

Status of Microfinance Outreach In Indian State of Uttar Pradesh

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ABSTRACT

Developing economies worldwide are challenged with concerns of poverty, financial exclusion, gender inequality, income disparities and women empowerment that remains unsettled to present day. India with idea of improving on poverty, financial inclusion, empowering women India is committed to provide for financial assistance to far-flung regions that remained out of the purview of commercial banks. Microfinance has undeniably a crucial tool for poverty reduction to poorest strata of society. This paper aims to study outreach of microfinance in Indian state of Uttar Pradesh. With the objective of studying outreach the study aims to explore how effectively microfinance is reaching to target population. The three dimensions depth, breadth, and length are used to study outreach holistically. Depth studies number of rural population microfinance is serving. Breadth signifies microfinance beneficiaries below poverty line and length studies number of loan cycles by beneficiaries. The paper studies the objective through primary data survey method where 266 rural women were interviewed using schedule and further the analysis was conducted using percentage analysis for demographic profile of the respondents and chi square test to test the hypothesis. The analysis interpretation states microfinance is reaching to large number of poor household but not significantly to rural women below poverty line and the length of association with microfinance is low there are few numbers of cycles of loans and has no relationship with poverty.

Keywords: Financial Inclusion, Microfinance, Micro Finance Institutions (MFIs), Micro Credit, Outreach, Poverty, Self Help Groups (SHGs).

INTRODUCTION:

World population of nearly 1.7 billion rounds off to total one third of world population adults are presently financially excluded, reports data from (World Bank's Global Findex). Out of the total financially excluded population half of them account of women, result in increasing the gender gap which is a huge cost for developing economies of the world. Warranting financial inclusion gap World Bank identify as 7th sustainable development Goal. When targeting financial inclusion, gender equality, women empowerment and poverty, microfinance institutions have been identified as substantial tool for improving the status of population below poverty line.

Microfinance mechanism in eradicating poverty, improving the status of under privileged women has an undeniable poverty reducing effects. Identifying the need of the mechanism it is observed microfinance industry is witnessing the progress worldwide showing an average growth of 9% reports Microfinance barometer (2018). Where as India experience the major presence of microfinance being the top borrowers with annual growth rate of 27% NABARD (2018). India being rapidly developing economy is a major beneficiary of micro finance due to large income gaps. Indian government while targeting financial inclusion is promoting

microfinance institutions, regional rural bank, government policies to reach far-flung areas and population that is beyond the purview of commercial banks.

The presence of microfinance institutions across India is not uniform, some states have higher concentration while some have comparatively lower. Uttar Pradesh being the 3rd largest Indian state having 77.7% rural population where 296197 households are considered under deprivation clearly exhibits the requirement of microfinance, below given data from the report compile by Sa Dhan in association with NABARD gives the a good picture of status of microfinace in Uttar Pradesh in the year 2017

Table 1.1: No. of MFIs in Indian States/UTs and No. of Districts with MFI Operation

Name of the States/UTs	No. of MFIs operating in the state (including those having Head Quarters outside)	No. of districts of the state where MFIs operate	No. of Branches
Andaman Nicobar Islands	2	1	1
Andhra Pradesh	3	12	66
Arunachal Pradesh	4	4	11
Assam	21	28	344
Bihar	33	37	692
Chandigarh	3	1	4
Chhattisgarh	20	22	306
Delhi	10	6	33
Goa	4	2	10
Gujarat	18	24	257
Haryana	17	19	190
Himachal Pradesh	4	4	9
Jammu & Kashmir	1	1	1
Jharkhand	20	24	263
Karnataka	23	30	1218
Kerala	16	12	261
Madhya Pradesh	34	48	907
Maharashtra	41	36	808
Manipur	5	10	38
Meghalaya	8	5	18
Mizoram	4	8	26
Nagaland	3	2	3
Odisha	28	30	744
Puducherry	7	2	10
Punjab	10	22	173
Rajasthan	22	29	352
Sikkim	2	3	8
Tamil Nadu	35	34	1152
Telangana	5	6	11
Tripura	9	6	39
Uttarakhand	20	6	117
Uttar Pradesh	28	68	1064
West Bengal	41	21	1097
Total		563	10,233

Source: Bharat Micro Finance Report 2017 Sa Dhan

The report depicts presence of microfinance in total 68 districts of Uttar Pradesh but the client outreach in the state is only 9% out of total 295 lakh of total clients in India (Bharat Micro Finance Report 2017 Sa Dhan). Here outreach of microfinance is a crucial question to answer. The efficiency, performance and impact of microfinance is much dependent on estimation of population microfinance catering and reaching to population below poverty line, which is the major objective of the existence of the model

STATEMENT OF THE PROBLEM:

This study aims to access the outreach or penetration of microfinance among rural women in Indian state of Uttar Pradesh. For measuring outreach three measures are identified i.e. depth, length and scope. The measures identified are conceptualized by Schreiner (2002) study which measures outreach in six categories. The first measure of outreach i.e. depth that tend to study extend or reach of microfinance among rural women in the study area. Length measures the number of loan cycles availed by beneficiaries of microfinance, which also projects the satisfaction from products and services offered by microfinance institutions. With scope study the variety or varied product or services availed by microfinance associated beneficiaries. By studying the three measures we conclusively tend to investigate the whole of outreach of microfinance in the specified area of research.

