

Ph. D Thesis

On

**MICRO FINANCE AND RURAL TRANSFORMATION: A STUDY OF TIRAP
AND LONGDING DISTRICTS OF ARUNACHAL PRADESH**

Submitted for

The Degree of Doctor of Philosophy in Commerce

By

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MERIEMA, NAGALAND

SEPTEMBER, 2023

CERTIFICATE

This is to certify that the thesis, “**Micro finance and Rural Transformation: A Study of Tirap and Longding Districts of Arunachal Pradesh**” has been completed by **Mr. Khugang Moses Wangsa**, Research Scholar, Department of Commerce, Nagaland University, Kohima Campus: Meriema under my supervision. It is a record of original research work.

The thesis is fit for the submission for the degree of Doctor of Philosophy in Commerce.

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DECLARATION

I, **KHUGANG MOSES WANGSA**, do hereby declare that the subject matter of this thesis titled “**Micro finance and Rural Transformation: A Study of Tirap and Longding Districts of Arunachal Pradesh**” is the record of work done by me, that the contents of this thesis did not form basis of the award of any previous degree to me or to the best of my knowledge to anybody else. This thesis has not been submitted earlier either to this university or to any other University/Institution for the fulfilment of the requirement of a course of study.

This is being submitted to the Nagaland University for the degree of Doctor of Philosophy in Commerce.

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ACKNOWLEDGEMENT

First and foremost, I thank the almighty God for his endless love, and innumerable blessings I received while overcoming various challenges with patience and determination.

I express my earnest gratitude to my research Supervisor, Dr. Amrendra Kumar, Assistant Professor, Department of Commerce, Nagaland University, Kohima Campus, Meriema, for his constant intellectual guidance, dedication, and motivation throughout my endeavor. His supportive criticisms and inspiring supervision have kept me sturdy enough to complete my research on time.

I owe my due respect and gratitude to the Head of Department, Prof. Gautam Patikar, without whose support this Ph.D. would not have been possible. My sincere thanks to my esteemed professors, Prof. A.K Mishra, Prof. P.K. Deka, Dr. Ratan Kaurinta, Dr. Jasojit Debnath, and Dr. Maloth Raghu Ram, for their love, encouragements, and valuable suggestions. Their timely corrections and inspiring academic guidance have enabled me to complete my research systematically.

Late Prof. N. Martina Solo will always be someone for whom I will be filled with gratitude and appreciation. My heartfelt gratitude to her for all the love and inspirational support during the research work.

With a sincere heart, I extend my utmost thanks to the Principal of Don Bosco College Itanagar, Rev. Dr. Fr. Jose George, for his constant motivation and constructive suggestions.

I am grateful to all my fellow research scholars from Nagaland University and research scholars from other universities, particularly Miss Disha Rani Yadav, for her kind support during the data analysis.

I extend my appreciation to the officials of ArSRLM (Khonsa & Longding unit), NABARD (Itanagar), NERCORMP (Khonsa), NGOs, Government employees, and the respondents for their cooperation and support in providing the necessary information, without which the research would not have been completed.

I am indebted to my Mother, Late Nyamthai Wangsa, for her unconditional love and support throughout my life. My deepest gratitude to my Father, Gangman Wangsa, Grandfather Late Manchand Handique, Grandma Jana Handique, Aunt Chapung Handique, Fiancée Nidang Wangsu, Brother Abel Wangsa, and Sister Thoaksai Wangsa for their endless sacrifices and undying faith in me throughout the challenging phase of the Ph.D. research.

To all my friends and well-wishers whose names could not be mentioned individually, I sincerely acknowledge all of your insightful contributions and remain ever grateful for your generous assistance.

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LIST OF ABBREVIATIONS

AAY	- Antyodaya Anna Yojana
ADB	- Asian Development Bank
ADFIAP	- Association of Development Financing Institutions in Asia and the Pacific
APL	- Above Poverty Line
ArSRLM	- Arunachal State Rural Livelihoods Mission
BC	- Business Correspondents
BIRD	- Bankers Institute of Rural Development
BF	- Business Facilitators
BPL	- Below Poverty Line
CBOs	- Community Based Organizations
CC	- Cash Credit
CIF	- Community Investment Fund
CGAP	- Consultative Group to Assist the Poor
CMR	- Centre for Microfinance Research
DoNER	- Department of Development of North Eastern Region
FIF	- Financial Inclusion Fund
FIFT	- Financial Inclusion Task Force
IFAD	- International Fund for Agricultural Development
IRD	- Integrated Rural Development Program
IRVs	- Individual Rural Volunteers

JLGs	- Joint Liability Groups
LEDP	- Livelihood Enterprise Development Program
LWE	- Wing Extremism
MCP	- Micro Credit Plan
MEDP	- Micro-Enterprise Development Program
MFDEF	- Microfinance Development and Equity Fund
MFDF	- Micro Finance Development Fund
MFIs	- Microfinance Institutions
MIS	- Management Information System
MYRADA	- Mysore Resettlement and Development Agency
NABARD	- National Bank for Agriculture and Rural Development
NABFINS	- NABARD Financial Services Limited
NBFC-MFIs	- Non-Banking Financial Companies-Microfinance Institutions
NCFW	- National Credit Fund for Women
NEC	- North Eastern Council
NER	- North Eastern Region
NERCORMP	- North Eastern Region Community Resource Management Project
NFS	- Non-Farm Sector
NGOs	- Non-Governmental Organizations
NGO	- MFIs- Non-Governmental Organization-Microfinance Institutions

NPA	- Non-Performing Assets
NRDP	- National Rural Development Program
NRLM	- National Rural Livelihood Mission
NULM	- National Urban Livelihoods Mission
PAC	- Primary Agricultural Credit Societies
PLF	- Primary Level SHGs Federations
PMJDY	- Pradhan Mantri Jan-Dhan Yojana
PREM	- People's Rural Education Movement
PSL	- Priority Sector Lending
RBI	- Reserve Bank of India
RCB	- Rural Cooperative Bank
RF	- Revolving Fund
RLEGP	- Rural Landless Employment Guarantee Program
RMK	- Rashtriya Mahila Kosh
RRBs	- Regional Rural Banks
SEWA	- Self-Employed Women Association
SGSY	- Swarnjayanti Gram Swarozgar Yojana
SF/MF	- Small and Marginal Farmers
SHG	- Self Help Group
SHG-BLP	- Self Help Group- Bank Linkage Program
SHGFs	- Self-help Group Federations

SIDBI	- Small Industries Development Bank of India
SJSRY	- Swaran Jayanti Sahari Rozgar Yojana
UN	- United Nations
UTs	- Union Territories
WSHG	- Women Self-Help Groups

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CHAPTER 1

1.1. INTRODUCTION

The microfinance system is one of the most effective instruments in fighting poverty and improving the living standards of the rural population. Over the centuries, there were different methods of aiding poor individuals by advancing credit during emergencies. However, the fundamental ethics of the contemporary microfinance system exist in a small village named Jobra in Bangladesh. Professor Muhammad Yunus introduced the idea of delivering small credit to the rural population. According to him, battling chronic poverty through grants and subsidies is ineffective. So, the best way was to grant loans to poor individuals without collateral and encourage them to undertake income-generating activities. During the famine in 1974, Professor Yunus started lending loans to forty-two rural women in Jobra villages with USD 27 from his pocket to encourage them to become self-reliant. After witnessing the success of his attempt to mitigate poverty, Muhammad Yunus decided to imitate the same result by experiencing the microcredit system in different locations. He later created an organization known as the Grameen Bank. The Bank offers micro-loans to the poorest of the poor without collateral security and mainly focuses on women groups to form Self Help Groups to solve their financial problems (BNP Paribas, 2017). The organization was recognized as a banking establishment in 1983, and is also known as the Bank for the Poor. Later the United Nations declared 2005 as the year of microcredit, and for his outstanding service towards uplifting the living standards of people with low incomes, Professor Yunus was given the Nobel peace prize in 2006.

As an anti-poverty program, the functioning of microfinance is considered one of the influential growth concepts. It attempts to overcome poverty through women's empowerment and improving entrepreneurial skills among rural households. The smooth functioning of microfinance services rests upon the assumption that (1) self-employment is an alternate technique for combating

poverty, (2) the absence of adequate credit limits the performance of small businesses, and (3) every low-income individuals have the capabilities of thrift savings (Jha, 2012). Therefore, microfinance provides credit support and other supervision to deprived individuals who lack self-employment and adequate credit sources from the formal banking system. The introduction of the modern microfinance system has enhanced credit lending options for poor households in rural and semi-urban areas (Rao & Priyadarshini, 2013). Hence, the system has released the poor community from the clutches of the local moneylenders, who charge very high-interest rates.

Microfinance constitutes an identical set of financial instruments such as micro-credit, micro-savings, micro-insurance, micro-leasing, and other payment systems. These instruments intend to accomplish the needs of the deprived individuals after assessing their education level and knowledge about similar credit activities (Nayak, 2015). It offers financial and non-financial services to all those individuals who fail to avail the various benefits provided by formal banking institutions. Usually, people who approve of microcredit believe these opportunities will aid society in the fight against the world poverty problem (Bansal & Bansal, 2012). Along with advancing minute loans and thrift savings habits, the microfinance system also provides job opportunities to unemployed individuals and contributes towards the progress of small-scale businesses (Prathap, Mahesh, & Karthik, 2018). Over the decades, microfinance has been one of the most influential innovations in battling long-lasting poverty. One of the methods is to build business undertakings and effectively manage them to generate long-term income (Dey, 2015). Its growth has been escalating meticulously and has assisted the rural population by educating them about different ways of self-independence.

A layperson may use microcredit and microfinance as synonyms, but it must be noted that microfinance is a broader term, and microcredit is only a segment of the microfinance system. Microfinance system includes micro-credit, micro-

insurance, savings, micro-leasing, and other non-monetary services (Nayak, 2015). The supremacy essence of microfinance is that it provides friendly financial and reliable complementary non-financial services to poor clients at the doorsteps instead of the poor individuals seeking assistance from the financial institutions. The impact of the microfinance system on rural transformation is measured based on several factors, such as an increase in family income & expenditure, improvement in socioeconomic status, advancement in living standards, better children's education, etc. (Shastri, 2009). Therefore, although several studies show that microfinance has contributed to mitigating poverty, the main task lies in drawing appropriate inferences by procuring reliable data for dependable understanding and analysis.

1.2. RURAL TRANSFORMATION

All over the world, the concept of rural transformation has been given mounting interest by governments and industrialists since they realized that the overall progress of the industry or the country's economy is directly dependent upon the rural living standard and income. Especially in a country like India, where around sixty percent of the population still resides in the rural regions, it is impossible to consider the nation's growth by overlooking the progress of the villages in the rural section. Likewise, the hindrance in developing the rural population could be a critical barrier to the overall advancement of the country's financial wealth. Rural development is a complicated assignment. It does not simply mean the establishment of large industries in rural areas; instead, sustainable rural growth is achieved through optimum utilization of the available rural resources to enhance stable advancement in rural output and generate additional income. It is also true that even though the majority of the population in India depends on agriculture, the country falls shy even concerning agricultural activities since most of the labor forces in India rely heavily upon agricultural employment as there are no other alternative opportunities (Jha, 2012). Hence, despite the continuous efforts of the

successive Government to implement special schemes for the benefit of the rural segment, the income-generating ability of the deprived poor individuals has failed to register a raise. Rural transformation is a vital sector of the country's economic growth. It does not include merely the economic changes in the rural regions but considers the psychological, social, and cultural progress. The transformation of rural areas needs to consider the factors such as employment generation, poverty alleviation, infrastructure development, and other social securities (Chanu, 2013). It is a movement for progress to improve the well-being of deprived individuals living in rural regions.

The term transformation is subjective since it is applied in diverse ways in different contexts. In general, transformation means bringing the desired alteration, and whatever is desirable in a specific place at a particular period may not be sought after at another location. Hence, it is difficult to derive a definition that all can accept collectively. Rural transformation is advancing from an agrarian society to diversified economic activities relying less on agriculture. Many parts of the world compare the concept of rural transformation with the economic changes of the industrial revolution during the nineteenth and twentieth centuries. However, this definition does not clarify the interlinked features that describe the fast-changing and complex environmental variation. All over the world, governments have had a rising interest in transforming rural society. Hence, development can be relatively objectified as a set of desirable goals which need to be accomplished for the betterment of the people. Rural development refers to the overall advancement of the rural segment to improve the living standards of underprivileged rural households. It is a multifaceted concept that includes the growth and progress of small cottage industries, agriculture and its allied activities, socioeconomic welfare, handloom industries, and, most importantly, the development of human capital resources in the rural region. Rural development is an approach that facilitates a group of poor households or individuals in achieving what they need. It includes the

poorest groups of the rural segment, such as the marginal farmers and the landless artisans. Thus, rural development may be defined as a progression that leads to sustainable advancement in the value of life for the deprived people residing in the rural region (Jha, 2012). To sum up, rural transformation or rural development is a positive change in which the State of the socioeconomic system transforms towards an improvement condition compared to the initial phase.

1.3. MICROFINANCE AND RURAL TRANSFORMATION

Over the years, the world began to value the reality that poor households are bankable if they have timely access to adequate banking services. In such regard, the women crowd are the most reliable individuals who can be trusted with granting short-term small loans without the need for any collateral securities. In the past decades, microcredit theory is expanded into a broader meaning, i.e., microfinance. Although these two expressions are used synonymously in financial thoughts, microfinance is a broader term. It includes thrift savings, micro insurance, micro leasing, other non-financial services, and microcredit facilities. Microcredit stresses lending small loans to needy individuals more, whereas microfinance comprises after-credit support services in training and marketing assistance. The primary reason for the rapid popularity of the microfinance approach is that the poor people in the villages do not have any awareness or access to banking loans, which compels them to borrow credit from money lenders who charge huge interest rates. This barrier restricts poor households from striving toward those activities that create income or provide employment opportunities. However, this hindrance has been overcome with the introduction of the microfinance mechanism. It facilitates the poor with access to low-interest small loans for income-generating jobs such as starting a tea shop, opening a small business enterprise, buying cattle, and starting poultry. Hence microfinance has been recognized as one of the most successful paradigms for tackling world poverty (Jha, 2012). The critical objective of microfinance institutions is to provide deprived individuals with proper access to

microfinance services. The microfinance mechanism has transformed the life of the rural population. The transformation of the rural community is considered one of the most critical elements of economic development (Poswal & Choyal, 2019). However, it is not only about the economic changes in the rural areas, but it also focuses on the various changes in cultural and social propositions for mitigating poverty and developing sustainable means to promote the living standards of rural individuals.

1.4. DEFINITION OF MICROFINANCE

While there have been several studies on microfinance, there is still no definition that all have globally accepted. Some definitions of microfinance by apex institutions and renowned authors are as follows.

Asian Development Bank (ADB, Finance for the poor: Microfinance Development Strategy, 2000) defines microfinance as “the process of providing financial services such as deposits, loans, money transfers, and insurance to small enterprises and households”. These microfinance services are provided by three sources: Formal Institutions such as banks and cooperatives; semi-formal institutions such as non-governmental organizations; informal sources such as money lenders and shopkeepers.

The task force on supportive policy and regulatory framework for microfinance by the NABARD has given a working definition of microfinance as "A provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards" (ICAI).

Robinson, The Microfinance Revolution: Sustainable Finance for the Poor, 2001 defines microfinance as "small-scale financial services for both credit and deposit that are provided to people who farm or fish or herd, operate small or micro-enterprise where goods are produced, recycled, repaired or traded, provide services,

work for wages or commissions, gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools, and to other individuals and local groups in developing countries both in rural and urban areas."

Consultative Group to Assist the Poor (CGAP) defines microfinance as " the provision of banking services to lower-income people, especially the poor and the very poor." It also states the definition varies from country to country (Christen, Lyman, & Rosenberg, 2003).

Reserve Bank of India defines microfinance as the "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." RBI further states that a microfinance loan is a collateral-free credit given to a household having an annual household income of up to ₹ 300000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife, and unmarried children. Irrespective of end usage and method of application and disbursal, all collateral-free loans provided to low-income households, i.e., households with annual income up to ₹ 300000, shall be considered microfinance loans. To ensure the collateral-free nature of the microfinance loan, the loan shall not be linked with the lien on the borrower's deposit account (Sharma J. P.). The Regulated Entities (REs) shall have a board- approved policy to provide the flexibility of repayment periodicity on microfinance loans as per the borrower's requirement. Res include all commercial Banks and all non-banking financial companies.

1.5. INSTRUMENTS OF MICROFINANCE

The microfinance paradigm's key objective is to provide small credit to poor individuals who lack stable income and collateral security and have no proper access to the formal banking system. Microfinance has provided financial services to millions of deprived poor, and thus it is also considered the Bank for the Poor. In

general, most traditional banks consider the poor population as expensive and complicated to serve since the people reside in remote regions. The philosophy of the microfinance approach has overcome this conventional assumption. The main target groups are the poor individuals who dwell in rural and semi-urban areas without adequate access to financial services.

The concept of microfinance includes a complete variety of financial and non-financial services. Complementary non-monetary services include entrepreneurial development, providing supportive services to poor households to prevail over poor-quality livelihood, and rendering programs that would upgrade people's skills in rural and semi-rural regions. Thus, microfinance is one of the most effective methods for empowering the socioeconomic status of poor women in rural areas. Consequently, microfinance is an instrument that provides credit assistance to a small group of needy individuals and small informal business firms in addition to rendering other corresponding services. Microfinance institutions offer small loans and services such as thrift savings and micro-insurance (Jha, 2012).

