

Microfinance as a Measure of Poverty Alleviation- A Survey of Longding District of Arunachal Pradesh

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Abstract — The supremacy of microfinance services emerges from the fact that the various financial services and its other allied complementary non-financial activities that the micro financial institutions deliver are friendly and reliable for the poor individuals. Similarly, another significant essence of microfinance institution is that, in the process of delivering microcredit services it is generally the micro finance institutions that reach out towards the door steps of the poor clients, instead of the poor individuals arriving at the gateway of the financial institutions seeking for assistance. The outcome of microfinance services on poverty alleviation has been measured on the basis of multiple dimensions such as increased in income of the family, improvement in the living standards, increase in family expenditures, rise in socio economic status, advancement in children's education etc. Hence, though many studies supported that role of microfinance in achieving the long term goal of poverty alleviation, the main challenge in order to draw a proper conclusion is to obtain reliable data for better analysis and understanding.

Keywords — *Microfinance; Poverty Alleviation; SHG; Rural Development.*

1. Introduction

As a solution to eradicate poverty and empower the women section, the concept of micro financing was initiated in India in the 1980s. However regardless of its strong prospective, the microfinance sector experiences numerous challenges with relate to its accessibility for the rural population. It is a kind of banking services which are aimed at providing to all those individuals who does not have suitable access to other formal banking activities. The targets groups include the unemployed and low income portion of the population. In a country like India, it is not feasible to meet the need of all the banking services only through the formal channels especially in the rural areas, thus the microfinance supporting institutions offers ample access to services such as lending small loans, providing micro insurance products, opening of bank accounts etc in order to provide better financial stability. (Sonakia, 2020)

Being considered as one of the fastest growing countries in the world, the nation's first world economy is conformed to towering standards of global consumptions and this is revealed by the lifestyle and incomes generated in the formal sector. However, in reality the actual income earning capacity of the poor individuals from the informal sectors in the rural regions are very low. In India the level of income is strongly correlated to the socio and economic status of the people whereby the middle and the upper class individuals occupies the formal income from the various formal enterprises while on the other hand the poor and the low income individuals are mainly employed in informal sectors, where there is no regular income sources. Thus the

microfinance paradigm is often considered as an answer for several socio economic inconveniences in India as it is believed that if the poor individuals are provided with the alternate credit sources, they can triumph over poverty by investing in a business enterprise or other income generating activities. (Shastri, 2009).

2. Role of Government in Microfinance

While India is considered as one of the fast growing economies around the world, it is also an undeniable reality that poverty runs deeply all over the country. Being a host for about one third of the total rural population in the world, the need for microfinance in India cannot be overlooked (Verma & Sinha, 2012). Both the central and the local government have the capacity to create a regulatory and legal environment that promotes the entry and competition in the microfinance industry. However, in order to do this, it is essential that the government bodies and the central bank identify and accept microfinance as a genuine financial activity rather than merely considering it as a subsidiary sector within the financial system. Upholding of stability of macroeconomics through a fitting fiscal and monetary policy is another one of the main contributions that the government can formulate for the advancement of microfinance. The governments can also encourage the active involvement of the private sectors in formulating policies for reducing chronic poverty. Such dynamic participation of the private sectors should assist in steadily embedding microfinance within the purview of the financial system. Similarly, the government can also adjust the regulatory frameworks in order to allow the different

types of financial institutions to render micro services to the rural poor (Duflos & Imboden, 2004).

Throughout the years it has also been realized that the access to all the available financial instruments alone are not enough to overcome poverty and that the poor households requires several other supportive non financial services such as trainings and workshop programs in rural areas with regards to nutrition, literacy, hygiene, livelihoods and marketing of their existing businesses, sanitation etc. so as to raise their standards of living (Nayak, 2015).

