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A STUDY OF MICRO FINANCE AND ITS IMPACT ON POVERTY ALLEVIATION AMONG THE PEOPLES OF RURAL AREAS IN UTTAR PRADESH

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ABSTRACT

The present study is related with the relationship between Micro Finance and poverty alleviation among the peoples of Uttar Pradesh. However, in this study the relationship between Micro Finance and Poverty Alleviation was confirmed with the help of three different independent variables such as Empowerment, Living standard and Economic Stability. The samples for the study have been collected among the 154 individual of two blocks of Uttar Pradesh and the data has analyzed with the help of t-test. The findings of the study indicates that, all the three factors namely Empowerment, living standard and economic stability have been found positively and significantly related with role of Micro finance towards poverty alleviation.

INTRODUCTION

The Micro Finance institution are the provision of financial services to the peoples having low income including self-employed as well as individual consumers. However, the micro finance helps and offers financial services to those whose are lack connectivity to banking and related services. More broadly, the ultimate objective of the micro finance to develop a community having many poor and needy peoples in order to offer the appropriate range of the high quality financial services in order to improve their leaving standard and reduce the poverty. Micro Finance promote the Microcredit which emphasize the provision of financial credit services to the low income client for the purpose of promoting micro enterprises and increasing income generating activity. The Micro Finance can be considered as a tool for socio economic development in order to helps the people to reduce the rate of poverty. The purpose of the present study is to examine the impact of Micro Finance towards poverty alleviation. However, the study examine hoe the micro finance institutions playing a significant role to reduce the poverty among the peoples of rural areas. In this purpose the researcher has identified two block of Uttar Pradesh under the district of Bijnore and Budaun.

Sustainable principle of Micro Finance

The Micro Finance has been considering to be the adequate tool for financing the small activity and enterprises in the rural areas. The sustainable principle of Micro Finance can be explore as under

- The Micro Finance offer credit facility to the poor people in order to invest in small scale activities.
- Micro Finance empowers the poor people in order to build self-confidence.
- Micro Finance helps the peoples in order to develop the opportunity for self-employment.
- Micro Finance offers flexible and easy financial services to the low income group.
- The Micro Finance offers loan facilities to the poor peoples at low interest rate.

The Role of Micro Finance in Poverty Reduction

Micro finance institutions are those financial service organizations who provide financial services to poor peoples in order to establishment of small scale enterprises. The purpose of such type of financial services to offer credit and loan facilities to the poor people of rural areas in order to establishment of income generated activities. Most of the research activities have been mentioned that Micro Finance is the effective financial institution regarding to reduce the rate of poverty in the society. However, it has also become necessary to understand when and what types of Micro Finance is effective and applicable towards poverty alleviation. In the developing countries the role of Micro Finance is very crucial because it is the connectivity between the banking institution and peoples. Micro Finance institutions promotes self-help groups in the rural areas along with various financial facilities and social and economic

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development of the peoples. However, in this regard it can be recommended that the role of Micro Finance towards the poverty alleviation is highly appreciable because it offers finical services to those also who has no the adequate sources of the income.

REVIEW OF LITERATURE

Hermes and Hudon (2018)[1]: The study examined factors influencing the performance of Microfinance Institutions (MFIs), focusing on financial sustainability and social impact. Over 150 research papers were reviewed, highlighting key determinants of MFI performance. Internal factors, such as organizational characteristics (size, type, age), funding sources, and governance quality, were found to play a crucial role. External elements, including institutional frameworks, macroeconomic conditions, and political stability, also impacted performance. The research emphasizes the importance of both internal management practices and external environmental conditions in driving MFI success. Effective governance and adaptability to external factors are critical for long-term sustainability and impact. The study underlines the complexity of MFI operations and their need for strategic approaches to thrive.

