

## **IMPACT OF MICRO FINANCE PROGRAMME ON INCOME INEQUALITY IN UTTAR PARDESH**

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### **ABSTRACT**

*Microfinance is inextricably associated with global growth and has developed as a world-wide mechanism for poverty alleviation. It has also captured the fancy of Indian policy makers. A host of microfinance schemes have been launched by the different states governments in India including Uttar Pradesh. In view of the fact that Uttar Pradesh is a fast-developing state of India, but it is grappling with the issue of growth of a backward minority clustered district like Uttar Pradesh. A host of microfinance ventures and programmes have been launched in Uttar Pradesh by both government and non-government organisations. The Uttar Pradesh Development Agency has been set up at the district level to overview and to track the progress of various schemes being undertaken under the Uttar Pradesh Development Board, set up by the Government of Uttar Pradesh in 1980, as an extra initiative of development apart from the usual plan schemes. Therefore, the microfinance trend in Uttar Pradesh requires to be regarded in the SHG context from a long-term perspective. This highlights the need for a conscious and well-considered policy structure that allows the growth of a diversified and creative microfinance industry, which will make a genuine contribution to empowering and developing women at Uttar Pradesh.*

**Key Words:** *Per Capital Income, Unemployment, Inclusive Financial Activities, Self-Help Group.*

### **1.1 INTRODUCTION**

A low per capita income, lower levels of living, economic and social inequalities, insufficient capital, the agricultural economics, unemployment, underdeveloped natural resources, over-populated economies, low human capital qualities, and a range of non-economic need are characteristics of the underdeveloped countries or underdeveloped territories. They have been responsible for the development, on the supply and demand side, of vicious circles of poverty and return. A vicious circle means a revolving constellation of powers that behave and respond to each other in a way that makes a bad country/region/zone poor. An individual, for instance, does not have anything to eat. He may be poor, underfed, with low working ability, and so on. Therefore, poverty is an autonomous condition. It really is a very serious challenge to break these vicious loops and have the economy on track to improve.

Some economists, such as Professor Hirschman, Rostow, Fleming, Singer etc. promoted the idea of unequalled growth in underdeveloped countries/region/areas for economic development. Unbalanced development does not imply that these economies should simultaneously invest in

all sectors; rather, they should invest in some select key sectors because they lack sufficient capital to enable them to invest simultaneously in all sectors. Professor Hirschman considered that direct productive practices would immediately be facilitated if social and economic overheads were developed, including training, medical facilities, electricity, irrigation, means of transport and communication, fundamental and other main industries, etc. This is why the idea of synchronised growth is now applicable particularly to retroactive regions aimed at reducing poverty and inclusive financial activities. The development agenda involving massive sums of money and uncertainties can only be left to private sector, thus the public sector is active in creating all basic economic growth requires with social and economic justice. This is why As a medium for both, Microfinance has received a great deal of acceptance, which is why it is used in most countries.

The purpose of microfinance is to provide financial services to low income customers or solidarity lending groups that traditionally lack access to banking and associated services, including consumers and self-employed people. Microfinance is not just about micro-crediting the needy, but it is an economic growth mechanism aimed at helping the poverty-saving population. This includes a broad variety of resources such as credit, deposits, protection, transfer and non-financial services such as education, advice etc. Building up revenue producing company through the distribution of micro-loans to the vulnerable along with other support services. The establishment and maintenance of income generation units, in particular for women, is a crucial phase in their capacity building that eventually culminates in the entire growth of society and country. Women play a multifaceted function in most developed countries: from treatment of the family, childbearing, jobs, social and cultural involvement. Restricted access to schooling, health, inclusion in the labour market, credit, services, work in the formal field, decision-making etc. They are helpless, most unsafe, marginalised and abused, neglect empowerment and freedom. In every underdeveloped nation or region, half of the population is told in the same tale.