3. Self Help Group: The Most Widely Accepted Microfinance Model

According to NABARD, Self Help Groups are a group of ten to twenty poor individuals who voluntarily comes together to address their common problems by regularly saving some common funds so as to mobilize their savings and invest them into some micro business enterprises. Likewise, as per the Planning Commission of India, Self Help Groups are self-administered and peer controlled small informal groups of the underprivileged poor individuals who usually belong to identical social economic clusters having thrift savings and credit delivery as the main objective (Feroze & Chauhan, 2011). The monthly savings amount of each member ranges from ₹ ten to ₹ 200 and the records of the minutes of the weekly or monthly meetings are documented for various decision making. Due to the fact that most of the self-help group members are women, the participation level of women groups in the nation's economic development has increased over the years. Consequently, the self-help group models plays a very significant role in alleviating the socio economic restrictions prevailing upon the poor women in the society, which in turn leads to the improvement of women empowerment (Saravanan M. , 2016). In other words a classic SHG comprises of compatible individuals who habitually saves little amounts of money by ensuring lucidity of operations through regular group meetings at a prearranged time and place. Hence, based on the observation of several studies it has been evident that the self-help group bank linkage programme has been the main delivery model through which the formal financial institutions reach out to the poor individuals for the overall development of the country (Rao & Priyadarshini, 2013).

4. Literature Review

Over the years, many scholars have carried out several empirical as well as theoretical studies on microfinance all over the world and a brief review of some of those articles are as follows: (Aji12) Confirms that access and effective provision of microcredit can enable the poor to smooth their consumption, develop their enterprises and gradually

build their assets. It also states that microfinance assist in resource allocation and promotion of market by encouraging financial growth and development.

(Mithilesh Kumar Jha, 2012) Focuses on the role of microfinance self help groups and rural development in developing countries, especially India. It further elucidates the essential ethics and concepts that are relevant to the problems of developing countries. (Ravi, Vikkraman, & Kumaravel, 2012): 'Problems in Availing Microfinance- A Study from India' investigate the problems faced by SHG members and revealed that lack of proper guidance and low level of education are the foremost inconveniences and these could be improved with proper intervention from the government and NGOs, along with simplifying the formalities and by providing the necessary training supports. (Nair, 2018) Connects with very tricky aspects of microfinance using diverse method of enquiry to untangle the working of microfinance within distinct socio spatial and organizational contexts and it further urges that too much attention on standardizing the method of microfinance should not sacrifice the organizational diversity.

(Dey, 2015): 'Challenges & Issues of Microfinance in India' highlights the various challenges and also suggested measures to overcome them. It further discourages the use of microfinance as a temporary or ad-hoc solution. (Saravanan M. , 2016): 'The Impact of SHGs on the socio economic development of rural household' revealed that microfinance is playing a significant role in alleviating poverty and rural development and emphasized that microfinance to the rural areas is a way to raise the income level and improve the living standards and economic independence of the rural women.

5. Brief Profile of Longding district

Longding district is one of the twenty administrative districts of Arunachal Pradesh in Northeastern India. It shares a boundary with Myanmar to the south east, the state of Nagaland to the west and Assam to the north. The district was carved out from Tirap in 2012 and it has a population about sixty thousand and an area size of one thousand two hundred kilometer. The Wancho tribes are the main inhabitant of the district and their social life is governed by the traditional system of chieftainship. The people in the district are mainly farmers who depend on Shifting Cultivation of non-cash crops. Their chief crops are paddy, Maize, millet, tapioca, arum (Kachu) etc. Horticulture and tea gardens are also available in small numbers for local consumption but their production is not sufficient for themselves and hence the people mainly depend on public distribution system supply. The people of the district are good craftsmen and weavers. The wooden

crafts and beads jewelry of the people are in high demand and popular in the market. Thus, though the place is gifted with natural forest, the people in the district are deprived of various basic facilities like proper education, basic health facilities. It is one of the most backward districts of the state and hence the level of microfinance among the rural population is weak. Hence, it is necessary that a proper research is conducted in the area in order to enlighten the people and assist them in mitigating poverty and improve their living standard.

6. Significance of the Study

Microfinance plays a crucial role in the growth of a country's economy as it has helped numerous underprivileged poor individuals to realize their fundamental requirements and safeguard them from various future financial risks. In the modern years it has become a well-accepted paradigm all over the world by creating a phenomenal impact on the existence of the rural poor as it provides adequate timely credit to the poor individuals who are in need of it. In such a scenario, microfinance service is considered as an effective weapon for the government bodies to conquer the never-ending ailment of poverty and unemployment (Mazeed & Dalpadal, 2019). Thus, in a country like India where the economic development of the country is dependent upon the progress of the numerous villages located in the rural areas, It is essential that a proper and thorough research study is conducted on the topic of microfinance in order to gain better understanding about the various problems and challenges encountered by the poor individuals in the rural region.

