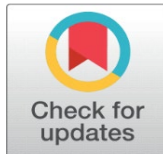


# MICROFINANCE AND RURAL PROSPERITY: A STUDY ON LIVING STANDARD ENHANCEMENT

Dr. Gaurav Arora<sup>1</sup>, Jaimini Sutariya<sup>2</sup>

<sup>1</sup> Research Supervisor Department of commerce and management, Shyam University, Dausa- Rajasthan

<sup>2</sup> Research Scholar Department of commerce and management, Shyam University, Dausa- Rajasthan



## Corresponding Author

Jaimini Sutariya,

[jaiminijs.sutariya99@gmail.com](mailto:jaiminijs.sutariya99@gmail.com)

## DOI

[10.29121/shodhkosh.v5.i4.2024.3828](https://doi.org/10.29121/shodhkosh.v5.i4.2024.3828)

**Funding:** This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

**Copyright:** © 2024 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.



## ABSTRACT

Microfinance institutions (MFIs) have become effective instruments for advancing economic growth, poverty reduction, and financial inclusion. MFIs enable people, especially women, to launch companies, enhance their standard of living, and become financially independent by offering small loans and financial services to underprivileged populations. Financial services like loans, savings accounts, insurance, and training that are given to low-income people or groups without access to traditional banking services are referred to as microfinance. Many people believe it to be an effective instrument for reducing poverty. The foundation of microfinance was the belief that by providing credit and other financial assistance to the poor, they would be able to develop and start making a life, which would help them escape poverty. Microfinance is the most effective tool for the economic empowerment of rural inhabitants and a crucial element in the battle against poverty. The study makes an effort to examine how microfinance affects rural residents' quality of life.

**Keywords:** Microfinance, Rural Development, Financial Inclusion, Microfinance Institutions (MFIs), Rural Prosperity, Women Empowerment, Poverty Alleviation, Standard of Living

## 1. INTRODUCTION

Microfinance is a term for financial services that are offered to individuals of lower socioeconomic backgrounds or those who lack access to traditional financial services. Microfinance includes a number of services, such as savings accounts, checking accounts, fund transfers, micro insurance, and microcredit. Microfinance was initially looked upon as a women empowerment tool, but now it is considered as an important strategy for poverty eradication.

Microfinance originally started with microcredit, which is the practice of providing extremely small loans to those who do not have a steady source of income, collateral, or any credit history. It also aims to support and kick-start entrepreneurs who do not have the financial backing to begin a small business or capitalize on an idea.

Micro-finance is the inclusion of micro-credit, micro savings, and micro-insurance for poor individuals. Micro-credit, being a part of Microfinance, provides small, collateral-free loans to unsalaried borrowers or members of cooperatives who are not able to get access to credit facilities. The terms 'Micro-credit' and 'Micro-finance' tend to use interchangeably to indicate the range of financial services offered specifically to micro-enterprises, poor and low-income households (CGAP website 2010; Brau and Woller 2004).

The Micro finance services have potentially positive impacts on the local economy as well as on the agriculture sector. Small holder farmer's access to the microcredit can increase the productivity of the agriculture and they can improve the food availability.

## 2. LITERATURE REVIEW

**Mayoux (2006)**, argues that the inter linkages between microcredit and women's empowerment are delineated differently by existing paradigms. The financial sustainability paradigm as well as the feminist empowerment paradigm emphasizes women's income-earning activities, whereas the poverty alleviation paradigm emphasizes the effects on household expenditures and particularly the use of loans for consumption purposes. Consequently, in the literature one can identify a wide range of measures that try to capture the effect of microcredit on women's empowerment.

**Anitha and Revenkar (2007)**, observed that the success of these self-help Groups not only improved the economic status of the women concerned, but there was also a drastic change in their social status. SHGs developed human dignity among the poor and women. Women were nobody earlier but somebody now. In the process of rural development SHGs certainly have a future role to play.

**Kumar, Sanu and Newport (2008)**, this study found that Housing Micro-finance was necessary activities which help in completing the housing needs of economically vulnerable people. Before including housing product, Micro-finance Institutions (MFIs) must carefully assess whether they have the technical and management capacity to do so. This paper was presented with the objective of giving a practical knowledge to Micro-finance Institutions (MFIs) in taking the various housing needs, in addition to their Micro-finance services and profiling the clients, inputs about any market study, product design, pricing of the product, loan assessment, operational procedures, affordability of the clients, income assessment, risk coping mechanisms and technical backup guidance. This paper found that MFIs should also ensure that housing Micro-finance should match with their strategy from institutional and financial perspectives.

