

# A Case Study of Micro Credit and Rural Poverty of Muzaffarpur District (Bihar)

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**Ranjeet Kumar**  
Training Officer  
Bihar Rural Livelihood Promotion Society,  
DPCU, Motihari, India

## Abstract

Micro credit is advocated in all over the world as a developmental tool that has the potential to increase employment and saving and reduce poverty. This paper is an empirical study conducted in Sakra and Muraul blocks of Muzaffarpur district about the impact of micro credit on rural poverty. The majority of the SHG members are middle aged, married and belonging to nuclear families from schedule caste, backward caste and minority communities. A sample of 50 SHG households and 50 non SHG households formed part of the study. The study revealed that saving, income, employment and social empowerment more increased in SHG household than non SHG household due to micro credit intervention.

Vinodha Devi (2017) in her study found that scarcity of raw material for production, followed by shortage of power, insufficient finance for promoting and running an enterprise etc. are the problems faced by women entrepreneurs. Priyanka Kumawat and Vishakha Bansal (2018) in their study ascertained that inadequate training facilities, problems in marketing the products, poor support from financial institutions etc. are the problems faced by SHG members. Renu Pathak et al. (2019) in their study identified that group conflicts, lack of interest in taking responsibility among SHG members and lack of motivation are the serious problems that exist.

**Keywords:** Microcredit, Rural poverty, Muzaffarpur, Bihar

## Introduction

Bihar is one of the poorest states and considerably behind the national average GDP per capita for India (NABARAD, 2014). It was the home to 32 billion people living below poverty line, with 66 percent rural population being landless was below poverty line. Chronic indebtedness has been a persistent feature of households in Bihar, with primarily borrowing from non-institutional sources (NABARD 2014). According to national sample survey GOI 2014, 25.3% household in Bihar borrowed from non-institutional sources, compared to a national average of 19% with this debt accounting of 78% of all outstanding cash loans in rural Bihar. By comparison, all India average is 44% outstanding cash debt from non-institutional sources.

## Context of the Study

Muzaffarpur district, 'The Land of Litchi' was created in 1875 for the sake of administrative convenience by splitting up the earlier district of Tirhut. The district has a geographic area of 317591 hectore. 16 development blocks. According to 2001 census, the district has a population of million. Muzaffarpur has predominantly an agricultural economy. Livelihood of 90 % people of the district is based on agricultural and allied activities. In 2006 the Ministry of Panchayati Raj named Muzaffarpur one of the country's 250 most backward districts (out of a total of 640). Being one of the most backward districts in Bihar a unique poverty alleviation programme namely SJSY was introduced in this district in 1999 for upliftment of rural BPL population through organizing in self-help groups, through providing them training, bank loan, subsidies, technological and infrastructural supports.

\*Training officer Bihar Rural Livelihood Promotion Society, DPCU, Motihari

The main objective of this programme was to connect the members with regular trade and increment of their incomes gradually. The

Performance of the programme in the district was satisfactory in beginning but afterwards it was infected by red tapism and corruption therefore could not achieve the target. Vacuum was fulfilled by NGOs. Many NGOs came forward like this-Nidan, Trust Micro fin Services, Kanchan Seva Ashram, Tara foundation, Shubham, Ramni, Aditi, MuzaffarpurVikashMandal, Grameen Jan KalyanParishad, Sankalpam and Aga Khan Trust and creation Welfare society. KanchanSeva Ashram, Trust Micro fin services, Ramani, creation welfare societies are involved in Micro credit activities and women empowerment.

### Objective of the study

1. To study the impact of Micro Credit on Poverty in the studied area.
2. To access the impact of employment generation.
3. To analyze the existing environments of micro credit in studied area of Muzaffarpur.
4. To find out major weakness of microcredit activities in rural context.

### Review of Literature

Most of the studies documented the impact of micro credit at individual, household, enterprise and community levels. Whites (1991) view that micro credit inequalities by promoting traditional income generation activities, which they believe do little to alter the social status.

Lewis (1993) found that NGOs based on microcredit activities have mainly functioned in order to service the needs of the landless, usually with the foreign donor funding as a counter point to the state efforts. To service the needs of the landless, usually with the foreign donor funding as a counter point to the state efforts. Kabeer (1999) analyses in his study that children of women borrowers with SEDP were more likely to be at school than children of male borrowers. Puhazhendi (2000) found a significant change in the overall socio- economic status of members in terms of increase in income, improvements in literacy level, improvements in housing facilities and increased level of food security.

