

MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN BIHAR



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ABSTRACT

Additionally, it backed grassroots movements in Khagaria and Nawada's struggles. Their help extended to the early childhood care and education programmes, which were of great importance to the overall education and growth of the children who participated. By the year 1996, NIDAN had began extending loans to organisations, with a major emphasis on the provision of financial assistance to women's populations. Bandhan is one of the numerous models that have been implemented as part of the purview of microfinance banks. microfinance organisations were designed to empower women by providing them with rapid loans; nevertheless, the microfinance institutions ended up reversing the social and economic gains, and the women who received these loans ended up becoming slaves. The burgeoning microlending sector in India is a part of a worldwide phenomena that originated as a philanthropic movement but now now draws private money looking for development. This shift in focus from charitable organisations to private investors is driving the industry's expansion.

keywords: Micro Finance, Employment, Generation

INTRODUCTION

In recent years, the Indian state of Bihar has witnessed the establishment of a number of professional organisations that provide microfinance services. These institutions came along in

MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN BIHAR

addition to various connecting projects and self-help groups. In the Indian state of Bihar, the NIDAN organisation was the first of its kind to be created as a microfinance institution. In the state of Bihar, the techniques of microfinance that were used most often were self-help groups and cooperatives. NIDAN was first founded as a haphazardly organised organisation with the intention of assisting young people, both male and female, in attaining a level of economic autonomy that would allow them to live independently. This was to be done by providing sufficient financial help, in addition to adequate training and development facilities. Since 1995, the Societies Act has recognised NIDAN as a legitimate organisation, and it has been conducting business in the following five districts of Bihar: Patna, Vaishali, Katihar, Samastipur, and Muzaffarpur. These districts are listed in the following order: Patna, Vaishali, Katihar, Samastipur, and Muzaffarpur.

Additionally, it backed grassroots movements in Khagaria and Nawada's struggles. Their help extended to the early childhood care and education programmes, which were of great importance to the overall education and growth of the children who participated. By the year 1996, NIDAN had begun extending loans to organisations, with a major emphasis on the provision of financial assistance to women's populations. Bandhan is one of the numerous models that have been implemented as part of the purview of microfinance banks. Bandhan is active in Kishanganj and Jharkhand. In the 1990s, Bandhan started doing business using the ASA model that was prevalent in Bangladesh at the time. Together with ICICI, Cashpor launched its business with the goal of delivering higher-quality assistance to those who were anxious about their financial situation. Although the route of microfinance institutions is still relatively young in Bihar, it has already brought with it a great lot of promise as well as learning opportunities for other models. At the end of the 1990s, the credit flow was improved for microfinance institutions (MFIs), owing in large part to the efforts of the Reserve Bank of India and NABARD. Cooperative societies and other non-governmental organisations (NGOs) operating in the field of microfinance provided support for this advancement.

MICROFINANCE INSTITUTIONS IN BIHAR

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**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

focus from charitable organisations to private investors is driving the industry's expansion. With initial funding from the National Bank for Agriculture and Rural Development, non-governmental organisations were among the first to engage in what is now often referred to as self-help group cooperative financing. In 1992, in response to the projects' encouragement, the state-sponsored bank began working to connect borrowing groups with local bank branches. When someone is enticed towards the lending facility, and those who take out the loan do so without taking into consideration the repayment duration or any of the other terms and conditions, the issue quickly spirals out of control. When it comes to meeting the requirements of low-income individuals, the official financial system falls short, which is why the engagement of community-based groups is such an essential component of the problem. It is necessary to work in conjunction with the community that takes into consideration all of the difficulties that are prevalent at the lower level in order to get an understanding of the issues that are occurring on the grassroots level. Microfinance institutions collaborate with non-governmental organisations (NGOs) to connect self-help groups with financial institutions that may provide funding. There are a total of 38 districts in Bihar, each of which is served by one of the state's 34 reporting microfinance institutions. Additionally, four MFIs maintain their headquarters in the state.

Microfinance, delivered by means of Self-Help Groups (SHGs), is now widely acknowledged on a global scale as the most effective weapon available for combating poverty and fostering rural growth. The reduction of poverty, the empowerment of women, and the creation of awareness are all effectively accomplished via the use of microfinance and self-help groups (SHGs), which ultimately leads to the sustainable development of the country. Women have historically been the most marginalised and discriminated-against segment of society, not just in India but also everywhere else in the globe. They have been very uneducated customers of the financial industry, despite the best efforts of both governments and non-governmental organisations. In recent years, microfinance has emerged as a significant weapon for empowering women, particularly women living in rural areas. This is especially true of rural women. In addition to the informal sector of finance, formal and semi-formal sectors such as commercial banks, non-governmental organisations (NGOs), and other organisations are taking a significant amount of interest in the provision of microfinance to women because they view it as a lucrative commercial activity. Women are also actively engaging in the microfinance revolution by taking use of the microfinance services that are being made

