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A Study on Microfinance among Rural People of Kamrup (R) District of Assam

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Abstract:

The history of micro-finance can be traced back to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way of getting the people out of poverty. On the other hand, Friedrich Wilhelm Raiffeisen also founded the first cooperative lending banks to support farmers in rural Germany. The formal concept of micro finance is the brain-child of Nobel Laureate Prof. Muhammad Yunus of Bangladesh Grameen Bank way back in 1976. Since then microfinance has been developed as an alternative credit delivery system, which caters to the needs of the poor locally involving them in the system itself. It has been in practice in varying forms in different countries and is regarded as an important tool for economic empowerment. According to World Bank estimates, there are over 500 million people who have directly or indirectly benefited from microfinance-related operations. The Asian Development Bank (ADB) has defined microfinance as follows: "The provision of a broad range of financial services such as deposits, loans, payment service, money transfers and insurance to poor and low income households and their micro enterprises." Micro finance has been envisaged as the new development paradigm for alleviating poverty through social and economic development of the poor. The role of micro finance institutions in bringing about inclusive growth is immense. Microfinance is an intervention parameter to ensure micro outreach and deep penetration which ensures a step towards empowerment of marginalized section of the society. It seeks to provide services of high quality, at affordable prices, in convenient locations, and with dignity. This in turn helps in promoting economic development, employment and growth by reducing the level of poverty in the country.

Keywords: micro-finance, Bangladesh Grameen Bank, important tool, economic empowerment, empowerment of marginalized section of the society

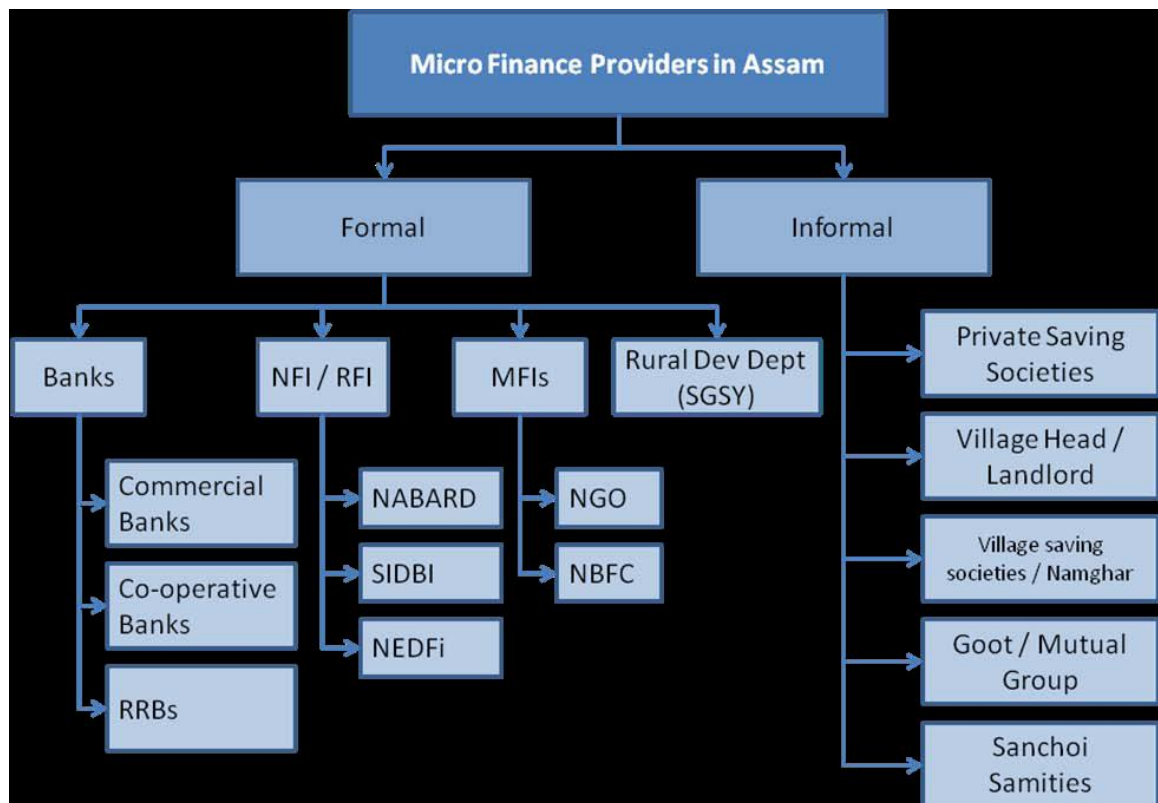
Introduction: Microfinance is a kind of banking service that is provided to jobless or low-income persons or groups who would have no other means of fast financial services. Microfinance is an useful tool for poverty lessening and humanizing socio- economic status of rural people. It plays a major role in rural development. Microfinance is the provision of