The significant players of microfinance services comprise banks, investors, the Government, and philanthropists who actively participate in improving the living standards of the rural population. Scores of devotees consider microfinance the critical weapon to ending the persistent poverty crisis, and several success stories have proven to fulfill this belief. Microfinance is a collection of various financial instruments to accommodate the needs and wants of the poor population in rural and semi-urban areas (Nayak, 2015). These instruments must be discussed comprehensively to develop better ideas about the microfinance paradigm and its means of delivering financial services through different methods. The various elements or instruments of microfinance include microcredit, microsavings, microinsurance, micro leasing, and complementary non-financial services.

1.5.1. Microcredit

The term microcredit is often used as a synonym for microfinance, but it is necessary to understand that microcredit is just one component of the microfinance paradigm. It is a small loan usually rendered for consumption or other income-generating activities. On the other hand, microfinance services constitute a more extensive assortment that includes thrift savings, micro-insurance, and additional business development financial and non-financial services (Jha, 2012). Microcredit is the most important instrument that has transformed the delivery system of microfinance. Among all the available microfinance instruments, microcredit has been one of the most commanding financial tools that have revolutionized the credit lending system and have been widely accepted globally. Its structure has undergone several changes to strengthen further the micro-credit delivery model, like launching flexible repayment methods and moving from previously followed joint liability contracts to aid poor individuals during financial suffering (Nayak, 2015).

1.5.2. Microsavings

While accessing the benefits of microcredit, it should also be noted that it has both positive and negative aspects. The propensity of borrowers to rely heavily on microcredits exclusively without building any savings usually creates a harmful breach between assets and liabilities among poor households (Nayak, 2015). Micro saving is a branch of microfinance consisting of small deposit accounts aimed at low-income individuals or families to facilitate the prospect of storing finances for potential future uses. These accounts function similarly to formal banking savings accounts, except they are structured for smaller amounts with no minimum customer balance requirement. Generally, these thrift savings are offered to encourage poor households to undertake education or other upcoming potential investments so that they are well arranged to deal with unforeseen costs affecting low-income individuals (Anjaneyulu, 2021). Some micro-savings options accessible in India are chit funds, cooperative savings, self-help groups, etc.

1.5.3. Microinsurance

Due to their heightened vulnerability, exposure to risk and uncertainties emerges as extra vast and troublesome in the lives of the deprived poor. Unlike wealthy individuals, it is not simple for poor households to manage their risks by buying different types of insurance against specific threats. Therefore, micro-insurance could lessen the assets exhaustion and indebtedness of low-income families in such a situation. However, compared to micro-credit and micro-savings, Microinsurance is a complex phenomenon that even many educated individuals find difficult to understand. Moreover, as a formal financial service, insurance is not broadly accessible to the deprived poor. Hence, unlike micro-credit and micro-savings, Microinsurance has no adequate demands (Nayak, 2015). Thus, the main challenge is to devise a product so that it is easily understood and accepted by prospective clients. Small coverage and low-premium insurance, known as micro-insurance, have been introduced to protect low-income individuals from specific perils. Likewise, the amount for this Microinsurance has been limited to ₹ 50000 for all the microfinance services.

1.5.4. Micro leasing

One of the critical indications of being poor is the lack of physical assets that could be used for income-generating activities. For instance, it is prevalent in many developing countries that poor individuals cannot access various tools and equipment, such as drills, pump sets, etc., which could be deployed to generate income and improve their living standards. Moreover, acquiring this machinery and equipment through microcredit is not suitable as they are expensive. Borrowing funds to acquire them could make it difficult for poor households to use micro-credit loans for working capital uses. Hence, in such a condition, micro-leasing can be a valuable mechanism for delivering the required equipment to poor individuals at a low price without complete ownership (Nayak, 2015). This facility allows poor

entrepreneurs with more comprehensive options to invest in various micro businesses and create more employment opportunities for people in rural areas.

1.5.5. Complementary non-financial services

After availing of micro-financial credits for generating incomes, the borrowers will likely invest the funds in micro-businesses or other related activities. They might need proper guidance from a skilled professional to understand the existing and prospective environment of the market. Thus, in addition to providing access to various financial instruments, micro-financial institutions around the world also facilitate low-income individuals or poor households with proper access to various non-financial complementary services in the forms of training and development programs relating to livelihood, human capital development, sanitation, nutrition, expansion of market share for the existing products, etc. (Nayak, 2015). Hence, to ensure that a microfinance approach becomes a successful instrument for the poor in overcoming chronic poverty, they must have adequate knowledge about the various non-financial services available.

1.6. MICROFINANCE AND THE MULTIFACETED NATURE OF POVERTY

There are various kinds of poverty, and the degree of its effects varies from one individual to another. Some grieve from lacking food, home, or education, while others suffer from diseases, unemployment, abuse, etc. All these limitations cause physical and mental harm, leading to low confidence and self-esteem among low-income people. Extreme poverty includes those individuals whose food calorie intake falls below the minimum standard. Likewise, some economically active poor do not suffer from food deficits but lack other luxuries such as financial security, health insurance, etc. (Robinson, *The Microfinance Revolution: Sustainable Finance for the Poor*, 2001). The definition of poverty differs across countries and periods. It generally refers to an individual's inability to afford life's necessities due to a lack of

financial resources, and the method of measuring poverty differs across countries (Gaur & Rao, 2020). But the fundamental principle remains the same_ a poverty line limit is designed based on the daily consumption and expenditure required for maintaining a minimum standard of living.

Since the 1960s, the erstwhile Planning Commission of India has been the nodal agency for estimating the poverty limits in the country. But, the actual identification of the rural BPL households was made by the Ministry of Rural Development (MoRD) with the support of the State Government. Since independence, one of the Government's significant challenges has been creating an equitable society through poverty alleviation. However, estimating poverty levels by a reliable method has remained a complex process. Based on the expert committees, families with consumption expenses below the poverty line are considered poor and categorized below the poverty line households. Over the years, several professional committees have been formed to estimate poverty in India_ the Working Group (1962), Lakdawala Expert Group (1993), Tendulkar Expert Group (2009), Rangarajan Committee (2014), etc. (Gaur & Rao, 2020). Likewise, the objective of poverty alleviation through microfinance has been a critical priority and concern for the Government of India for a long time. However, its overall approach can still be termed an experimental tool. Numerous studies have been conducted on the role of the Government in promoting microfinance activities for rural development. Still, the studies have focused only on specific geographical locations or small beneficiary groups. Further, the main reason for the disappointment of the formal banking system in India regarding lending credits to the rural poor population is the lack of acceptable collateral or recognized employment that must be offered while applying for loans. The sky-scraping transaction costs and risk of small loans also create bank complexities (Sonakia, 2020). Thus, in such a situation, poor households are left with no alternatives but to borrow loans from local money lenders who charge very high-interest rates.

In recent years, international institutions have suggested that India has declined in terms of multidimensional poverty measures, i.e., it covers three dimensions in the form of education, health, and standard of living. The world bank has categorized poverty lines into three groups_ (a) International poverty line at \$2.15 per day (updated by the world bank in 2022), (b) lower middle-income international poverty line at \$3.20 per day, and (c) Upper middle-income international poverty line at \$5.50 per day. The Sustainable Development Goal (SDG) 2019 report by National Institution for Transforming India (NITI) Aayog shows a poverty line of 21.92 percent as per the Tendulkar poverty line. However, the Global Multidimensional Poverty Index (GMPI) Report 2020 shows India's poverty line for 2011-12 as 21.2 percent per the world bank's poverty limit (Gaur & Rao, 2020). The critical objective of microfinance is to provide suitable financial services to all deprived individuals who lack access to a formal banking system. It is about expanding the edge of financial service provisions as it requires a new delivery system and channels, allowing individuals to manage the available resources better and take advantage of the various opportunities (Bansal & Bansal, 2012). While extremely poor individuals may not benefit directly from microfinance services but can avail of indirect assistance by grabbing employment opportunities from the micro businesses set up by an economically active poor (Robinson, The Microfinance Revolution: Sustainable Finance for the Poor, 2001). Thus, microfinance can be one of the most effective tools in lessening poverty.

1.7. SELF-HELP GROUPS (SHGs)

The Self- Help Group is the most widely accepted microfinance model. Traditionally in most developing countries, women are deprived of their property rights. They do not have proper access to credits as borrowing requires collateral in assets or properties. Hence, over the years, the women's group has become the priority for microfinance institutions to lend their funds to undertake various income-generating activities. In other words, micro-financial institutions have

become game changers in underdeveloped and developing countries by lending funds without mindlessly following the traditional collateral system. They facilitate deprived women groups with access to adequate credit for smoothly organizing their basic household needs. Several studies have shown that women clients contribute more towards the economic improvement of households, and women borrowers have much more successful repayment records than their male counterparts (Nayak, 2015). The composition of a financial market in rural India is characterized by dualistic nature, where both formal and informal credit delivery systems coexist. However, it has been witnessed that the formal financial intermediaries fail to effectively serve the rural population due to several factors such as (1) lack of collateral securities with the poor individuals, (2) high transactional costs, and (3) absences of formal financial institutions in rural villages. They are often ignored as most of the credit availed by the poor households in the rural market is for non-productive purposes. Thus, the fundamental idea of self-help groups is that poverty alleviation should be approached by employing a self-reliance approach. It has been realized that when the efforts of an individual fail to succeed, forming a collaborative group would provide them with access to collective assessment and decision-making for their shared benefits (Jha, 2012). Thus, microfinance may act as an answer to the chronic disease of poverty and joblessness worldwide.

NABARD has defined Self Help Group as a voluntary group of ten to twenty poor individuals who gather together and address their homogenous problems by pooling some funds at regular intervals. These funds are mobilized and invested into micro-enterprises. Similarly, according to the Planning Commission of India, SHGs are peer-controlled small groups of poor individuals with similar socioeconomic conditions (Feroze & Chauhan, 2011). The group maintains a book of records for decision-making purposes and pools weekly or monthly savings amounts to lend microcredit loans to each other. Most of the SHG members are women, which has

improved the participation of women groups in contributing to the country's economic development and reducing the socioeconomic limitations on women's empowerment (Saravanan, 2016). In other words, a self-help group is formed by those individuals who have the habit of saving a small amount and ensuring transparent functioning via periodic meetings (Rao & Priyadarshini, 2013). Thus, it has been noticed that the SHG bank linkage program initiated by the NABARD is the vital delivery model of microfinance through which banking institutions approach poor households in rural regions. A self-help group is an association of economically homogenous individuals with a common purpose and objective that could be accomplished if the group members collectively work towards achieving the goal. These are registered or non-registered groups of small entrepreneurs or individuals with identical socioeconomic backgrounds who have agreed to regularly pool together a certain amount to financially assist the group members by lending microcredit loans in times of need. The SHGs do not require collateral securities before advancing loans; however, the members work collectively to pressure the borrowers to ensure timely repayment of the credits. Thus, this peer pressure acts as a valuable substitution for collateral securities.

The microfinance model is commonly carried out by using Self Help Groups as a vital instrument to solve the trouble of socioeconomic deficiency among people experiencing poverty. The Self-Help Groups act as a fundamental intermediary agent between the Government and the deprived households, ensuring that the various policies planned for alleviating poverty are executed effectively to improve the livelihood in the rural section of society. SHGs promote active participation of the members through the principle of cooperation and joint actions for combating the numerous ailments of society, along with mobilizing and encouraging thrift savings. Over the years, considerable poverty alleviation and social welfare programs have been implemented worldwide. These past experiences revealed that the solution to a project's efficient functioning depends upon the organizations'

active involvement at the grassroots stage. Hence, the active partaking of the people in the process of delivering credit and linking formal financial institutions with community-based organizations through self-help groups have been considered an alternative method of rendering credit assistance to the underprivileged poor in rural areas. As stated, the rural financial market in India is dualistic, and it has been noticed that the credit services provided by formal banking institutions to the poor are very substandard and unsatisfactory. These institutions encounter numerous constraints in widening their activities in the rural regions because since the poor household in the rural areas possesses limited resources and technologies, the formal financial institutions wrongly assume that the demand for credit in the rural areas are very little. They are repeatedly ignored because the loans the poor undertake are primarily for non-productive purposes, not income-generating activities. In addition, poor rural households are also seen as high-risk individuals with no creditworthiness since they lack the collateral securities required by the banks before advancing credit loans (Jha, 2012). Therefore, these numerous limitations have kept poor rural households from the fold of formal banking institutions.

1.7.1. Features of Self-Help Groups

Usually, the optimum size of a self-help group consists of 10 to 15 members, and the group doesn't need to be registered. The SHGs are generally formed by the women's or men's groups; however, the groups can also be formed with a mixture of both men and women, though it is usually rare in number. It has been seen that women's self-help groups seem to perform more efficiently. Most self-help groups are informal groups where the members draw together a sum of money and then lend it to each other whenever needed. In this way, the SHGs have facilitated the members with essential banking services at a meager cost (Jha, 2012). Some of the common characteristics of self-help groups are:

- Every member of the SHGs contributes a share of their thrift savings regularly to create a common fund.
- Microcredit loans are offered to borrowers without the need for collateral securities with minimum documents.
- A group meeting is conducted periodically, and the decisions are usually made democratically.
- Since the loans are generally provided based on trust, the pressure groups play a vital role in the repayment, and hence, defaulters are relatively rare.

Through self-help groups, poor individuals have achieved several advantages in fewer transaction expenses for borrowers and lenders. The lenders need to maintain only one particular SHG account instead of dealing with numerous small-size reports of all the individuals. Thus, by being a member of self-help groups, the borrowers can reduce the cost of traveling from one place to another to deal with complex paper works (Jha, 2012). Further, SHGs consist of small groups of people who encounter similar troubles, making it easier for the members to understand and help each other more healthily.

1.7.2. Self-Help Group Model

Some of the different SHG models are:

1. The self-help groups and the banks deal directly with each other, wherein the Bank provides finance for lending to poor individuals.
2. Banks and self-help groups directly connect, whereas non-governmental organizations deliver other non-financial assistance to the SHGs through training for effective operations.
3. The Non-governmental organization acts as an intermediary that links the self-help group members with the Bank.

Reasonably, model two and model three of SHGs are preferred as the Bank can advance loans to the individuals based on the directions of the NGO, which assist

the Bank in managing, monitoring, and recovering the loans from the individual borrowers (Jha, 2012). Nonetheless, the ultimate goal is to go from model two to model three towards model one and eventually to the next model, where poor individuals can directly access the formal banking system.

1.8. REVIEW OF LITERATURE

To develop ideas about the research problem, the researcher reviewed several publications in books, articles, journals, documents, etc. A brief review of some of the publications is as follows:

Sinha, F. (2005) “Access, uses and contribution of Microfinance in India: Growth and Challenges” analyzes the performance of 20 MFIs from across the country representing all three models (SHGS, Grameen, and Individual banking) regarding clients' services use. The study covered the states of Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Uttar Pradesh, Rajasthan, Assam, and Manipur. The study revealed that microfinance significantly contributes to the savings and borrowing habits of the deprived. However, some fungibility depends on household credit requirements at the time of loan disbursement. While microfinance has increased the borrowing options for poorer clients, it seems not (yet) to have significantly affected the terms and conditions of a different informal credit provider. Another reason why microfinance has not been able to make a significant mark on the local financial landscape is its relatively low outreach to overall credit needs.

Sharma P. R., (2007) “Microfinance and Women empowerment” examines the impact of women's participation in group-based micro-credit programs on women's independence and gender relations within the household. The microfinance institution participants who had adopted the Grameen model for at least four years were selected. A comparison of pre and post-SHG participants showed that the program led to women's greater participation in household decision-making, greater access to economic resources, wider social networks, and freedom of mobility.

Female credit had increased spousal communication about family planning and parenting concerns. It further revealed that microfinance institutions had reached only a tiny fraction of the population, and the challenge was multiplying the existing services. Finally, the researcher suggested that Government should build an encouraging environment to develop microfinance services.

Swain, R.B., & Varghese, A. (2008) “Does self-help group participation lead to asset creation?” evaluated the result of Self-Help Group participation on a long-term impact, i.e., asset creation. Their study revealed that more extended membership in SHGs positively impacts asset creation and redefined various asset specifications. It further shows that with broad participation in SHGs, the members move away from pure agriculture as an income source towards other sources, such as livestock income and NGO training, which positively impact asset creation. Still, the type of SHG linkage in isolation has no effect.

Deepty, B., & Mahajan, (2010) “Impact of microfinance on poverty, employment and women empowerment in rural Punjab” examines the impact of microfinance on poverty and income level among the participant households. It also analyzes the microfinance program's problems and prospects. Based on the primary data, microfinance has emerged as an innovative poverty eradication and development program. Moreover, SHGs is the most extensive microfinance program in the world regarding client outreach, but it has covered only 22 percent of the total poor in the country. The study further shows that the maturity of the SHGs is quite significantly contributing. Therefore, the SHGs must stabilize and sustain the group members to achieve the long-term objectives.

Devaraja, (2011) “Microfinance in India- A tool for poverty reduction” traced the growth of the microfinance revolution in India as a powerful tool for poverty alleviation. It emphasized the importance of microfinance in tackling the trade-off between outreach and sustainability. The study discusses the Government's role in protecting the micro borrower's rights and the microfinance industry's development

role. The paper further discusses the factors and theoretical position associated with the evolution of microfinance and its global acclaim based on it being a win-win proposition for both MFIs and clients.

