub>:** There is no significant change in the respondent's monthly income after joining SHGs.

**H<sub>1</sub>:** There is a significant difference in the respondent's monthly income after joining the SHGs.

t value is 15.760 and significant value is (.000) 5 percent level of significant. So we reject the null hypothesis and conclude that there is some increase in the monthly income. Hence, micro finance improves the living standard of the respondents.



**Table 9 Paired Samples Statistics Monthly Income**

	Mean	N	Std. Deviation	Std. Error Mean
Monthly Income Before Joining SHGs	4.68	68	1.275	.184
Monthly Income After Joining SHGs	6.41	68	1.518	.155

**Table 10 Correlation between Income before - after Joining SHGs**

	N	Correlation	Sig.
Monthly Income Before-After Joining SHGs	68	.802	.000

**Table 11 Results of the Paired Differences Monthly Income**

Paired Monthly Income	Mean	Std. Error Mean	95% Confidence Interval the difference		t	D. f	Sig (2 tailed)
			Lower	Upper			
After- Before Joining SHGs	1.735	.110	1.516	1.955	15.760	67	.000

**Respondents Saving Before and After Joining the SHGs**

**Ho:** There is no significant change respondents' monthly saving after joining the SHGs.

**H<sub>1</sub>:** There is a significant change respondents' monthly saving after joining the SHGs.

As the calculated t value 6.12 and the significance value is (.000) at the 5 percent level of significance. There is some increase in the monthly savings of the respondents' after joining SHGs. So, by using microfinance model the savings of the respondents' had increased gradually up to some extent.

**Table 12 Paired Samples Statistics Monthly Saving**

	Mean	N	Std. Deviation	Std. Error Mean
Monthly saving before joining SHGs	1.15	68	.574	.070
Monthly saving after joining SHGs	1.62	68	.357	.043

**Table 13. Results of the Paired Differences Monthly Saving**

Paired Monthly Income	Mean	Std. d	Std. Error Mean	95% Confidence Interval the difference		t	D. f	Sig (2 tailed) .000
				Lower	Upper			
After- Before Joining SHGs	.471	.634	.077	.317	.624	6.12	67	.000

### Conclusion

The study has revealed that micro finance SHGs in India which are classified under informal organizations intentionally or unintentionally help formal banks by increasing the number of accounts by inculcating habits in rural people especially the women.

SHG approach in the recent years has been rightly recognized as the best of socio economic empowerment of people. The main economic activities being adopted by the SHG are cutting sewing embroidery dairy farming and other job works etc. the SHG movement for its forceful outreach amongst the poor as now not only been categorized as a silent revolution in the empowerment of millions of poor but has also been recognized as an effective tool for poor alleviation. The results of the analysis suggest that SHGs have been performing better not only as providers of financial services in terms of augmenting saving leading and ensuring loan recovery but also in terms of awareness creation and empowerment. They also lead to the development of human resources and management skills leadership and motivation.

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