financial services to low income customers; solidarity lending groups and self-employed who traditionally lack access to banking and related services. Microfinance also plays a significant role in improving the small entrepreneur's lives and secures a better prospect. Microfinance can be an extremely helpful force on the economic development of persons, communities, and the nations in which they be present. It is believed by many that by offering credit and reserves opportunities to members of the general public to whom these services are not regularly available. Microfinance institutions can facilitate the economic growth of these individuals to help them to significantly improve their standards of livelihood. In areas of the world where many do not readily have access to banking services, the presence of microfinance institutions can be an extremely important force in narrowing the gap between the rich and the poor. Microfinance helps to reduce the employment problem in the country and also helps to get rid of poverty in the country. Microfinance aims to inspire private enterprise among those who suffer from poverty to self-employment and develop that small business and improve their status and social life and thus improve the status of their families and their children in term of standard of living on the one hand and level of access to social service on the other. Microfinance is the condition of financial services such as loans, savings, insurance, and training to people living in poverty. It is one of the great success stories inside the developing world in the last 30 years and is widely recognized as a just and sustainable solution in alleviating global poverty. The industry began by providing small loans to rising entrepreneurs to start or expand businesses. Opportunity International was one of the first nonprofit organizations to recognize the benefits of providing capital to people struggling to work their way out of poverty. Over the years, with Opportunity leading the way, the microfinance sector has expanded its financial service offerings to better meet client needs. Next to is with providing more flexible loan products and business and personal development training, Opportunity offers savings and insurance to help clients effectively navigate the daily hardships they face. Without these services, clients are continually at risk of slipping back into poverty because of unforeseen circumstances.

Microfinance has become a household name as a result of the benefits accrued by the poor from its services (Microfinance India – State of the Sector Report, 2009). It has evolved from cooperative saving societies to a rapidly growing formal sector. The North Eastern Region (NER) of India poses an interesting case for the study of Indian microfinance. The region's unusual topography, low population, low level of commercialization and infrastructure, transport, communication and power bottlenecks have restricted in reaching and spreading of financial services to the poor (Nair, 2010-11). As a result, formal microfinance initiatives began later in NER than the rest of the country.

Kamrup Rural population constituted 4.87 percent of total Assam population. In the demographic pattern of the Kamrup district is a heterogeneous one. Various ethnic groups like the Koch-Rajbongshi, Kalitas, Brahmins, Gosains, Rabhas, Boros, Garos, Hajongs, religious and linguistic minorities i.e. Muslim and both Hindu and Muslim Bangalies etc.

are the main ethnic groups that inhabit in the district All these different ethnic groups subscribe to different religious faith viz. Hinduism, Christianity, Islamic and Budhism etc.



Source: www.xifmr.com

Literature Review:

Faheem Gul Gilal cited on his study 'Perception toward microfinance' that there is surprising clash do exist in urban and rural people's mind share: what they perceived is amazingly opposite to reality. Rural people have perception that they are taking loan more as compare to urban people but in reality it's erroneous. On the other hands urban people have perception that they are not taking loan as compare to rural people but in reality urban people are taking much more loan than rural people. There is also vast perception gap existing in urban and rural people about microfinance loan usage. Urban people get loan for pure intention to invest in business activities and personal use whereas rural people get loan for the purpose of using in agricultural activities and most importantly rural people never take microfinance loan for personal use.