**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

available via the many different financial channels. The primary objective of microfinance is to enhance the economic independence of women. Microfinance is the practise of providing financial services to customers with modest incomes, such as consumers and self-employed individuals, who generally do not have access to banks and other services linked to finance. Microcredit, also known as microfinance, is a form of banking that makes it possible for millions of people who are too poor to be served by traditional banks to have access to credit, savings, and other essential financial services. This is typically the case because these individuals are unable to provide adequate collateral in order to secure a loan. The majority of people who are helped by microfinance are people of the female gender. Women, particularly those living in less developed nations, have historically been restricted in their ability to easily take part in economic activities. Microfinance gives women the financial support they need to launch entrepreneurial endeavours and actively participate in the economy. It increases their standing, boosts their confidence, and makes them more active participants in decision-making, all of which contribute to the promotion of gender equality. The Center for Global Advocacy and Policy (CGAP) reports that long-standing microfinance institutions (MFIs) indicate a decrease in violence against women since the introduction of microfinance. The majority of microcredit organisations and agencies all over the globe are geared towards providing assistance to women in countries that are still economically developing.

It has been seen and experienced that women provide a low credit risk since they are more likely to repay their loans and use the money for the benefit of the entire family. It is also seen as a manner of elevating women's socioeconomic position and altering the traditional link that exists between class and gender in today's society. This opinion comes from another angle of the phenomenon. A research that was just released by the World Bank indicates that countries that discriminate on the basis of gender pay the penalty of higher poverty, slower economic development, worse governance, and a lower living standard for all individuals in such communities. On a global scale, the reason for this is that women make up 70 percent of the world's impoverished. In practically every nation, the unemployment rate for women is greater than that of males, and women make up the vast majority of workers in the informal sector of most economies. They make up the vast majority of people who are in need of microfinance services. Therefore, providing women with access to microcredit loans would produce a multiplier effect, which will amplify the impact of the operations of a microfinance organisation, ultimately benefitting multiple generations.

MICROFINANCE DEBATES AND CHALLENGES

At the frontiers of microfinance, there are a number of important disputes taking place. The provision of microloans at reasonable interest rates is one of the primary issues of the microfinance industry. It is believed that the average rate of interest and fees over the world is 37%, with certain markets having rates that are as high as 70%. The high cost of capital is not the primary factor contributing to the high interest rates. In point of fact, the local microfinance firms that make use of the zero-interest loan capital made available by the online microlending platform Kava levy interest and fee rates that average 35.21%. Rather, the high transaction cost of typical microfinance operations compared to loan size is the primary driver of the high cost of microfinance loans. Because the cost of making each loan cannot be reduced below a certain level while still allowing the lender to cover costs such as offices and staff salaries, microfinance practitioners have long argued that such high interest rates are simply unavoidable and that this is the primary reason for the prevalence of such rates. As a consequence of this, the conventional approach to microfinance has only made little progress towards tackling the issue that it pretends to solve. This problem is the fact that the poorest people in the world pay the highest cost in the world for small business development capital. Traditional microfinance loans, because of their relatively high interest rates and fees, are not very successful as a means of combating poverty. Providing loans with interest and charge rates of 37% means that borrowers who do not succeed in earning at least a 37% rate of return may potentially wind up in a worse financial position as a direct consequence of taking out the loans. In recent years, the microfinance industry has shifted its focus from the goal of increasing the volume of available lending capital to the challenge of providing microfinance loans at more affordable rates. Previously, the industry's primary objective was to increase the volume of available lending capital. David Roodman, a microfinance expert, said in December 2011 that he believes that as a market matures, the average interest and fee rates that microfinance institutions charge for their services have a tendency to decrease. Nevertheless, the worldwide average interest rate for microfinance loans is still far higher than 30%. More than one third of the microfinance borrowers in Ghana who participated in a study recently conducted by the Center for Financial Inclusion reported having trouble paying back their loans. This information was included in the survey. Some people resorted to extreme methods in order to repay microfinance loans that had not proved to be lucrative enough for them, such as cutting down on the amount of food they ate or removing their children from school. One of the

fundamental assumptions that underpins microfinance is that microfinance borrowers require extensive monitoring and interaction with loan officers in order to benefit from their loans and repay them.