Microcredit has gained currency as an effective programme for a positive impact on economic growth and social development (World Bank, 2000). Staysail (2002) noticed that SHG as an institutional arrangement could positively contribute to the economic and social empowerment of the poor. MaitlandHulme (2003) observed microcredit as an effective means and a tool for the alleviation of poverty; it is not suitable for all categories of the poor. According to Yunus (2005), "The poor themselves can create a poverty free world" Microcredit can create self -employment instantaneously. Why wait for others to create a joy for you. Yunus (2005) expressed his view on the basis of the experience of Grameen Bank Bangladesh that there was direct relationship between micro credit and self- employment. "The government is not taking desirable interest in developing micro credit network for rural poor. Even the central finance minister has admitted that "there is not clarity on the government's role in the micro credit sector" (Economic Times, October 10, 2007). (Nair 2005) No systematic enquiries have been made so far on the linkage between micro credit supported enterprises

and the larger issues of the productivity and employment. Hate (2007) highlights higher interest rate charged by MFIs and cites the example of farmers suicide episode in AP. Gaur (2009) assessed the socio-economic impact of micro-credit and found that micro-credit has positive impact on socio-economic life of rural poor. Veranda Kr, R.K.Sharma and H.R. Sharma (2008) examined the impact of micro credit on 150 households in the three districts of Himachal Pradesh. The study reported that the woman folk stood more empowered. Sudha Kr. Berq (2011) found in his study that beside economic improvement the social outlook of rural women has undergone a radical change. As a result, there was fall in the incidence of family violence and social violence. ShalikaAzim, (2013) in her study on women empowerment through self-help group in Muzaffarpur district and Bihar found that SHGs enforced the participation of all categories of women in strengthening their perceptual development. It is also found that the SHGs created confidence for economic self-reliance among economically backward women of rural area of blocks in Muzaffarpur district. Therefore, SHGs are an effective agency for women's empowerment. Self Help Groups are not only the economic increaser of the rural women but also it develops the awareness, programmes schemes, loan and government policies etc. After joining SHGs they started participating in various social activities.

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### Methodology

The present study uses a comparison of the impacts which was investigated by comparing the status of the members of SHGs with that of families not having membership of any SHGs, with respect to selected indicators used in the study. The economic impact of the programme was studied with the help of the variables namely, saving habit, household income, employment generation. The social impact was studied by examining the members involvement in decision making, level of self -confidence and involvement in community activities of awareness regarding to nutrition, health, hygiene family planning, decision making related to money centered, interaction with outsiders, mobility, educational development and access to health service.

### Sampling

The study was carried out in Sakra and Mural blocks of Muzaffarpur district. These two blocks were purposively selected as the study area for the reason that a large number of SHGs (4000) were concentrated in these two blocks. Other reason for selection is that mostly SHGs had completed 5 years and this was the first study based on rural areas especially in north Bihar. For the purpose of the study both primary as well as secondary data were used. For secondary data various publications, journals, records were used. The primary data were collected through survey method with a well - structured questionnaire which was pre tested before the interviewing the respondent. The Ultimate samples were selected through a multistage sampling technique. In the first stage of sampling, the district of Muzaffarpur was selected purposively because all the required information related to the study was

available. In the second stage of sampling the blocks namely Muraul and Sakra were selected because a large number of SHGs were functioning with the support of registered NGO (Kanchan Seva Ashram) which was working for the downtrodden household since 1996. Consultation and discussion were made with the secretaries of Kanchan Seva Ashram, Ramni and Sankalpam, NGOs functioning in these two blocks, and then it was decided to confine the study to the SHGs above 500 with in numbers but the study is based on only 50 SHGs from each block collected from Kanchan Seva Ashram and 50 non SHG household selected randomly for comparative study. In this way a total 100 household form the sample size of the study. The study has tried to examine the socio-economic impact of micro credit on SHG households. For this purpose, surveys conducted and questions were asked from the respondents about their saving, income, employment and social condition etc. in year 2008 and again in 2013. The impacts were investigated by comparing the status of the members of SHGs with that of families not having membership of any SHGs, with respect to selected indicators used in this study.

**Table 1: Social composition of sample SHGs and non SHGs household**

Category	SHGs Household	Percentage	Non SHGs Household	Percentage
General	3	6	4	8
OBC	18	36	16	32
EBC	15	30	14	28
SC	5	10	8	16
ST	0	0	0	0
Minority	9	18	8	16
Others	0	0	0	0
Total	50	100	50	100

#### Field Survey

The above table indicates that out of 50 sample SHGs household, 18 belongs to backward communities with constitutes 36 percent followed by 15 extremely backward communities constitutes 30 percent followed by 9 minorities which constitutes 18 percent followed by 5 schedule caste which constitutes 10 percent. It may also be observed from the table that out of 50 household there is not any schedule tribe (ST) communities. The overall data indicates that the concentration of OBC and EBC was higher in the sample areas as compare to other social group similarly in case of non SHGs household it was observed that the concentration of OBC was calculated highest 16 which constitutes 32 percent followed by 14 extremely backward communities which constitutes 28 percent followed by 8 schedule caste which constitutes 16 percent.