**Karlan and Zinman (2011)**, who found that microfinance loans used for housing investments have long-term benefits, including greater stability and a higher quality of life for rural families. Improved homes can also serve as collateral for future loans, creating a cycle of economic growth that reinforces rural prosperity.

**Banerjee et al. (2015)**, In *Poor Economics* argue that microfinance enables rural households to better manage healthcare expenses by providing them with a financial cushion. Loans used to cover medical expenses or to pay for health insurance can enhance rural health outcomes, which are crucial for improving overall living standards. These health improvements, in turn, reduce the vulnerability of households to financial shocks, which can be a barrier to escaping poverty.

### Objective of the Study:

1. To examine the concept of microfinance.
2. To examine the impact of Microfinance on standard of living.
3. To examine the role of Microfinance on the Household Facilities of rural people in Bharuch Sub-division (Taluka) of Bharuch District.

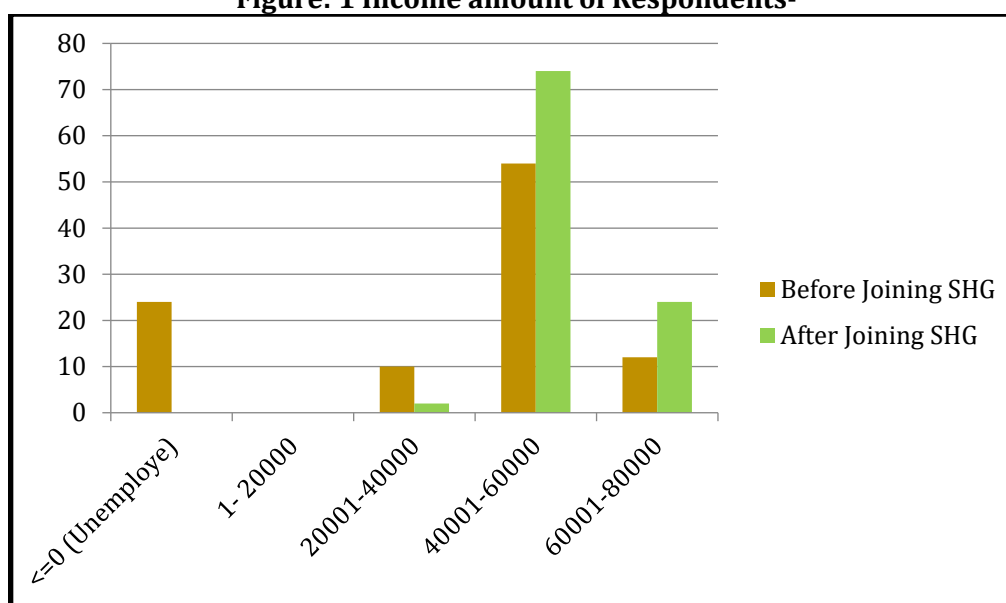
### Methodology:

The research was conducted under descriptive research method. In the light of objectives of the study, a systematic research design was drawn. The relevant data for the study was collect through primary data (Close Ended-Questionnaire) and secondary sources. Sample of 50 beneficiaries of rural area of Bharuch Subdivision (Taluka) of Bharuch District was collected by use of simple random sampling to know the role of microfinance on living standard of rural people. Micro-finance beneficiaries are the member of SHGs (Sakhi Mandal), who have been benefited from the Micro-finance schemes and had received the bank loan.