7. Objectives of the study

The present study is a humble attempt to find out the correlation between microfinance services and uplifting rural population. Few of the key objectives are:

- To identify the problems and challenges encounter by the rural poor in availing microfinance.
- To assess the satisfaction level of microfinance service beneficiaries in the district.
- To evaluate the positive and negative impact of microfinance on the living standard of the people.

8. Methodology

The study is mainly based on the primary data collected through survey and personal interviews. For accessing the role of microfinance in the area, specific interview schedule was prepared and the data were gathered from 35 respondents from different villages under Longding district of Arunachal Pradesh. In order to better understand its impact on the people, several secondary data

were also referred from several sources like annual statements, reports, books & research journals etc.

9. Major Findings

Through the survey and interviews, the researcher attempt to fulfill the objectives of the study by collecting primary data from the respondents. The major findings are shown below in the tables:

Table 1: Demographic profile of the respondents

Factors	Classifications	No. of respondents	Percentage
Age	20-40	12	34.29
	40-60	17	48.57
	Above 60	06	17.14
	Total	35	100.00
Gender	Female	31	88.57
	Male	04	11.43
	Total	35	100.00
Marital Status	Single	03	8.57
	Married	23	65.71
	Divorce	01	2.86
	Widow/Widower	08	22.86
	Total	35	100.00
Educational qualification	Illiterate	20	57.14
	HSLC	07	20
	HSSLC	06	17.14
	Graduation	02	5.71
	Total	35	100.00
Types of family	Nuclear family	32	91.43
	Joint family	03	8.57
	Total	35	100.00
Family size	1-3 members	07	20
	4-6 members	11	31.43
	7-10 members	17	48.57
	Total	35	100.00
Types of house	Kaccha	25	71.43
	Pakka	02	5.71
	Semi Pakka	08	22.86
	Rented		
	Total	35	100.00
Occupation Status	Agriculture	26	74.29
	Business	06	17.14
	Labour	03	8.57
	Others		
	Total	35	100.00
Household facilities	Electricity	35	*All the 35 household have electricity connection
	Cooking gas	19	
	Water supply	07	
	Two wheelers	11	
	Four wheelers	02	
Ration Card	AAY	10	28.57
	BPL	23	65.71
	APL	02	5.71
	Total	35	100.00

Source: (Field, Survey)

- The age wise distribution of the respondents shows that, mostly people around the age of 40- 60 are more active in microfinance activities, as they contribute to nearly 50 per cent of the total respondents, which is followed by individuals around the age group of 20-40. While, it is evident that old aged people who are above the age of 60 are not as lively, since the data shows that they constitute only 17 per cent of the total respondents.
- Further, it is seen that female dominates the microfinance market as shown in the data collected that almost 90 per cent of the respondents are female individuals and only around 10 per cent are male beneficiaries.
- On the marital status, more than 65 per cent of the respondents are married while around 20 per cent of them are either widow or widower.
- On the education classification, it has been confirmed that almost 60 per cent of the respondents belong to the illiterate group, while another 35 per cent of them belongs to the category of HSLC or HSSLC. While only 2 of the respondents were graduate.
- It has been revealed that more than 70 per cent of the respondents reside in a bamboo made house and around 20 per cent of them lives in a semi kaccha house while only two respondents agreed to live in a concrete house.
- More than 90 per cent of the sample respondents belong to a nuclear family and only 8 per cent lives in a joint family.
- Considering the parameters of occupation, it is visible that almost 75 per cent of the respondents are engaged in agriculture and its allied activities, while 17 per cent deals in businesses and around 9 per cent of the respondents occupy other activities.
- Further, while attempting to find the various household assets possessed by the respondents, it is observed that all the 35 households have electricity connectivity, 19 of them owning cooking gases, 11 individuals who owns two wheelers and two of the respondents who possesses four wheelers.