With the masterpiece feedback of Noble Prize winner Mohammed Yunus in Bangladesh, the notion of microfinance was brought into the spotlight, not just introducing but also incorporating the Grameen Bank model with great vigour. The consequence of this idea was a revolutionary shift in Bangladesh's socio-economic position for women and it became a role model for others. Take another illustration (as of 2012) of Anandi's housewife, who resides and is refused a loan by a town bank – she has no bank account, no income statement and no credit history since none have ever loaned her. Finally in 2012, she got a Rs. 50,000 loan. She was renting the money out of her hut, and she was growing fish. Six months back, she sold the fish and repaid the loan. She had a second loan, rented two ponds and became an organic aquaculturalist from a helpless housewife. The above examples show that microfinance satisfies a requirement that traditional financing by commercial banks does not address.

In certain situations though, the next step after illumination is the reverse where criticism indicates defects in the theory, and fresh research poses concerns regarding the feasibility of policies or programmes. As a consequence, microfinance supporters in India as well as abroad have struggled in recent years. Mohammed Yunus, founder of Grameen Bank, was under attack at home for policy purposes, and various studies debated whether or not microfinance operated properly. In India, after a series of suicides of farmers in the southern state Andhra Pradesh in

2010, microfinance was targeted by tactical strains on farmers by micro-finance lenders due to inability to repay micro-finance loans. In 2014, however, World Bank researchers published data from the longest and most stringent assessment of microfinance programmes to date. Their research, "Dynamic impact of micro-credit in Bangladesh" monitors changes in the programme, and its performance for the period of 20 years. Families involved in microcredit schemes profit from higher household assets, more expenses and better training results. In addition, women profit far more than men from the programmes. These effects can be significant and long-lasting. While this rigorous study is not the last one, more proof that investments in microcredit function is convincing.

In recent years, public policy makers globally have favoured the area of microfinance. The idea of microfinance was also thoroughly adopted in India. Nearly every state in India uses the Self-Help Group (SHG) model to implement Microfinance schemes. A SHG is a homogenous community of 10 to 20 rural poor who work together to deal with the financial challenges they have. They are familiar. They pool their investments into a mutual fund named the Party corpus, which provides their participants with small interest loans. In addition to these internal loans, the SHGs often get direct access to external credit from banks or services such as Self-Help Group Bank Linkage, or from government departments and official agencies that pay loans through various government systems. This loans are primarily used to generate revenue.

In reaction to the sector and traditional loan institutions' inability to secure sustainable access to loans among the poverty, microfinance has emerged. A day of microfinance is now seen as a noble substitute for informal credit, and a powerful and robust tool for reducing poverty among people who are politically actively involved, yet financially limited and insecure in many nations. Since women make up the majority of the participants in microfinance, this poverty reduction has a gender component attached. Microfinance may enhance access and supervision of financial and physical capital by women. In addition to reducing poverty among women, the expanded access to and ownership of economic opportunities may also become a weapon that empowers women. Considering the value of microfinance, NGOs, government departments and financial entities that support microfinance.

The microfinance motion states that low-sales households have an eternal access, in order to fund their income production operations, create savings, stabilise consumption and maintain their danger, to a variety of high-quality financial offers. Typically, these programmes are not restricted to credit but provide deposits, cover and transfers of capital. The era 'Microfinance' is a contemporary starting point, but this term is not included in text books on banking and financial management. It is still, however, freely used in the newspapers, national/international platforms, literature in order to grow and thrive in the poor parts of society and many others. Micro-finance is defined as a monetary offer equal to Saving A/c, a fund & credit for poor and low-income customers to assist them in rising their incomes and boosting their traditional living conditions.

## 1.2 LITERATURE REVIEW

**Mostafa et al (2008)**, which used demographic and health surveys (SDHB) from 2004, have sought to calculate the feminist empowerment indice (WEI) scores for Bangladeshi citizens. They evaluated WEI in the domestic field using the economic decision-making power in women

of three dimensions, the decision-making power of the home and physical freedom of movement. There are some relevant indicators for each dimension and each element has been provided on the basis of this indicator score. They concluded that although the empowerment standard of women for every age category is not sufficient, older women are more autonomous and motivated than younger.