### Data Interpretation:

#### Income amount of Respondents-

Annual Income Group (Amount in Rs.)	No. of Respondents			
	Before Joining SHG		After Joining SHG	
	Frequency	Percent	Frequency	Percent
<=0 (Unemployed)	12	24.00	0	0.00
1- 20000	0	0.00	0	0.00
20001-40000	5	10.00	1	2.00
40001-60000	27	54.00	37	74.00
60001-80000	6	12.00	12	24.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>50</b>	<b>100.00</b>

**Figure: 1 Income amount of Respondents-**

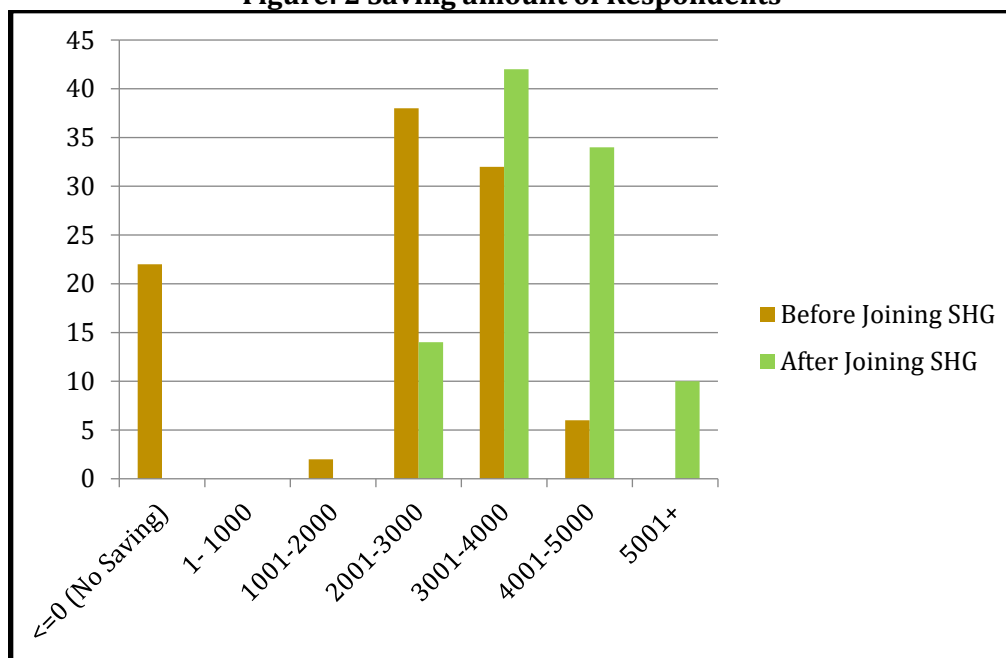
According to the above table, 24.00% of respondents did not have any income since they were unemployed before to joining SHGs; this percentage dropped to 0.0% after joining SHGs. The group of 40001-60000 had the highest percentage of respondents (74.00%) after joining SHG. The group of 60001-80000 had the second highest percentage of respondents (24.00%) after joining SHG.

#### **Saving amount of Respondents-**

Annual Saving Group (Amount in Rs.)	No. of Respondents			
	Before Joining SHG		After Joining SHG	
	Frequency	Percent	Frequency	Percent
<=0 (No Saving)	11	22.00	0	0.00
1- 1000	0	0.00	0	0.00
1001-2000	1	2.00	0	0.00

2001-3000	19	38.00	7	14.00
3001-4000	16	32.00	21	42.00
4001-5000	3	6.00	17	34.00
5001+	0	0.00	5	10.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>50</b>	<b>100.00</b>

