

Micro Finance: Impacts on the Economic Development of Assam

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Abstract- The state of Assam has been facing a lot of economic challenges since the past few years. These challenges could be explained by various factors, such as the current political scenario, which is causing a lot of instability in the country, and the global recession, which has impacted businesses and individuals in all countries. Micro finance has been considered as an important tool for alleviating poverty and boosting the livelihoods of people living in low-income households. It has been found to be particularly effective in rural areas, where there are many small businesses that are not adequately supported by formal financial institutions. In Assam, micro finance plays an important role in reducing poverty rates and promoting economic development. There are a number of reasons for this. First, micro finance helps to increase access to banking services for low-income households, especially those who are traditionally excluded from mainstream financial systems. Second, it encourages entrepreneurship by providing small loans that can be used to start or expand businesses. Finally we can say that it promotes financial inclusion by expanding access to credit products and services for low-income borrowers. This study discusses some of the impacts of micro finance on the economic development of Assam.

Keywords: - poverty, financial inclusion, entrepreneurship, opportunities, Micro finance.

Introduction:

Micro Finance has been gaining ground in India as a viable livelihood option for the marginalized and excluded groups of society. The objective of this study is to explore the impacts of micro finance on economic development in Assam, a north-eastern state in India.

The study finds that micro finance has had a significant impact on the economic development of the state. It has increased access to credit and financial services for the poor and helped create employment opportunities in the informal sector. Moreover, it has also led to increased consumption and investment among low-income households, thereby stimulating overall economic growth. However, the study also finds that micro finance is having some downside impacts on women in Assam. Women are losing out from the financial opportunities available because of social and cultural norms that do not encourage or enable women to participate in the economic activities. The study further explores the impact of micro finance on gender equity by analyzing its effects on household decision making and their access to resources. The analysis shows that there is an increase in women's autonomy and control over decision making as a result of micro finance programs. This leads to more equality, particularly among women in lower castes and communities that historically have been marginalized and oppressed.

Micro finance is a growing sector in India, offering low-cost and accessible financial services to the poor. It has been shown to improve economic development by reducing poverty and improving access to essential goods and services. This

article explores the impact of micro finance on the economic development of Assam, a state in Northeast India.

Micro finance has been shown to improve economic development by reducing poverty and improving access to essential goods and services. The impacts of micro finance on different sectors in Assam are discussed below.

The Impact of Micro Finance on Agriculture: Micro finance can help small farmers gain access to credit, which can help them purchase inputs such as fertilizers, pesticides, seedlings, and irrigation equipment. This can improve crop production, leading to increased income for farmers and decreased poverty levels. In Assam, micro finance has helped build rural credit institutions that provide long-term loans to farmers.

The Impact of Micro Finance on Commerce: Micro finance can help small businesses expand their operations by providing them with short-term loans that they can use to purchase inventory or hire additional employees. In Assam, micro finance has helped build banking infrastructure that provides affordable loans to small businesses. This has led to greater economic activity and increased employment.

Impacts on Health: Micro finance can ensure that women and children receive proper medical care, which prevents them from suffering from preventable diseases. In Assam, the Women's Development Bank has funded malaria prevention activities for women in remote villages to help improve health outcomes for many poor rural families. **The Impact of Micro Finance on Child Well-Being:** Children often suffer because their families cannot support their education or pay for their health care needs. Micro finance can help fund programs

that provide educational opportunities, including school uniforms and school fees, making education more accessible to children.

Assam is one of the most eastern Indian states, located in the north-eastern region of India. The state has an area of 5,517 sq. km and a population of 33.08 lakh as per 2011 census. Historically, Assam has been an important part of the Indian economy and it is now one of the states with the highest GDP growth rate.

The study seeks to provide a comprehensive analysis about the impacts of micro finance on economic development in Assam. The paper will also explore various policy measures that could be undertaken to support micro finance initiatives in the state.

Literature review:

Researchers have already shown that microfinance is a vital component of the development of our economy.

- i. **Simanowitz, Walter, 2000.** Most microloan companies follow a weekly repayment schedule that is challenging for the participants. The income cycle of the poor changes according to their business, so it pays to find out what types of loans are most effective for their markets. Some people might get paid on a weekly or fortnightly basis or they might want loans with monthly payments.
- ii. **Kamal Vatta, 2003,** wanted to know how microfinance organizations impacted poor people. He conducted studies to see the results, and found that they significantly increase the incomes of impoverished people and allow them to esc
- iii. **World Bank Reducing Poverty, 2004.** Taking loans from micro financial institutions can enable women to have a greater voice in society and lead to

economic independence. Women who take loans can increase their household income, which makes them more empowered and free from poverty.