Perceptions of Microfinance in Cameroon: A Case Study of UNICS, Yaoundé, Ian Long *SIT Study Abroad*(2009) the project focuses on the ways in which these perceptions affect
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the institutions, the actions of the institutions amidst and in response to these perceptions, and to what extent these actions have a positive effect on the community and the firms themselves. Perceptions and opinions of microfinance in Cameroon tend to be positive on the whole. It is generally believed that microfinance is a force that greatly aids in the development of the country and in the alleviation of poverty. This generally held positive perception without a doubt has aided in the rapid growth in size and in number of microfinance institutions experienced since the early 1990s.

From both the study we can arrive in a conclusion that perception toward microfinance lead to growth of the microfinance institution and ultimately lead to development of the country. So it is the time to study the perception toward microfinance among the rural people and what they expect from a good microfinance scheme. If perception is not matching with the reality (what actually the microfinance policy is) microfinance institution should go for training programme among rural people so that their mindset towards microfinance facility changed. The microfinance sector has made remarkable strides in India over the years. Microfinance has become a household name as a result of the benefits accrued by the poor from its services (Microfinance India – State of the Sector Report, 2009). It has evolved from cooperative saving societies to a rapidly growing formal sector. The North Eastern Region (NER) of India poses an interesting case for the study of Indian microfinance. The region's unusual topography, low population, low level of commercialization and infrastructure, transport, communication and power bottlenecks have restricted in reaching and spreading of financial services (Nair, 2010-11). As a result, formal microfinance initiatives began later in NER than the rest of the country. Now my objectives of conducting this research is to know the perception of the people about Microfinance Institution in Kamrup rural district and what factors motivate and discourage them as well.

Objectives of the Study:

1. To find out perception of rural people (of Kamrup rural district) towards microfinance
2. To find out the extent of significance of microfinance in rural development.

Limitation of the Study:

1. Study time was very short so that sample size also very small size. It is difficult to represent a very huge population with a small size population so it may not be generalizable to Kamrup rural district as a whole.
2. Respondent were not so much cooperative. They thought that I am going to give them loan. So it was difficult to confiscate their misconception.

Scope of the Study:

1. Researchers can use the findings of this study for their farther research.
2. Microfinance organization can make their policy based on this study.

Methodology of the Study:

Research Design: Descriptive and analytical

Sample Definition: Sample are taken from Rural people of Kamrup rural district. Probability sampling method is used in this study. So anyone of Kamrup rural district can be a sample for the study. The target population of this research that was sample is the microfinance existing customers as well as potential customers, who are living in kamrup rural district. Same number of male and female respondent from target population were taken for the study.

Sources of Data: There are two sources of data collection.

Primery Source: Structured questionnaire is prepared to get first hand information and distributed among the rural people of Kamrup rural district.

Secondary source: Books, magazine and internet are used for this study purpose.

Research plan:

Sample element: Rural people of Kamrup district.

Sample Size: Sample size is 30.

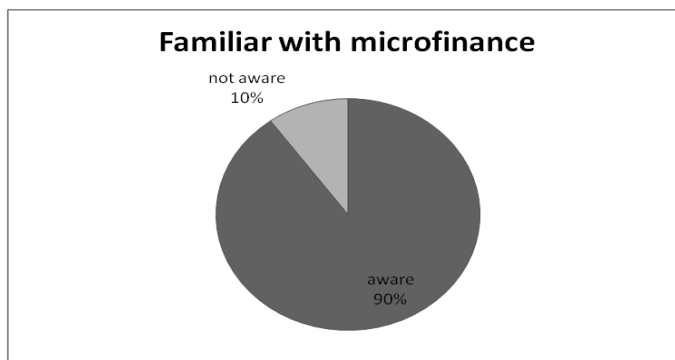
Sampling Frame: Within the people of Kamrup rural district

Sampling technique: Probability sampling technique was used.