REVIEW OF LITERATURE:

The fastest growing economies across globe face the greatest challenge of income disparities where poor population tends to grow poorer and are left behind which is an individual crisis and economic crisis as whole. Reaching to population below poverty line and attempt to financially include them is the taxing. Regional rural banks, cooperatives, government schemes, microfinance institutions have been several tools advantageous for reaching poor population across Indian rural areas. When considering specifically microfinance institution for poverty eradication and uplifting rural women the impact from microfinance institutions has been intensely heterogeneous, there have been studies indicating towards appreciative side of microfinance, providing evidences of poverty reducing effects through microfinance, few of the most cited researches (Sebstad & Chen, 1996; Morduch, 1999; Rosenberg, 2010; Augsburg et al. 2015; Banerjee, Karlan, and Zinman 2015; Chemin 2008; Fenton, Paavola, and Tallontire 2017) inference of positive impacts from microfinance institutions on poverty reducing effects.

The antagonist researches of microfinance states that it is failing to reach the poor target population (Chemin 2008; Hermes, Lensik, and Meesters 2011; Hulme 2000; Navajas et al. 2000;). Lønborg and Rasmussen (2014) states it is deliberate effort by microfinance institutions to divert focus from target population and serving to less poor household or population not falling below poverty line, since they are comparatively lesser risky borrowers i.e. 'mission drift' microfinance is diverting. Garikipati, S. (2017) also states the positive impact of microfinance is from non-poor, which cannot be, regarded as positive impact from microfinance. When studying microfinance impact it become necessary to identify the profile of the beneficiaries it is serving. As microfinance is specifically devised to serve population below poverty line by improving their status to bringing them out of the clutches of poverty. Hence it is observed there is upsurge of microfinance outreach studies that originate with question on the efficiency and performance of microfinance. Outreach of microfinance studies directs the focus to population in need for the same. The population below poverty line is the target segment of microfinance institutions across globe. The paper aims to study the outreach of microfinance, the measures used in the study are derived from Schreiner (2002) where he identifies the outreach in six aspects, in this study the focus is on three measures for studying outreach i.e. depth, breadth and length. To study depth income below poverty line is taken as indicator, here poverty line standard are taken as per figure given by Rangarajan committee i.e. Rs 4860/ presuming 5-members per household in Rural India so rounding off to Rs 5000 monthly income is below poverty line. Breadth signifies number of clients served by microfinance institutions and length is significant of number of loan cycles of a beneficiary, the length of association depicts the satisfaction and sustainability of microfinance. Studies on similar lines of outreach Anim, S. K. (2018), Abdulai, A., & Tewari, D. D. (2017).

OBJECTIVES OF THE STUDY:

The basic objective of the research aims at investigating the outreach or penetration of microfinance institutions. To study outreach three indicators are used i.e. depth, breadth and length.

- To study the reach or number of beneficiaries MFI are extending credit across Uttar Pradesh (breadth)
- To study the number of beneficiaries of MFI, below poverty line (depth)
- To study the number of loan cycles from MFI or time of association with MFI (length) of rural women below poverty line and above poverty line
- To study association or relationship between loan cycles and income of beneficiaries

HYPOTHESES:

Following hypotheses have been formulated for the present study:

H1: There is a significant association between income of the respondents and membership of MFI

H2: There is a significant association between number of loan cycles and income of beneficiaries.

METHODOLOGY:

The objective of paper is to investigate the outreach of microfinance institutions among rural women who in Uttar Pradesh. For studying the outreach three indicators breadth, depth and length were considered. The study is conducted from primary data collected from 266 rural women. Purposive sampling technique was used for acquiring primary data. The data was collected during the period of December 2018 - April 2019. Interview schedule was used as tool for collecting data from respondents. Keeping in view the educational background of rural women the researcher individually visited to acquire data. The tool used for data collection was developed on the basis of studies done in past. The study used all multiple-choice questions, which were categorical in nature. All the rural women were treated as the sampling unit. Since the study used multiple-choice questions that were categorical in nature simple percentage analysis was used and to test the hypothesis chi square method was used.