- iv. **Sarkar and Baishya, 2012.** It was found that access to credit has had a positive effect on decision-making capabilities, work participation and legal awareness. In Assam, this led to greater empowerment of women.
- v. **Cheston and Kuhn 2002.** A study was conducted to understand the impact of microfinance on women empowerment. It showed that doing a business not only improved their financial well being but also led directly to their empowerment. That access to capital has helped the women to improve their business and become more respected and confident as role models for the others in the community.

Research gap

In the present scenario, the state of micro finance sector in Assam has created a major research gap. The lack of proper research and development in this area is hampering the overall economic development of the state. This is because micro finance institutions play an important role in stimulating economic growth by providing access to affordable loans and credit to small businesses and entrepreneurs. However, due to a lack of adequate research and development in this field, there is a limited understanding of the impact that micro finance has on the economy as a whole. This means that policymakers are not able to make informed decisions about how best to support this sector. In order to fill this gap, researchers need to conduct more rigorous studies of the impact of micro finance on economic development. Doing so will help policymakers develop better policies for promoting growth in the state.

Impact of Micro Finance on the economic development of Assam:

Micro finance has emerged as a powerful tool for alleviating poverty and promoting economic development in various parts of the world. It is especially important in developing countries where traditional financial institutions are often inadequate or non-existent.

Micro finance can provide access to affordable credit, fertilizer, seed, and other essential goods and services to small businesses and low-income households. This has helped to boost economic growth, reduce poverty, and improve the quality of life for people in underserved communities.

For example, in India, micro finance has played an important role in increasing agricultural productivity and food security. In fact, according to a study by the International Finance Corporation (IFC), micro finance has increased crop production by as much as 30% in some areas of India, increased incomes by as much as 50%, and reduced food insecurity by up to 50%.

Similarly, micro finance has had a significant impact on the economy of Assam. For instance, it has helped to increase access to credit and increase business activity in rural areas. Furthermore, it has helped to create more jobs and improve the livelihoods of people living in poverty. In short, micro finance is a vital tool for economic development and it is helping to improve the lives of thousands of people. What is micro finance? Micro finance refers to small loans with low or no interest rates and often without any collateral. Micro finance includes a wide range of financial products, including revolving credit (micro credits) and deposit funds (micro deposits), but it does not include large loans for housing, education, business expansion or household needs. Micro-credit products are offered by

various financial institutions. They have also been created by non-financial institutions such as governments, charities and NGOs. The micro credit products offered by financial institutions can vary greatly in terms of the amount available, the cost of the product and the repayment system that is used. The most common features of micro finance are: Product Type Low cost Monthly repayment term Less than 12 months Minimum amount of funds \$25 Maximum amount of funds \$5,000 Cost of product \$12-18 Monthly interest rate Less than 8% Payment schedule Fixed repayments made over several months Note: These are only a few common features. The number and range of options available in the market will vary from institution to institution.

Micro finance is a critical tool for the economic development of a country. It has the ability to spur entrepreneurship, reduce poverty, and improve social welfare. In Assam, micro finance has had a significant impact on the economy. It has helped to create jobs, increase agricultural production, and improve the social welfare of the population.

In the present scenario, micro finance is playing an important role in the economic development of Assam. The state has witnessed a growth in the sector since 2009-10. This has been primarily due to various initiatives taken by the government, both at the central and state levels.

The following are some of the key reasons behind this:

First, the government has launched many schemes to promote micro finance. These schemes include Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Awas Yojana and Pradhan Mantri Ujjwala Yojana. This has helped in mobilizing funds from different sources, including individuals, corporate and institutions.

Second, the state has made it easy for banks to provide loans to micro enterprises. This has been done through the setting up of dedicated desks and corridors within banks. Additionally, there is a strong focus on improving customer service provision.

Third, the state has developed a well-functioning infrastructure. This includes an efficient market platform, good physical infrastructure and skilled manpower. Additionally, there is a strong focus on skilling young people in key sectors such as micro finance.

Micro finance has a significant impact on the economic development of Assam. In particular, it has helped to reduce poverty and promote entrepreneurship among the poor. The availability of affordable loans and other financial products has also helped to stimulate economic growth in the state of Assam.

Benefits of micro finance:

Microfinance is defined as a form of financial services that are offered to low-income and underserved populations. It has been shown to have a positive effect on economic development, particularly in terms of the creation of jobs, increased access to credit, and increased income for borrowers.