Bassem (2014)[2], This study aimed to measure microfinance dynamics and identify key determinants for better sector understanding. A mixed approach was used, combining empirical analysis with case studies of top-performing MFIs. The focus was on factors driving productivity, competition, and innovation within the sector. Key trends and best practices were highlighted, providing actionable insights for microfinance stakeholders. The study also explored optimal productivity growth for MFIs, emphasizing balance between productivity and social-economic goals. It underscored the need for MFIs to innovate while maintaining financial and social performance. The findings contribute to understanding sustainable development in microfinance. Future research can further explore correlations between productivity, competition, and innovation to refine MFI strategies.

Kar and Swain (2014)[3] This study examined the controversy surrounding high interest rates charged by Microfinance Institutions (MFIs) for financial sustainability. Using instrumental variables (IV) estimation, the research addressed endogeneity issues with a global panel of 379 MFIs from 71 countries (2003–2008). It focused on the impact of high interest rates, measured through the "real yield on loan portfolio," on profitability, loan repayment rates, and mission drift. Results showed that higher interest rates significantly improved financial performance and loan repayment rates. Despite criticism, the findings suggested benefits of high interest rates for MFI sustainability. The study highlighted the trade-off between financial viability and maintaining the mission to support underserved communities. The methodology and database provided valuable insights into balancing profitability with social goals in microfinance.

Abbas et al. (2012)[4] This study assessed the financial performance of banks in Pakistan, using "Return on Operating Fixed Assets" as the key metric. The findings revealed that larger total assets, higher operating fixed assets, and greater equity did not necessarily lead to better performance. This challenges the assumption that bigger financial resources ensure success. The research emphasized the importance of efficient asset utilization rather than just the volume of assets. It suggested that banks should focus on operational effectiveness and strategic management to enhance performance. The study provides valuable insights for stakeholders seeking to optimize financial outcomes in the banking sector. These findings highlight the need for a more nuanced approach to financial performance evaluation.

Mehta (2012)[5]: This study examined the financial performance of UAE banks during the 2008 financial crisis, covering the period from 2005 to 2010. It aimed to assess the crisis's impact on banks' profitability. The findings revealed significant declines in key profitability ratios, specifically Return on Assets (ROA) and Return on Equity (ROE). The analysis showed that the crisis severely affected the banks' financial performance. It concluded that the financial turmoil led to a notable decrease in these ratios, reflecting the adverse effects of the crisis on the UAE banking sector.