The above table shows that the concentration of OBC and EBC in both the cases were higher than the other categories

# Asian Resonance

**Table 2: Type of Family of SHGs household and Non SHGs household**

Types of family	SHGs household	Percentage	Non SHGs Household	Percentage
Nuclear	32	64	34	68
Joint	18	36	16	32
Total	50	100	50	100

From table 2

The majority of the SHGs and non SHGs household respondents were found living in nuclear families (64 and 68 percent) while more than one fourth respondents accepted that they were living in joint families.

**Table 3: Education of SHGs household and Non SHGs household**

Education level	No. of SHGs Household	Percentage	No. of Non SHGs Household	Percentage
Illiterate	20	40	25	50
Primary	15	30	12	24
Middle School	9	18	8	16
High School	3	6	4	8
Intermediate	2	4	1	2
Graduation	1	2	0	0

#### Source Field Study

It may be observed from the table 3 that out of 50 SHGs household 20 were illiterate which constitute 40 percent of the total samples. The table further indicates that the high school intermediate and graduate households were very few only for it indicated the low level of education status across the household. In case of non SHGs household, it was observed that 50 percent household was illiterate.

**Table 4: Age Group of SHGs and Non SHGs household**

Age	No. of SHGs Household	Percentage	No. of Non SHGs Household	Percentage
(25 years)	5	10	3	6
26-35 years	12	24	10	20
36-45 years	30	60	31	62
45 to above	3	6	6	12
Total	50	100	50	100

The above table 4 revealed that the average age group of sample household ranged between 25 years to more than 45 years. But the concentration of 36 to 45 years respondent in both the cases (SHGs and non SHGs household) were found higher with compare to other ages group categories under the study.

**Table 5(A): Average annual saving by SHGs household from 2008 & 2013**

No. of SHGs household old	Percentage	Annual saving (Rs.) in 2008	Annual saving (Rs.) in 2013	Percentage
10	20	3600	5600	66.6
6	12	3000	4900	63.3
8	16	4800	6800	41.6
12	24	4200	5900	40.7
10	20	6600	10000	51.51
2	4	1600	2400	50
2	4	1500	2600	73.32
50	100	25300	38600	52

**Table 5(B): Average annual saving by Non SHGs household from 2008 & 2013**

No. of Non SHGs household	Percentage	Annual saving (Rs.) in 2008	Annual saving (Rs.) in 2013	Percentage
10	20	3200	4900	53.12
6	12	2000	3000	50
8	16	4000	4900	22.5
12	24	3800	4800	26.15
10	20	2600	3400	30.76
2	4	1500	1900	26.6
2	4	1200	1600	33.3
50	100	18300	24500	33.87

Source Field Survey

The SHGs were able to develop savings habit among the members. All sample households reported regular monthly saving of Rs. 30-50. Saving was collected at the time of meetings and all the members were issued the passbook. Monthly saving was deposited in nearby bank. The members received interest rate of 18-24 percent on their deposit with group. Most of the SHGs household received money from their husband to save in group. After employment creation all of them saved by their own income. From the table it is quite clear that the total annual saving in year 2008 was 25300 and total annual saving became 38600 rupees in 2013. So total percentage increase was 52 percent.

In case of non SHGs household, there was not any systematic system of savings because they did not follow the rules and regulation of Self Help Group. In this case mostly saving was made after income generation. There was total saving of non SHGs household was 18300 in the year of 2008. Total average annual saving was 24,500 rupees in the year of 2013. Total percentage increased in 2013 was 33.87 percent. So above discussion, it was found that the percentage saving of SHGs household was higher than non SHGs household. Here again the role of micro credit was very important in context of saving.

**Table 6: Loan use Pattern**

Purpose of Loan	No. of SHGs Household old	Percentage	No. of Non SHGs household old	Percentage
Consumption	19	38	22	44

ion				
Redemption of old debt	10	20	8	16
Housing improvement	5	10	4	8
Asset creating	12	24	5	10
Social function	4	8	11	22
Total	50	100	50	100

Source Field Survey

SHG through micro credit programme emerged as the major sources of credit for its member loan provided through SHGs group and local bank. Loans were provided to meet the emergency needs of the members such as treatment of illness, for to meet immediate consumption needs, repayment of old debt and housing improvement, asset creating and social function. Out of total 50 SHGs household 19(38%) took loan for consumption purpose followed by 10 (20%) redemption of old debt, 5(10%) housing improvement, 12(24%) for asset creating and 4(8%) for social functions like marriage, festival and others. In case of non SHGs household 22(44%) loans for consumption purpose 8(16%) for redemption of old debt, 4(8%) for housing improvement 5(10%) for asset creating and 11(22%) for social function like marriage, death and other festival.