**Bhuiyan et al. (2018)** identified empowerment as a framework for knowledge and capacity building that leads to increased decision making engagement and increased access and influence over physical capital and the power system. This study notes that women inclusion in the workplace is included in empowerment. The authors report that women's empowerment in general, and their involvement in income generation activities, are the subject of their entrepreneurial growth. Female entrepreneurs help women raise the courage to speak to professionals. They claim the entrepreneurs improve women's involvement in family and societal decision-making; eradicate social segregation and moral retribution for women. It eliminates social inequality and raises women's wages. The writers have concluded that the psychological psychophysical quality of women is changed by women entrepreneurs and is the most efficient way to inspire them. Acting as a businessman increases the social and economic situation of women. Trade and revenue production improve women's self-assurance. Finally, from the analysis we may infer that job as a contractor improves women's empowerment. However, not only are women's advancement determinants dictated by their work as entrepreneurs, there are also several other determinants of motivating women. The other determinants of women's liberation remain silent in this report.

In Gajapati district of Orissa state of India, **Sahu and Das (2007)** investigated the success of SHGs in fostering empowerment for women. To this end, an interview was carried out with 800 participants of 50 SHGs. The findings of the survey revealed that most members of the SHG had a tribal literacy rate of 7.43%. The bulk of participants became interested in gathering and selling minor forest items, well after the processing of community loans. The loans were used primarily for use, fitness, festivals 51 and for reimbursement of previous loans. Just 11.56% of the loans were used for savings. Members are not sufficiently qualified to begin profitable non-traditional operations. However, although participants were not economically well off, they saw some additional gains, such as growing self-confidence (81,54%), encouraging saving habit (76%), improved social contact (75,17%) and liberating themselves of the old debts (63,36%) by entering the SHGs. In order to render a true commitment to female empowerment, the writers recommended that the district government, experts and charitable groups have ability preparation, product creation, emerging innovations and access to the market.

In its research, **Tracey et al. (2006)** explored rural Indian women's personal and economic empowerment in self-help groups. Data was obtained in the state of Rajasthan in India from 100 rural women in the District of Udaipur. These women received a training in sewing, knitting, sticking and patching by the Sewa Mandir NGO in Udaipur and Rajsamand districts. The research was focused on quantitative and qualitative data gathered by interviews, questionnaires and conversations. The objective evidence suggests women who work report improved significance in their everyday lives, increased regulation over their personal spending, increased social networks, decreased boredom, increased domestic capacity for decision-making and increased freedom. The participation of women in income-generating practices helped to inspire



them individually and economically. Micro-enterprises and jobs offered survival, safety and development opportunities for women. Qualitative information shows positive self-worth assessment, autonomy and confidence. The analysis also showed that women's work culminated in household and family hours being extended to strict time frames. The results showed negative pressure assessments, challenges, excessive amounts of work and tension. The findings indicate that engaging in women's self-help groups immediately resulted in a rise in economic power and increased psychological well-being.

**Modi, Patel and Patel (2014)** are exploring a report to investigate the effect of microfinance on rural women's empowerment. In 19 Northern Gujarat villages the primary data were obtained using survey methods. The thesis consisted of 205 survey data from rural SHG women taken using a sampling system for ease. Knowledge was obtained by means of a systematic survey. After the verification of the reliability test, several statistical methods such as correlations and multiple regressions were used to test hypotheses using SPSS. There were five factors: socio-economic status, autonomous life-changing decisions, women's role in the family and community, economic freedom and a constructive child growth policy in the measurement of women's empowerment. The research showed considerable influence on rural women living in 4 regions, such as improved socioeconomic status, autonomy for choices of life, positioning of women in families and societies, and a constructive attitude to child growth. The study has also shown that women have improved their economic conditions. Women too also expanded their capacity to take part in the decision-making of their communities. The research showed that their husband's view of them has improved as a result of his income and his exposure to family spending.

A valuable study contributed by **Berg (2010)** estimated the effect on household revenues and usage of participants in the SEWA Bank Savings Program in India as opposed to the previous studies listed in the above literature review. Members of the SEWA Union became the clients of the participant. In 1997-98 and again in 1999-2000, a preliminary survey was conducted. The survey covered full descriptions of the characteristics of households such as population, schooling, consumption, consumption, wages etc. The 3-step sampling procedure was used for the SEWA bank. The study found that, if structured financial services were given to low-income families, microfinance would have a lasting and sustainable impact on alleviating poverty. The research found that, in addition to microcredit, micro-savings play an important part.