Chanu, A. I. (2013) “Linkage between microfinance and rural development in India” explains the linkage between microfinance and rural development in India. Based on secondary data, the author emphasizes that rural development in India should not be seen as a bundle of specific requirements but as a transformation of rural life and the country's conditions. The paper further states that rural development means the inclusive growth of rural zones on a sustainable basis. It also claims that the microfinance approach is not a magic bullet for India's poverty alleviation and rural development. In conclusion, it suggested that rural development should be long-term target-oriented, and development should be the process of getting free from all sorts of restrictions and achieving balanced regional growth in urban and rural areas.

Ehili, A.L. (2013) “Problems of SHGs with special reference to the State microfinance vision 2011, Arunachal Pradesh” discusses the challenges the self-help groups face in achieving the objectives of the microfinance vision. The researcher surveyed the following five districts, i.e., Lower Dibang Valley, Lohit, Lower Subansari, Papumpare, and Tirap districts—primary data through field visits, training, workshop programs, and secondary data from NABARD, Apex Bank, Social welfare development, and NGOs. The study concluded that under the microfinance mission 2011, over 1626 SHGs were formed, and the SHGs are helping deprived households to improve their living standards. However, the Government and the public must participate actively in the progress of the microfinance system.

Misal, (2013) “A study of role of Microfinance in rural empowerment in India” states that the individual's living standards cannot improve by providing mere charity or donations but by providing microcredit to finance a small business, as

micro-franchising is the turnkey in the industry. The study further revealed that compared with an individual entrepreneur, the franchisor often has better negotiating power with suppliers and can reach economies of scale in other areas such as product design, use & development of new technologies, etc. Therefore, micro-finance is one of the practical development strategies and approaches that aid in attaining the bold ambition of reducing world poverty.

Rao, P. S., & Priyadarshini, Y. J. (2013) “Credit options to the rural poor: Microfinance as a source of rural credit in India” examines the success of microfinance as an institution that answers the complications of ethical threats in formal credit organizations. The study discovered that the credit needs of poor households are varied and limitless. People require credit for consumption, capital investment, and other purposes. On the other hand, the available sources are scanty, and their coverage is limited. The paper further mentioned that group lending and peer pressure monitoring have resulted in reliable microfinance credit options compared to the other credit system.

Shankar, S. (2013) “Financial inclusion in India; Do Microfinance institutions address access barriers?” discusses the effectiveness of microfinance institutions in breaking down the barriers to financial access in India. The study shows that although microfinance services break down several walls to Financial Inclusion, their outreach has certain limitations. Likewise, the MFIs operations in the country are skewed and exclude areas the banking institutions ignore. Thus, the study suggests adopting a flexible policy that encourages the progress of microfinance services in those neglected areas. The findings recommend offering skill training and other facilities that reduce the cost of microfinance.

Mittal, S., & Srivastava, P. (2014) “Contribution of MFIs for the development of rural community region” examines the contribution of MFIs and NGOs to the rural region's growth and some of the unhealthy practices that prevail in the microfinance sector. Based on secondary data, the authors revealed that harmful practices include

failing to follow the Government's guidelines, MFIs charging high-interest rates, and using old methods to increase operational costs. The paper suggests that the Government should provide the MFIs with better facilities regarding awareness, funds, technology, etc., and open up MFI branches in rural regions with equal interest rates and easily understandable regulations.

Nochi, L., & Nath, K. (2014) “Microfinance in Northeastern region of India- Opportunities and challenges” present scenario of microfinance in the country's Northeastern region, with particular reference to Arunachal Pradesh. It discusses the various challenges and opportunities provided through microfinance. The study revealed that the microfinance industry offers employment opportunities to rural households, primarily through community-based institutions. Yet due to its unique socio-political and diverse cultural difference, the performance is low compared to the States of Assam and Tripura. Likewise, NGOs face constraints due to a lack of proper strategies and funds to reach the significant population.

Singla, M. L. (2014) “Microfinance and economic development in India; Growth and challenges” attempts to study the role of microfinance in the country's economic development and identify the sector's challenges. The author revealed that a durable microfinance system with well-equipped resources could motivate the country's economic growth from the basic micro level. Likewise, microfinance has occupied center stage in the Indian economy as a positive standard for spreading financial services to the rural population lacking banking system access. It has contributed to the country's economic growth through women empowerment, poverty alleviation, and financial inclusion; however, it also encounters challenges like low coverage, incompetent staff, political interference, etc.

Dey, S. K. (2015) “Challenges and issues in Microfinance” emphasizes the issues and challenges faced by the microfinance sector in India. The paper outlines several problems: repayment default, lack of education, low geographical outreach, abandonment of specific areas, language barriers, and inadequate debt management.

However, the paper states that Government can mitigate the challenges by introducing several measures that encourage rural penetration and provide financial assistance to increase the outreach of microfinance services. According to the study, some efforts to overcome these problems include expansion of the service range, initiating relevant laws, uniformity in the rate of interest, and upgradation of technology to reduce the cost.

Saha, G. K. (2015) “Microfinance sector towards rural development in North east India” describes microfinance's role in uplifting rural areas' living conditions and its significant challenges in Northeast India. Based on well-structured questionnaires and secondary data, the author states that microfinance is vital in rural development. Still, the growth is very high in the Southern region and low in the country's Northeastern part. Thus, the Government needs to take the necessary measures to create awareness among the people and improve the performance of microfinance services. There is a huge opportunity to explore and transform the rural North East Region (NER) through coordinated Government efforts at DONER to maximize the contribution of microfinance to achieve self-reliance among the rural population.

Anand, U. (2016) “Financial inclusion: An overview of Microfinance in India” examines the relationship between rural development and financial inclusion through microfinance. Based on secondary data from several journals and reports, the author shows that despite the problems of limited literacy and language barriers among the beneficiaries, microfinance has changed the face of rural India by becoming a powerful instrument in mitigating poverty. And though financial inclusion is a relatively new concept, it has facilitated the banking of the unbanked regions and played a vital role in evolving inclusive growth.

Bhat, J. A., & Yadav, P. (2016) “Role of NABARD and SIDBI in Indian Microfinance” highlights the financial and promotional assistance provided by the NABARD and SIDBI to improve the condition of microfinance in India. These model institutions have contributed to the progress of the microfinance sector by

delivering cost-effective financial service mechanisms to deprived individuals through self-help groups. They call for coordinated efforts to strengthen and mainstream the future actions of microfinance to elevate every section of society. Likewise, the financial development outreach programs of NABARD have essentially enhanced the empowerment and poverty alleviation goals through human capital growth in every corner of the country.

Kapila, M., Singla, A., & Gupta, M.L. (2016) “Impact of microcredit on women empowerment in India” studies microcredit's impact on economic women's empowerment in India, with particular reference to the rural areas of Punjab State. The paper shows that delivering microfinance through the SHGs has significantly improved the income level and participation of women individuals in household decision-making. The authors further state that microcredit has positively impacted rural women's empowerment. Thus, mobilization to self-help groups must be encouraged by addressing the problems, such as improving the size of loans and providing skill-based training to attain future sustainable development.

Praba & Shanmugam, K. (2016) “An analytical study on problems faced by SHG members in the process of management of SHGs in Madurai” attempts to evaluate the degree of economic empowerment of women using the medium of SHGs. For this purpose, using multistage sampling techniques, 120 respondents were selected from 6 SHGs of three NGOs. The study revealed a remarkable difference in the well-being and economic empowerment of women members in the study area after joining the SHGs. The respondent's household monthly expenditure has also raised considerably; however, their savings are increasing slowly since the incremental spending is higher. Furthermore, it has been observed from the interview with the respondents that they are spending the amount primarily for present consumption purposes.

Kumar, M., & Sarma, S. K. (2016) “Searching for the middle path in Microfinance delivery” argues that a middle path exists and combines the client-

centric of a non-profit approach and a profit motive approach. It focuses on the delivery system adopted by a community-based microfinance organization, the People's Rural Education Movement (PREM), operating in Odisha, Chhattisgarh, Andhra Pradesh, and Jharkhand. It has successfully combined the pressure of outreach and sustainability without compromising the focus on poverty—the fieldwork in three Berhampore, Puri, and Gajapati districts of Odisha to understand its working. After consultation with the employees and women beneficiaries of PREM, the study concluded that By focusing on CBOs with a motive for empowerment and development, the dilemma of two extreme microfinance beliefs could be primarily resolved. However, efficient management of information systems (MIS) is vital in such initiatives.

Mittal A. , (2016) “Current scenario of Microfinance industry in India” highlights the current scenario of the microfinance industry in India. Traditionally, people take loans from individuals or informal groups within the context of SHGs, and the banking services are not easily accessible to the rural population. The study states that microfinance is a program that supports deprived households in paying debts and maintaining social status in the village. Over 200 million people in India have no access to banking institutions, so the microfinance industry has a high potential to progress. Therefore, the Government should find an avenue to create awareness of how microfinance can benefit the people and closely monitors the disbursement of loans to the beneficiaries.

Nandini, R., & Sudha, N. (2016) “A study on women empowerment through SHG” attempts to analyze and review the available literature on microfinance and SHG in India and to analyze the impact of SHG on women's empowerment in the Ramanagar district of Karnataka by collecting primary data from 50 women respondents out of 20 SHGs operating in the district. The study revealed a positive impact on women's empowerment through Self Help Groups: increased social awareness and participation, savings habits, income level, self-employment, assets

creation, repayment of other debts, improvement in decision-making skills, and improved nutrition level in their household. The study further revealed that the SHG concept had enabled many women to achieve social recognition with greater emphasis on providing education, training, and creating awareness among the members of the groups.

Singh S. K., (2016) “Problems and prospects of the cooperative movement in India: Growth and challenges” highlights several shortcomings of cooperative societies in the form of poor infrastructures, over-dependence on the Government, dormant membership, lack of quality management, and absence of professional human resources. However, the study states that under the new economic environment, cooperative societies try to reorient their workings per the market's demand. Therefore, the cooperative sector has an excellent scope after the recent economic liberalization. The author suggests that the Government can promote mass cooperation through solid communication and public relations strategies. It should also push forward practical approaches to overcome general weaknesses and encourage cooperative movement development nationwide.

Taruna & Puskar, S. (2016) “A study of impact of microfinance for poverty alleviation in selected district of UP” focuses on the impact of microfinance on poverty alleviation in different districts of Uttar Pradesh. Their study states that many developing countries like India, Bangladesh, and Pakistan use microfinance to increase the living standard of their people. Still, the main focus of MFIs in India was only to give credit. It reveals that NGOs were in the lead while training trainees, followed by the gram panchayat. The beneficiaries lack fundamental problems and have little information about formal financial institutions, hindering their business operations.

Aanchal, S. & Bindu, A. (2017) “Impact of Microfinance on Socio- Economic Development of Poor in Uttarakhand” attempt to understand microfinance's impact on socioeconomic development through objective and subjective approaches. The

study revealed that the formation of SHGs has had an encouraging influence on the lives of its members in terms of improvement in access to amenities like safe drinking water, sanitation, education, and health. Besides improving socioeconomic conditions, minimizing gender equity and empowering women can also be analyzed from the study as the women members are more in number than men. However, some areas of concern, like overdependence on leaders, absence of records, and lack of trained staff, need to be addressed. The study suggested that the Government's intervention is essential to ensure the positive impact of microfinance on the socioeconomic development of the State and country.

Baradi, N. K. & Reddy, V. K. (2017) “AP Microfinance Crisis & its impact on Microfinance Sector” examines the microfinance crisis in Andhra Pradesh (AP) and analyses the post-crisis regulatory norms introduced in the sector. As of March 2010, AP had a distinct position in the microfinance industry, accounting for more than thirty percent of the borrower's account and outstanding loan. However, the failure of SHG-BLP, the lack of transparency in interest rates among the MFIs, the use of coercive methods for recovering loans taken for consumption purposes, and social humiliation through peer pressure groups led to the microfinance crisis in Andhra Pradesh. The study revealed that post-crisis regulations of the Government included the Malegam Committee.

Berwal, R. & Berwal, M. (2017) “Financial Inclusion in India: Role of RBI” discussed the role of RBI in Financial Inclusion in India. The Government and the RBI have been working hand in hand to promote Financial Inclusion by initiating different strategies such as nationalizing Banks, the introduction of cooperative banks, RRBs, priority sector lending targets, forming SHGs, etc. Their main target is to provide financial assistance to the underprivileged population of the country without discrimination. Still, there is an utmost need for a more practical approach to infrastructure and technology growth, along with an advanced information system to make people aware of Financial Inclusion.

Mohd, S. (2018) “A study on performance of Microfinance Institution in India” emphasized the role and performance of Microfinance Institutions in the development of India. Based on secondary data, the author revealed that the number of MFIs availing loans from banks during 2015-16 and 2016-17 increased from nine percent to 257 percent. However, the total loans to MFIs by banks decreased during 2016-17 fell by seven percent compared to the previous year. Further, the loan outstanding against MFIs increased all the subsequent years. Subsequently, the commercialization of MFIs in India is becoming urban-centric by ignoring the needs of the rural population. The secondary data indicated that the share of rural clients declined in many States during 2017 over 2016. Likewise, the study showed that financial structures such as return on equity and capital adequacy have increased, but the total assets of MFIs have seen a high-pitched decline.

Prathap, Mahesh, & Karthik, (2018) “Impact of Microfinance on Poverty alleviation” focuses on the effect of microfinance on the poverty reduction of households belonging to economically weaker sections. Researchers collected data from the members of SHGs who have been engaged in microfinance activities for at least two years and live in the Pavagada and Kunigal regions of Karnataka. The study revealed a significant impact of microfinance activities on improving the living standard of the family, not only in economic terms but in social terms. However, the sample size limits the study, so the result doesn't represent the whole State of Karnataka.

Prathap, Subrahmanya, & Harisha, (2018) “Microfinance Delivery-Challenges and Remedies” states that the financial inclusion of the rural region is one of the most challenging objectives of the MFIs. Microfinance offers various services like credit, savings, remittance, and other financial services. However, various regulatory and operational hurdles have slowed down its progress. The study shows that some macro challenges are assumptions that the poorest households wish for self-employment and credit, which is not entirely true. Several micro-challenges,

like the demand and supply gap, lack of orientation in promotion, high transaction costs, and issues related to repayment, are some factors that hinder the smooth functioning of Microfinance institutions. The paper recommends that several remedial measures, like the involvement of bureaucracy and technological upgradation, can overcome most of these challenges.

Rashid, A. & Kumar, P.A. (2018) “Evolution and Progress of Microfinance in India” outlines three distinct facets, i.e., the evolution and growth of microfinance, along with the role played by the Government in the development of Grameen Banks and the Self-Help Groups. The study reveals an inevitable increase in the income level and household assets among the backward communities; however, it needs proper strategies to reach the significant population. Thus, though microcredit is not a complete solution to chronic poverty, with the cooperation of the Government and the MFIs, there can be several positive changes in the country's economic development.

Singh M. (2018) “An analysis on the role of NABARD as Microfinance facilitator” analyses the role of the NABARD as a facilitator in microfinance development. Secondary data from the three financial years, i.e., 2014-15 to 2016-17, was considered. Over the years, it has focused on capacity building among all stakeholders by regularly organizing workshops, seminars, and training programs and extending whole refinances to the banks. The exceptional progress of the SHG-BLP program is greatly indebted to the promotional activities sponsored by the NABARD. Thus, as a facilitator in the microfinance sector, NABARD has played the most crucial role in transforming the rural economy.

Saxena, A. (2019) “E-Shakti, Digitisation of SHGs” concentrates on issues related to the E-Shakti project launched by the NABARD for the growth of Self-Help Groups in India. E-Shakti aims to digitalize the SHGs and overcome the problems related to bookkeeping and management of accounts by implementing them in hundred districts across the country. The project has proved a significant initiative

in bridging the gap between the credit-linked and savings-linked SHGs. However, it has covered only four lakh SHGs out of 87 lakh SHGs. Further, the paper states that challenges like data compilation need large-scale capacity building and training of all stakeholders involved in implementing the project.

Singh D. (2019) “A critical study of Microfinance Institutions & its growth in India” analysed the growth of microfinance services and the progress of the banking sector in rural India. Using questionnaires and group interviews, the author reveals that several issues like high-interest rates, high NPA, lack of awareness, and diverse nature among the SHG members exist in the microfinance industry. However, institutions such as NABARD and SIDBI have strengthened microfinance operations, and the expansion of the banking sector has benefited deprived individuals of different financial services. The paper further states that microfinance outreach has developed human capital by mitigating poverty and generating employment opportunities.

Gurung, R. (2020) “Microfinance in India: Performance, Problems & Policy” analyses the current status of the microfinance sector in India and recommends several measures to improve the condition after identifying the constraints faced by the industry. It is a descriptive study based on past studies and secondary data from published reports. The article shows that the SHG-BLP has become the most extensive microfinance program worldwide, and as on March 2019, one hundred lakh SHGs have savings accounts covering more than one thousand households. The Government can overcome problems like financial illiteracy, low outreach, high-interest rate, and regional imbalance through improved regulations, rural penetration, interest-rate transparency, and technology adoption.

Verma, Pal, & Kumar, (2020) “The impact of Microfinance on Rural Sector and its contribution towards the Indian Economy” outlines two different aspects of microfinance. Firstly, the present scenario of MFIs and self-help groups in India; secondly, to study the impact of microfinance on the rural segment and its

contribution to the Indian economy. The authors state that there are only one or two MFIs in the State of Punjab, and most of the population is unaware of these establishments and seeks bank loans to balance their financial situation. Therefore, there is a continuous necessity for more progressive tactics to increase awareness about MFIs and SHGs in the State. The paper concluded that microfinance is a valuable tool for creating self-employment opportunities and alleviating poverty all over the globe. Hence, with the timely execution of microcredit plans, India's economy can have a new dimension to improve its global economic status.

