

The Impact of Microfinance on Household Expenditure Patterns: Evidence from Kutch (India)

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Abstract: *SHG is a powerful tool for alleviation poverty and women empowerment and creating awareness which finally results in sustainable development. SHG is linked to DRDA , NGO, bank and private Microfinance agency etc in Gujarat . Self Help Groups (SHGs) made a significant impact on their empowerment both in economical and social. The main aim of this agencies are to providing micro credit and started some livelihood promotion activity and became self reliance and change their economic condition. Expenditure is relates to level of income, when the incomes level rise the Expenditure also rises. The main objective of this paper is assessment of changes on the expenditure pattern of SHG Women Household. The information required for the study has been collected from the primary sources. A multistage random sampling method has been followed. percentage analysis was carried out to draw meaningful interpretation of the results.*

Key words: *Microfinance, Empowerment, Self Help Group*

I. Introduction

In recent years, governmental and nongovernmental organizations in developing countries have introduced microfinance programs offering financial services to low income households, with the objective of changing the socio-economic scenario of women, and encouraging women entrepreneurship. Mohammed Yunus was the founder of the microfinance concept in the 1970's. Micro finance is a one of the vehicle of the financial institutions. Microfinance has been defined as "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards" (NABARD, 2006). The Micro finance concept started in India in 1980s through the Self Help groups (SHGs) model. It is a replication of the Grameen model of Bangladesh. The Microfinance programme in India has emerged as not only the largest in the world having covered about 8.6 crore poor households as on 31st March 2009 (NABARD report, 2010). It is true that the concept of microfinance is yet to spread its wings all over India, and district place of Kutch in Gujarat is not an exception. Villages are faced with problems related to poverty, unemployment, lack of resource, lack of awareness of education and health care etc. These are problems that cannot be tackled individually but can be better solved through group efforts. The 9th Five Year Plan of the Government of India had given a credit on the importance and the relevance of the Self-help group method to implement developmental schemes at the grassroots level through microfinance . The Self Help Groups (SHGs) emerged as a component of the Indian financial system after 1996. They are small, informal and homogenous groups of not more than 20 members. Each Self Help Group (SHG) is a small voluntary association of poor people, preferably from the same socio-economic background. They come together for the purpose of solving their common problems through self-help and mutual help. Self-help group is a method of organizing the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide. Specifically SHG members from BPL families but with some exception for a few marginal APL families if acceptable to the BPL members of the group. This group is registered under the Indian Societies Registration Act. SHGs are formed and supported usually by NGOs, CBOs, and Network of Community-based Coordinators or by Government agencies. Self-help groups through microfinance have work as instruments for a variety of goals including promote for self employment, empowering women, developing leadership abilities among poor women, awareness of education and health etc.

Some Leading Studied on Microfinance and Economic Empowerment

Mayoux (1997) has said that small increases in women's income are also leading to a decrease in male contribution to certain types of household Whereas, other believe that investing in women's capabilities empowers them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development.

According to the Hashemi (1996) women's access to credit has an impact on their lives, irrespective of who had the managerial control. Their results suggest that women's access to credit contributes significantly to the magnitude of the economic contributions reported by women, to the likelihood of an increase in asset

holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness as well as in composite empowerment index. They also found that access to credit was also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations

Kabeer (2005) has contributed to this understanding by examining the empirical evidence on the impact of microfinance with respect to poverty reduction and the empowerment of poor women. It studies the extent to which access to financial services helps poor women address their practical daily needs as well as their strategic gender interests and whether the approach taken makes a difference to these outcomes. Microfinance offers an important and effective means in bringing a change in a number of different arenas-economic, social and perhaps also political. The empowerment of women needs the success of micro financing organizations in building up the organizational capacity of the poor women, which provides the basis for their social mobilization that many other class interventions have not been able to achieve

Basu (2006) has attempted to explain how a woman's tendency to invest in safer investment projects can be linked to her desire to raise her bargaining position in the households. He has investigated the empowerment of SHG member functioning in Tarakeswar Block of Hooghly district, West Bengal. For this 100 SHG's were selected. Two members from each of these were selected for study. The main objective of the study was to measure the social and economic development of the member. In the present study measured the empowerment in terms of health and education awareness, economic decision making variables, purchase variables, control over loans, and control over income and savings. The analytical framework of the study is based on the Nash bargaining game theoretic model.