Data Analysis and Interpretation:

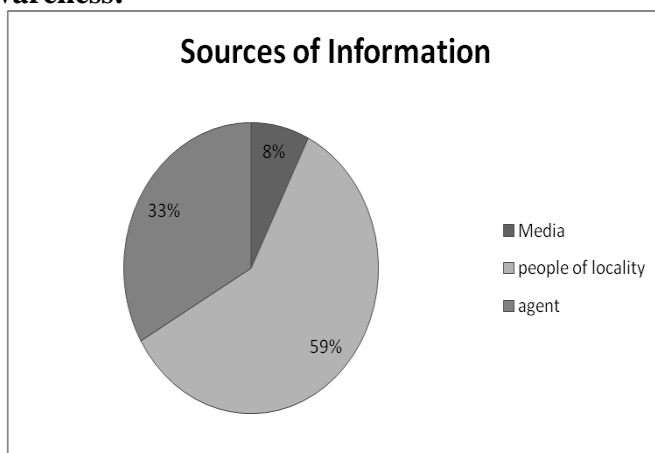
Questions Relating To Perception of Micro Finance Institutions:

1. Awareness about Microfinance



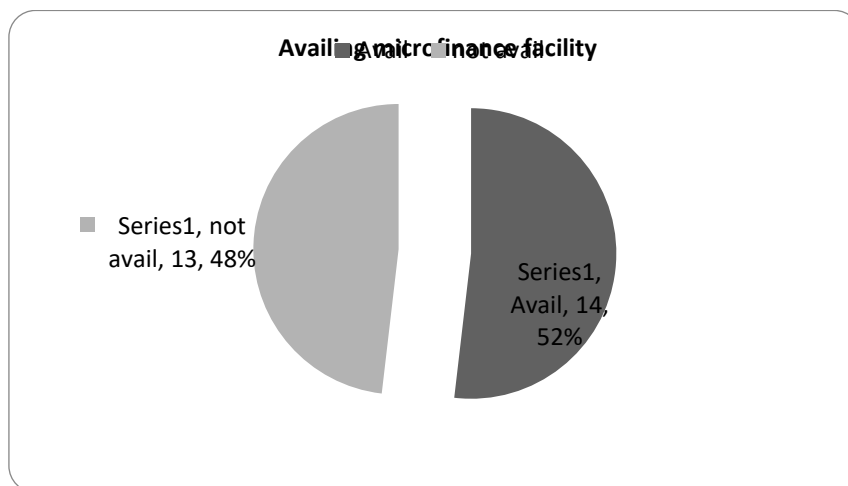
Total number of respondent were 30. Out of 30 population size 3 that is 10% people of Kamrup rural district are not aware of microfinance facility. 90% people of Kamrup rural district are aware about microfinance facility. During the survey people of Kamrup rural district were asked about their knowledge regarding microfinance facility. The reasons behind the poor information about microfinance is microfinance scheme

2. Sources of Awareness:



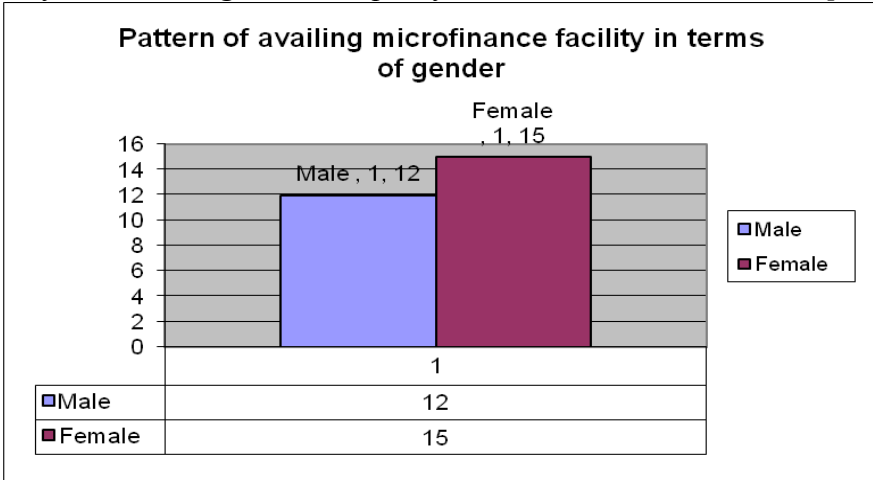
59% of aware people of kamrup rural district know about microfinance from people of their locality, 33% from agent of microfinance scheme and only 8% people of kamrup rural district come to know about microfinance from media.