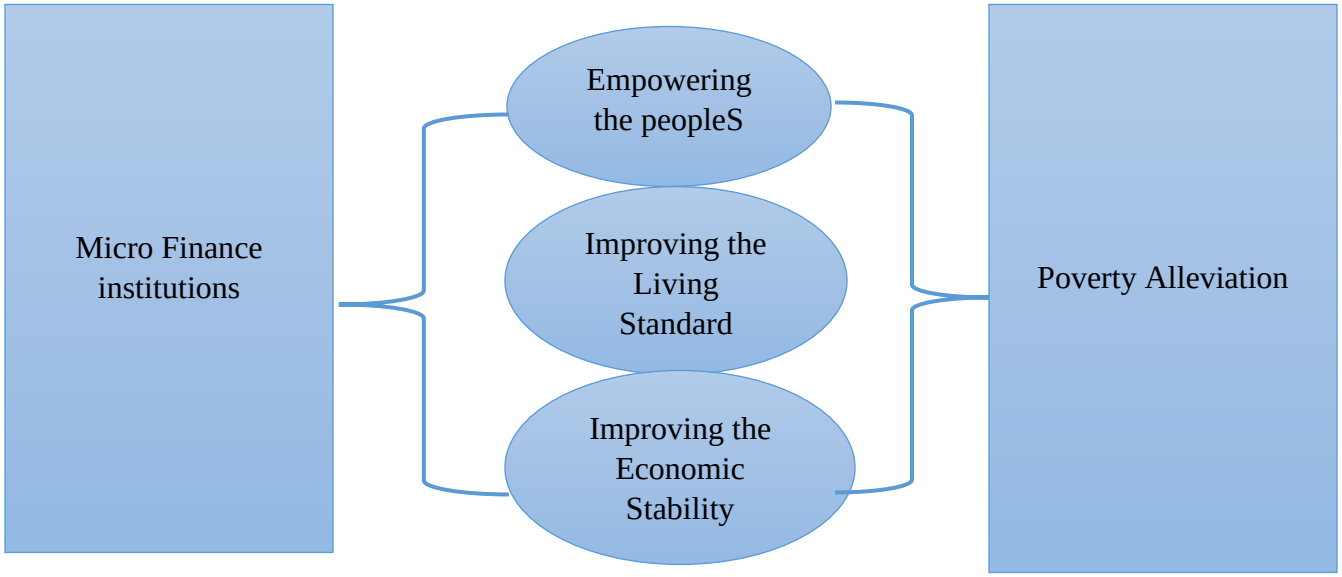
OBJECTIVE OF THE STUDY

The various objective of the study are as under

1. The Micro Finance institutions have a significant impact to reduce the poverty towards empowering the people.
2. The Micro Finance institutions have a significant impact to reduce the poverty towards improving the living standard
3. The Micro Finance institutions have a significant impact to reduce the poverty towards improving the Economic Stability.

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Research Framework



HYPOTHESIS OF THE STUDY

The hypothesis for the present study as under

H_{01}: The Micro Finance institution are not playing crucial role to poverty alleviation with respect to empowering the peoples.

H_{a1}: The Micro Finance institution are playing crucial role to poverty alleviation with respect to empowering the peoples.

H_{02}: The Micro Finance institution are not playing crucial role to poverty alleviation with respect to improving the Living standard.

H_{a2}: The Micro Finance institution are playing crucial role to poverty alleviation with respect to improving the Living standard.

H_{03}: The Micro Finance institution are not playing crucial role to poverty alleviation with respect to Economic Stability.

H_{a3}: The Micro Finance institution are playing crucial role to poverty alleviation with respect to Economic Stability.

METHODOLOGY

The present research study is related with impact of Micro Finance towards poverty alleviation. The study is descriptive and analytical in the nature and the relationship between various independent variables and predictors has been proved with the help of primary information. The methodology for the study also explore the data collection instrument as well as designing of research by including sample collection strategy and method. The primary data for present study has obtained by using the scheduling technique in this process of scheduling researcher himself visited the research areas and communicated with various members of self-help group in order to collect their opinion regarding impact of micro finance with respect to poverty alleviation. On the other hand secondary data has obtained from various sources such as published research paper and other study material available on various platform.

SAMPLE SIZE AND DESIGN

The purpose of the study is to examine the impact of Micro Finance on poverty alleviation among the rural areas of selected district of Uttar Pradesh. However, the samples for the study have been optioned on the basis of structural sample framework. In this process the researcher has prepare the sampling framework by classification and identification of two blocks of two district in Uttar Pradesh with large number of self-help groups. In order to collect the samples researcher has prepared the multiple rating skill questionnaire on the basis of empowerment, leaving standard and economic stability.

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SELECTION OF RESEARCH AREA

After having the detailed examination of the various district and various blocks of Uttar Pradesh researcher has to be identified two blocks with large number of self-help group for properly collection of the sample. However, after having the information obtained from the government portal researcher found that Najibabad and Sashaswan two blocks will be suitable for the study because both blocks having large number of self-help group. The detail information regarding self-help group can be seen in the table.

S.No.	Name of blocks	Total no. of SHGS
1.	Najibabad	2167
2.	Sashaswan	1654

Sampling method

The researcher has adopted convenient method of sampling because it was suitable for sample selection. However, researcher has adopted the convenient sampling because the area of sampling also conveniently selected by the researcher.

Sample size

Total 200 members of self-help group were target by the researcher and after the distribution of questionnaire total 154 questionnaire were found valid and properly response. However, the researcher has adopted scheduling technique to obtain the sample but no more members of self-help group were interested to response the questionnaire. Therefore, the final sample size for the study is 154.