If this assumption is rethought, then perhaps the solution to the problem of providing microfinance services at a cost that is affordable can be found. Zidisha, a nonprofit organisation based in the United States, became the first online platform for person-to-person lending in 2009. The platform established a connection between microfinance borrowers in developing countries who were carefully vetted and computer literate and individual lenders directly. There were no loan officers or local intermediaries involved in the management of the loans. Zidisha, which has been dubbed a "eBay for microfinance," operates under the presumption that microfinance borrowers can be trusted to participate responsibly in an online lending community and repay loans on their own, just like residents of wealthy countries do. This allows Zidisha to operate on the assumption that microfinance borrowers can be trusted. Zidisha is able to outsource a significant number of the record-keeping and communications functions that have traditionally been performed by brick-and-mortar lending institutions to Zidisha's online user community. This is made possible by the fact that lenders dialogue directly with borrowers and track their performance using feedback ratings similar to those used on eBay. The removal of local middlemen brings the total cost of interest and fees down to an average of only 8%, of which 5% pays Zidisha's administrative expenses and 3% is the interest that is paid out to lenders. Many outsiders have been taken aback by the fact that Zidisha debtors have managed to keep their payback percentage at 98%. Because of Zidisha's success, it seems to be feasible to provide microfinance services to a huge number of people at a price that is far lower than what is now being charged.

RESEARCH METHODOLOGY

The approach that was used in the course of the research is the topic of discussion in this paper. Following an analysis of the existing research, research gaps have been identified, and research goals have been established. The researcher has developed certain hypotheses, and these hypotheses have been founded on the aims of the investigation. The researcher has provided an explanation of the sample characteristics as well as the data sources. In addition, the methodologies of research that were used in the construction of the thesis are broken down in

this paper. It should be noted that during the course of this research, the words "microcredit" and "microfinance" have been used synonymously.

3.2 RESEARCH GAPS

The examination of the relevant literature has given a significant amount of new information pertaining to microfinance and the empowerment of rural women. On the other hand, the following holes in research have been found:

1. There have been very few studies that have compared two groups of women (ones who have benefited and ones who have yet to avail) and investigated the social and economic factors that influence women's empowerment.
2. There have been very few investigations into the elements that empower women the most and the ones that empower women the least, but both of these questions have received very little attention.
3. There have only been a very small number of studies that have evaluated the effects of the different characteristics on women who have used microfinance facilities with women who have not yet utilised microfinance facilities.

3.3 TYPE OF RESEARCH

This piece of work is a descriptive research effort, and the purpose of it is to determine the impact that microfinance has had on the level of autonomy enjoyed by women in Grameen Koota in Bangalore. The purpose of this research is to investigate whether or whether women feel more empowered as a result of having access to microfinance. If we had this information, we could more accurately determine whether or not women would benefit from receiving microloans.

DATA ANALYSIS AND INTERPRETATION

The findings of an ordinary least squares (OLS) analysis that was performed on the whole sample have been reported in this paper. Here are presented the inferences that may be drawn from the outcomes of testing hypotheses for each individual metric. Because of these interpretations, we were able to arrive at the conclusion of our research more quickly. The

**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

survey was administered to a total of 250 female respondents, and we received full responses from 190 of those female respondents. Only 126 of the total number of respondents, which came to a total of 190, took advantage of the microcredit offered by the firm Grameen Koota. 64 of the respondents had their applications for the loan approved; however, they had not yet accessed the microcredit that had been made available to them since the process would take a few weeks. Grameen Koota, Bangalore, counted each and every one of these replies as a customer. The purpose of this research is to investigate the effects of microcredit on the economic independence of women. In addition to this, each of the respondents is a participant in the same microfinancing programme. Therefore, no investigation has been conducted out to demonstrate the differences in the consolidation of surrounding microfinance organisation. The following are some of the many parameters that have been investigated:

Table 1 Demographic Profile Of Respondents Showing Various Parameters

Parameter	190 respondents		126 respondents who receive microfinance		64 of the respondents who were sanctioned but were yet to be disbursed	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Age	34.0	10.6	36.1	10.3	29.8	10.1
Monthly Expenditure	10.9	3.8	10.9	3.8	2.4	1.5
Number of Children	2.6	1.3	2.6	1.2	2.4	1.5
Land in Acres	0.3	0.4	0.3	0.4	0.3	0.2

**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

Number of income earners	1.5	0.7	1.6	0.8	0.7	0.5
Education	0.8	0.4	0.8	0.4	0.7	0.5

The characteristics of microcredit borrowers and those who are likely to apply for microcredit are outlined in Table 4.1. Borrowers of microcredit are often more experienced and have a somewhat higher average utilisation per month than other borrowers. When compared to prospective microcredit borrowers, microcredit borrowers already have a household with somewhat more people who bring in an income and a larger number of children. Regarding demography, what is not mentioned in Table-1 is the fact that each and every responder was either married, divorced, or a widow or widower. In addition, every one of the responders had at least one kid of their own.