3. Availing the Microfainance facility



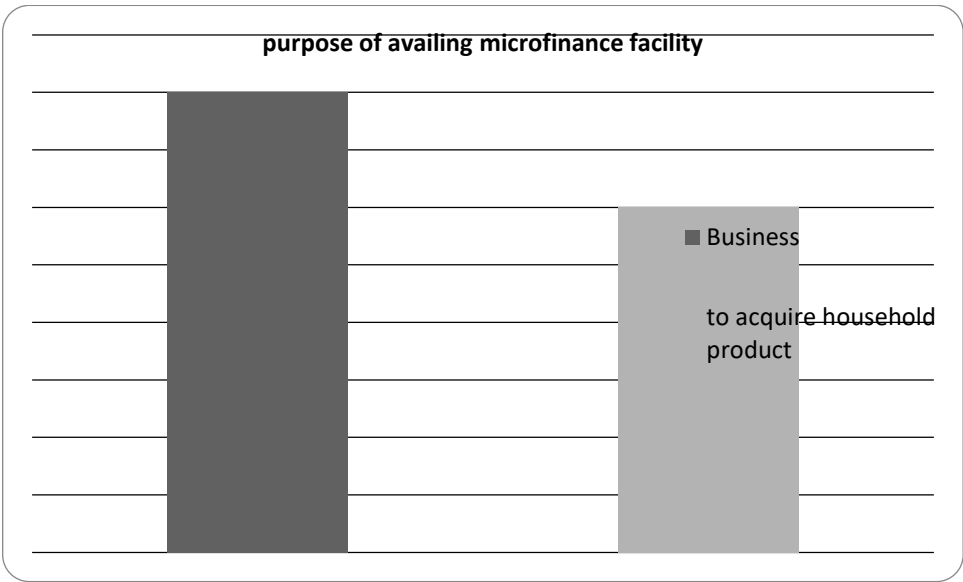
52% of that aware people avail microfinance facility but 48% do not avail microfinance facility. During the time of investigation it was asked why they are not availing that facility then most of them replied that loan amount is very less and they have to return it weekly basis. So it is not possible for them that in every week they would go and spend so much time for return of the loan premium.

4. Pattern of Availing microfinance facility :



Most of the female of the rural people of Kamrup rural district avail microfinance facility to do small enterprise. Some of them are availing this facility to help their companion in their business.

5. Purpose of availing microfinance facility:



Most of the people of Kamrup rural district are availing microfinance facility for business purpose others are for purchase of household product.

Purchase

Findings:

1. Most of the rural people are aware about microfinance scheme. Only 10% of sample size are not aware microfinance scheme.

2. People of Kamrup rural district come to know about microfinance from people of their locality, agent and through media.
3. Most of the rural people of Kamrup rural district are availing the microfinance facility. Others who are not availing, because of microfinance scheme policy and loan amount is very low.
4. Female are availing the microfinance facility more than male people of Kamrup rural district. Some of the female employees are availing this facility for helping their husbands.
5. People are availing microfinance facility mainly for business or to open small business enterprises (purchase sewing machine, open shop, farming etc) .Others are availing for purchase of household product.
6. Some of the rural people of Kamrup rural district thinks that what microfinance organization are doing here only for getting profit from rural people. So they are not interested to avail that facility and they also recommend others not to avail microfinance facility.
7. People of Kamrup rural district don't know about microfinance scheme's objective and mission that is rural development.
8. Most of the rural people of Kamrup rural district prefer informal microfinance saving societies. According to respondent informal saving societies are easily available.
9. Interest rate is high according to respondent so that some rural people are not availing the microfinance loan facility.

Recommendation:

1. Microfinance should be accessible for the microfinance seekers which would lead to the growth of micro and small business enterprises.
2. It is suggested that the awareness programs should be conducted in rural areas so that perception of rural people towards microfinance is changed. It is suggested that the awareness programs should be conducted in each educational institution to explain the benefits of microfinance.
3. It is also suggested that microfinance organization must make such a satisfaction so that it become trustful among people of Kamrup rural district.

Conclusion: Microfinance facility is very vital in rural development so people of rural area should aware its significant role in rural development. Proper information about microfinance should clearly intimate among rural people so that they can easily avail the facility which lead to rural development. It is very much important to know the ways and means of getting microfinance loans for small business entrepreneurs to improve their standard of life.

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