Table 2: Economic aspect of the respondents

Factors	Classifications	No. of respondents	Percentage
Member of SHGs	Yes	28	80
	No	07	20
	Total	35	100.00
Annual Income	Less than 20000	05	14.29
	20000-50000	19	54.29
	50000-100000	08	22.86
	Above 100000	03	8.57
	Total	35	100.00
Annual Expenditure	Less than 20000	03	8.57
	20000-50000	24	68.57
	50000-100000	06	17.14
	Above 100000	02	5.71
	Total	35	100.00

Level of awareness	Full knowledge		
	No knowledge	03	8.57
	Brief idea	32	91.43
	Total	35	100.00
Amount of microcredit	10000-20000	11	31.43
	20000-30000	22	62.86
	30000-40000	02	5.71
	More than 40000		
	Total	35	100.00
Duration of microcredit	Less than 1 year	31	88.57
	1-2 years	04	11.43
	2-3 years		
	More than 3 years		
	Total	35	100.00
Sources of microfinance	SHGs	30	85.71
	Friends/relatives	05	14.29
	Banks		
	NGOs		
	Total	35	100.00
Purpose of credit	Business	06	17.14
	Consumption	11	31.43
	Education	13	37.14
	Health	02	5.71
	Others	03	8.57
	Total	35	100.00
Nature of Business	Agriculture		
	Handicraft	01	16.67
	Shops	05	83.33
	Total	06	100.00
Initial Investment	10000-20000	01	16.67
	20000-40000	02	33.33
	40000-100000	03	50
	Above 100000		
	Total	06	100.00
Current Capital	10000-20000	01	16.67
	20000-40000	01	16.67
	40000-100000	04	66.67
	Above 100000		
	Total	06	100.00
Profit/loss Amount	5000-10000 (P)	01	16.67
	5000-10000 (L)		
	10000-20000 (P)	05	83.33
	10000-20000 (L)		
	Total	06	100.00
Positive/Negative changes in life	Positive	20	57.14
	Negative	05	14.29
	No changes	10	28.57
	Total	35	100.00
Satisfaction level	Very satisfied	07	20
	Not satisfied	06	17.14
	Somehow satisfied	22	62.86
	Total	35	100.00

Source: (Field, Survey)

While trying to access the economic aspects of the respondents, some of the important factors that were surveyed and found are:

- Almost 80 per cent of the respondents are self-help group members and it is through SHGs that most of them have some knowledge about the microfinance facilities. Only 20 per cent of them are non SHG members.
- Since most of them belong to AAY and BPL category, 54 per cent of the respondents have an average annual income of twenty thousand to fifty thousand. Likewise, there were 8 respondents with an average annual income between 50 thousand to one lakh. Only around 9 percent of the sample respondents had an income above one lakh and another 14 per cent of them with less than 20000 as annual income.
- Similarly, on the basis of annual expenditure, it is seen that almost 70 per cent of the respondents spend twenty to fifty thousand annually. While another 17 per cent who has an annual expenditure of fifty thousand to one lakh. Whereas 8 per cent of them spend less than 20000 and only two respondents had an average expenditure more than one lakh.
- With regards to the level of understanding about the microfinance services amongst the respondents, it is evident that more than 90 per cent of the respondents have some brief knowledge while three respondents had no idea about the concept and sadly, none of the respondents are certain about having complete knowledge.
- The table further presents details about the amount of credit that is usually available to the people. Around 63 per cent of the respondents undertake loans amounting from twenty to thirty thousand. While around 30 per cent of the respondents have taken loan between ten thousand to twenty thousand and only two of them has taken loan above thirty thousand.
- Nearly 90 per cent of the respondents have availed loans for a period of less than one year while another 10 per cent has undertaken credit for the period of 1-2 years.
- Regarding the source of microfinance available, it is seen that more than 85 per cent have SHGs as the main source of credit while the other 15 per cent availed loans either from friends or relatives.
- Further on the basis of the purpose for which the loan was availed, it is seen that, almost 40 per cent of the respondents have undertaken loans for their children's education while another 30 per cent for consumption purpose and only around 20 per cent of them has availed loans for the purpose of business, health and others.
- Out of the 6 respondents who have undertaken loans for the purpose of business, 5 of them deal in shops while one of them deals in handicraft.
- The initial investments of the business is around ten thousand to one lakh, where three responds had an initial investment around ten to forty thousand, while another three respondents had an investment of more than forty thousand but less than one lakh.
- The current capital of those 6 businesses holdings, three respondents who has a current capital of ten to forty thousand and four respondents with a current capital of more than forty thousand but less than one lakh.
- Five business holdings have reported to earn a profit of around ten to twenty thousand, while one of them earning five to ten thousand annually. There were no respondents who have incurred losses in the business.
- On accessing the impact on the live style, it is found that 20 respondents have had a positive impact, while 10 of them confirm to have no changes and other 5 of them who had a negative impact after availing loans.
- Further, the survey revealed that 22 of the responds are somehow satisfied with the microfinance facilities and 7 of them are very satisfied and the rest of the 6 respondents are uncertain about their satisfaction level.