Tools for data analysis

The data for the present study has analyzed with the help of tools of statistics. However, the researcher has adopted two tail t-test analysis to validation and examination of research hypothesis. The t- test has applied at 5% level of significance and 95% level of confidence.

DATA ANALYSIS

1. **The Impact of Micro Finance on poverty alleviation with respect to empowerment of the people.**

Table 1: Micro Finance institution helps the people of rural areas to make them empowered.

S.No.	Response	No. of respondent	Percentage
1.	Strongly Dissatisfied	29	18.83
2.	Dissatisfied	18	11.69
3.	Neutral	26	16.88
4.	Satisfied	43	27.92
5.	Strongly Satisfied	38	24.67
Total		154	100

Interpretation: Table 1 explores the response of people regarding impact of Micro Finance on the poverty alleviation with respect to make them empowered. However, table shows that 18.83% of respondent were strongly agree with the statement. Were as, 11.69% of the respondent were dissatisfied, 16.88% of the respondent were neutral, 27.92% were satisfied and 24.67% of the respondent were strongly satisfied with the same

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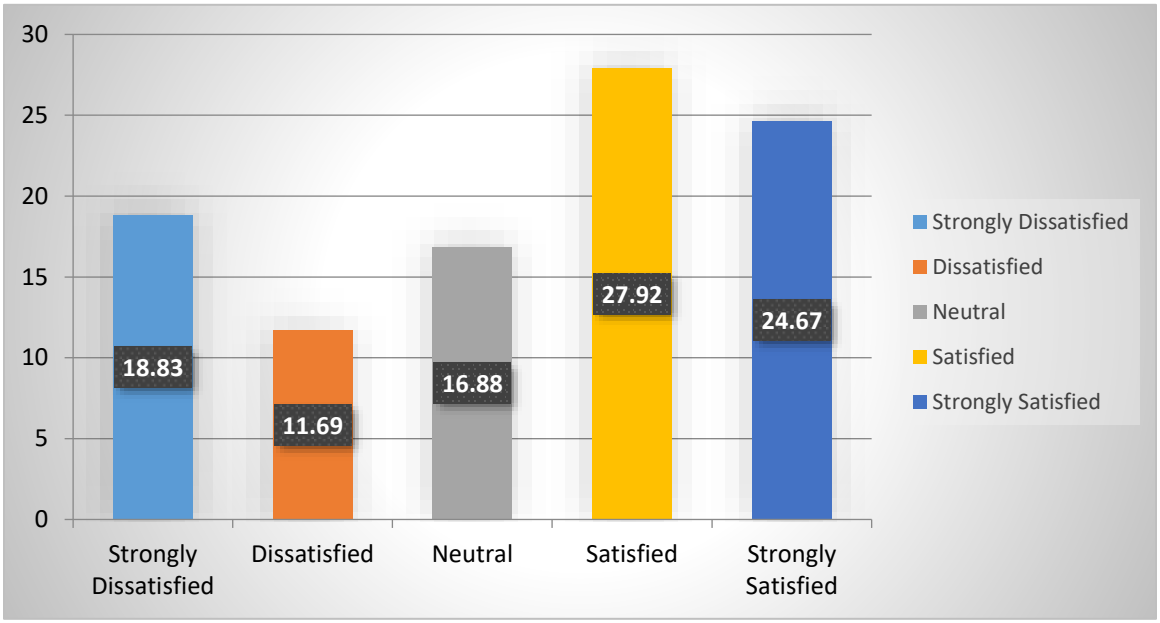


Figure 1: Micro Finance institution helps the people of rural areas to make them empowered

2. The impact of Micro Finance on poverty alleviation with respect to living standard.

Table 2: Micro Finance institution helps the people of rural areas to improve their living standard.