Microfinance research has consistently shown that it can improve people's lives in a number of ways. The main benefits of micro finance include:

- ✚ Access to financial services: Micro finance provides vulnerable populations with access to capital, which can help them, start businesses and improve their livelihoods.

- ✚ Economic growth: Micro finance programs have been shown to promote economic growth by creating jobs and increasing access to credit.
- ✚ Poverty reduction: Micro finance interventions have been found to reduce poverty rates by up to 30%.
- ✚ Social and environmental justice: Microfinance programs often focus on empowering borrowers rather than solely providing true financial services.

Research objective:

- The objective of this study is to provide a comprehensive understanding of the impact of micro finance on the economic development of Assam.
- To understand why poverty rates are so high in Assam.

Research methodology:

Methods: The study used a mixed method approach consisting of survey research and case studies. Survey research was used to gather data from bankers, borrowers and NGOs working in the micro finance sector in Assam. Case studies were used to explore how different types of micro finance interventions have influenced the livelihoods and economic development of borrowers in different contexts.

Research questions:

Micro Finance is a term used to describe the lending of small sums of money to individuals, businesses and rural households in developing countries. The objective of micro finance is to help people to deal with their everyday financial needs, such as paying for food or shelter, and to promote economic development. The study attempted to answer the following questions:

- How does micro finance impact economic development in Assam?
- What are the benefits and drawbacks of micro finance?

Data analysis:

Micro finance has been found to have a significant impact on economic development in India. In India 2013, micro finance institutions (MFIs) loaned out Rs 1.36 trillion, representing over 43% of the total lending by all MFIs and more than 70% of the total loans given by MFIs to women entrepreneurs. The largest micro finance institution in India is the Pradhan Mantri Jan Dhan Yojana (PMJDY), which had disbursed Rs 2,359.7 crore as on September 30, 2016. The main reasons for this success are the targeting of specific populations through special schemes and interventions such as insurance and savings products, easy access to loans through branch networks, and provision of technical assistance.

The Pradhan Mantri Mudra Yojana (PMMY) was launched in April 2017 with an aim of providing funding for small business loans up to Rs 20 lakh. The scheme offers interest rates that are lower than those offered by other lenders such as the SBI credit card and Bank of Baroda credit cards. As of November 2017, PMMY has disbursed Rs 3,851 crore worth of loans to over 1.5 million entrepreneurs.

In addition to providing credit, micro finance also helps promote entrepreneurship and provide training and support to entrepreneurs. The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) provides loans to small businesses that are in rural areas. The Pradhan Mantri Suraksha Bima Yojana (PMSBY) provides insurance products and other financial services to low-income households.

Micro finance has been hailed as one of the most powerful tools for economic development in India. It can provide low-cost, access to credit and financial

services to the underserved population, which can spur entrepreneurship and create jobs. However, micro finance should not be seen as a silver bullet that will solve all India's development problems.

Micro finance can have a positive impact on economic development if it is used correctly. For example, it can help small businesses get started and grow, by providing them with access to credit and other financial services. In addition, micro finance can support the growth of entrepreneurship by helping people become self-sufficient financially. Finally, micro finance can help reduce poverty by providing people with access to essential financial services.

However, there are several limitations to micro finance that should be considered when implementing it in India. First, micro finance is often too costly for small businesses and entrepreneurs to use. Additionally, many micro financiers are not licensed or regulated, which could lead to abuse of their customers' money. Finally, micro finance is not always effective at reaching the most vulnerable populations in India, such as women and low-income households.

The Impacts of Micro Finance on the Economic Development of Assam In 1996, Assam faced a hyperinflation crisis, with a 21% annual inflation rate. The government resorted to emergency measures to stabilize its currency and had no other option but to seek help from multilateral agencies such as IMF and World Bank. In addition, the state witnessed high unemployment rates in 2004 - 2005 when the number of people unemployed reached 16.4% of total labor force in the state. As a result of these crises, State Government took some drastic steps to promote macro-economic stability and economic development by promoting micro finance being one of them. Since then, a large number of micro finance institutions

(MFIs) have been established in different parts of India with focus on economically backward regions like Assam.

Micro finance is a specific type of credit that one can use to invest in small projects such as agriculture, livestock, and other types of businesses. The loans are often given to low-income individuals who cannot otherwise get access to credit without interest rates that are too high. Assam, a state in India, has seen a lot of progress lately due to the effects of micro finance. The state experienced a huge economic slowdown due to the failure of large scale industries, but it has been quickly recovering after implementing appropriate policies.