Muthu, N. (2021) “Progress of Self-help Group-Bank Linkage Programme in India” attempts to analyze the progress of the SHG-Bank linkage program in India between 2007-2008 and 2019-2020. The author employed simple statistical tools such as percentages and averages to analyze the data. The article shows a significant rise in the amount of savings of SHGs with banks and the number of loans disbursed to SHGs. However, there is vast regional inequality in the spread of SHGs over the country. The outreach of this program is remarkable in the Southern region, while the rest of the areas are lagging comparatively.

Vijayalakshmi, R. (2021) “Role of Microfinance in Rural Development” states that microfinance is not just another financial system but a tool to alleviate poverty and bring social change, which especially uplifts the status of women in our country and can become self-reliant. This paper attempted to diagnose the role of microfinance in developing the rural region. It is an effort to highlight the impact of microfinance in transforming agrarian society through micro-financial schemes. The weaker sector of the Indian economy needs money lending methods to earn credits. The study concluded that Microfinance plays a decisive role in providing financial services to the needful sections of society and can contribute to transforming rural services as an integral part of poverty alleviation programs.

Linggi, Padung, Modi, & Linggi, (2022) “Financial Inclusion in Microfinance- A case of North East India” explores the microfinance data published by NABARD

from 2008 to 2019. It examines the financial inclusion trend in the Northeast part of the country. The paper revealed that financial inclusion had shown an increasing trend through microfinance activities despite the region's political instability and limited infrastructure. However, by spreading financial knowledge among self-help groups, the members can improve the performance of microfinance services. Similarly, rural households must reduce over-dependence on government schemes, and increasing Bank outstanding and gross NPA must also be controlled.

Shareef, M. S. (2022) “Microfinance Institution in India-Problems and Prospects” focuses on the various issues and challenges of microfinance in India and its prospect of attaining sustainable development. The paper states that issues like low outreach, loan default, low education level, and negligence of the disadvantaged population in urban regions create challenges to the growth of Indian Microfinance. However, the author suggests minimizing the challenges through proper measures such as appropriate regulations, encouraging rural penetration, extending the range of services, and transparency in interest rates. The paper also recommends that to obtain sustainable development; there must be continuous growth and diversification of the rural economy by including all population segments.

1.9. STATEMENT OF THE PROBLEM

Despite the continuous efforts of successive governments to introduce various schemes and programs to overcome poverty in the rural region, it has not been a straightforward solution for the financial institutions to bring balanced regional growth. Most poor households are deprived of their rights and lack the necessary knowledge to avail the various micro-finance schemes. The poor section in the rural areas primarily operates within the informal sector, fulfilling their short-term finances by acquiring loans from their friends and relatives or the local money lenders at high-interest rates. As a result, poor households fail to improve their savings or undertake any activities which would generate income.

The people in the North-eastern State of Arunachal Pradesh, especially in the backward districts of Tirap and Longding, lack knowledge of the various microfinance schemes the Government has implemented throughout the years. Generally, there is a gap between the intended objective and the achieved one, which is also true in the case of microfinance programs introduced by the Government. Notwithstanding the continuous attempt of the Government to adopt various policies and schemes for the country's growth, equitable wealth distribution has always been given secondary treatment. Therefore, poor households have always been beyond the reach of the formal financial system. In most cases, people with low incomes in rural areas mainly operate in the informal economy because they lack savings and income-generating activities. These complications of poverty, unemployment, and low living standards are also seen as the core feature of the Tirap and Longding districts. The two districts of Arunachal Pradesh are also considered one the most backward districts in the State due to their remote location and non-accessibility to the basic amenities of life like proper roads and other infrastructures.

1.10. SIGNIFICANCE OF THE STUDY

For centuries, poor households have depended upon informal credit sources or charitable donors to mitigate the various risks or meet their consumption needs; however, the introduction of microfinance has replaced this traditional myth. In the mid-1970s, in a struggle to combat the chronic disorder of poverty and unemployment, the microcredit delivery system was seen as a silent revolution. During the last three decades, microfinance has facilitated a large scale of poor individuals with access to small credit. It has achieved the class of legal industry, and various countries have begun to build an environment enabling the microfinance sector to prosper.

Microfinance plays a vital role in poverty reduction by providing small loans to poor individuals below the poverty line to reshape their businesses and guide

them to employ productive activities to improve their livelihood. Hence, the present study has been selected to examine and analyze microfinance's role in reducing poverty and rural transformation in Tirap and Longding districts. The study will create awareness about microfinance services among the region's poor people. It also observes the various problems and difficulties they face in obtaining credit and provides them with the needed information regarding microcredit facilities to improve their standard of living. The study would also assist them in availing such credits from different microfinance projects, mitigating poverty, and promoting the livelihood of the rural population in the study area. Thus, conducting an in-depth research study in the district is a pressing priority.

1.11. OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To study the status of microfinance in India and Arunachal Pradesh.
2. To identify the sources of microfinance and its availability to people in Arunachal Pradesh.
3. To examine the impact of microfinance on employment and starting of small-scale business in Tirap and Longding districts.
4. To evaluate the overall impact of microfinance activities on poverty alleviation in Tirap and Longding districts.

1.12. HYPOTHESES

To draw suitable suggestions, the following hypotheses were formulated:

H1. There is no significant difference between the mean income of respondents in Tirap and Longding districts

H2. Microfinance has not contributed significantly to developing small-scale businesses in Tirap and Longding districts

1.13. RESEARCH METHODOLOGY

The research study is descriptive in nature, and to achieve the set objectives, the data have been collected through primary and secondary data.

1.13.1. Sample Design

The present study is conducted on the two districts of Arunachal Pradesh, viz. Tirap and Longding. A sample of 400 microfinance beneficiaries was selected for this study, of which 200 respondents were taken from each district. The respondents are those individuals who have been involved in various microfinance activities over the years.

1.13.2. Sources of Data

The present study is based on both primary and secondary data. The detailed sources of data for the study are as follows:

(a) Primary data

The primary data was collected from the 400 respondents in the two districts through a structured interview schedule and personal interviews with the microfinance beneficiaries. Samples were taken from nine circles in Tirap district and six circles in Longding district. The researcher followed a snowball sampling method for collecting the primary data. A pilot survey was conducted to see the validity of the research scheduled, and the reliability of the responses was tested using the Cronbach alpha method. As per the score, the research schedule is found to be accepted. The reliability score is given in the following table.

Reliability Statistics

Cronbach's Alpha	N of Items
.952	51

(b) Secondary data

Secondary data were gathered from NABARD, ArSRLM, NERCORMP, NGOs, and District statistical offices. Additional secondary data were collected from journals, theses, books, annual reports, published documents of the Government, and other internet sources.

1.13.3. Variables Used in the Study

To measure the impact of microfinance on rural transformation in Tirap and Longding districts of Arunachal Pradesh, the following variables have been selected:

1. Age
2. Marital Status
3. Educational Qualification
4. Type of Ration Cards
5. Types of Occupation
6. Duration of Microfinance
7. Number of Times Microfinance Availed
8. Purpose of Microfinance
9. Annual Savings

1.13.4. Tools for Data Analysis

The collected data were tabulated and analysed to interpret and draw a conclusion by using several statistical tools. Further, to have a visual appealing as well as to draw an inference, suitable diagrams and graphs were also used. The statistical tools used for analyzing the data are as follows:

1. Cronbach's alpha: The Cronbach's alpha reliability test was used to test the reliability range of the interview schedule questions.

2. Percentage: Percentage analysis was used to compare and analyze the statements as well as the demographic variables.
3. Mean and Standard Deviation: Mean and standard deviation were used to measure the business impact, employment opportunities and compare the challenges faced by the respondents.
4. Correlation analysis: Correlation tables have been used for determining the association between the economic, social, human capital, and psychological aspect.
5. Chi-Square test: The Chi-Square test was used to test the significant association between the various variables and the socioeconomic status of the respondents.
6. Cross tabulation: Cross tabulation analysis was used to show the cross tabulation between districts, gender, and the role of microfinance as an alternate source of rural credit for the respondents who have undertaken microfinance for business purposes.
7. z-test: z-test has been used to compute the significant difference between the average income of the two districts.

1.14. LIMITATIONS OF THE STUDY

The limitations of the study are:

1. The present study was conducted only in two districts with 400 samples. Therefore, it may not represent the actual status of microfinance services in the state of Arunachal Pradesh.
2. The study was mainly based on the primary data collected through an interview schedule. Hence, the analysis was made on the basis of the respondent's perceptions.
3. The statistical data on population and other secondary information are based on the 2011 census.

1.15. PLAN OF THE STUDY

The present study is organized into six chapters as follows:

Chapter 1: Introduction

Chapter one presents the conceptual framework of microfinance, poverty and rural transformation. It covers the review of literature on the role of microfinance paradigm. Statement of the problem, significance of the study, objectives of the study, hypotheses of the study, limitations of the study, tools of data analysis, and research methodology are also explained in this chapter.

Chapter 2: Existing Scenario of Microfinance

Chapter two deals with the status of microfinance development in the country. It shows the overview of microfinance in India, its growth and development over the years, and the various models of microfinance delivery system available in the country. The chapter also highlights the situation of microfinance services in North-eastern Region (NER), with special reference to Arunachal Pradesh.

Chapter 3: Impact of Microfinance on rural transformation in Tirap District

Chapter three presents the socio-demographic profile, and the business detail of the respondents in Tirap district. The chapter focuses on the impact of microfinance activities on the economic, social, human capital, and the psychological aspects of the respondents. It also covers the influence of microfinance on business undertakings, along with the various challenges faced by the people in Tirap district while availing microfinance.

Chapter 4: Impact of Microfinance on rural transformation in Longding District

Chapter 4 focuses on the impact of microfinance activities on the economic, social, human capital, and the psychological aspects of the respondents in Longding district, in addition to their socio-demographic profile, and the business details. The

chapter also deals with the influence of microfinance on business undertakings, and the various challenges confronted by the people in Longding district while availing microfinance benefits.

Chapter 5: Growth and Performance of Microfinance in Tirap and Longding Districts: A comparative analysis

Chapter 5 highlights the comparative study of the microfinance in Tirap and Longding districts. In this chapter, a comparison is made on the basis of demographic profile, income level, annual savings, occupation status, business growth, and the various problems involved in microfinance services. The chapter also covers the growth and progress of microfinance activities in the two districts.

Chapter 6: Summary and Conclusion

Chapter 6 deals with the summary of the major findings of the study. The chapter includes the conclusion and suggestions based on the data analysis. Further, the chapter concludes by highlighting the scope for future research.

1.16. CONCLUSION

The microfinance system provides small credits, thrift savings, insurance, and other non-financial services to vulnerable groups to improve their livelihood and release them from the clutches of local moneylenders, who charge very high-interest rates. The key objective is to provide small credit facilities to poor households who lack stable income and collateral security with no proper access to the formal banking system. Several barrier restricts poor households from striving toward those activities that create income or provide employment opportunities; however, this hindrance has been overcome with the introduction of the microfinance mechanism. It attempts to overcome poverty through women's empowerment and improving entrepreneurial skills among rural households. The growth of the microfinance

industry has been escalating meticulously and has assisted the rural population to undertake business opportunities as a career option that would improve their living standards. Hence, introducing the modern microfinance system has enhanced credit lending options for poor households in rural areas by educating them about different ways of self-independence. It is also considered the Bank for the Poor, and all over the world, the microfinance approach has become one of the most accepted mechanisms in the fight to alleviate poverty and transform the rural population.

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CHAPTER 2

EXISTING SCENARIO OF MICROFINANCE

2.1. MICROFINANCE IN INDIA

The microfinance system started in India with the Self-Employed Women Association (SEWA) registration in 1974. The Gujarat-based association was registered as the Urban Cooperative Bank, the Mahila SEWA Sahakari Bank. The main objective was to provide banking services to all the deprived women working in the unorganized Sector in Ahmedabad. Thus, it paved the way for microfinance institutions' progress in India. However, The Government led microfinance movement began through the NABARD-sponsored pilot project of the SHG bank linkage program in 1992. After the Reserve Bank of India recognized the informal groups, NABARD sponsored an NGO, MYRADA, to meet the financial requirements of rural households through the Self-Help Groups Bank linkage program (Sinha & Pandey, 2019). This pilot project proved successful, and with the refinance system, it became India's most effective microfinance model.

As an answer to alleviate poverty and empower women's society, micro-financing was introduced in India in the 1980s. But, irrespective of its solid potential, there are various problems that the microfinance industry encounters while delivering services. It is a banking system intended to deliver credit access to individuals lacking other formal financial services. The target audiences are unemployed and low-income individuals. It is impossible to achieve the whole population's financial needs through standard channels, especially in rural areas. Hence, the microfinance industry offers reliable services in the form of small credit, micro-insurance, etc. (Sonakia, 2020). The nation's economy adapts to the high ethics of global consumption, as seen by the lifestyle and level of income generated in the formal Sector. Yet, the earning capacity of rural households is considerably low, and the people's socioeconomic status depends on their income level. The

upper class controls the formal banking institutions, and low-income families solely rely on the informal Sector. Thus, if low-income earners have alternate credit sources to invest in income-generating activities, then microfinance can be identified as a solution to the numerous socioeconomic problems in the country (Shastri, 2009). Microfinance is a bouquet of financial activities that includes credit, savings, leasing, insurance, and remittance. Consequently, sometimes the word microcredit and microfinance are often used as synonyms. However, microcredit is only one segment of the microfinance system. Moreover, along with providing these financial services, microfinance institutions also facilitate access to other non-financial activities, such as workshops and training relating to hygiene, livelihood, and financial literacy. (Nayak, 2015). The key reason for the disappointment of the formal banking system in India regarding lending credits to the rural poor population is the lack of acceptable collateral or recognized employment that must be offered while applying for the loans. Likewise, the sky-scraping transaction costs and risk of small loans also create bank complexities (Sonakia, 2020). Thus, poor households cannot borrow loans from local money lenders who charge very high-interest rates in such a situation.

Till the early 21st century, the Reserve Bank of India (RBI) favored internal regulations in the microfinance sector. However, with the increase in beneficiaries and its operations, the inadequacy of self-regulation showed up. Issues like multiple credits to borrowers and over-indebtedness seen during the Andhra Pradesh crisis of 2010 were beyond the control of internal regulations. Thus, the Reserve Bank of India (RBI) saw a need for regulatory guidelines in the microfinance Industry. Hence, based on the recommendations of the Malegam Committee, the first regulatory framework for Non-Banking Financial Companies-Microfinance Institutions (NBFC-MFIs), was introduced in December 2011 by the RBI (Singh, 2021). The Indian microfinance industry is one of the crucial sectors worldwide, and in terms of Financial Inclusion, it has been a role model to other countries. Over

the years, Indian Microfinance has witnessed immense progress in its operations, especially regarding the value of financial services and the number of beneficiaries. The Pradhan Mantri Jan-Dhan Yojana has shown remarkable growth in Financial Inclusion, as around 50 crores of beneficiaries got access to Banks as on April 2023 (PMJDY, 2023).

2.2. GROWTH OF MICROFINANCE IN INDIA

Combating poverty has always been one of the main objectives of the erstwhile planning commission in India. The Government has noticeably boosted the growth in education, sanitation, healthcare, and other services for the well-being of low-income people by promoting capacity building. Since its Independence, the Government of India has emphasized financial Inclusion to all sections of the country by introducing several poverty alleviations program. With commercial banks' Nationalization in 1969, the Government focused on developing the priority sector. These priority sectors include agriculture and other rural activities in underprivileged societies (Rashid & Kumar, 2018). Some of the main objectives of Bank Nationalization were (1) to restrict private corporations from controlling the banking operations, (2) to allocate uniform funds for optimum utilization of resources, (3) to achieve Financial Inclusion in rural areas, and (5) to improve agriculture and small industries (Sharma, 2018). Over the years, the Government of India introduced numerous schemes to combat chronic poverty problems. Still, most of these programs failed to achieve their target objectives due to the officials' political interference, mismanagement, and poor implementation. Thus, schemes like National Rural Development Program (NRDP), Integrated Rural Development Program (IRDP), Rural Landless Employment Guarantee Program (RLEGP), etc., failed to meet the financial Inclusion goals of the Government (Rashid & Kumar, 2018). However, Indian Microfinance Institutions started to grow in the early 1990s with the introduction of the SHG Bank Linkage Program by the National Bank for Agriculture and Rural Development (NABARD) in 1992 and the Rashtriya Mahila

Kosh (RMK) or the National Credit Fund for Women (NCFW) in 1993 (Sharma, 2018). These schemes promoted the smooth functioning of the women Self Help Groups by providing concessional terms for various income-generating activities and livelihood support. The development of the SHG- Bank Linkage Program in India can be seen in the following table.