S.No.	Response	No. of respondent	Percentage
1.	Strongly Dissatisfied	23	14.93
2.	Dissatisfied	18	11.68
3.	Neutral	29	18.83
4.	Satisfied	39	25.32
5.	Strongly Satisfied	45	29.22
Total		154	100

Interpretation: Table 2 explores the response of people regarding impact of Micro Finance on the poverty alleviation with respect improve leaving standard. However, table shows that 14.93% of respondent were strongly agree with the statement. Were as, 11.68% of the respondent were dissatisfied, 18.83% of the respondent were neutral, 25.32% were satisfied and 29.22% of the respondent were strongly satisfied with the same.

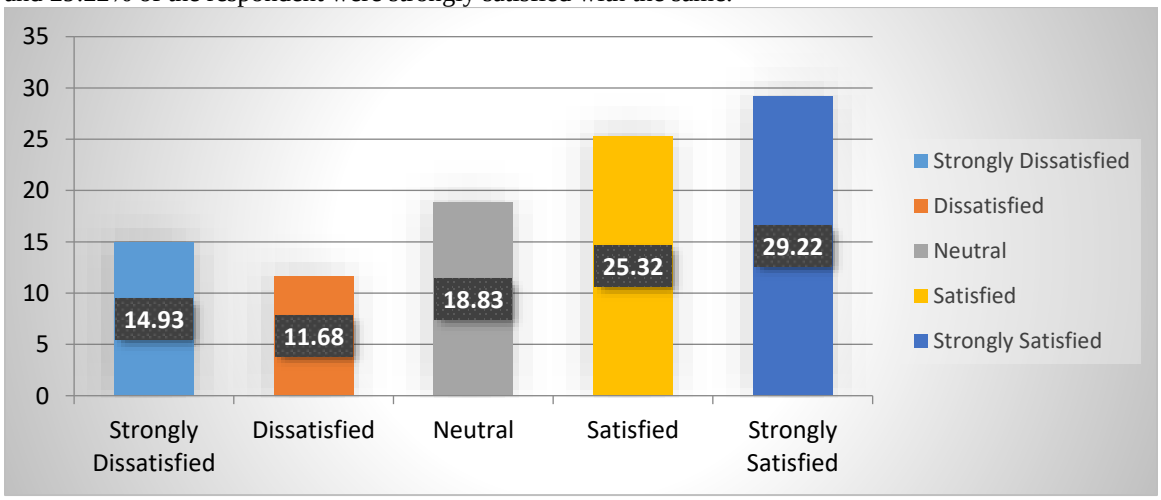


Figure 2: Micro Finance institution helps the people of rural areas to improve their living standard

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3. **The impact of Micro Finance on poverty alleviation with respect to economic stability.**

Table 3: Micro Finance institution helps the people of rural areas to improve the Economic Stability.

S.No.	Response	No. of respondent	Percentage
1.	Strongly Dissatisfied	43	27.92
2.	Dissatisfied	40	25.97
3.	Neutral	24	15.58
4.	Satisfied	18	11.68
5.	Strongly Satisfied	29	18.83
Total		154	100

Interpretation: Table 3 explores the response of people regarding impact of Micro Finance on the poverty alleviation with respect economic stability. However, table shows that 27.92% of respondent were strongly agree with the statement. Were as, 25,97% of the respondent were dissatisfied, 15.58% of the respondent were neutral, 11.68% were satisfied and 18.83% of the respondent were strongly satisfied with the same.

