

Chapter 19

Poverty and Microfinance in Char Areas of Dhubri District in Assam

Shahjahan Ali Sheikh
Ratnapith College, India

Kanchan Datta
North Bengal University, India

ABSTRACT

In India, 70% of population lives in rural area and 60% of population earn their livelihood from agriculture which implies a high rate of underemployment and poverty. The root cause of poverty is the low access to credit facilities. Micro finance in this respect can play a vital role in providing financial services to the poor. In India Micro finance is dominated by self-help groups (SHGs), bank linkage programs aimed at providing a cost effective mechanism for providing financial services to unreached poor to fight against poverty. The chapter, thus, aims at identifying the current status, role, and performance of microfinance in Char areas of Assam in India. The chapter is concluded with the stress that more and more number of SHGs should be encouraged to form among the poor household in the study area to avail the benefit and cross poverty line.

INTRODUCTION

According to Gandhiji, named after M. K. Gandhi, the father of nation, India lives in villages. It was said because 70 percent of the population of the country live in rural areas. Most of the population live in rural areas are depend upon the agriculture and allied sectors. Rural areas are witnessed a high percentage of poor people and 67 percentage of the rural people are found Below Poverty Line. The root cause of poverty is the low access to credit facilities. The traditional financial institutions like banks are not interested to provide financial services to the poor living in rural areas. Again requirements of formali-

ties of the formal banking sector are out of reach for the poor and deprived people. Micro finance in this respect can play a vital role in providing financial services to the poor.

Microfinance, also known as microcredit, is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who don't have access to traditional sources of capital, like banks. These days, microfinance has become an important institution and mechanism of credit delivery, particularly for the poor and the deprived. There have been a number of studies undertaken in India and other developing countries that have brought out the success of various micro finance programmes in alleviating rural poverty, promoting holistic development of individuals, communities and developing small enterprises. The ultimate recognition of the viability, suitability and efficiency of microfinance as an agent and institution of development has recently come about, because of the pioneering work undertaken by Prof. Yunus of Bangladesh. Microfinance and more specifically the credit element in it, is basically undertaken and promoted by various Microfinance Promoting Institutions (MFPIs). These institutions can be Non Government Organizations (NGOs), Self Help Group (SHGs) and other social groups. The importance of the microfinance programmes and the success of the MFPIs in various developing countries, get prominence, because of persistent market and government failures in the sphere of rural development in general and rural credit in particular. This very success also negates the age-old perception and belief of most of the formal sector financial institutions that the "poor are not bankable". The proposed Microfinance Services Regulation Bill of India defines microfinance services as "providing financial assistance to an individual or an eligible client, either directly or through a group mechanism for:

- An amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual).
- An amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes.
- Such other amounts, for any of the purposes mentioned at items (i) and (ii) above or other purposes, as may be prescribed."

The bill further defines Micro Finance Institution as "an organization or association of individuals including the following if it is established for the purpose of carrying on the business of extending microfinance services:

- A society registered under the Societies Registration Act, 1860.
- A trust created under the Indian Trust Act, 1880 or public trust registered under any State enactment governing trust or public, religious or charitable purposes.
- A cooperative society / mutual benefit society / mutually aided society registered under any State enactment relating to such societies or any multistate cooperative society registered under the Multi State Cooperative Societies Act, 2002 but not including a cooperative bank as defined in clause (cci) of section 5 of the Banking Regulation Act, 1949 or a cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services.

Microfinance institutions have witnessed enormous growth during the last couple of decades. The spread of the SHG-microfinance linkage programme in Assam is recent. In this study we want to explain the expansion of this programme in the Char areas of Assam and analyse how it compares with the other parts of the state. To put it straight, the specific objectives of the study are:

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