**Bhatt and Rajdev (2012)** performed an evaluation of the effects of women's empowerment in Jamnagar, Gujarat District. Their studies included 100 recipients of Jana Lakshmi microfinance companies. The data were gathered using the random sample process, which was not likely to be used and supported by expected questionnaires, surveys and face to face interviews. The analysis finds that most of the recipients are middle-aged. Most married recipients had less schooling and lived in nuclear households. The report showed that the living arrangements of the recipients were sufficiently fair. The research reviewed a number of reports concerning women's access to loans. This clarified that rural women have very little direct access to institutional credit, and gender distinctions have been found in expanding credit. It can be argued that the microfinance organisation helps alleviate hunger and increases women's quality of life. Beneficiaries may hold their rights and freedoms open by the social benefits offered by the SHG. They were often able

to use these privileges to generate revenue and to take advantage of self employment at the beginning of new economic activities.

### 1.3 OBJECTIVES OF THE STUDY:

- To study the impact of micro finance in empowering the social economic status of women and developing of social entrepreneurship.
- To know about relationship between SHG's members, micro finance banks and entrepreneurs

### 1.4 RESEARCH METHODOLOGY

Data from the field was closely edited and analysed. The details was summarised using simple average and percentage techniques. Tables are used to show the findings of the analysis. A variety of methodological methods are implemented to figure out the effects of the microfinance project, for example, a test t, Chi-Square checking and an analysing of the associations, numerous regression tests, indices of poverty measurements, Gini coefficient etc. The use of numerous mathematical methods is utilising applications such as Microsoft-Excel and SPSS 11.0.0.

**Table 1.1:**

**Change in the income of the participants after getting Micro finance**

District	Average Income of Participants (in Rs.)			Value of 't'
	Pre- SHG	Post- SHG	Increment	
Agra	657	1,546	889	7.340*
Ghaziabad	772	1,915	1,143	4.794*
Meerut	773	1,804	1,031	6.046*
Uttar Pradesh	718	1,725	1,007	9.037*

The microfinance scheme has raised participants' salaries. A review of Table 1.1 provides that the recipients' total revenue for post-SHG amounts to Rs. 1,725 per month relative to Rs. 718 per month in pre-SHG conditions, i.e., the post-SHG profits rose 2.5 times compared to pre-SHG. For those participating in the districts of Ghaziabad, Agra and Meerut, this growth in income is estimated at 148%, 135% and 133% per month. The table indicates that income growth is the

strongest in Ghaziabad city. The significance of difference among participants' mean incomes is calculated by the pairing sample t-test. The test found that in both districts there is a slightly different gap in the mean income of programme participants in the pre and post-SHG situation at one%. Tools for the post-SHG condition of the participants in programme revenue are comparable, in the studies of the World Bank (1999), Puhazhendhi and Satyasai (2000), Manimekalai (2001), Dunn & Arbuckle (2001), and Mishra et al. (2001).

**Table 1.2:**

**Change in the income of the Participants and Non-Participants**

District	Average Income of Participants and Non- participants (in Rs.)			participants (in Rs.)
	Non-Participants	Participants	Increment	
Agra	646	1,546	900	4.889*
Ghaziabad	573	1,915	1,342	4.587*
Meerut	799	1,804	1,005	2.905*
Uttar Pradesh	638	1,725	1,087	7.197*

Participant sales in contrast with non-participants were considerably higher. Table 1.2 shows that the non-total participant's income is only Rs 638 per month compared to Rs 1.725 per month. It indicates that participants' wages have dramatically improved. Participants' real salary is 2.7 times higher than non-participants' average income. The largest proportion of participants' income over non-participant income is in Ghaziabad (234%), respectively, led by the districts of Agra and Meerut. The disparity between participants' mean income and non-participants is calculated by t-test. This test indicates that the variations are substantial at 1% stage. Thus, the Microfinance scheme added to family income through its members. Studies by Hossain (1988), Todd (2001) and Chen and Donald (2001) have found that programme participants' incomes are slightly higher than non-participants' incomes.

The analysis of differentiation techniques is applied to assess for Uttar Pradesh the variations in the mean post-SHG income of participants over the individual population ages. The findings demonstrate that the importance of F is important at 1%. This is attributed in turn to the fact that members of mature communities make use of more and more loans to produce revenue.