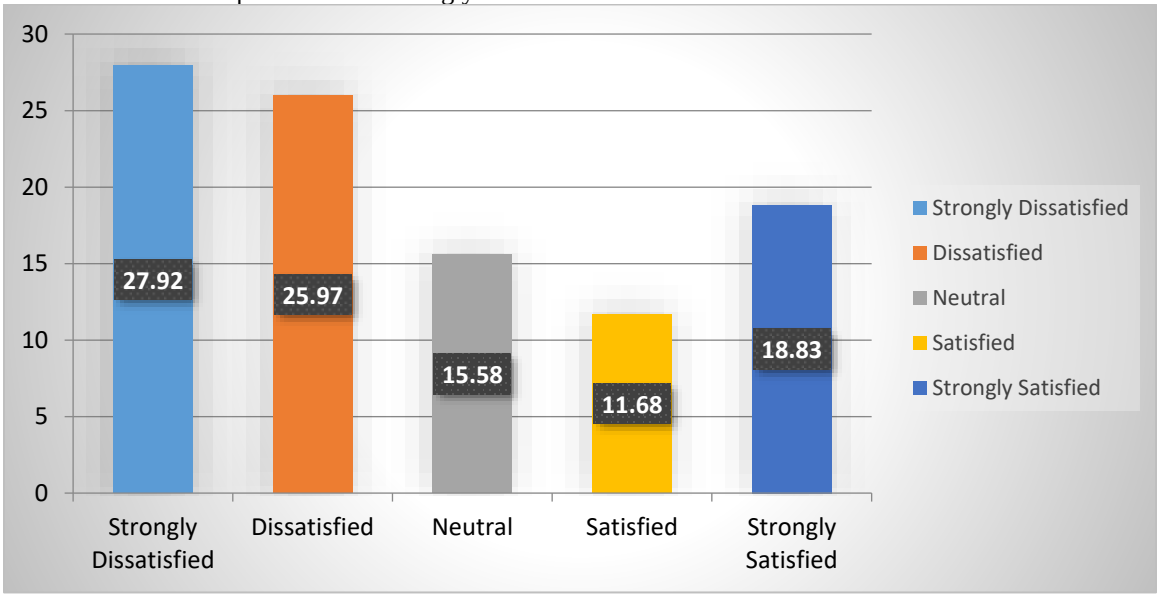


Figure 3: Micro Finance institution helps the people of rural areas to improve the Economic Stability.

Hypothesis Testing

Table 4: Relationship between Micro Finance and Poverty Alleviation

Hypothesis	Independent Variables	df	t	P Value	Result and Significance
H_{01}/H_{a1}	Empowerment	3	11.504	0.019	Significant
H_{01}/H_{a1}	Living Standard	3	8.214	0.001	Significant
H_{01}/H_{a1}	Economic Stability	3	7.551	0.037	Significant
Dependent Variables : Women Empowerment (Significant at 5% level of significance or $p \leq 0.05$)					

FINDINGS

The various findings of the study as under

1. The table 4 shows the relationship between the Impact of micro finance on Poverty Alleviation with respect to Empowerment, however, result indicates that calculated **t** value is 11.504 and p value is 0.019 which is much less than critical value at 5 % level of significance. Thus, the result is strongly recommended to the positive association between independent variable and predictors. Hence, study rejected Null hypothesis and accepted alternative hypothesis (**H_{a1} = Accepted**)

2. The table 4 shows the Impact of micro finance on Poverty Alleviation with respect to Living Standard, however, result indicates that calculated **t** value is 8.214 and p value is 0.001 which is much less than critical value at 5 % level of significance. Thus, the result is strongly recommended to the Positive association between independent variable and predictors. Hence, study rejected Null hypothesis and accepted Alternative hypothesis (**H_{a2} = Accepted**)
3. The table 4 shows the Impact of micro finance on women empowerment with respect to economic stability, however, result indicates that calculated **t** value is 7.551 and p value is 0.037 which is much less than critical value at 5 % level of significance. Thus, the result is strongly recommended to the Positive association between independent variable and predictors. Hence, study rejected Null hypothesis and accepted Alternative hypothesis (**H_{a3} = Accepted**)

CONCLUSIONS

The present study is related with Micro Finance and its impact on Poverty Alleviation among the peoples of rural areas of Uttar Pradesh. In order to examine the role of Micro finance towards poverty alleviation total three independent variables such as Empowerment, Living standard and Economic stability. The testing of hypothesis took place with the help of **t- test** at **5%** level of significance. The result of data analysis indicates that all the three variables have found significantly and positively associated with poverty alleviation. However, study reveals that role of micro finance in poverty alleviation is positively significant and Micro finance institutions are playing significant role towards the reducing of Poverty among the people of rural areas of Uttar Pradesh.

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