Cristalbell (2009) assesses the role of microfinance in building up economic and democratic capacity of women and thereby enhancing their empowerment in India, with special reference to the state of Kerala. This is a study of a single microfinance organization, Samathha Vanitha Swayam Sahaya Sangham. A sample was selected for an in depth study of their activities and performance and from each of the selected SHGs, an adequate number of the women were selected. It evaluates the performance of the performance of self help groups. It tries to identify the factors that contribute to their successful performance and sustainability. It has also examined the level of participation of the women in SHGs and group dynamics that influence their participation.

Jain & Jain (2012) have attempt to study Udaipur district, Rajasthan. it was conducted on around 100 respondents from various self help group. this study analyses that significant increase in women empowerment of the self Help Groups members. Rural women were able to vote independently without any direction from their husbands and they are also highly participation in Gram Sabha meetings. Women can discuss their views freely in the family and in groups, and were able to discuss freely with bankers, NGOs member and government officers. There was increase of income, better savings, reduced dependency on money lenders, undertaking income generating activities, ability to deal with the financial crisis and women moved independently to other places without the support of male members of the family. Through microfinance or joining self help group there was increase women's role in decision making in children's education. it also had improved considerably savings and expenditure related decision making. According to the study the important finding through microfinance is political empowerment at high level among women as compared to economic empowerment and social empowerment was low level .

From the some literature review microfinance is playing key role for poverty eradication and women empowerment. Self help group members are trying their level best and they generate some livelihood promotion activities and they became self employed and economically independent. By this way their family income increase and they spend more money. many literature explain that when income increase automatically their expenditure also increase . so research gap of this study is analyze the changes the expenditure patterns before and after joining Self Help Group. Mohammed Yunus rightly say like that " When men get a chance, they start dreaming about themselves; when a woman get a chance, they dream about home and their children and they also dream about what they contribute to the community."

Objective of the study

- To find out the impact of microfinance on selected Household Expenditure Patterns.

II. Methodology

Primary data was collected through inclusive fieldwork by the researcher. It was decided that the study should be carried out in the Kutch. Four villages have been selected. Based on the total number of SHGs in the village a minimum of one third SHGs from each village were selected for sample study. This field study was done in the year 2014. A multistage random sampling method has been followed. percentage analysis was carried out to draw meaningful interpretation of the results.

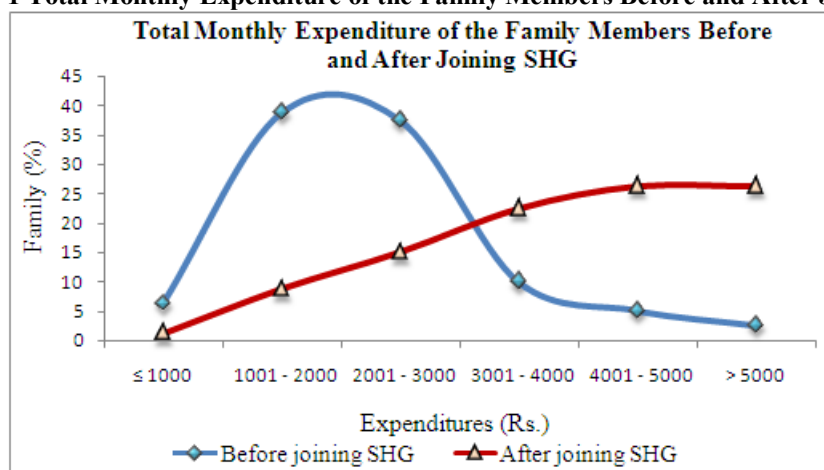
Name Of The Village	Total No of the SHG in the Village	Selected no of the SHG from total SHG
Lodai	13	5
Jikadi	12	5
Dhori	20	7
Ghada	8	3

Overview of Kutch

Kutch is a drought prone area. It has frequent drought, and very low rainfall. People are dependent only on agriculture. There is no other source of income. The earthquake of January 26, 2001, devastated the region in such a way that the plight of the people shocked the whole world and philanthropic aid flowed in to the region in an unprecedented way. The earthquake caused the death of 30,000 people and adversely affected nearly one million. After earthquake more NGOs, and other institutions were established and they have done their level best to implement rural development programmes. Through SHG women became independent and they are mostly doing with handicraft. so their income of the family increase.