Table 2.1: Progress of the SHG- Bank Linkage Program over the years

Years	Innovation
1992	<ul style="list-style-type: none"> • NABARD launched a pilot project to link 500 SHGs to banks by 1994 • RBI/ NABARD introduced three fundamental innovations in banking <ul style="list-style-type: none"> - Accept informal groups as bank clients - Lending loans without a specific purpose - Introduce collateral-free credit
1996	<ul style="list-style-type: none"> • RBI declares SHG-BLP as Priority Sector Lending (PSL) • RBI suggests three models of SHG-BLP • 4750 SHGs credit linked with a bank loan of R6.06 crore
1998	<ul style="list-style-type: none"> • NABARD targets to link two lakh SHGs with Banks by 2003
1999	<ul style="list-style-type: none"> • Government makes special provisions to support SHGs • Introduction of Swarnajayanti Gram Swarozgar Yojana (SGSY)
2000-01	<ul style="list-style-type: none"> • NABARD instituted a Micro Finance Development Fund (MFDF) of ₹one hundred crores
2005	<ul style="list-style-type: none"> • NABARD accomplishes the goal of promoting one million SHGs • United Nations declared 2005 as the International Year of Micro Credit
2006	<ul style="list-style-type: none"> • RBI announces the use of Business Correspondents (BC) and Business Facilitators (BF) for rural banking • NABARD renames MFDF to Microfinance Development and Equity Fund (MFDEF) • NABARD instituted MEDP for SHG members • NABARD introduce Joint Liability Group (JLG) for Small and Marginal Farmers (SF/MF)
2007	<ul style="list-style-type: none"> • NABARD initiates support to Microfinance Institutions for capital support
2008	<ul style="list-style-type: none"> • NABARD set up Financial Inclusion Fund (FIF) and Financial Inclusion Task Force (FITF) • The Centre for Microfinance Research (CMR) set up in Bankers Institute of Rural Development (BIRD) • NABARD Financial Services Limited (NABFINS) established

2009	<ul style="list-style-type: none"> Joint Liability Group scheme extended for Non-Farm Sector (NFS) Loans.
2011	<ul style="list-style-type: none"> SGSY updated as National Rural Livelihood Mission Micro Finance Equity Fund created in SIDBI The Government issues instructions to banks for sanction only Cash Credit (CC) limits to SHGs
2012	<ul style="list-style-type: none"> Government launches Women SHG (WSHG) program in 150 Backward & Left-Wing Extremism (LWE) districts.
2013	<ul style="list-style-type: none"> NABARD discontinued MFDEF and related supports under Financial Inclusion Fund (FIF) The Government officially launches National Rural Livelihood Mission (NRLM)
2015	<ul style="list-style-type: none"> NABARD launched Livelihood Enterprise Development Program (LEDP) NABARD constituted Strategic Advisory Board for SHG-BLP E-Shakti portal for digitization of SHG records piloted in two districts NABFINS commences operations as NBFC-MFI
2017	<ul style="list-style-type: none"> E-Shakti project growth in phases to reach 4.29 SHGs across 100 districts, 21 States, and two Union Territories (UT) E-Shakti spread with more than 11000 bank branches, covering 60000 villages.
2019	<ul style="list-style-type: none"> E-Shakti won the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Outstanding Projects Award, 2019
2020	<ul style="list-style-type: none"> NABARD introduces Business Model Scheme for Regional Rural Banks (RRBs) and Rural Cooperative Banks (RCBs) 12.8 lakh SHGs digitized under E-Shakti covering 281 districts, 26 States, and two Union Territories
2021	<ul style="list-style-type: none"> BRICS mentioned the E-Shakti project as one of the contributions by India to enable digital financial Inclusion among the countries
2022	<p>Progress from:</p> <ul style="list-style-type: none"> 255 SHGs and bank credit of ₹ 29 lakhs in 1992 to 67.40 lakh SHGs and ₹ 1.51 lakh crore bank credit in 2022 285 JLGs and bank credit of ₹ 447 lakh in 2005 to 188 lakh JLGs and ₹ 3.27 lakh crore bank credit in 2022

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

After the Nationalization of banks in 1969, there was a massive growth in the physical outreach of the banking network. But it does not include the majority of the population. So, an action research plan was launched by NABARD in 1987 with MYRADA to identify the cause of inequality. The research plan's findings suggest linking 500 self-help groups with the banks in 1992. Since then, the microfinance industry in India has seen tremendous development, and so the total membership of

the SHG- Bank Linkage program, as on March 2022, was 119 lakh self-help groups with 14.2 crores households across India (Status of Microfinance in India 2021-22, NABARD annual report).

2.3. DELIVERY MODELS OF MICROFINANCE IN INDIA

Around the world, various microfinance organizations follow diverse modes and techniques of providing micro financial services to low-income families through savings, credits, leasing, insurance, etc., to raise their living standards. Over the years, the critical focus of these financial services has been the empowerment of the women section, as it observes that in terms of financial matters, women groups are more responsible than their men counterparts (Rao & Priyadarshini, 2013). Microfinance plays a crucial role in the growth of a country's economy as it has helped numerous underprivileged poor individuals to realize their fundamental requirements and safeguard them from various future financial risks. In the current years, it has become a well-accepted paradigm worldwide by creating a phenomenal impact on the rural population as it provides timely credit to the poor individuals in need of it. In such a scenario, microfinance service is considered an effective weapon for government bodies to conquer the never-ending poverty and unemployment. Thus, in a country like India, economic development depends on the progress of the numerous villages located in rural areas (Mazeed & Dalpadal, 2019). Hence, a proper and thorough research study must be conducted on microfinance to understand the various problems and challenges those poor individuals in rural regions encounter.

The banking sector in India witnessed a great range of branch extensions in 1969 after the Nationalization of banks, where the Indian banking system shifted its primary focus to mass banking from traditional class banking. Since then, the successive governments, along with the Reserve Bank of India, have undertaken several initiatives to prioritize the wants and requirements of the weaker section of the society to achieve balanced regional growth in the country. This approach to

meeting the needs of deprived individuals through an alternative source of credit has led to various models through which micro-credits can be made available to poor households (Batra & Sumanjeet, 2011). Some of these widespread key models of delivering micro-financial services to needy individuals in India are:

2.3.1. Self-Help Groups Model

The central idea of the self-help group approach is that an individual can attain peace and prosperity by eradicating poverty and unemployment through self-help and self-employment (Jha, 2012). In India, self-help groups are the main form of microfinance service providers. It usually comprises 10-20 members with homogenous problems and little saving power. Meetings are conducted regularly at predestined places at a fixed date and time to ensure the transparency and efficient operation of self-help groups. Likewise, keeping in view the prosperity and well-being of the group, all the members are collectively involved in making decisions on matters relating to the size of the credit amount, the rate of interest, or the repayment period of the loan. Hence, it is evident that forming a self-help group demands an environment for building leadership values, transparency in operations, and decentralization or delegation of decision-making among the people in rural areas who otherwise are deprived of such opportunities (Rao & Priyadarshini, 2013). In today's world, self-help group has developed as a movement. As most of the members are women, the socioeconomic status of the women groups in the country is improving (Saravanan, 2016). Since the women population constitutes around fifty percent of the nation's total human resources, it mitigates poverty, especially in rural areas.

3.2.2. Individual Banking Model

After examining their creditworthiness, this model delivers micro financial services to different clients, although sometimes they may be structured into group liabilities groups (Rao & Priyadarshini, 2013). This model of individual banking program is a

modification of the group-based model of delivering microfinance to poor households. Cooperative and rural banks mainly adopt this credit delivery model to grant loans to the unorganized Sector. The model is well suited for small business enterprises which are product oriented (Parthasarathy, 2018). Hence, the individual banking model provides skills advancement and several other outreach programs.

2.3.3. The Grameen Model

This is another subcategory of the group-based model for delivering microfinance practiced by many NGOs (Batra & Sumanjeet, 2011). This model is built on the principle of Grameen Bank in Bangladesh, officially founded by Professor Muhammad Yunus in 1983. This model promotes availing credit as a human right and operates based on joint liability groups (Parthasarathy, 2018). The first step in this credit delivery model is to form a group where five potential borrowers are identified. Still, only two members in the group are eligible to apply for the loan. Further, the group members carefully observed to see if they complied with the rules of the Bank. The remaining three group members are eligible for a credit only if the two borrowers pay off the principal sum and the bit of interest over fifty weeks. As a result of these restrictions, there is considerable group pressure for timely repayment. The model's central philosophy depends on the fact that individual flaws and limitations are conquered by the collective responsibilities of the group members (Srinivas, 2015). Further, over the years, there has been another innovation in this model, which is known as the Grameen II model. Unlike the classical Grameen model, each borrower or micro-credit client has a diverse credit ceiling which depends on different factors like the borrower's savings capacity, repayment records, and repayment performance of the groups (Nayak, 2015).

2.3.4. Mixed Model

As the name implies, the hybrid model of delivering microfinance services is those financial services that follow a mixture of the self-help group models and the Grameen bank models. It has been observed that several microfinance institutions

that start with the Grameen models are converted into self-help group models in the later stage. Yet, they do not entirely do away with the Grameen bank model but instead follow an equal mix of both the credit delivery system (Rao & Priyadarshini, 2013). It is also noticed that non-banking financial institutions mainly use the SHG-Joint Liability group model, while NGO-based micro-financial institutions adopt self-help group models (Parthasarathy, 2018).

2.3.5. NGO Model

In microfinance, Non-Governmental Organisations are one of the leading players who act as an intermediary in several dimensions (Parthasarathy, 2018). They are called external organizations offering various micro financial services such as credit, savings, insurance, etc. These organizations help poor individuals by improving their credit alternatives and additionally assisting them by providing workshops and training programs. The NGOs function locally and globally, mainly as supporters or intermediaries of the beneficiaries and the donor agency (Verma & Sinha, 2012).

2.4. ROLE OF MICROFINANCE IN ECONOMIC DEVELOPMENT

The Government of India introduced NABARD as National Development Bank in 1982. Since then, the institution has managed and controlled all matters concerning policy planning, regulations, agriculture credit, promotional, and development activities. The main objective of NABARD is to facilitate underprivileged households with adequate access to microfinance. It attempts to deliver financial services to all those individuals who do not have access to other formal financial services, as NABARD has been the mentor and facilitator in the SHG Bank Linkage program (Bhat & Yadav, 2016). From time to time, as a facilitator, NABARD has introduced various initiatives to strengthen the Financial Inclusion objective and provide a range of financial services. Some of these initiatives are_ (a) Support the partner agencies in nurturing and promoting the Self-Help Groups, (b) Implementation of schemes for encouraging the growth of women SHG in rural

areas, (c) Promoting self-employment and sustainable livelihood among SHG members by introducing the Micro-Enterprise Development Program (MEDP) and Livelihood Enterprise Development Program (LEDP), (d) Implement National Rural Livelihood Mission (NRLM), (e) Introduced the E-Shakti project to digitalize the SHGs, and (f) Providing refinance support to Banks and Microfinance Institutions (MFIs) (Vijayalakshmi, 2021) Thus, the microfinance has become an essential instrument for economic development, and to uplift deprived households by providing small credit to undertake income-generating activities. Rural regions are detached from the economic activities of urban communities and cannot avail themselves of several financial benefits. Therefore, it is necessary to engage the rural section in business activities to achieve balanced regional growth all over the country, as it is essential for the overall long-term development of the nation (Singla, 2014). Some of the significant contributions of the microfinance industry to the economic growth of the country are as follows:

- **Mitigating Poverty:** Alleviating poverty has always been one of the significant millennium objectives worldwide. Different countries have adopted various schemes and policies to fight poverty problems, yet the microfinance system has proven to be the most effective mechanism. The microcredit policy has enabled poor households to overcome poverty by accessing non-collateral credit for income-generating activities (Singla, 2014). This cash availability has provided the rural population with adequate food, hygienic water, primary healthcare, business opportunities, and education for their children. As a provision of formal financial services for the poor, microfinance has helped people sustainably fight poverty. Poor individuals use microcredit and related services to reduce their vulnerability, improve their earnings, and seize opportunities (Obaidullah, 2008). Thus, microfinance indirectly enhances people's living standards by facilitating access to education, hygiene, health, and other necessary provisions.

- **Women Empowerment:** Women empowerment refers to progress in women groups' ability to influence their decision-making ability. It includes improvement in self-confidence, socioeconomic Independence, and participation in financial activities. Generally, rural women are deprived of financial stability and become victims of exploitation before the moneylenders. Thus, several studies have shown a positive relationship between women's participation in microfinance and their empowerment (Tripathy, 2017). But just access to financial resources is insufficient for women's empowerment; traditional ideology and practices must be challenged and improvised. This empowerment is evident in the form of independence in household decision-making, more participation in income-generating activities, control of household assets, better healthcare facilities, etc. (Poswal & Choyal, 2019). Empowerment is a multidimensional economic, social, political, and psychological process. Economic empowerment refers to access to financial resources and services such as savings, assets, and other income-generating activities. Likewise, social empowerment includes the ability of an individual to have an independent life with good status in society. Political empowerment is about an individual's awareness and understanding of the political scenario. Active participation in microfinance activities has led to progress in financial situations. While microfinance may not directly lead to improvement in women's political empowerment, it is evident that women with better economic conditions have improved their political environment awareness. Psychological empowerment refers to an individual's personal growth in self-esteem and self-reliance or, likewise, the reduction in gender discrimination and stress (Khan, Bhat, & Sangmi, 2020). Thus, the advancement in economic empowerment further led to progress in other socio-political and psychological structures.

- **Financial Inclusion:** The financial exclusion of the rural population from accessing the required services of the mainstream banking system is the main reason for the unbalanced economic progress in the country. Financial Inclusion refers to providing affordable credit to poor individuals, who usually fail to avail of such banking services. These financial services comprise access to microcredit, micro-savings, and insurance facilities in urban areas. Further, microfinance facilitates financial inclusion by ensuring adequate access to timely financial services by every section of the population, especially the low-income households in the rural region (Anand, 2016). Hence, the microfinance system has overcome the financial exclusion problem by reducing the unbanked population's dependency on the informal credit sector. It has also successfully connected the rural population with banking institutions and their services (Singla, 2014).
- **Mobilize Savings:** Besides lending small loans, microfinance encourages thrift savings among clients, and thus, individuals with little incomes also save money and have access to banking services (Singla, 2014). Microsaving is one of the essential instruments of the microfinance industry. It consists of small deposits aimed at low-income individuals to facilitate the prospect of saving finance for future usage. These thrift savings allow poor households to educate their children, undertake potential investments, and prepare themselves for unforeseen events (Anjaneyulu, 2021).
- **Financial stability:** The microfinance system provides opportunities for income-generating activities, allowing poor households to keep cash at hand for emergencies (Singla, 2014). Thus, microfinance reduces their vulnerability to future risks, as the formerly deprived individuals have become economic agents of change. Hence, the microfinance system in India has provided an umbrella of financial and non-financial services to the poor by enriching their livelihood in rural and urban areas.

2.5. ROLE OF THE GOVERNMENT IN MICROFINANCE DEVELOPMENT

Although India is one of the fast-developing countries worldwide, chronic poverty problems exist deeply all over the country. And with a vast population, the Government can't oversee the need for microfinance in rural India (Verma & Sinha, 2012). The Government can create a legal environment promoting the microfinance industry and its services. But the Government must recognize and accept microfinance as an encouraging financial system instead of viewing it as a minor segment of the banking system. Some ways through which the Government can contribute to the progress of microfinance are (1) maintaining the stability of monetary or fiscal policy, (2) encouraging the active participation of private sectors in decisions making related to microfinance, and (3) Government can ease the laws to allow the other financial institutions to deliver microfinance services (Duflos & Imboden, 2004). Such active partaking of the private industries can aid in the smooth functioning of microfinance services within the purview of the Indian financial system.

One significant development in the microfinance industry was launching the National Rural Livelihood Mission (NRLM) in June 2011, as per the recommendation of the Radhakrishna Committee. The Mission aimed to achieve the Millennium Development Goals (MDGs) by 2015 and achieve a more focused drive towards poverty alleviation. The NRLM was renamed in November 2015 as Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) (Status of Microfinance in India 2021-22, NABARD annual report). At the State level, the State Rural Livelihood Mission (SRLM) oversees the implementation of NRLM activities, and the State government acts as the autonomous body that monitors their functioning. As on March 2022, the NRLM covers 722 total districts in the country, with 6218214 SHGs under Cluster Level Federations (CLF).

During the 1980s, the banking institutions ignored most of the rural population. They remained unbanked and entirely relied upon the informal financial system to meet their credit requirements. The credit was available with the moneylenders at an excessive interest rate, and this had harmful consequences, like forceful loan recovery, the need for high collateral securities, etc. Hence, against this framework, the NABARD launched the SHG-Bank Linkage Program (SHG-BLP) as a pilot project in 1992. Since then, the movement has become the most extensive microfinance program, dealing with Financial Inclusion and women empowerment activities. Over the years, this pilot project has progressed as the NABARD has strengthened its financial services through various initiatives that achieve sustainable development. The SHG-BLP has progressed over the years, and through the various initiatives of the NABARD, the program has developed as the most significant microfinance movement in the world (Status of Microfinance in India 2021-22, NABARD annual report). Some of the initiatives undertaken by the NABARD are as follows:

2.5.1. Support the partner agencies in nurturing and promoting the SHGs

Since the 1990s, the National Bank for Agriculture and Rural Development has been providing support to the SHG Federations (SHGFs), Non-Governmental Organizations (NGOs), Non-Governmental Organization-Microfinance Institutions (NGO-MFIs), Primary Agricultural Credit Societies (PACs), Individual Rural Volunteers (IRVs), Regional Rural Banks (RRBs), Commercial Banks, Cooperative Banks etc. for nurturing and promoting the practices of microfinance services across the country. In recent years, grant assistance for SHG formation has been provided only to those areas where the National Rural Livelihood Mission does not operate intensively (Status of Microfinance in India 2021-22, NABARD annual report). Thus, the main reason for the declining trend of grant assistance provided by NABARD for SHG formation over the years is the surge in expansion of the NRLM framework.