**Table7: Management of Credit by SHGs and Non SHGs Household**

Particulars	SHGs Household	Percentage	Non SHGs Household	Percentage
Wife	10	20	0	0
Husband	12	24	50	100
Both	28	56	0	0
Total	50	100	50	100

Source Field Survey

It may observed from the table that out of 50 Household 28 Households (both wife and husband) found managed the borrowed money, however only 20 percent wife alone take decision and 24 percent of husband were found to take the management of credit in the sample areas. The table further indicates that in case of non SHGs household cent percent husband were take managerial care of the credit. The overall analysis indicates that a group or combined decision was found taken by SHGs household however there is complete lack of this types of attitude in these group 50 due to combined efforts by SHGs group credits were found utilize more efficient with compare to Non SHGs group.

**Table8: Employment Days Generated in SHGs and Non SHGs household Enterprise in year 2013**

Enterprises	Employment days in 2008 by SHG	Employment days in 2013 by SHGs	Employment days in 2008 by Non SHG	Employment days by Non SHGs household

	house hold.	house hold.	house hold	hold (in days) 2013
Agriculture	40	90	40	70
Dairy	150	280	138	220
Poultry	200	340	190	310
Goatery	180	290	110	250
Bangle Maker	145	310	120	180
Tailoring	130	200	60	120
Others	102	160	75	135

Source Field Survey

It was quite clear from above table that the days of employment increased in both SHG and non SHG household but days of employment was increased more than non SHGs household due to micro credit intervention.

**Table 9(A): Changes on Socio-economic status and awareness of various aspects of well-being after joining SHG Household**

Social Indicator	Same	Increase d	Decrease d
Mobility	12(24)	38	-
Recognition in family	7	32	11
Recognition in community	5(10)	32(64)	13(26)
Interaction with outsiders	14(28)	25(50)	11(22)
Literacy/Education	8(16)	34(68)	-
Access to Health Services	10(20)	40(80)	-
Access to Immunization	20(40)	30(60)	-
Access to Sanitation facility	16(32)	34(68)	-
Access to credit sources	15(35)	30(60)	-
Assets building	14(28)	36(72)	-
Family Income	10(20)	40(80)	-
Skills	9(18)	41(82)	-
Voicing Concern	14(28)	36(72)	-
Nutrition Awareness	18(36)	32(64)	-
Family planning awareness	20(40)	30(60)	-

**Table 9(B): Changes on Socio-economic status and awareness of various aspects of well-being in non SHGs household**

Social Indicator	Same	Increased	Decreased
Mobility	25(50)	15(30)	10(20)
Recognition in family	20	24	6(12)
Recognition in community	12(20)	28(56)	-
Interaction with	16(32)	34(68)	-

outsiders			
Literacy/Education	15(50)	25(50)	-
Access to Health Services	18(36)	32(64)	-
Access to Immunization	17(34)	34(68)	-
Access to Sanitation facility	30(60)	20(40)	-
Access to credit sources	35(70)	15(30)	-
Assets building	18(36)	32(64)	-
Family Income	24(48)	26(52)	-
Skills	24 (48)	26(52)	-
Voicing Concern	20(40)	30(60)	-
Nutrition Awareness	22(44)	28(56)	-
Family planning awareness	22(44)	28(56)	-

Source Field Survey

The socio-economics condition of SHGs household increased. The positive changes had been reported in case of awareness regarding to nutrition, health, hygiene family planning, decision making related to money centered, interaction with outsiders, mobility, educational development access to health service. In case of use of wine, violence against women and society, child marriage, dowry system had been reported decreasing.

In case of non SHGs household awareness regarding to nutrition, health, hygiene, family planning decision making had been reported positive changing but these were less than SHGs household. All were clear from above tables.

#### Conclusion –

It was found that the increasing income increased saving and also increased the days of employment. Finally poverty in the SHGs household decreased. Income employment and saving also increased in non SHGs household but the percentage is lower than SHGs household. The social impact is also pronounced in terms of increased role of household decision-making, improved in education, health nutrition, hygiene, family planning, self-confidence. These all were happened due to Micro Credit program. This programme is the most promising strategic weapon against rural poverty.

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