The Impact of microfinance on Household Expenditure Patterns:

Graph No. 1 Total Monthly Expenditure of the Family Members Before and After Joining SHG



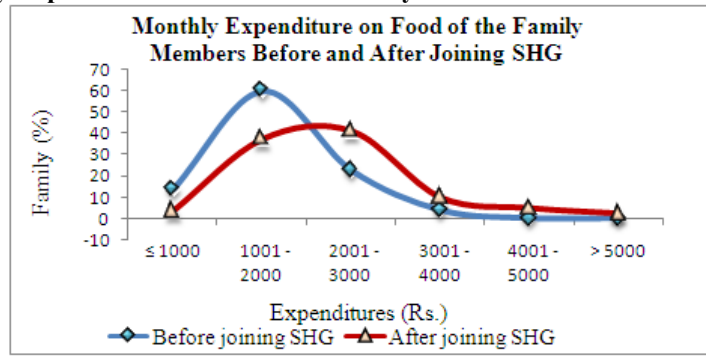
Source: Field work

The family expenditure has increased due to positive changes in the SHGs member's income. The incremental incomes not only enhance the savings but also promote expenditure or consumption of the family after joining the SHG. The graph no.1 describes the level of expenditure of the SHG's family. Expenditure also depends on the size of the family. 6.25 percent of respondent families had expenditure up to a 1000 only before joining the SHG. Now there is only one family whose monthly expenditure is a 1000 and that expenditure was mainly on food. We notice that 76.25 percent of the families had expenditure of a 1000-3000 before joining SHG, the percentage of families in this group has come down to 23.75 percent. The family expenditure group of (3000 to more than 5000) per month was previously only 17.5 percent but after joining SHG it has jumped up to 75 percent. It means 57.5 percent variation in expenditures. With increase in income they have to face the problem of food inflation and hence there is no substantial gain for them.

Expenditure Pattern of the Family of SHG Members

Now we will analyze monthly expenditure pattern of the SHG members which clear from the following graphs .

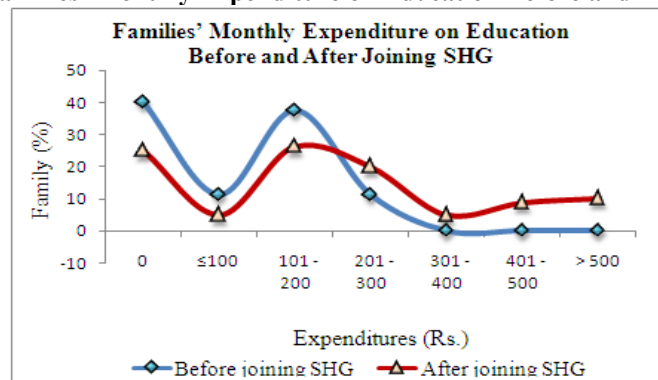
Graph No 2: Monthly Expenditure on Food of the Family Members Before and After Joining SHG



Source: Field work

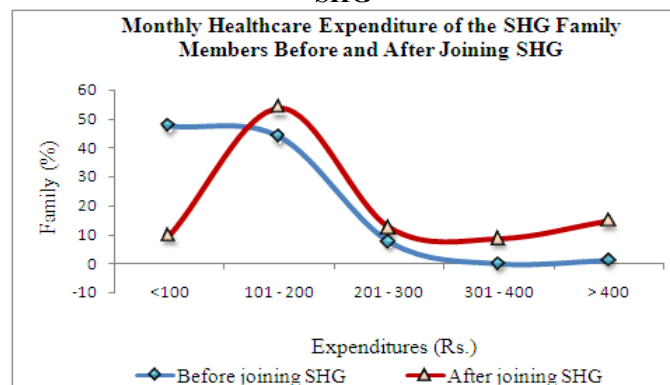
The graph No. 2 displays the Families monthly expenditure on food before and after joining the SHG. Food is the first priority in life. Out of the total number of families 13.75 percent families used to spend up to a 1000 before joining the SHG but after joining SHG it is decreased to 3.75 percent. Number of families which had expenditure on food between a 1000-2000 has reduced from 60 percent to 37.5 percent. Out of the total number of families 3.75 percent families used to spend between a 3001 to more than a 5000 on food before joining the SHG but after joining SHG it has increased to 17.5 percent.

Graph No. 3: Families' Monthly Expenditure on Education Before and After Joining SHG



Graph No. 3 displays the Family's monthly expenditure on education before and after joining the SHG. Though an increase in the expenditure on education has been noticed it is not praiseworthy. The education level is low when we compare this study area to the other parts of Gujarat. Out of the total number of families 40 percent families were not spending a single paisa on the education. After joining SHGs, 20 families are still not spending on education which is a notable feature of this region. From the table we can see that before joining SHG's families who were spending a 200 to more than a 500 on education were only 11.25 percent but after joining SHGs 43.75 percent families are spending a 200 to more than a 500 on education.