2.5.2. Sustainable livelihood among SHG members in backward districts

In association with the Ministry of Finance, the NABARD implemented a scheme that promotes and finances the Women Self-Help Groups (WSHGs) in 150 identified backward districts in the country. Since its introduction in 2012, two lakhs Women Self-Help Groups (WSHGs) were savings linked, and another 1.3 lakh WSHGs were credit linked with the Banks as on March 2022 (Status of Microfinance in India 2021-22, NABARD annual report). However, the scheme was implemented only for three years, i.e., up to 2015. However, in 2022 933.74 lakhs were released under the scheme for capacity building of microfinance stakeholders in the selected districts.

2.5.3. Promotion of Joint Liability Groups

In addition to providing refinance support to the banks, the NABARD also grants support to the Joint Liability Groups supporting agencies to form and nurture the smooth operations of the JLGs. The Joint liability groups are basically informal groups where members of homogenous economic activities agree to jointly repay the loans undertaken by the group (Status of Microfinance in India 2021-22, NABARD annual report). The NABARD introduced financing of JLGs in 2004 as a pilot survey.

2.5.4. Micro-Enterprise Development Program (MEDP) and Livelihood Enterprise Development Program (LEDP)

To enhance and upgrade the capacities of the self-help group members through appropriate skill development, the NABARD launched the MEDP in 2006. The MEDPs are conducted for 15 days with grant support of up to one lakh. Similarly, the NABARD launched the LEDP in 2015 to achieve a sustainable development goal by organizing both farm and non-farm activities for livelihood promotion (Status of Microfinance in India 2021-22, NABARD annual report).

2.5.5. E-Shakti project to digitalize the SHGs

In an attempt to transform India into a digitalized nation, the Government of India, in collaboration with the NABARD, launched the E-Shakti Project in 2015 as a pilot project in the Ramgarh and Dhule districts of Jharkhand and Maharashtra. It aims to digitalize all self-help groups' financial and non-financial bookkeeping by facilitating a single-click check of SHG's profile with the Banks (Status of Microfinance in India 2021-22, NABARD annual report). The project maintains information on the operations of the SHGs through a Management Information System (MIS) to enhance smooth functioning by making informed credit decisions through improved bookkeeping.

2.5.6. Refinance support to Banks

To improve the capacity of bank credit to the self-help groups, Joint Liability Groups, and Microfinance Institutions, the NABARD provides refinance facilities to banks up to ninety-five percent. In 2021-22, NABARD provided refinance amount of 10,197.40 crore against the loan amount disbursed during 2020-21, which amounted to 12,227.18 crore (Status of Microfinance in India 2021-22, NABARD annual report). It provides refinance for productive purposes at concessional rate by way of sanctioned of credit limits.

2.2: Status of SHG Bank Linkage Program

(Numbers in lakh/Amount in crore)

	Particulars	2020-21		2021-22	
		No of SHGs	Amount	No of SHGs	Amount
SHG savings with Bank as on March 31	Total SHG Nos	112.23	37477.61	118.93	47240.48
	All Women SHGs	97.25	32686.08	104.05	42104.77
	Percentage of Women SHGs	86.65%	87.21%	87.45%	89.13%
	Of which NRLM/SGSY	64.78	19353.7	71.84	27576.94
	Percentage of NRLM/SGSY	57.72%	51.64%	60.40%	58.38%
	Of which NULM/SJSRY	5.29	1954.09	5.81	2600.19
	Percentage of NULM/SJSRY	4.71%	5.21%	4.89%	5.50%
Loans disbursed to SHGs during the year	Total No. of SHGs extended loans	28.87	58070.68	33.98	99729.22
	All Women SHGs	25.9	54423.13	31.50	93817.21
	Percentage of Women SHGs	89.71%	93.72%	92.70%	94.07%
	Of which NRLM/SGSY	15.84	29643.04	22.91	63100.77
	Percentage of NRLM/SGSY	54.87%	51.05%	67.42%	63.27%
	Of which NULM/SJSRY	1.13	2112.04	1.84	5816.10
	Percentage of NULM/SJSRY	3.91	3.63	5.40%	5.83%
Loans outstanding against SHGs as on March 31	Total No of SHGs linked	57.8	103289.71	67.40	151051.30
	All Women SHGs linked	53.11	96596.6	62.65	142288.61
	Percentage of Women SHGs	91.89	93.52	92.95%	94.20%
	Of which NRLM/SGSY	33.78	57336.62	44.54	94231.52
	Percentage of NRLM/SGSY	58.44	55.51	66.09%	62.38%
	Of which NULM/SJSRY	2.23	4056.45	3.27	7608.57
	Percentage of NULM/SJSRY	3.86	3.93	4.85%	5.04%

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.2. shows the progress of the SHG bank linkage program from 2020 to 2022. It depicts the total number of savings with the banks, the number of loans disbursed, and the number of loans outstanding against self-help groups. The table is further categorized into the total number of women SHGs, and the percentage of NRLM or SJSRY against the total SHGs in the country (Status of Microfinance in India 2021-22, NABARD annual report). The table shows that the SHG bank linkage has increased over the years in terms of percentage, and the commercial banks account for fifty-eight percent of the total SHG savings linked and sixty-two percent of the credit-linked self-help groups.

The self-help group-bank linkage program is the most extensive microfinance program in the world, and as of 2023, the SHG program is in its 31st year. Since its introduction, the movement has developed into a practical innovation that meets the need of small and underprivileged sections with outreach to 14.20 crore households. Through the dynamic partnerships with the Government, Non-Governmental Organizations (NGOs), Banks, and the National Rural Livelihood Mission (NRLM), as of March 31, 2022, the Self-Help Group- Bank Linkage program has covered fourteen crore households through 119 lakh and 47,240.48 crores savings with the Banks. It also includes total loans disbursed of ₹99729.22 crores and loans outstanding of ₹ 151051.30 crores as on March 31, 2022 (Status of Microfinance in India 2021-22, NABARD annual report).

2.6. MICROFINANCE IN NORTHEAST INDIA

India is one of the fast-developing countries in the world, but the undeniable fact of unending poverty runs deep among the people (Verma & Sinha, 2012), especially in the Northeastern region. North East India comprises Arunachal Pradesh, Assam, Manipur, Nagaland, Mizoram, Meghalaya, Tripura, and Sikkim. The region has distinct cultural and political differences. It lacks essential banking outreach with low investment prospects and is considered the most economically backward region (Nochi & Nath, 2014).

Exhibit 1: Map of North East India



Source: (mapsofindia.com)

The performance of microfinance institutions and other financial institutions in the Northeastern States is limited to few urban areas, and the region is considered the country's most economically backward segment. The lack of proper infrastructure and insurgency has hampered the region's economic advancement (Nochi & Nath, 2014). Thus, the banking infrastructure is lagging as compared to the other States of the country; however, over the years, it has been noticed that the performance of the microfinance industry has improved, and many deprived individuals take active participation in microfinance activities to mitigate poverty through self-employment and self-reliance.

**Table 2.3: Savings with Banks and loans disbursed to SHGs in North East
India as on March 31, 2022**

State	(Amt. ₹ lakh)			
	Savings of SHGs with Banks		Bank Loans disbursed to SHGs	
	No. of SHGs	Savings amount	No. of SHGs	Loan Disbursed Amount
Arunachal	3793	583.08	165	266.79
Assam	541389	71883.29	72631	151845.80
Manipur	25191	2303.22	1211	2212.96
Meghalaya	34980	6550.50	4063	7490.87
Mizoram	13698	2870.43	1160	3172.78
Nagaland	9119	1815.03	819	1434.80
Sikkim	6798	2691.12	502	795.20
Tripura	45877	17744.26	14330	17417.10
Total NER	680845	106440.93	94871	184636.30

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.3. shows the number of self-help groups and savings amounts linked with the banks in the Northeastern region of the country as on March 31, 2022. It also highlights the number of SHGs and the amount of loans disbursed among the Northeastern States during the same period. The table depicts that Assam has the highest amount of bank savings and bank loans disbursed, which Tripura follows. On the other hand, Arunachal Pradesh has the least number of self-help groups and the amount of savings and loans disbursed as on March 31, 2022.

**Table 2.4: Bank Loan Outstanding against SHGs in North East India as on
March 31, 2022**

	(Amt. ₹ lakh)	
State	No. of SHGs	Loans O/S amount
Arunachal	355	405.69
Assam	166671	189363.80
Manipur	3745	3518.56
Meghalaya	7627	7305.59
Mizoram	3621	5496.20
Nagaland	1507	2083.13
Sikkim	1239	2052.66
Tripura	27244	26020.43
Total NER	212009	236245.06

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.4. depicts the number of self-help groups and the bank loan outstanding against SHGs in the Northeastern States of India. The table indicates that the performance of the microfinance industry is soaring high in Assam and Tripura compared to other states. Whereas Arunachal Pradesh, Sikkim, and Nagaland have the least number of self-help groups and the amount of bank loans outstanding.

Table 2.5: Number of SHGs under NRLM in North East India

State	New	Revived	Pre-NRLM	Total	Total Members
Arunachal Pradesh	7956	77	168	8201	64581
Assam	140376	156380	39087	335843	3751430
Manipur	7650	90	37	7777	80345
Meghalaya	41686	1855	526	44067	427195
Mizoram	7222	2049	87	9358	73814

Nagaland	9791	375	3769	13935	119439
Sikkim	1977	3325	274	5576	51444
Tripura	32811	778	12428	46017	413546
Total	249469	164929	56376	470774	4981794

Source: (DAY-NRLM)

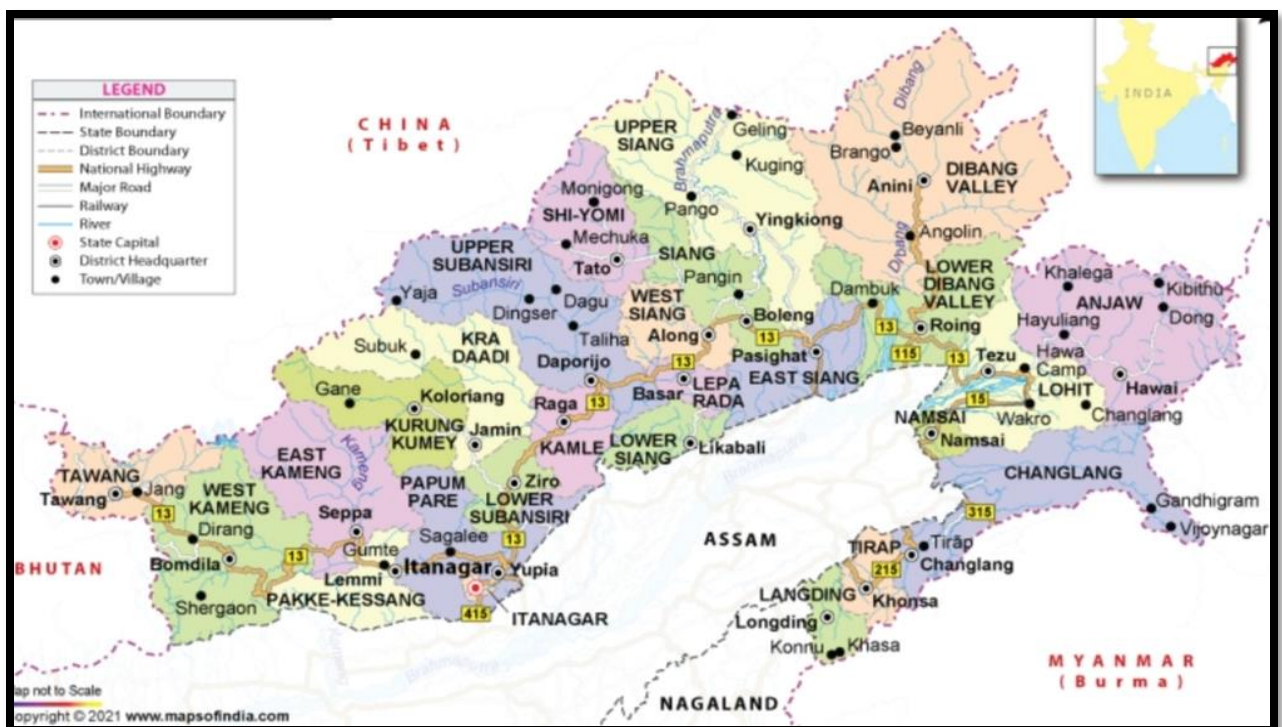
Since its inception, the National Rural Livelihood Mission and the respective State Rural Livelihood Mission have significantly promoted microfinance through Self Help Groups all over the country. The Mission has covered 7090 blocks, with 83.5 lakhs SHGs and 900.4 lakhs households mobilized into SHGs (DAY-NRLM). On March 2016, the National Rural Livelihood Mission was renamed as Deendayal Antyodaya Yojana- National Rural Livelihood Mission (DAY-NRLM), with the primary aim to promote poverty alleviation by facilitating access to a range of livelihood services (nabard, 2023). Table 2.5. indicates the number of SHGs and the total members in the Northeastern States, which are registered under the DAY-NRLM. The table highlights the number of newly registered SHGs, pre-NRLM SHGs, revived old SHGs, and the total number of SHG members registered in the Northeastern States of India. The table shows that the number of SHGs is highest in Assam, followed by Meghalaya, Tripura, Nagaland, Arunachal Pradesh, Manipur, Mizoram, and Sikkim. Thus, the introduction of NRLM has contributed significantly to the development of the microfinance industry.

2.7. ARUNACHAL PRADESH AT A GLANCE

Commonly known as the land of dawn-lit mountains, Arunachal Pradesh is one of India's remotest States. It is situated in the northeastern part of the country, sharing an international border with Myanmar in the east, Bhutan in the west, and China in the North and Northeast. The State also shares a boundary with the States of Assam and Nagaland. In terms of area, it is the largest State in North-East India, home to twenty-six major tribes and more than a hundred sub-tribes, with 25 districts and 5587 villages. The State is endowed with rich, diversified cultures and biodiversity.

The State is blessed with an incredible range of flora and fauna, with more than 500 rare species of orchidaceous plants in the dense forest (arunachalpradesh.gov.in, n.d.). As per the 2011 census, the State has a population of 13,82,611, with an area coverage of 83743 sq. km (mdoner.gov.in, n.d.). However, per the National Commission of Population, Ministry of Health and Family Welfare, the State population for 2021-2022 is 15,48,000, i.e., 0.11 percent of the country's population. The per capita Gross State Domestic Product (GSDP) for 2021-2022 was higher than all the Northeastern States except Sikkim. At current prices, the GSDP of Arunachal Pradesh was 2,17,267.21 in 2021-22 (State Finances Audit Report of the Comptroller and Auditor General of India, 2023). Further, as per the Multidimensional Poverty Index (MPI), Arunachal Pradesh is ranked 18th among the 28 States, with an MPI score of 0.108, intensity of poverty at 44.22 percent, and a headcount ratio of 24.39 percent (National Multidimensional Poverty Index: A Progress Review, 2023).

Exhibit 2: Map of Arunachal Pradesh



Source: (mapsofindia.com)

2.8. MICROFINANCE IN ARUNACHAL PRADESH

Despite being blessed with a vast range of flora and fauna, Arunachal Pradesh has failed to grow on par with the other States of the country in terms of infrastructure, education, financial services, and overall development. As most of the State's population resides in villages lacking proper connection with urban development, many individuals are deprived of their rights to access adequate financial schemes and other capacity-building programs that facilitate sustainable development. Hence, to overcome such hindrances, under the aegis of the central Government, the successive State government has implemented several schemes that would minimize poverty by achieving financial inclusion in the rural regions. The most effective mechanism has been promoting self-help groups among the women population. In collaboration with the NABARD, DAY-NRLM, Non-Governmental Organizations, etc., the Government has attempted to promote microfinance services in all corners of the State. The progress of microfinance in the State is shown in table 2.6.

Table 2.6: Status of Microfinance in Arunachal Pradesh

Years	No of SHGs	Savings Amount	No of SHGs	Loans Disbursed	No of SHGs	Loans O/S Amount
2012-13	5033	412.09	112	132.78	392	387.78
2013-14	2588	153.01	136	105.38	456	300.50
2014-15	3351	255.66	28	55.15	308	335.46
2015-16	4617	417.33	57	66.79	408	365.44
2016-17	5460	1141.91	102	120.54	239	281.26
2017-18	6000	901.50	119	118.30	526	319.23
2018-19	5230	1611.55	40	35.00	261	129.56
2019-20	6062	1334.22	159	202.92	411	333.97
2020-21	6797	1165.72	319	329.59	558	484.18
2021-22	3793	583.08	165	266.79	355	405.69

Source: (Status of Microfinance in India 2012-22, NABARD annual report)

Table 2.6. highlights the progress of microfinance in Arunachal Pradesh over the ten years. The table reveals that there have been fluctuations in the number of SHGs, savings amount, loan disbursed, and loan outstanding throughout the years. It indicates the inconsistency in the functioning of the microfinance industry in the State, mainly due to the lack of financial literacy among the microfinance beneficiaries. The absence of proper awareness about the benefits of microfinance group activities among the rural population is a major reason for the non-rapid growth of the industry. However, it has been noticed that in recent months, the performance of SHGs in the State has improved with the introduction of effective schemes and constant monitoring of their proper implementation. Hence, despite the slow progress, there has been positive signs for further development in the field of microfinance and financial inclusion among the rural population in the State.