Table 3: Problems and challenges encountered while availing microfinance

Sl. No	Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	Understanding the agreement		07(20%)	05(14%)	19(54%)	04(11%)	35
2	Lack of knowledge	02(6%)	15(42%)	03(9%)	13(37%)	02(6%)	35
3	Delay in processing loans			03(9%)	10(29%)	22(63%)	35
4	Time consuming process			18(51%)	02(5%)	15(43%)	35
5	Expensive			10(29%)	04(11%)	21(60%)	35
6	High rate of interest			05(14%)	03(9%)	27(77%)	35

The table number 3 depicts the various problems and challenges faced by the respondents while availing microfinance and through the survey it can be interpreted

as follows:

1. 65 per cent of the respondents disagrees that understanding the loan agreement is part of the

problems encountered by them. While 20 per cent of the respondents reported to have problems with the understanding of loan agreements. Further 14 per cent of them are uncertain about their decision.

2. While considering lack of knowledge as the problem, it was seen that 48 per cent of the respondents agree or strongly agree it as a main problem, while 43 per cent of them disagree or strongly disagree and the remaining 9 per cent of the respondents remained neutral towards the parameter.

3. Further, it is evident that processing of loan does not act as a major problem, since more than 60 per cent of the respondents strongly disagree and another 29 per cent disagrees to it, while 9 per cent are uncertain about their decision.
4. Likewise, Time consuming, expensive or high rate of interest does not seem to be a serious challenge as per the response.

Table 4: The satisfaction level of the respondents

Sl. No	Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	Easy accessibility	05(14%)	19(54%)	05(14%)	04(11%)	02(6%)	35
2	Easy application process	13(37%)	17(49%)	04(11%)	01(3%)		35
3	Behavior of staff members	07(20%)	12(34%)	10(29%)	06(17%)		35
4	Satisfactory amount of credit	03(9%)	22(63%)	03(9%)	07(20%)		35
5	Rate of interest		16(46%)	07(20%)	08(23%)	04(11%)	35
6	Time duration for re payment	03(9%)	24(69%)	05(14%)	03(9%)		35
7	Penalty in case of Non payment	07(20%)	11(31%)	10(29%)	07(20%)		35

In this table, the satisfaction levels of the respondents are being identified and the findings are as follows:

1. Most of the respondents i.e. around 70 per cent of them are either strongly agreed or agreed that they are satisfied with the easy accessibility of microfinance.
2. Secondly, almost 90 per cent of the respondents find the credit availing process satisfactory and only one respondent disagreed with the statement.
3. With regards the friendly behavior of the staff members, it is seen that 54 percent of the respondents are happy and satisfied. However, 17 per cent of them had some unpleasant experience and 29 per cent of the respondents could not make a decision on their satisfaction level.

4. Similarly, 72 per cent of the sample respondents are satisfied with the amount of credit that are available to them and only 20 per cent of them disagrees with the statement.
5. Further, with regards to the rate of interest 66 per cent of them are satisfied while there were 23 per cent who could not decide and another 11 percent who were not satisfied with the prevailing interest rate.
6. In connection to the time duration and penalty in case of nonpayment, most of the sample respondents are satisfied as they believe that the time period given to them for repayment is sufficient and the penalty charge is acceptable.