Graph No.4: Monthly Healthcare Expenditure of the SHG Family Members Before and After Joining SHG

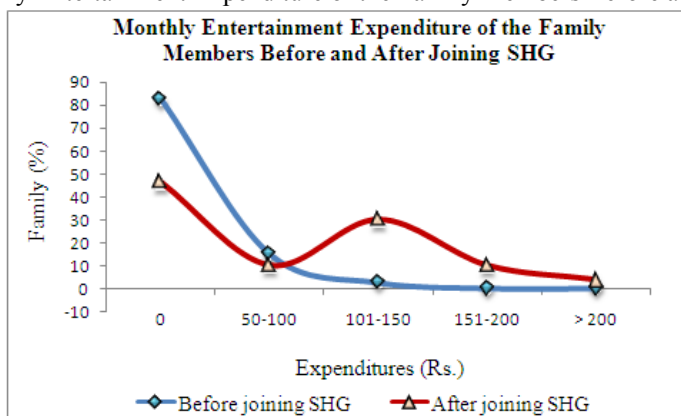


Source: Field work

Most of the respondents replied about expenditures on healthcare on per year basis. So the researcher divided this to know the month wise data.

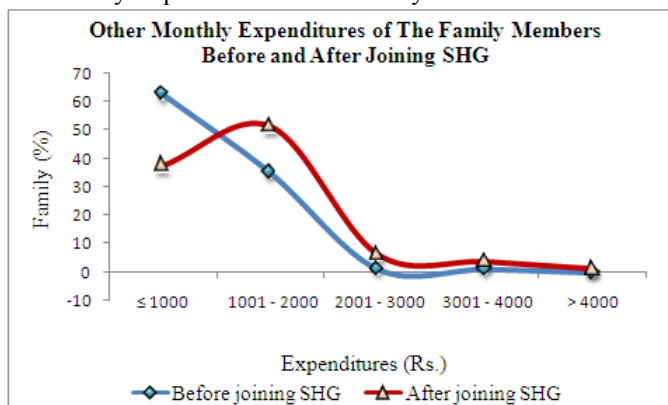
Most of the people said that their expenditure on health was more than education and entertainment expenses. Graph no. 4 shows the Families monthly expenditure on education before and after joining the SHG. Out of the total number of family 47.5 percent families spent up to a 100 before joining the SHG but after joining the SHG it decreased to 10 percent. From the table we can see that before joining SHG families who were spending on health between a 101 to 200 were 43.75 percent but after joining SHGs 53.75 percent families are spending from a 101 to 200 on health. Not a single family spent a 300- 400 per month on healthcare before joining SHG. But 8.75 percent of the families spent a 300-400 rupees on healthcare after joining SHG. Only 1.25 percent family spent more than a 400 per month before joining the SHG, but after joining the SHG it has gone up to 15 percent.

Graph No. 5: Monthly Entertainment Expenditure of the Family Members Before and After Joining SHG



Graph no. 5 shows the families monthly expenditure on entertainment before and after joining the SHG. entertainment expenses include-television or channel expense , theatre, purchasing CD, expenditures on playing a game etc Out of the total number of families 82.5 percent families had no expense on entertainment before joining the SHG, this has decreased to 46.25 percent after they joined the SHG. Out of the total number of families only 2.5 percent families used to spend a 101-200 of their income on entertainment before joining the SHG but after joining SHG it has gone up to 43.75 percent.

Graph No.6: Other Monthly Expenditures of the Family Members Before and After Joining SHG



‘Other expenditures’ covers-social expenses, electricity bill, mobile bill, transportation expenses, garment expense etc. Graph No.6 shows the families monthly expenditure on education before and after joining the SHG. Out of the total number of families 62.5 percent families had ‘other expenditures’ up to a 1000 before joining the SHG. This decreased to 37.50 percent families after they joined the SHG. From the table we can see that before joining SHG’s families who had ‘other expenditures’ between a 1001 to 2000 constituted only 35 percent, but after joining SHGs 51.25 percent families were spending a 1000 to 2000 on other expenses. This shows that when the income increases the standard of living also improves. Only 2.50 percent families had

‘other expenditure’ more than a 2000 rupees before joining SHG. This has increased to 11.25 percent families after joining SHG.

III. Conclusion

Economic independence has also enabled them to improve their overall capacity building. Socio-economic empowerment has been considered instrumental for holistic development. Last but not least they have gained self confidence to face the changing economic scenario of tomorrow. Food is a first priority for human being. so before and after joining SHG there is definitely changed the food expenditure Though the expenditure on education and health has increased it is still not remarkable. entertainment and other expenditure also change but this changes are not consider as productive changes . microfinance is slowly but surely changing the economic status of Self Help Group members household by improving their income. But still need to some changes for expenditure patterns because on health and education expenditure are not satisfactory and this two indicator are very important for sustainable development.

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