Volume : 3 | Issue : 1 | Jan 2014 • ISSN No 2277 - 8160

Research Paper Economics

Financial Inclusion Through Micro Finance: A Case Study of Chalyra Grama Panchayat in Malappuram Distict, Kerala

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ABSTRACT

Inclusive development is a growing concept in policy platforms of modern government all over the world. The dream of inclusive development only to be realised if the governments could include the poor, whom the formal and commercial financial system kept aloof considering them not credit worthy. It is in this background, the microfinance movement emerges as single largest savior of the poor from the denial of finances and making them capable to command at least their immediate and basic requirements of their life. This practice has grown as proven experiment after the Bangladesh Gramin Bank come out with success full stories their microfinacing practices under the leadership of Muhammad Younus in 1976.The present paper is an attempt to study the role of Kudumbasree as a micro financing agency in promoting financial inclusion and in making the poor more attached to formal banking and financial system whom once considered un bankable.

KEYWORDS : Microfinance, financial inclusion, Kudumbasree, Women empowerment

I. Introduction

The responsibility of meeting the credit needs in the rural areas of India was entrusted primarily with the co-operative banking sector until 1960. The major objectives of the nationalization of commercial banks were the improvement of the flow of the formal institutional credit into rural households especially to the poor, thus relieving them of the burden of a serious debt. The vast branch of expansion of nationalized banks helped the people in remotest areas to have access financial services. But the poor with no collateral both in rural and urban areas remained unapproachable to formal financial institutions.

I.1. Microfinance and financial inclusion

Micro finance has been considered as the mantra in saving the poor from financial isolation by mainstream and formal financial system all over the world. Micro credit has been defined as Programme that extends small loans to very poor people for self-employment project that generate income in allowing them to take care of themselves and their families. The basic idea of microfinance is that the poor people are ready to pull themselves out of poverty if given access to financial services at lower cost.

I.2.Microfinacing in India

SEWA is considered as the oldest organised microfinance in India. Recently, many NGO's and SHG's have started MF delivery system successfully in rural areas of India. The formal microfinancing practices in India commenced when NABARD launched BANK- SHG linkage programme in 1992.

Initiated in 1998, Kerala is the first state in India to have adapted the Microfinance programme paraphrased as "Kudumbasree" as a part of the decentralisation effort of the state. It seeks to bring the poor women folks together to form the grass root organisation to help enhance their economic security. Now 37.37 lakh poor families brought under the three tier community based organisations (CBOs) consisting of 2.0 5 lakh Neighborhood Groups (NHGs), 19,773 Area Development Societies (ADSs) and 1,072 Community Development Societies (CDSs) in rural urban areas covering more than 50 percent of the households in Kerala .

I.3 Importance of study

The financial sector reforms begun in 1992 have been systematically moving away from the social objectives of the banking sector, shifting its focus from mass banking to super class banking. It is in this context the term financial inclusion gains importance. Only two to five percent of the 500 million poorest household in the world have access to institutional credit of which women receive a small share.

I.4.Statement of the problem

When the financial requirements become an unavoidable, people can't wait for safe lenders. This is the opportunity where the cut throat money lenders and finance companies tighten their clutches. Hence the financial exclusion of the poor from the formal banking sectors for lack of collateral and the unavailability of safe lending sources makes most of the poor borrowers the prey of the money lenders and aloof from formal banking practices.

I.5. Objectives

To Examine the socio economic status microfinance participants of Chaliyar panchayat

1. To look in to the source finance for the poor in the Chaliyar panchayat before joining of the Kudumbasree
2. To examine the role of Kudumbasree programme in financial inclusion

I.6.Methodology

The present study is based on both the primary and secondary data, the primary data is collected through interviewing the members in the Various NHGs of Kudumbasree in the Chaliyar Panchayat. A sample of 100 beneficiaries in Micro finance groups were randomly selected from different NHGs of Chaliyar Grama Panchayat. Collected data is analysed with the help of tables, graphs and percentages etc. Secondary data are derived from various published sources like NABARD's report on banking, journals, books, Kudumbasree mission reports.

II. Review of literature

Microfinance should be considered an interlinking vehicle between financial inclusion and improving standard of living. There should be deliberate platform to improve the income and earning of the member through participative productive activities (Guha and Gupta 2005). In most cases women tend to use the micro financing for the consumption smoothening, the inference of which may be that the poor find it difficult in financing their daily transactions (Rajashekar 2005).The participation in the micro financing activities helps the poor in maintaining a more stable income than they are not part of the micro financing activities. The most striking advantage is the thrift component, which has totally relieved the group members from the money lender. (Jaya Anand 2000).Strong social moblisation should be the basic principle of microfinance based activities. The self help groups with strong social bondage help in administering hassle free self employment activities (Ojaha 2001s). Corpus resources of the group have influenced the socio economic activities leading social capital formation through training and self learning apart from mere financial transaction (Anderson et al 2002)