**2.7: Savings of SHGs with Public Sector Commercial Banks in
Arunachal Pradesh as on March 31, 2022 (Amount in Lakh)**

Sl no.	Name of Bank	SHGs saving linked			Exclusive Women SHGs out of total			SHGs under NRLM		
		No of SHGs	No of Members	Savings Amount	No of SHGs	No of Members	Savings Amount	No of SHGs	No of Members	Savings Amount
1	Bank of Baroda	162	1770	18.94	13	131	0.72	12	120	0.58
2	Bank of Mahara shtra	6	60	0.17	3	30	0.03	0	0	00
3	Canara Bank	136	1768	28.58	136	1768	28.58	86	1118	7.09

4	Central Bank of India	127	2508	53.34	4	48	1.68	4	48	1.68
5	Indian Bank	29	377	2.00	29	377	2.00	15	195	1.00
6	Punjab and Sind Bank	40	200	0.69	40	200	0.69	40	200	0.69
7	Punjab National Bank	493	4930	53.55	492	4920	53.55	444	4440	48.00
8	SBI	2788	34517	422.00	2370	29339	359.00	2451	30344	359.00
9	UCO Bank	4	44	2.76	3	38	2.75	4	44	2.76
10	Union Bank of India	5	60	0.43	4	48	0.06	4	48	0.06
	Total	3790	46234	582.46	3094	36899	449.06	3060	36557	420.86

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.7: shows the amount of SHG Savings with Public Sector Commercial Banks in Arunachal Pradesh as on March 31, 2022, highlighting the number of exclusive women self-help groups and the number of SHGs under the National Rural Livelihood Mission. The table reveals that the SBI has the highest number of SHG savings in the State, followed by Punjab National Bank, Bank of Baroda, Canara Bank, and so on. The total number of SHG savings with the public and commercial banks is 3790, of which 3094 are exclusively women SHGs, and 3060 are registered under the National Rural Livelihood Mission.

**Table 2.8: Savings of SHGs with Private Sector Commercial Banks in
Arunachal Pradesh as on March 31, 2022 (Amount in Lakh)**

Sl no.	Name of Bank	SHGs saving linked			Exclusive Women SHGs out of total			SHGs under NRLM		
		No of SHGs	No of Members	Savings Amount	No of SHGs	No of Members	Savings Amount	No of SHGs	No of Members	Savings Amount
1	Bandhan Bank Limited	2	20	0.12	0	0	00	0	0	00
2	IDBI Bank Limited	1	12	0.50	1	12	0.50	1	12	0.50
	Total	3	32	0.62	1	12	0.50	1	12	0.50

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.8. depicts the savings of SHGs with Private Sector Commercial Banks in Arunachal Pradesh as on March 31, 2022. The table shows that only three self-help groups are registered with private commercial banks, wherein two SHGs are registered with Bandhan Bank Limited and one SHG with IDBI Bank Limited. Further, only one SHG is exclusive to women SHG registered under the NRLM.

**2.9: Bank loans disbursed by Public Sector Commercial Banks to SHGs in
Arunachal Pradesh for the financial year 2021-2022 (Amount in Lakh)**

Sl no	Name of Bank	Total Loans disbursed during the year		Loans disbursed to exclusive women SHGs		Loans disbursed under NRLM		Loans disbursed under NULM	
		No of SHGs	Loans disbursed	No of SHGs	Loans disbursed	No of SHGs	Loans disbursed	No of SHGs	Loans disbursed
1	Bank of Baroda	3	22.37	2	14.90	2	14.90	1	7.47

2	Canara Bank	2	3.86	2	3.86	0	00	1	3.00
3	Central Bank of India	5	4.16	5	4.16	4	4.06	0	00
4	Punjab National Bank	10	6.40	10	6.40	7	2.06	0	00
5	SBI	144	224.00	144	224.00	144	224.00	0	00
	Total	164	260.79	163	253.32	157	245.02	2	10.47

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.9. highlights the amount of Bank loans disbursed by Public Sector Commercial Banks to SHGs in Arunachal Pradesh in the financial year 2021-2022. The total loan amount disbursed during the year amounts to ₹ 260.79 lakhs, out of which SBI contributes for 144 lakh, and most SHGs are registered under the NRLM and are exclusively women SHGs.

2.10: Bank loans disbursed by Private Sector Commercial Banks to SHGs in Arunachal Pradesh for the financial year 2021-2022 (Amount in Lakh)

Sl no	Name of Bank	Total Loans disbursed during the year		Loans disbursed to exclusive women SHGs		Loans disbursed under NRLM		Loans disbursed under NULM	
		No of SHGs	Loans disbursed	No of SHGs	Loans disbursed	No of SHGs	Loans disbursed	No of SHGs	Loans disbursed
1	IDBI Bank Limited	1	6.00	1	6.00	0	00	0	00
	Total	1	6.00	1	6.00	0	00	0	00

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.10. shows the amount of bank loans disbursed by Private Sector Commercial Banks to SHGs in Arunachal Pradesh in the financial year 2021-2022. As per the NABARD report, only one SHG is registered with IDBI bank limited, and the amount of loan disbursed during the year amounts to six lakh.

2.11: Bank loans outstanding against SHGs in Arunachal Pradesh as on March 31, 2022_ Public Sector Commercial Banks (Amount in Lakh)

Sl no	Name of Bank	Total Bank Loans O/S against SHGs		Out of Total- Exclusive Women		Out of Total- NRLM		Out of Total- NULM	
		No of SHGs	Loans O/S	No of SHGs	Loans O/S	No of SHGs	Loans O/S	No of SHGs	Loans O/S
1	Bank of Baroda	4	25.67	2	14.79	2	14.79	1	7.47
2	Bank of Maharashtra	1	3.41	1	3.41	0	0.00	0	0.00
3	Canara Bank	19	41.83	19	41.83	7	15.80	6	11.83
4	Central Bank of India	5	13.63	5	13.63	4	12.99	0	0.00
5	Punjab National Bank	104	81.62	104	81.62	64	59.45	0	0.00
6	State Bank of India	219	233.00	219	233.00	8	30.00	0	0.00
7	UCO Bank	1	0.00	0	0.00	1	0.00	0	0.00
	Total	353	399.16	350	388.28	86	133.03	7	19.30

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.11: shows the amount of bank loans outstanding against SHGs in Arunachal Pradesh as on March 31, 2022, with the Public Sector Commercial Banks. It includes the number of SHGs under both the NRLM and the NULM. The total amount of loans outstanding against SHGs accounts for 399.16 lakhs, out of which 133.03 lakhs are under the NRLM and 19.30 under the National Urban Livelihood Mission (NULM).

2.12: Bank loans outstanding against SHGs in Arunachal Pradesh as on March 31, 2022, _ Private Sector Commercial Banks (Amount in Lakh)

SI no	Name of Bank	Total Bank Loans O/S against SHGs		Out of Total- Exclusive Women		Out of Total- NRLM		Out of Total- NULM	
		No of SHGs	Loans O/S	No of SHGs	Loans O/S	No of SHGs	Loans O/S	No of SHGs	Loans O/S
1	HDFC Bank Ltd	1	0.53	1	0.53	0	0.00	1	0.53
2	IDBI Bank Limited	1	6.00	1	6.00	0	00	0	00
	Total	2	6.53	1	6.53	0	00	1	0.53

Source: (Status of Microfinance in India 2021-22, NABARD annual report)

Table 2.12. highlights the amount of bank loans outstanding against SHGs in Arunachal Pradesh as on March 31, 2022_ Private Sector Commercial Banks. The total loans outstanding against the SHGs amounts to 6.53 lakhs, and Only two SHGs are registered in the private sector commercial bank.

2.9. ARUNACHAL STATE RURAL LIVELIHOOD MISSION (ArSRLM)

Arunachal State Rural Livelihood Mission (ArSRLM) is the nodal agency for implementing the schemes in Arunachal Pradesh, which the NRLM initiates. It is an autonomous society under the aegis of the Government of Arunachal Pradesh and is registered under the Society Registration Act 1860. The Mission aims to achieve the vision of NRLM by considering the State's socioeconomic condition at the grassroots level. ArSRLM consists of offices at the State, district, and Block levels to cater to

the needs of the rural population across the State. ArSRLM spreads its financial literacy services to the poorest of the poor across twenty-five districts, 114 blocks, and 4211 villages in the State (ArSRLM, n.d.). The Mission's main objective is to overcome poverty by providing deprived households with access to employment opportunities to attain sustainable livelihood through capacity building, mobilizing savings, and financial inclusion.

Table 2.13: Self-Help Groups registered in Arunachal Pradesh under NRLM

Sl No	District	New	Revived	Pre- NRLM	Total	Total Members
1	Anjaw	105	1	2	108	730
2	Changlang	515	9	0	524	3886
3	East Kameng	478	1	1	480	4081
4	East Siang	452	9	1	462	4058
5	Kamle	236	0	0	236	1673
6	Kra Daadi	291	0	0	291	1934
7	Kurung Kumey	330	0	0	330	2446
8	Leparada	227	6	4	237	1968
9	Lohit	211	2	1	214	1667
10	Longding	347	13	26	386	3582
11	Lower Dibang Valley	221	20	1	242	2068
12	Lower Siang	258	1	0	259	1843
13	Lower Subansari	394	15	1	410	3246
14	Namsai	446	71	29	546	5367
15	Pakke Kesang	177	0	0	177	1453
16	Papum Pare	693	1	0	694	5587
17	Shi Yomi	124	0	0	124	884
18	Siang	345	7	0	352	2705

19	Tawang	270	2	0	272	1830
20	Tirap	216	10	0	226	1610
21	Upper Dibang Valley	37	0	1	38	238
22	Upper Siang	288	0	1	289	2068
23	Upper Subansari	520	0	1	521	3857
24	West Kameng	447	0	0	447	3104
25	West Siang	328	0	8	336	2696
	Total	7956	168	77	8201	64581

Source: (DAY-NRLM)

Table 2.13. highlights the number of self-help groups registered under the National Livelihood Mission in Arunachal Pradesh as on May 2023. Since its introduction, the Arunachal State Rural Livelihood Mission has played a major role in promoting microfinance services through self-help groups, and most of the SHGs in the State are registered under the Arunachal State Rural Livelihood Mission (ArSRLM), which functions within the ages of NRLM. Table 2.13. depicts that 8201 SHGs are registered under the ArSRLM, with a total number of 64581 members.

2.10. CONCLUSION

It is noteworthy that microfinance plays a significant role in upgrading the living standards of deprived households by facilitating access to alternate sources of credit in emergencies and promoting income-generating activities among the rural population. Microfinance has provided a ray of hope to households without access to any other financial services from formal banking institutions. Since the launching of the SHG-Bank linkage program in 1992, there has been speedy progress in the functioning of microfinance services all over the country. Through the active involvement of the successive Government, microfinance has become a paradigm

that is highly acknowledged as one of the most effective mechanisms to overcome chronic poverty from the grassroots level. All over the country, the central Government and the respective State governments have implemented several schemes to uplift rural living standards through financial Inclusion in every section of the country. Hence, microfinance has released many poor individuals from the clutches of money lenders in the rural villages, especially in the Northeastern region. The data signifies that the livelihood of the rural population has improved with their participation in microfinance activities. Thus, implementing the Arunachal State Rural Livelihood Mission (ArSRLM), under the aegis of the National Rural Livelihood Mission (NRLM) has educated poor individuals about the importance of microfinance services in Arunachal Pradesh.

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CHAPTER 3

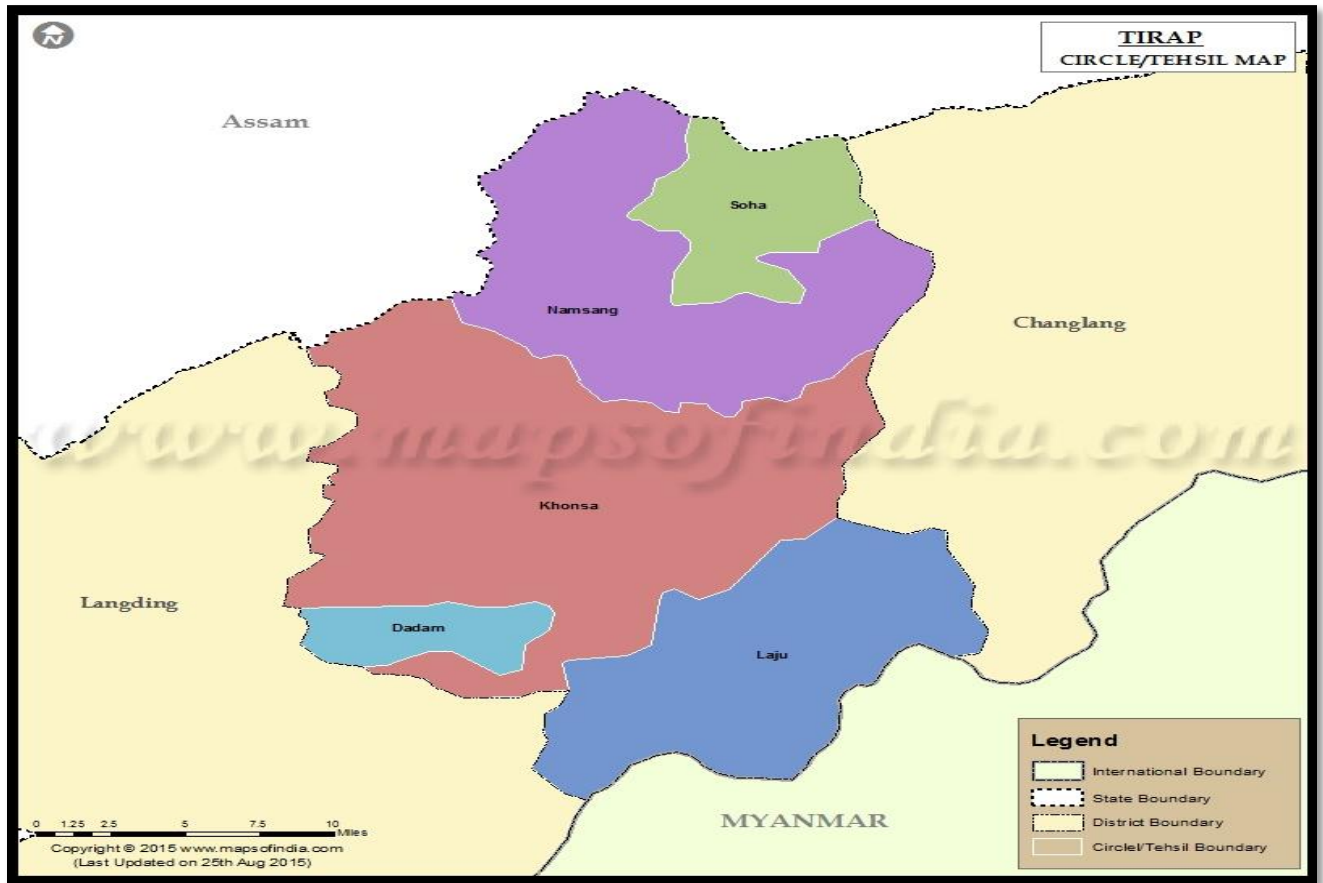
IMPACT OF MICROFINANCE ON RURAL TRANSFORMATION IN TIRAP DISTRICT

3.1. PROFILE OF TIRAP DISTRICT

Tirap district is one of the oldest districts of Arunachal Pradesh. It is located in the southernmost part of the State, surrounded by scenic hills. The total geographical area of the district is 2,362 square kilometers and lies between 96° 16' E and 95° 40' East longitudes and 26° 38' N and 27° 47' N latitudes. The district derived its name from the River Tirap, which originates from high hills in Lazu Circle. It occupies the north-eastern extremity of India and shares an international border with Myanmar, a State border with Nagaland and Assam, and a District border with Changlang and Longding Districts of Arunachal Pradesh (tirap.nic.in, n.d.). The district's total population is 111975, of which males constitute 57604 and females' population is 54371. The urban population is only 20810 against the rural population of 91165. The district's literacy rate is only 42.84 percent, compared to 65.38 percent in the State and 74.04% in the country.

The tribal groups Nocte and Tutsa constitute 80% of the total population in the district. The economy of Tirap district is predominantly agrarian, with more than eighty percent of the population reliant on agriculture for its livelihood. They practice jhum cultivation, and rice is the principal produce. Other crops include yams, tapioca, millets, maize, and vegetables. The agricultural practice in the district depends on the climatic condition, and thus, despite the vast agricultural land, the people experience a deficit in food production. Thus, the district is characterized by inadequate infrastructure, a high unemployment rate, a low literacy rate, and a low standard of living.

Exhibit 3: Map of Tirap District



Source: (mapsofindia.com)

3.2. MICROFINANCE IN TIRAP

In most backward villages, the formal banking institutions fail to reach out to all the poor individuals residing in the rural villages, especially in the North Eastern Region (NER). This drawback allows the local money lenders to take advantage of the rural credit need by providing loans at a high-interest payment rate. Hence, there is an urgency to meet the needs of the rural population by providing small credit at a low-interest rate and without the requirement of collateral securities. The introduction of the Self-Help Groups Bank linkage program (SHG-BLP) by the National Bank for Agriculture and Rural Development (NABARD) has facilitated some parts of rural India by providing financial access to deprived individuals. However, the

outreach of such microfinance schemes is still limited, and microfinance services are relatively effective in the southern part of the country compared to other regions. Similarly, Tirap district has been deprived of several development schemes, and, in such scenery, microfinance activities in the district have been inferior, mainly due to the absence of Regional Rural Banks or other Non-Banking Microfinance Institutions that could facilitate loans to needy individuals and groups. Some of the significant development in the financial structure in the district is the implementation of NERCROMP AND ArSRLM by the Government in collaboration with Non-Governmental Organizations.