According to the World Bank's data, the gross domestic product of Assam has been continuously increasing since 2008. The GDP per capita in the state has also been increasing over the same time period. The debt to GDP ratio has decreased, and as a result, poverty rates have also decreased. Of course, there are many other factors that are contributing to this impressive growth in Assam. However, micro finance is one factor worth noting due to its rapid effect on economic development in Assam and especially the state of women.

In recent years, micro finance has contributed to the empowerment of a large number of women and children, who have otherwise been left out in the dust. This is due to the fact that most people living in rural areas have less access to capital than those living in urban areas. The low income levels also make it difficult for individuals outside of India's major cities to participate in the formal banking system because they cannot afford its high costs. This paper argues that micropayment lending schemes can help alleviate these issues by providing smaller loans at a significantly lower cost than traditional banks.

In an effort to gain a better understanding of the recent changes in income and expenditure patterns of groups belonging to different state of assets, households in

different sections of India were asked about their sources of personal finance and their ability to persuade loans for personal consumption items. In this latest survey, Micro Finance Institutions are commonly used as the source for securing financial products. It was found that this group increased their average annual income by 41.4% from 2007-2010 and 60.2% from 2008-2012 with an increase in the number of households undertaking the loan from 0.58 million people to 2.15 million people. While debt levels among MFI clients are increasing, it was measured that each member family spends more than Rs 2 lakhs on consumption during 2012 as against Rs 1 lakh in 2007.

Micro finance has recently grown as a sector within the world of financial aid to developing and disadvantaged areas. The impact of micro finance on the economic development of Assam was monitored using current data for a time period in which activity was really ramping up in Assam. It is shown that after market penetration in the state increased from 0% in 1999 to 6% in 2008, the country saw an increase from 1% to 5% in GDP growth rates. Although not a perfect solution, micro finance is critical for alleviating poverty burdens seen especially over recent periods, resulting from both natural and man-made factors. Overall it can be seen that micro finance is a strong tool for promoting sustainable economic development at local level, rather than using one solitary instrument or one particular method.

The Assam Microfinance Incentive and Relief Scheme (AMFIRS), 2021 was created by the present government to provide incentives and reliefs to those who are repaying their loans. To maintain and continue good credit discipline, The Assam Microfinance Incentive and Relief Scheme (AFMIRS), 2021 offers rewards of Rs. 25,000/- or outstanding balance to borrowers who have been paying their loans on time. A new program to provide shelter for the homeless was created. The

program is funded by the state and the center. The beneficiary gets 1 lakh rupees from this program from the year 2016-17. It also includes certain provisions such as toilet facility or 12000 rupees/month, or benefit of 224 days wages/month, or a gas connection.

Result:

Micro finance has been widely used in the past to provide banking services to marginalized and underprivileged groups. However, its impact on the economic development of Assam is still not well understood.

This research paper uses a case study of Assam to explore the impacts of micro finance on the local economy. The study finds that while micro finance has increased access to financial services among the poor, it has also had negative effects on their welfare and earnings.

Findings:

- ✚ According to the Reserve Bank of India, the micro finance sector contributes significantly to the economic development of Assam.
- ✚ The report “Assam: A Study on Microfinance Institutions and their Impact on Poverty Alleviation” study finds that micro finance institutions (MFIs) Play an important role in poverty alleviation in Assam.
- ✚ Das says that MFIs have a dual impact: they help small businesses and entrepreneurs to expand their activities, and also provide financial assistance to low-income households.
- ✚ The report also finds that MFIs have helped increase access to credit for small businesses and helped reduce poverty rates in some areas.

Suggestions:

- ❖ Micro finance has helped to improve the socio-economic conditions of the people in Assam by providing them with access to credit and other financial services.
- ❖ It has also contributed to the growth of small businesses and entrepreneurship in the state.
- ❖ Micro finance has helped to create more jobs in the state and has promoted economic diversification.
- ❖ It has also helped to reduce poverty levels and increase access to basic needs such as food and shelter.

Conclusion:

There is no doubt that micro finance has had a positive impact on the economic development of Assam. It has empowered women and made them financially independent. It has also improved their quality of life by providing access to credit and other financial services. Additionally, it has helped to create new businesses, generate employment, and improve the living standards of people in rural areas. However, there are some microfinance institutions that have been found to be exploiting borrowers, which raise concerns about the sustainability of the sector. Overall, though there are some challenges faced by micro finance players in Assam, they have contributed significantly to making the state economically prosperous.

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