III. Analysis of data and major findings

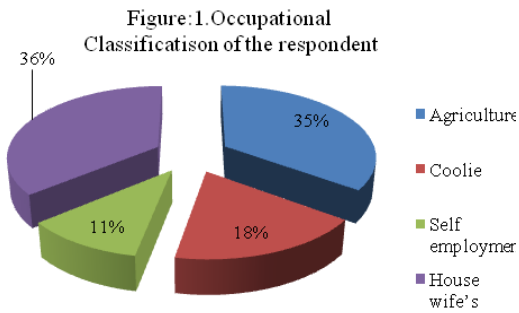
III.1. Socio economic profile of the respondents

In the sample of 100 respondents, the largest no of beneficiaries (58%) belong to the age group 40-60.It shoes that middle aged members are more interested in Micro financial activities. When analyzing the participation of various social groups we find 60% Minorities, 12% STs, 08 % SCs and 20% general.

Table: 1. Socio economic profile of the respondents			
Socio economic variables	Category	No. of respondents	Percentage
Age	Less than 20	2	2
	20-40	35	35
	40-60	58	58
	60 Above	5	5
Gender	Male	0	0
	Female	100	100
Caste	SC	8	8
	ST	12	12
	Minorities	60	60
	General	20	20
Education	Below SSLC	81	81
	Up to SSLC	14	14
	Above SSLC	5	5
Annual income	Less than 10000	55	55
	10000-20000	23	23
	20000-30000	15	15
	Above 30000	7	7
Source: Field survey			

This shows that the micro financing programme promoted in the panchayat could attract more marginalized groups who are excluded from formal financial services once. The educational conditions of most respondents are minimum.81 percent of the respondents have only education below the SSLC. The income level of the respondents is also very low. 55 percent of respondents were struggling to have an income less than 1000 per month.78 percent of the respondent have only income below 1600 per month

Looking in to the occupational status of the respondent the study find that 36% percent of respondents are doing the un paid work of house wives.35% percent engaged in agriculture activities.



18% percent engaged in collie work and 11 percent engaged in self employment activities. The occupational status and income level shows the sample groups highly need some type low burden support in discharging their duties as the house hold manger.

III.2.Source of finance before joining the Micro financing Agency

When the study look in to the various source of finances of the respondents before joining the microfinance agency the study finds that majority of the respondents (52%) were in the clutches of cut throat money lenders.35 percent depended on finance companies and 9 percent depended on their friends and relatives for meeting their urgent financial needs. The study finds that only 4 percent have reported having banking habit and dependence on the before joining Kudumbasree

III.3.Status of micro financing practices of the respondents

When the study examines why the respondents joined the microfinacing agency, the purpose for which the micro finances are utilized and how far the membership in micro financing benefitted the respondents, as seen in

Table:2.Status of micro financing practices of the Respondents									
Reason for joining micro financing agency	Yes	No	Loan taken last Year	No of Respondents	Purpose	No. of Respondents	Benefits of participating Micro financing agency	Yes	No
Less interest	86	14	Less than 10000	38	Agriculture	05	Improved the saving habit	93	7
Easy accessibility	100	00	10000-20000	36	Medical treatment	17	Improved the formal banking	90	90
No securities	100	00	20000-30000	18	Education	35	Easy access to urgent finances	97	3
Less formalities	93	07	30000-40000	4	Marriage	20	Increase in productive spending	77	23
Awareness of financial planning	85	15	40000-50000	2	Self employment	23	Improved accessibility of bank loans	81	19
Source: Field survey									

table 2 that the special features like less interest rate, easy accessibility, no collateral, hassle free formalities and the awareness programmes under the Kudumbasree attracted nearly 100 percent of the respondents to Kudumbasree. Regarding the amount of loan taken last year 36 percent reported they have taken loan up to 10000 to 20000.00 and 35 percent of them utilised the loan for the purpose education followed by 23 percent of the loan taken for self employment, 20 percent for marriage purposes, 17 for medical treatment and 5 percent of the respondents utilized the loan for agricultural purposes. It is very significant here the role of microfinacing agencies in meeting the major needs the marginlised absence of which pull the poor in to the clutches of cut throat money lenders and finance companies. When examining the benefit drawn from the participation of the microfinacing agency more than 80 percent reported having improved their saving habits, formal banking habits, easy accessibility to bank loans, easy accessibility to urgent finances and improvement in the utilization of money for productive purposes. This is very significant here when we found that only 4 percent of the respondent had banking habit before joining Kudumbasree.

IV. Conclusion

Microfinance is considered an important tool through which the poor, whom once kept aloof for not having adequate collateral can be linked to the financial circulation. The microfinancing programmes not only helps in financial inclusion but it also promotes the banking habits, saving behavior and better financial utilization among the poor. The Kudumbasree movement in the study is seemed to have influenced in making the poor aware of bank linkage programmes, better utilization of the finances and in participating the collective process of self help groups. If the poor is provided with at least the micro credits to meet their immediate needs of consumption, education ,medicine, marriages etc….it would help them to come out of the shackle of poverty. Otherwise they would be bonded to the clutches of cut throat money lenders and finance companies pulling the entire generations of the poor in to the vicious cycle of poverty.

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