Figure: 2 Saving amount of Respondents-

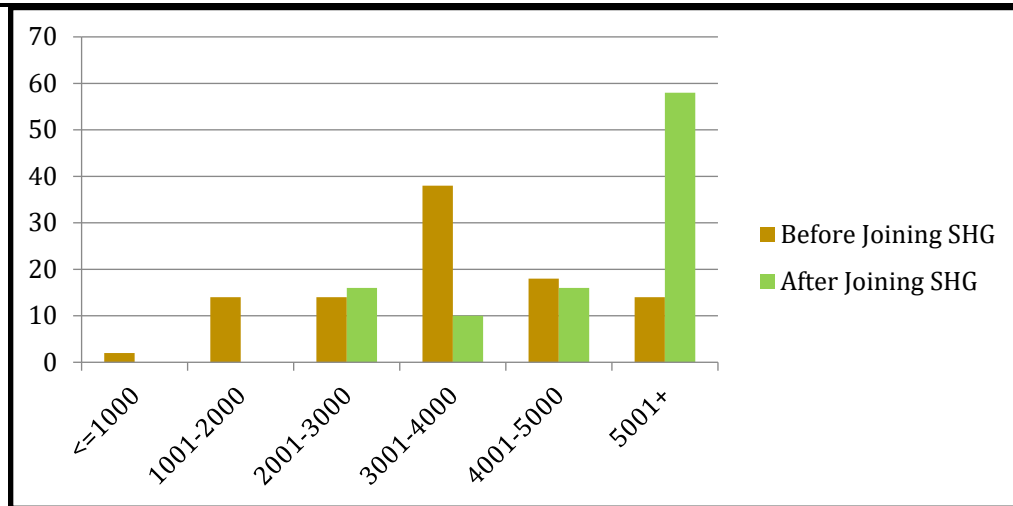


Above figure 2 shows that after joining the SHG the savings of respondents has increased gradually. Before joining the SHG 22.00%, respondents had no savings, but after joining the SHG, this percentage decreased to 0.00%. So, it shows that respondents are now interested in savings because of the increase in their income. Class interval 3001-4000 is increased from 32.00% to 42.00% and 4001-5000 is increased 6.00% to 34.00%.

#### Health Expenses-

Annual Health Expenses Group (Amount in Rs.)	No. of Respondents			
	Before Joining SHG		After Joining SHG	
	Frequency	Percent	Frequency	Percent
<=1000	1	2.00	0	0.00
1001-2000	7	14.00	0	0.00
2001-3000	7	14.00	8	16.00
3001-4000	19	38.00	5	10.00
4001-5000	9	18.00	8	16.00
5001+	7	14.00	29	58.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>50</b>	<b>100.00</b>

Figure: 3 Health Expenses-

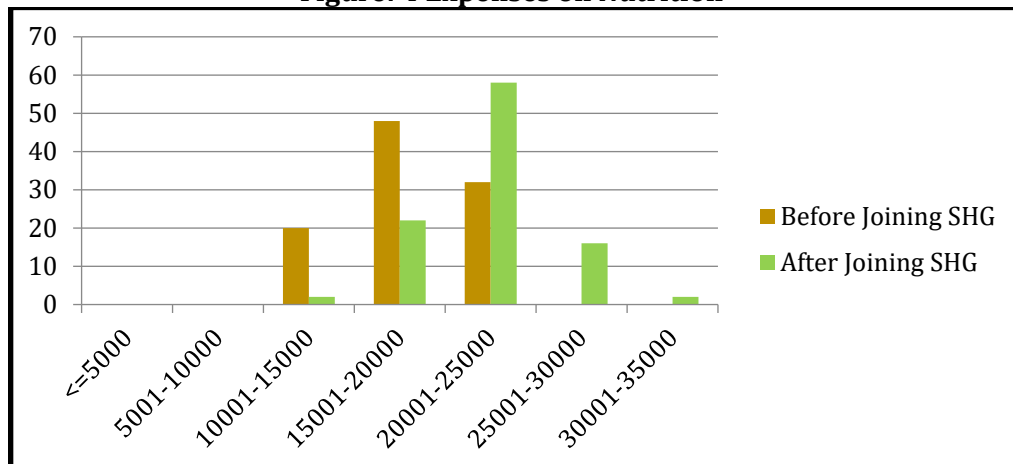


Everyone is aware that health is wealth, and that those who lack funds are unable to utilize medical facilities. Health costs also went up after joining the SHG, and the respondents received quality medical care.

#### Expenses on Nutrition-

Annual Expenses on Nutrition (Amount in Rs.)	No. of Respondents			
	Before Joining SHG		After Joining SHG	
	Frequency	Percent	Frequency	Percent
≤5000	0	0.00	0	0.00
5001-10000	0	0.00	0	0.00
10001-15000	10	20.00	1	2.00
15001-20000	24	48.00	11	22.00
20001-25000	16	32.00	29	58.00
25001-30000	0	0.00	8	16.00
30001-35000	0	0.00	1	2.00
<b>Total</b>	<b>50</b>	<b>100.00</b>	<b>50</b>	<b>100.00</b>

Figure: 4 Expenses on Nutrition-



The above table demonstrates that after joining a SHG, nutrition costs increase. The fundamental necessity of nutrition should always be met. The class interval 20001-25000 is now 58.00% instead of 32.00%. It demonstrated that after joining SHG, the respondents began consuming healthier and better diets than they had previously.