## IMPACT OF THE PROGRAMME ON THE HOUSEHOLD INCOME OF THE PARTICIPANTS

**Table 1.3:**

**Impact of the programme on the household's income of the participants**

District	Household Income (Rs. per month)		
	Non- participants	Participants	Increment
Agra	5,847	6,488	641
Ghaziabad	5,725	6,661	936
Meerut	6,445	9,094	2,649
Uttar Pradesh	5,881	6,912	1,031

Household revenue is the amount collected by household members from all outlets in the preceding calendar year. The Microfinance scheme, which then improves the overall family wealth, raises the individual income. In certain instances, the only source of household income is microfinance. The Self-Help Community members are spending collective loans to establish or grow established small enterprises to raise new sales. This results in revenue production. This rise in income allows participants to provide better care to their communities.

The participants and non-participants' monthly household incomes are illustrated in Table 1.4. The table indicates the largest household income growth in the Meerut district (41%), led by the districts of Ghaziabad (16%) and Agra (9%). Uttar Pradesh's total household income is Rs. 6,912 a month which is higher than Rs. 1,031, i.e., 18 per cent for non-partakers. Similar findings indicate the effect of the microfinance policy on household revenues were also collected from studies by Dunn & Arbuckle (2001) and Singh (2001).

The software allows its recipients to contribute their household revenue more effectively to Meerut districts. Data on the wages of both participants and non-participating households are found in Table 1.4. The table showed that most of the households participating, i.e. 31%, belong in the Rs. 4,000-6,000 a month, while 38% of non-participants, i.e., appears in the Rs. 2 000-4,000 monthly income category. The household income below Rs 2,000 is just 4% of participants and 12% of those not participating every month. It was also found that, compared with 27 percent of



nonparticipating households, 35 percent of participating households had incomes above Rs 6,000 per month. Thus, participants' family income levels are greater than the non-participant average.

### IMPACT OF MICRO FINANCE PROGRAMME ON INCOME INEQUALITY

Table 1.5:

Impact of Microfinance programme on income inequality

Household Income Level	Participants				Non-participants			
	AGR A	Ghaz iabad	Meeru t	U.P	AG RA	Ghaz iabad	Meeru t	U.P
Less than 2000	4	4	-	8	10	10	3	23
2000-4000	25	25	7	57	37	29	7	73
4000-6000	35	17	7	59	17	17	9	43
6000-8000	8	10	3	21	7	4	3	14
8000- 10000	6	8	-	14	10	3	-	13
Above 10000	12	10	9	31	9	11	4	24
Total	90	74	26	190	90	74	26	190

Earnings disparity was calculated by the allocation of household wealth. The effect of a microfinance scheme on household income distribution using Gini coefficient models. A

statistical dispersion measurement is the Gini coefficient. The Gini coefficient is the indicator of the quantitative income disparity. The coefficient of Gini can be between 0 and 1. A small Gini factor implies a relatively equitable distribution, with 0 meaning ideal equality, and a larger Gini factor suggesting more uneven distribution, with 1 being completely unequal. Following are discussed the outcomes for these processes, i.e. the Gini coefficient:

## 1.5 CONCLUSION

The programme participants can use microloans to launch productive activities which increase their income levels. To assess the shift in revenue, two approaches were used: (i) Distinction is provided of the participant's earnings before and during the programme; (ii) comparison of the participant's earnings to the non-participants.

The revolutionary poverty eradication and growth policy of microfinance has arisen. The failure to fulfill the credit standards of the poor contributed to the creation of the scheme by financial firms and other programmes for subsidies-based poverty reduction. This initiative provides the vulnerable, in particular women, with financial and non-financial resources.

The primary focus population of the microfinance system is the households below the poverty line (BPL). The effect of this initiative on the BPL households was then measured individually. BPL households are chosen by an absolute poverty line among the survey households. For this reason the poverty rate of Rs 2,500 per household per month is used to classify the poor under the Atta-Dal scheme as established by the government of Uttar Pradesh. The effect of micro financing on prevalence of poverty, deep poverty and seriousness of poverty has been measured on the basis of this poverty line.

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