Table 2 Effect of Different Income Profiles on the Respondents

Parameters	190 respondents		126 respondents who received microfinance		64 of the respondents who were sanctioned but were yet to be disbursed	
	Number	Percentage	Number	Percentage	Number	Percentage
Agricultural Work	87	45.8%	51	40.5%	36	56.3%
Non-Agricultural	12	6.3%	10	7.9%	2	3.1%

**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

work						
Own Business	11	5.8%	10	7.9%	1	1.6%
Husband's Business	80	42.1%	55	43.7%	25	39.1%

The information presented in Table 2- provides details on the pay gaining characteristics of microcredit borrowers as well as potential microcredit borrowers. The image that emerges will be that prospective microcredit borrowers seem to be, on average, more included in the agricultural sector in comparison to microcredit borrowers. This is the picture that will emerge. On the other hand, it would indicate that borrowers of microcredit are, on average, more likely to be included in the non-agricultural sector. In addition, prospective borrowers of microcredit tend to be less likely to be involved in their own firm, in comparison to the borrowers of microcredit who have already taken out loans.

Table 3 Analysis Of (Sub-Groups) Various Indicators On Respondents

Parameters	190 respondents		126 respondents who received micro credit		64 of the respondents who were accepted for disbursement	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Decision making indicators						
Make a small purchase Without consulting husband	0.25	0.43	0.29	0.46	0.16	0.37

**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

Have a say if she can purchase major goods for the household	0.72	0.45	0.76	0.43	0.64	0.48
Have a say if they can work outside Home	0.11	0.31	0.14	0.35	0.05	0.21
Have a say in using the loan	0.87	0.34	0.90	0.29	0.80	0.41
Have a say in whether or not to send children to school	0.91	0.29	0.97	0.18	0.78	0.42
Ownership indicators Land in own name	0.04	0.20	0.06	0.23	0.02	0.13
Valuable owned jewellery Such as	0.57	0.50	0.59	0.49	0.55	0.50
Have own operated saving account	0.34	0.47	0.50	0.50	0.02	0.13
Voice indicators People in the village listen to ideas and opinions	0.96	0.20	0.98	0.13	0.91	0.29
Comfortable giving opinion to the husband	0.77	0.42	0.82	0.39	0.69	0.47
Mobility indicators Comfortable going local market to the	0.15	0.36	0.17	0.38	0.11	0.31
Comfortable going neighboring Village to the	0.01	0.10	0.02	0.13	0.00	0.00

MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN BIHAR

The supporting indicators uncovered by this research are outlined in Table 4.3 and organised according to the four different categories. The indicators are in relation to the queries that were asked about improving in the survey. In order to be able to quantify the respondent's reasons for these questions, a "YES" is altered to a "1," while a "NO" is transformed into a "0." As a result, a responder who was granted a 1 is seen to have a higher level of engagement than a respondent who was given a 0. The overall picture that emerges is that existing microcredit borrowers are often in a better position to repay their loans than prospective microcredit borrowers. This is shown by a bigger value being placed on each and every strengthening indicator. In a similar vein, the vast majority of existing microcredit borrowers as well as prospective microcredit borrowers have weakening levels in the areas of portability, choosing to work outside the house, and area possession. This research builds a multivariate linear regression model using the ordinary least squares (OLS) approach in order to provide an assessment of the impact that microcredit has on individuals' levels of agency.

CONCLUSIONS

This paper provides an in-depth examination of the myriad of meanings that may be gleaned through doing analysis. The findings have been obtained by the use of qualitative research methods. In this paper, we will explore the results of the aforementioned research study, as well as the consequences of those findings. There are two separate subsections that may be extracted from this paper. In the first part of this article, I will give a study of the consequences that microcredit has on the empowerment of individuals. In the next part, we will examine the impact that microcredit has had on the many aspects of empowerment that were covered previously in this paper. In its most basic form, the OLS model consists of only two variables: the dependent variable, which is called the empowerment index, and the independent variable, which is called the micro credit borrower. Because the empowerment index is a dependent variable, this result is to be expected. During the process of developing the model, the construction of the model was accomplished by systematically including one independent variable at a time. This has been done with the intention of determining what happens to the connection between microcredit and the empowerment of women when extra independent variables are taken into consideration. The general picture that emerges from the OLS data shown in the following table is that there seems to be a considerable favourable impact that microcredit has on the empowerment of women.

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**MICRO FINANCE IN THE EMPLOYMENT GENERATION AMONG THE RURAL SECTOR IN
BIHAR**

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