ANALYSIS AND RESULTS:

Demographic profile of respondents:

Age of the respondents:

Table 2.1: Age of Respondents

Age in years	Frequency	Percentage
21-30	32	12.3
31-40	76	29.1
41-50	89	34.1
Above 50	64	24.5
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

The maximum percentage of more than 34.1% of the respondents belong to age group of 41-50 years of age group, 29.1% of the respondents were between the age group of 31-40. There were 24.5% of respondents of age group above 50 years of age.

Educational profile of the respondents:

Table 2.2: Education of Respondents

Education	Frequency	Percentage
No Formal Education	188	72.0
Primary	56	21.5
Secondary	15	5.7
Graduation	2	.8
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

It was observed 72% of the respondents had no formal education and could not read or write

Occupation of the respondents:

Table 2.3: Occupation of Respondents

Occupation	Frequency	Percentage
Industrial Labour	10	3.8
Self employed	212	81.2
Farmer	30	11.5

Occupation	Frequency	Percentage
Unemployed	6	2.3
Salaried	3	1.1
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

81.2% of the respondents were found to be self employed or running their own business, while 11.5% were engaged in agricultural activities, and only 2.3% of the population were un employed.

Marital status of respondents:

Table 2.4: Marital Status

Marital	Frequency	Percentage
Single	1	0.4
Married	256	98.1
Widow	4	1.5
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

Majority of the respondents i.e. 98.1% are married only 2% of the rural women were single and wid

Family Income of respondents:

Table 2.5: Family Income

Family Income	Frequency	Percentage
Below 5000	116	44.4
Above 5000	145	55.6
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

The family income of 55.6% of the rural women was found to be above poverty line, while a major population of 44.4% of the rural women has family income below 5000 i.e below poverty level

Whether respondents work?

Table 2.6: Work

Work	Frequency	Percentage
Yes	258	98.9
No	3	1.1
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

A good percentage of 98.9% women were found to be working where as only a very small portion ie 1.1% were not working or engaged in any economic activity

Whether respondents have taken loan?

Table 2.7: Loan

Loan	Frequency	Percentage
Yes	173	66.3
No	88	33.7
Total	261	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

66.3% of the respondents have taken loan while 33.7% of the respondents have no loan profile.

Number of loan cycles:

Table 2.8: Loan Cycles

No of Loans	Frequency	Valid Percent
1 Loan	160	92.5
More than 1 Loan	13	7.5
Total	173	100.0

Source: Authors' compilation (Data Analysis)

Interpretation:

It was observed 92.5% of the respondents have only 1 loan cycle with MFI, only 7.5% of the respondents have more than 1 loan cycle.

Results of Hypotheses Testing (Chi Square Test):

Following Hypotheses were conceptualized for the study

Hypothesis-1:

Ho: There is no significant association in the income of the respondents and membership of MFI

H1: There is a significant association in the income of the respondents and membership of MFI

Table 3.1: Cross Tabulation: Income and association with MFI/SHG/JLG/NBFCs

			Member of MFI/SHG/JLG/NBFC		Total
			Yes	No	
Income	Below 5000	Count	72	44	116
		% within MFI	41.6%	50.0%	44.4%
	Above 5000	Count	101	44	145
		% within MFI	58.4%	50.0%	55.6%
Total		Count	173	88	261
		% within MFI	100.0%	100.0%	100.0%

Table 2.1 gives cross tabulation of the two variables i.e. income of the respondents and membership in MFIs. Income of the respondents have been measured in two categories – ‘below Rs. 5000’ and ‘above Rs. 5000’ whereas membership in MFIs/SHGs/JLGs/NBFCs have been measured in terms of ‘yes’ and ‘no’. the data shows that out of total 261 respondents 116 (44.4%) were having income less than Rs. 5000 and rest 145 (55.6%) more than Rs. 5000. When asked whether these respondents were associated with MFIs/SHGs/JLGs/NBFCs, 173 (66.28%) said yes and rest 88(37.28%) said no. out of total 173 respondents associated with MFIs/SHGs/JLGs/NBFCs, 72 (41.6%) belonged to income group less than Rs. 5000 and rest 101 (58.4%) to the income category more than Rs. 5000. A total of 88 respondents who were not associated with MFIs/SHGs/JLGs/NBFCs and half of these were having less than Rs. 5000 and half more than Rs. 5000.

Table 3.2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.660 ^a	1	.198		
Continuity Correction ^b	1.337	1	.247		
Likelihood Ratio	1.655	1	.198		
Fisher's Exact Test				.236	.124
Linear-by-Linear Association	1.653	1	.199		
N of Valid Cases	261				
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 39.11.					
b. Computed only for a 2x2 table					

To test the above hypothesis, Karl Pearson's Chi-square test was applied.. The result of Chi Square test establishes no association between income and association to MFI as the p-value of .198 is higher than the significance level of 0.05. Therefore we accept the null hypothesis (H₀) and reject the alternate hypothesis.