Table 5: The economic changes among the respondents after availing microfinance

Sl. No	Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	Money to fulfil basic needs	03(9%)	18(51%)	05(14%)	09(26%)		35
2	Improvement in annual income	02(6%)	07(20%)	11(31%)	11(31%)	4(11%)	35
3	Increase in expenditure	03(9%)	4(11%)	08(23%)	17(49%)	03(9%)	35
4	Improvement in savings	07(20%)	08(23%)	06(17%)	10(29%)	04(11%)	35
5	Quality of housing	04(11%)	17(49%)	07(20%)	08(23%)		35

Through this table, the researcher made an attempt to find out the positive and negative financial changes that the respondents experience before and after availing microfinance. So, based on the parameters the following are the major findings:

1. Money to fulfill basic needs: Post microfinance, it is seen that 60 percent of the respondents strongly agree to have a satisfactory amount of money for basic needs

and only 26 percent of the respondents did not agree positively with the statement.

2. Improvement in annual income: After the microfinance credit, only 11 per cent strongly disagree with the statement while 26 per cent of the respondents strongly agree or agrees with the statement.
3. Increase in expenditure: It has been observed that there has been a very small changes in the expenditure aspect, however on the positive view, there are 20 per cent of

the respondents who have an improved expenditure after availing microfinance and 9 per cent strongly disagrees to the statement.

4. Improvement in savings: Likewise, in the post microfinance, out of the 35 respondents, it is observed

that 43 percent of them have an improved savings while only 40 percent has an unaffected condition.

5. Quality of housing: It is observed that the quality of housing has improved in the post microfinance era as more than 60 per cent of the respondents have agreed to have a positive change after availing the credits.

Table 6: The changes in human capital of the respondents after availing microfinance

Sl. No	Parameters	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	Children’s education	10(29%)	08(23%)	12(34%)	05(14%)		35
2	Improvement in daily diets		10(29%)	17(49%)	8(23%)		35
3	Personal health care		06(17%)	10(29%)	10(29%)	09(26%)	35
4	Family members health		9(26%)	03(9%)	12(34%)	11(31%)	35

This table the satisfaction levels of the respondents in terms of human capital changes after availing microfinance as compared to pre microfinance period:

1. Children’s education: After availing microfinance service, more than 50 per cent of them strongly agreed or agreed to have a positive change in their children education by being financially stable. And only 14% disagreed to it.
2. Improvement in daily diets: Likewise, there have been some positive changes in the family diets as 29 percent of the respondents agreed to the statement while 49 percent remained neutral and there were no respondents who strongly disagreed with the statement.
3. Healthcare: Further, a good percentage of the respondents agreed to the fact that there have been some decent improvements in the healthcare aspect in the post microfinance period.

10. Limitations of the Study

Time and finance act as one of the main limitations of the study. Due to the lack of time and money, the researcher could not interview each and every corner of the state. Further another setback of the study is the fact that most of the respondents were illiterate and interacting with them through a common language was difficult and the analyses were drawn based on the same. Hence, there may be some unintentional variation in the interpretation of the surveyed data.

11. Conclusion

The research study presented in this article focuses only on specific geographical locations, or small beneficiary groups, which makes it complex to generalize and conclude on the effective operations of the microfinance approach as a tool for poverty reduction in the whole district or state. Only thirty five respondents have been taken for the

purpose of this study and hence it is not a complete representation. Likewise the study failed to focus on the importance of training and workshops which could act as an important aspect of any study which is based on the impact of microfinance. For further research, the researcher can focus on the life style of the respondents prior to availing microfinance services, so as to draw proper conclusion on the impact of microfinance on people. Similarly, it is advisable to the researcher to interview the beneficiaries of SHGs and other sources different so that the effectiveness of different sources of delivering microfinance can be compared and adopted accordingly. Further, if time and money permits, it is best that the researcher collect data from as many respondents as possible so as to draw a well convincing result of the study. Based on the present study we can draw a conclusion that in Longding district, SHG form of delivering microfinance is the most effective source and that many people are not aware about the other sources of availing credits. In case of impact on business holdings it is observed that most of them have experience positively and only few have been affected in a negative manner. Hence to conclude it can be sum up that microfinance has act as an alternative source of rural credit and with proper training and interventions from government and NGOs, the impact can be further improved in future.

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