### 3. FINDINGS

- Many Respondents did not have any income because they were unemployed before to joining SHGs, now they are earning from the income generating activities.
- The maximum respondents had no savings, but after joining the SHG, all respondents develop habit of saving. So, it shows that respondents are now interested in savings because of the increase in their income.
- The respondents' living standards have significantly improved over the years. After Joining the SHGs the respondents utilize the better medical facilities compare with the before joining SHGs.
- All respondents use their more income in nutrition cost after joining SHGs. The result shows that the nutrition cost is increased after joining SHGs.

### 4. CONCLUSION

Especially in developing nations, microfinance has become a vital instrument for raising rural residents' standards of living. Microfinance institutions (MFIs) are essential to rural development because they provide financial services including insurance, savings, and microloans to underprivileged rural populations. Microfinance has shown itself to be an effective instrument for raising rural populations' standards of living and boosting rural prosperity. It must, however, be a component of a larger plan that addresses systemic poverty and promotes sustainable development if it is to realize its full potential. When used properly, microfinance may be a powerful tool for promoting empowerment, inclusive growth, and long-term prosperity in rural areas.

### ACKNOWLEDGEMENT

None.

### CONFLICT OF INTERES

None.

### REFERENCES

- Yunus, M. (2003). *Banker to the Poor: Micro-Lending and the Battle Against World Poverty*. Public Affairs.
- Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2015). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. MIT Press.
- Karlan, D., & Zinman, J. (2011). Microfinance in Developing Countries. *Journal of Economic Perspectives*, 25(3), 37-52.
- Kumar T. S. A., Sanu V. P. and Newport J. K. (2008). Operational Guidelines For Sustainable Housing Micro-Finance In India. *International Journal of Housing Markets and Analysis*, 1, 303-312.
- Anita, H.S. and Revenkar, A. D. (2007), "Micro Credit through SHG for Rural Development", *Southern Economist*, Vol. 46, No. 8. pp 31-34.
- Morduch, J., & Armendáriz, B. (2010). *The Economics of Microfinance*. MIT Press.
- Helms, B. (2006). *Access for All: Building Inclusive Financial Systems*. CGAP.
- Christen, R. P., Rosenberg, R., & Jayadeva, V. (2004). "Financial Institutions with a Double Bottom Line: Implications for the Future of Microfinance." CGAP Occasional Paper No. 8.
- Zeller, M., & Meyer, R. L. (2002). *The Triangle of Microfinance: Financial Sustainability, Outreach, and Impact*. International Food Policy Research Institute.
- Harper, M. (2002). "Promoting Microfinance: Lessons Learned from the Self-Employed Women's Association (SEWA)." ITDG Publishing.
- Ghate, P. (2007). *Indian Microfinance: The Challenges of Rapid Growth*. Sage Publications.
- Barua, D. C. (2011). "Innovations in Microfinance: Grameen Shakti and Solar Energy in Bangladesh." Grameen Bank Publications.
- Robinson, M. S. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*. World Bank Publications.
- Suri, T., & Jack, W. (2016). "The Long-Run Poverty and Gender Impacts of Mobile Money." *Science*, 354(6317), 1288-1292.
- Chen, G., Rasmussen, S., & Reille, X. (2017). "Financial Inclusion and Emerging Fintech Innovations." CGAP.
- Gupta, V. (2018). "A Brief Overview of Blockchain Technology in Financial Inclusion." *World Economic Forum*.

- Arner, D. W., Barberis, J., & Buckley, R. P. (2015). "The Evolution of Fintech: A New Post-Crisis Paradigm?" University of Hong Kong Working Paper.
- Reserve Bank of India (RBI). (2011). "Master Circular on Microfinance Activities."
- Dr. Vinod kumar (2009). Micro Finance. University Science Press.
- Kumar A. V. (2009). Banking, Micro Finance and Self-Help Groups (SGHs) In India. New Delhi: New Century Publications.
- Ratnakumar V. F. and Edwinraj D. J. (2009). Cooperatives and Micro Finance (1st ed.). New Delhi: Serials Publications.
- United Nations. (2015). "Transforming Our World: The 2030 Agenda for Sustainable Development." United Nations General Assembly Resolution 70/1.