

DISSERTATION ON

**IMPACT OF MICRO-FINANCE ON POVERTY : A STUDY OF TWENTY SELF-HELP
GROUPS IN NALBART DISTRICT, ASSAM"**



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SUBMITTED BY

LIJA MONI DEKA

B.A. 6th Semester

GU ROLL NO - UA-211-200-0011

GU REGISTRATION NO – 21025434

UNDER THE GUIDANCE OF

BANTI SHARMA

ASSISTANT PROFESSOR

DEPARTMENT OF SOCIOLOGY

NALBARI COMMERCE COLLEGE

CERTIFICATE OF ORIGINALITY

This is to certify that the dissertation report entitled " Impact of Micro Finance on Poverty. A study at Twenty Self-help Groups: A case study in selected areas at Nalbari District" is an original work carried out by Lija Moni Deka, Roll No -UA-211-200- 0011, Nalbari Commerce College, Nalbari for the Partial Fulfilment of B.A. 6th semester course under Gauhati University and has not been submitted for any other degree / diploma to this university or other university/ institute.

I hereby declare that the research. Undertaken by him is carried out under my guidance and supervision.

Date: 31.5.2024

Place: Nalbari

Banti Sharma
31.5.2024
BANTI SHARMA

Assistant Professor

Department of sociology

Nalbari commerce collage, Nalbari

CERTIFICATE OF DECLARATION

I hereby declare that the dissertation entitled "**IMPACT OF MICRO-FINANCE ON POVERTY: A STUDY OF TWENTY SELF-HELP GROUPS IN NALART DISTRICT**". A case study in selected areas of Nalbari District submitted to Nalbari Commerce Collage, Nalbari under Gauhati University For the Partial Fulfillment of B.A. 6th Semester course curriculum For the degree of 'Bachelor at Arts' is an original dissertation work carried out by me during my Period of study in Nalbari Commerce College, Nalbari.

I further declare that this dissertation report has not been submitted to any other University/Institution/Board for award of any degree or diploma.

Date - 31.5.2024

Place - Nalbari

Lijamoni Deka

Lija Moni Deka

Roll No :- UA-211-200-0011

GU Registration No :- 21025434

B.A. 6th Semester

Nalbari Commerce College. Nalbari

PREFACE

As a partial fulfillment of the Bachelor of Arts. B.A. 6 th Semester, Gauhati University has given an excellent Opportunity to the student of Arts to conduct a study on any topic related to industry, Bachelor of Arts sector.

The research is conducted on the topic "Impact of Micro-Finance on Poverty: A Study at Twenty Self-help Groves in Nalbari District: A case study in selected areas of Nalbari District." It has been a good experience for me conducting this project work. The survey has helped me to gain more and more knowledge during the course of time of my dissertation.

Considering the above objectives and collecting relevant data, various Findings and suggestions have been forwarded. I hope this work gives some insight to the problems of the consumers in respect of the fear of risks they perceive in a generalized way.

In conclusion, I apologize for the errors, if any, that might have crept con despite of sincere attempts.

Lijamoni Deka

Lija Moni Deka

Roll No :-UA-211-200-0011

GU Registration No :-21025434

B.A.6th Semester

Nalbari Commerce Collage Nalbari

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Date: 31.5.2024

Place: Nalbari

Lijamoni Deka
Lija Moni Deka

Roll No -UA-211-200-0011

GU Registration No -21025434

B.A.6th Semester

Nalbari Commerce Collage Nalbari

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Chapter-I

ABSTRACT

This paper is an empirical study conducted in Nalbari district, Assam about the impact of micro-finance on poverty. It examines the nature of loans provided by the SHGs to its members, and finds that the amount of loans provided under the programme to its members is too small to help them cross the poverty line. Again these loans were utilised mainly for consumption purposes, followed by expenditure on current productive activities. Thus, there were only a few capital investments. But these capital investments were also not enough to provide the members full employment opportunity and sufficient income to cross the poverty line. Again it was seen that still the members of the SHGs go either to the moneylenders or to the banks for higher amount of loan. Moreover, it was found that a large segment of the SHGs are closed down. The closing of SHGs was found more in case of those formed under NABARD-sponsored SHG- Bank linkage programme and those formed under SGSY. Actually these SHGs were formed with the motive to have subsidised credit from the government sponsored schemes. When they found that they would not get any more subsidised credit, they closed the SHGs. It is proposed that perhaps providing higher amount of credit by banks to the SHGs will enable the SHGs to provide more and higher quantum of loans to the members. The most important thing for the success of SHG- Bank linkage programme is that the members of SHGs must be made aware of the concept of self-help.

Chapter-II

Introduction

Easier credit to the poor is identified as an instrument to fight against poverty. Again, it is frequently stated that poor are not bankable, and the formal financial institutions in developing countries often fail to meet the credit requirements of the poor. It makes it necessary for the government to interfere with the credit market directly or indirectly to channelise credit to this vulnerable section of the society. The government of India too in the past six decades took various initiatives to provide easier credit facilities to the poor. But most of these policies were unable to achieve their goals; which led to the emergence of micro-finance programme as an alternative instrument to provide credit to this venerable section of the society in India; along with the rest of the world. The micro-finance programme in India is popularly known as the Self-Help Group - Bank Linkage Programme and NABARD sponsored SHG - Bank linkage programme is the single largest micro-finance programme in the world. Along with an alternative source of credit, presently micro-finance is also seen as an instrument to alleviate poverty. Especially when Md. Yunus won the Nobel peace prize, the belief on micro-finance as an instrument to eradicate poverty increased tremendously. At the same time it is also one of the most debated issues considering whether micro-finance has the capacity or not to eradicate poverty. According to the Nobel committee, micro-finance can help the poor to come out of poverty, which in turn is seen as an important prerequisite to establish long lasting peace in the world (Nobel Committee, 2006; cited in Hermes *et al.*). Again providing support to the view that Micro-finance is an instrument to fight against poverty, the UN declared 2005 to be the year for micro-finance. The World Micro-Finance Summit held in Washington, DC in February 1997, in its declaration and action plan, among other objectives, reaching to the poorest of the poor and helping them so that they can come out of the grip of poverty was kept as the first objective. About the coverage of the poor by the programme, one segment of literature states that micro-finance programme has succeeded in covering the poor (Basu and Srivastava, 2005; Murthy *et al.*, 2006), while another segment tells that this programme is unable to include the poorest of the poor (Satish, 2001). About the impact of the programme on poverty, one segment of literature states that this programme has helped the members of Self-Help Groups (SHGs) to cross the poverty line (Galab *et al.*, 2003; Dev *et al.*, 2007; Singha, 2000) while another segment states about the falling of non-