Hypothesis-2:

H₀: There is no significant association in the income and no of loan cycles.

H₁: There is a significant association in the income and no of loan cycles.

Table 3.3: Cross Tabulation: Income and No of Loan Cycles

			No of Loan Cycles		Total
			One Loan	More than one	
Income	Below 5000	Count	65	7	72
		% within No of Loan Cycles	40.6%	53.8%	41.6%
	Above 5000	Count	95	6	101
		% within No of Loan Cycles	59.4%	46.2%	58.4%
Total		Count	160	13	173
		% within No of Loan Cycles	100%	100%	100%

Table 3.2 shows that out of 173 respondents who were associated with MFIs/SHGs/JLGs/NBFCs, 160 had taken one loan and only 13 had taken more than one loans. Among those who had taken one loan only, 65 (40.6%) were belong to income category of below Rs. 5000 and rest 160 (59.4%) to more than Rs. 5000 category.

Table 3.4: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.865 ^a	1	.352		
Continuity Correction ^b	.406	1	.524		
Likelihood Ratio	.851	1	.356		
Fisher's Exact Test				.391	.260
Linear-by-Linear Association	.860	1	.354		
N of Valid Cases	173				
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.41.					
b. Computed only for a 2x2 table					

To test the above hypothesis, Karl Pearson's Chi-square test was applied. The results of Chi Square test (see Table 3.2) state that there is no significant relationship between number of loans cycles and income of the beneficiaries as the corresponding p-value (0.352) is higher than the significance level of 0.05. Therefore null hypothesis (H₀) was accepted and alternate hypothesis (H₁) was rejected.

DISCUSSION

The paper aims to conduct research to investigate outreach of microfinance in India state of Uttar Pradesh. For the purpose of studying outreach three dimensions depth, breadth, and length are used. With depth no of rural population served by microfinance was studied. Breadth aims to study beneficiaries of microfinance below poverty line, This poverty line standard taken as per figure given by Rangarajan committee, ie Rs 4860/ presuming 5-members per household in Rural India so rounding off to Rs 5000 monthly income is below poverty line Length studies number of loan cycles. For the purpose to study purposive sampling was done and data of 261 rural women was collected. The data was collected across the state of Uttar Pradesh. Interview schedule was used for the purpose of data collection and the researcher personally visited the respondents for collecting data.

The demographic profile of the respondents states that maximum of the respondents were between at age group of 41-50 years and lowest belong to 21-30 years of age group, it can be observed women of higher age group have more of family burden, there is high rate of illiteracy among rural women which may be due to poor financial background. Almost all the rural women are engaged in some or the other economic activity reason being poor financial status. Due to lack of employment opportunities most of the rural women have their own small business or were agricultural labors and are badly paid. Half of the rural households have income below poverty line with large no of family sizes. Due to the poor financial status larger number of rural women have taken loans from microfinance institutions. Securing credit for the poor rural household is a challenge from any other financial institution except microfinance institution specifically catering the population below poverty line. Loan cycles were also observed to be low and had no relation with the lower income. It was also found there was higher percentage of loan beneficiaries with income above poverty line or less poor similar results are indicated by Vanroose, A., & D'Espallier, B. (2013). This is a huge question in front of microfinance institutions when they fail to reach the target population of below poverty line. Hence the impact assessment and efficiency of microfinance in improving the status of population below poverty line and rural women is questionable. It becomes difficult to draw inference how efficient is outreach of microfinance institutions even when its is serving huge numbers.

CONCLUSION:

Microfinance institutions are reaching to more than 66% of the rural population hence greater breadth or reach in terms of serving large numbers. Hence it can conclude microfinance has a wider spread. When considering target population it is seen that microfinance is reaching to higher number to population above poverty line. Therefore a question mark on the efficiency and poverty reducing effects of microfinance in the society, when it is not serving population below poverty line.

Greater number of loan cycles are indicators of satisfaction and efficiency of microfinance but in the data it was found a very low no of beneficiaries have repeated loans from microfinance so the association in terms of time duration is also low which is not a very positive indicators for outreach. It was concluded beneficiaries having more than one loan from microfinance institution did not necessarily belong to low-income category.

Hence the outreach of microfinance is question and impact and commitments to reduce poverty seems wage when institutions do not reach the actual target population. Population above poverty cannot be a good indicator for the efficiency of microfinance while it poses greater questions on the positives impacts of microfinance.

LIMITATION:

The study pertaining to outreach of MFI could be done by including all six aspects of outreach given by Schreiner(2002) and definitely on higher sample size to gave a better picture of the scenario. Since majorly 77% of the women population in rural areas was illiterate it was difficult to acquire responses hence researcher individually visited to respondents to collect unbiased data, it took lot of time and efforts for the researcher to collect data. Data collection involved extensive travelling and resources which was a challenge.

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