3.2.1. North Eastern Region Community Resource Management Project

Before the inauguration of the Arunachal State Rural Livelihood Mission in 2022, microfinance and its allied activities in Tirap district was managed and monitored by North Eastern Region Community Resource Management Project (NERCORMP). It is a Non- Governmental Organization that aims at rural development by transforming the livelihood of the rural population in the North Eastern Region (NER). It is a combined initiative of the International Fund for Agriculture Development, the North Eastern Council (NEC), and the Ministry of Department of Development of the North Eastern Region (DoNER). The organization focuses on achieving economic transformation through social mobilization and self-employment at the grassroots level. Its major activities comprise economic livelihood activities, capacity-building projects, electrification of villages, convergence with other Government schemes, credit facilities, and marketing support that establishes the link between the villagers' demand and supply of organic natural produce. The NERCORMP project was launched in Arunachal Pradesh and Manipur in 2014, and the third phase of this project provided diverse opportunities to the deprived population in the districts of Tirap, Longding, and Changlang (NERCRMP, n.d.). As per the report, the project covered 159 villages and 14712 households in Tirap and Longding districts during phase III.

3.2.2. Arunachal State Livelihood Mission (ArSRLM)

After the North Eastern Region Community Resource Management Project was concluded in November 2021, the ArSRLM block unit started monitoring and managing microfinance activities in the Tirap district. It addresses the problems of poverty and unemployment in the District by delivering sustainable livelihood training to the rural population and encouraging the women groups to pursue incoming generating activities. The ArSRLM recognizes the unique topographies of Arunachal Pradesh while it embodies the vision and ideologies of the NRLM. The Mission monitors and manages the operations of self-help groups in the State (ArSRLM, n.d.). The ArSRLM Block Mission conducts workshops and training programs on a regular series to encourage the women groups in the villages to form a self-help group by educating them about the benefits of creating such self-sufficient groups. ArSRLM provides a week of membership training to the SHG members and gives each group a Revolving Fund (RF) of ₹ fifteen thousand. Further, based on a Microcredit Plan (MCP), the active self-help groups are selected and provided a financial grant of ₹ one lakh two thousand and five hundred to the cluster of SHGs known as Primary Level Self-help Group Federations (PLFs).

Since its inception in early 2022, hundreds of SHGs have been registered under the ArSRLM. Many of these self-help groups have generated income and contributed to the rural villages' progress by undertaking economic activities such as poultry farms, street shops, ornamental weaving, and beads making. Through self-help groups, microcredit loans are provided for income-generating activities and non-income-generating purposes at a highly subsidized interest rate of 1 to 2 percent. Further, the ArSRLM offers financial services and enlightens people's confidence levels by rendering complementary non-economic services through training and awareness programs. Thus, successive government poverty alleviation programs have significantly benefitted rural development.

3.3. DEMOGRAPHIC PROFILE OF THE RESPONDENTS IN TIRAP

3.3.1. Age-wise distribution of the Respondents

While analyzing a target audience, age is an important demographic factor. Age group plays a central role in shaping a person's characteristics. It is associated with the ability of an individual to learn and make decisions based on their life experiences. Generally, people of the same age group share similar beliefs and values as physical durability, confidence, and perception differ depending on the age group. It also illustrates the maturity level of a person in making decisions. Therefore, the age-wise distribution of the microfinance beneficiaries has been considered an essential variable in understanding the respondents' behaviors on microfinance. Hence, in the study, the age group was classified into five clusters.

Table 3.1: Age-wise Distribution of The Respondents

Factors	Classifications	No. of respondents	Percentage
Age Group (in Years)	18-25	14	7.00
	26-35	25	12.50
	36-45	64	32.00
	46-55	77	38.50
	Above 56	20	10.00
	Total	200	100.00

Source: (Field Survey)

The table shows that seven percent of the respondents fall under the young age group of 18 years to 25 years. It is followed by the age group distribution of 26- 35 years, constituting 12.50 percent of the respondents. Thirty-two percent of the respondents belong to the age group of 36- 45 years. Similarly, most of the microfinance beneficiaries are in the middle-aged category of 46- 55 years (38.50 percent), who actively participate in various microfinance workshops and Self-Help Group operations. Lastly, 10 percent of the respondents were about the age of 56 years.

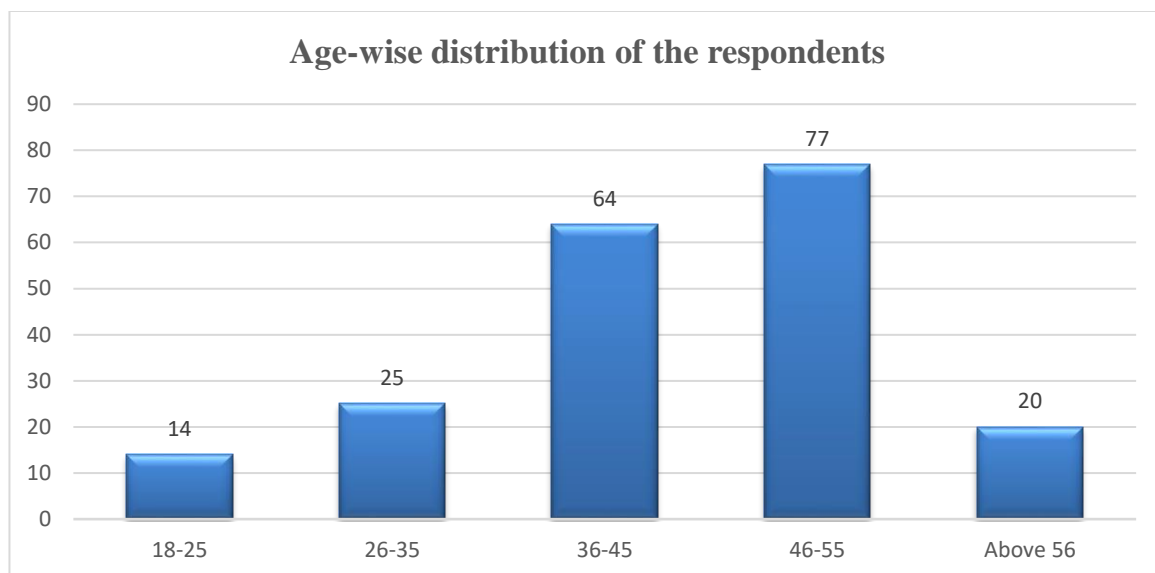


Figure 3.1: Age-wise distribution of the respondents

It is seen that most of the respondents are middle-aged group, which indicates that the young individuals focus more on other job opportunities instead of participating in microfinance activities. Likewise, the aged population seems inactive compared to the different age groups. The reason could be that the young generation seek salaried job over entrepreneurial careers, and the old individuals are not aware of the microfinance benefits, along with other problems like difficulty attending regular group meetings or fear of lengthy banking process, which does not prevail in the microfinance industry.

3.3.2. Gender of the Respondents

As the concept of microfinance was initially instituted to provide self-reliant opportunities to poor women, it is predominated by the women's section. However, it is necessary to consider the gender of the respondents as another essential demographic variable that helps in understanding the variation in the participation level of male and female groups in the microfinance industry. Thus, the researcher collected gender data from the respondents through a field survey.

Table 3.2: Gender of the Respondents

Factor	Classification	No of Respondents	Percentage
Gender	Female	180	90.00
	Male	20	10.00
	Total	200	100.00

Source: (Field Survey)

Table 3.2. depicts that ninety percent of the respondents are female, and only ten percent are male beneficiaries. Out of 200 respondents, only 20 were males, and 180 were females. The data clearly illustrates that the women groups in the district actively participate in various microfinance activities by forming self-help groups among themselves and collaborating with the NGOs and the Government in conducting workshops to encourage income-generating activities.

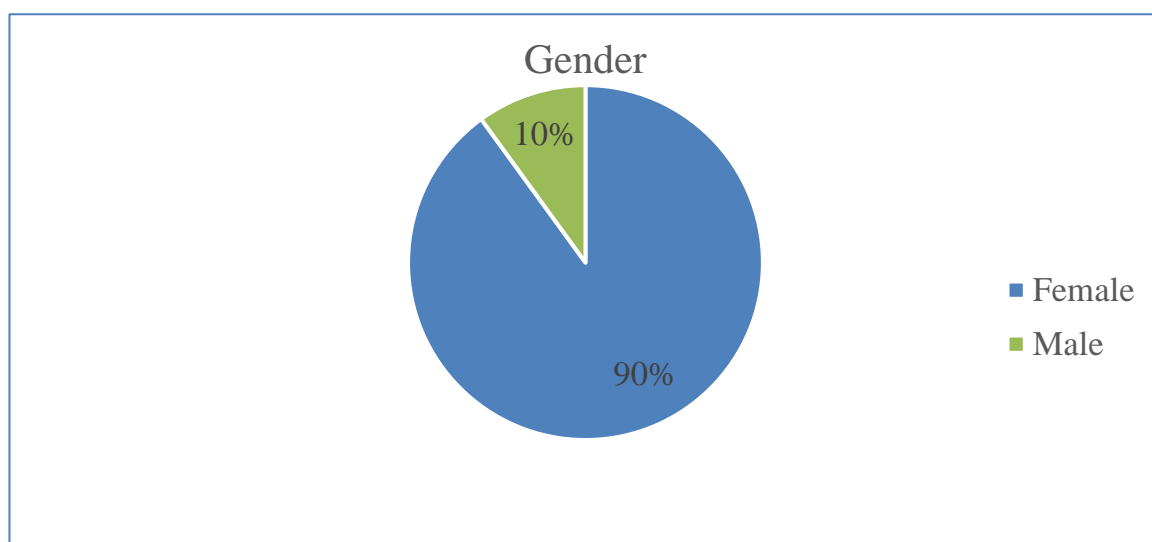


Figure 3.2: Gender of the respondents

The involvement of their male counterparts is narrow because the male groups generally do not form self-help groups among themselves. Further, the microfinance industry gives utmost attention to women, and males are somehow excluded from participating in microfinance activities.

3.3.3. Marital Status of the Respondents

The marital Status of a person has a great influence over an individual's perception of life. The lifestyle is directly or indirectly dependent upon the people around us, and the level of social mobility, position in the community, and other socio-economic variables are interconnected to the marital Status of a person. Hence, the researcher has considered marital Status as another essential factor in studying and understanding the behavior of the respondents. For this study, the marital Status of the respondents was classified into four clusters.

Table 3.3: Marital Status of the Respondents

Factor	Classification	No of Respondents	Percentage
Marital Status	Single	19	09.50
	Married	167	83.50
	Widow/Widower	12	06.00
	Divorced	02	01.00
	Total	200	100.00

Source: (Field Survey)

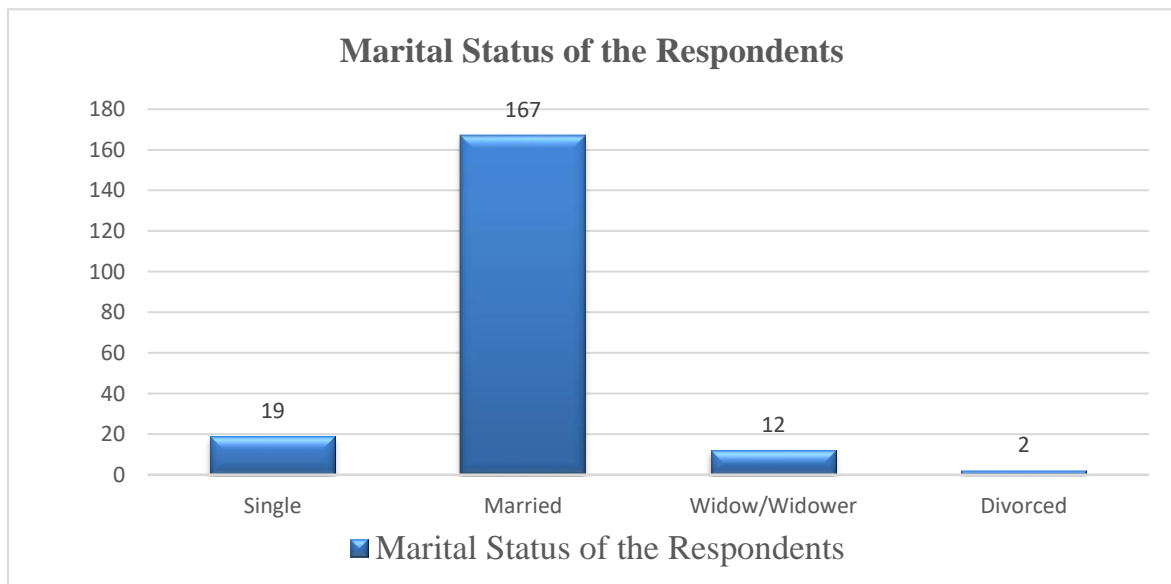


Figure 3.3: Marital Status of the respondents

Table 3.3 indicates that most respondents are married, as 83.50 percent fall under the married category, while 9.50 percent are single or unmarried. Widow/ widower respondents account for 6 percent, and only one percent are divorced.

3.3.4. Educational Qualification of the Respondents

Ascertaining the level of education is another essential variable that hugely impacts a person's personality and behaviours. An individual learns and grows through education, which plays a crucial role in the socio-economic development of society. Awareness, efficiency, adaptability, and understanding directly depend on a person's education level. Generally, higher formal education is regarded as a sign of intellectual knowledge. Hence, to analyse the demographic profile of the microfinance respondents, the researcher collected data regarding the education level of the beneficiaries. For the study, the level of education has been classified into the following categories.

1. No schooling: It comprises all respondents who have never attended schools or attained any formal education.
2. Secondary Level: This category includes those respondents who have completed primary-level education but have not passed class ten.
3. HSLC: High School Leaving Certificate respondents are those individuals who have passed class ten but have not cleared class twelve.
4. HSSLC: Higher Secondary School Certificate comprises those respondents who have cleared class twelve but did not graduate.
5. Graduate: The graduate level of education includes those individuals who have attained a bachelor's degree in any discipline.

Table 3.4: Educational Qualification of the Respondents

Factor	Classification	No of Respondents	Percentage
Educational Qualification	No Schooling	08	04.00
	Secondary Level	72	36.00
	HSLC	64	32.00
	HSSLC	53	26.50
	Graduate	03	01.50
	Total	200	100.00

Source: (Field Survey)

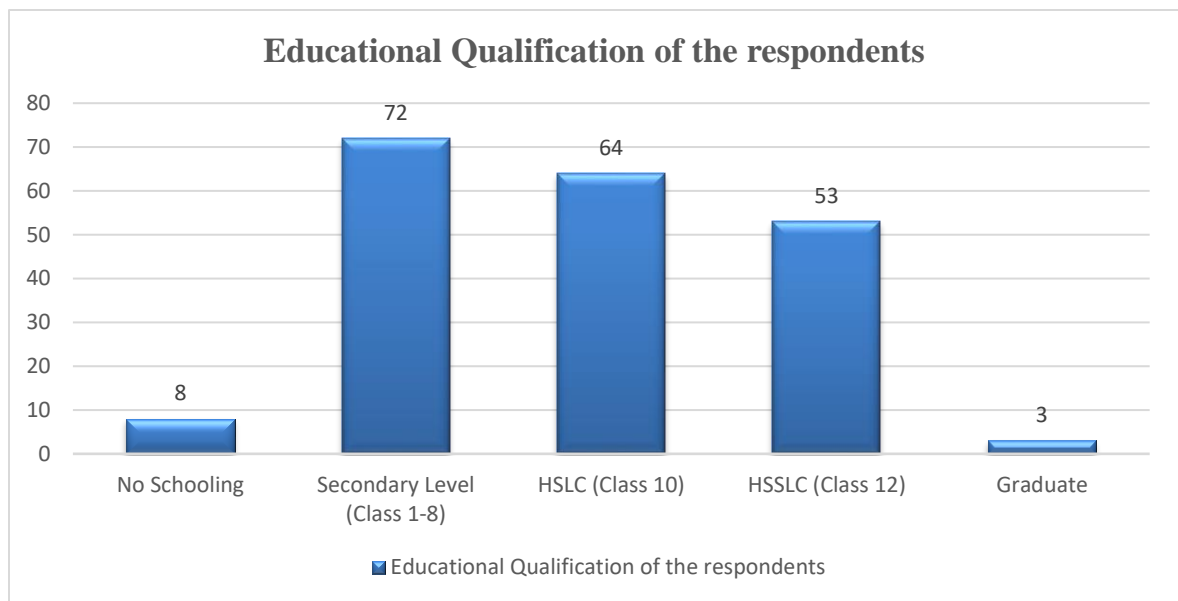
**Figure 3.4: Educational Qualification of the respondents**

Table 3.4 shows that eight respondents, i.e., four percent, have never attended any formal educational institute. At the same time, most of them belong to secondary-level education, i.e., 36 percent of the respondents have completed primary-level education but have not completed class ten. Likewise, 32 percent fall under the HSLC category, and 26.50 percent of the respondents have completed class twelve. Lastly, only three respondents had a bachelor's degree.

The data implies that the educational Qualification of the microfinance beneficiaries in the rural villages of Tirap district is low. This is mainly because most respondents are married women who have dropped out of schools and colleges to take care of their families and are now actively involved in various microfinance activities.

3.3.5. Size of the Family

Generally, the respondent's family size is crucial in determining the per capita income, savings, expenses, and other factors for evaluating the household's socio-economic status. For the present study, the researcher categorized the family size as 1-3 members, 4-6 members, 7-9 members, and families with more than ten members.

Table 3.5: Size of the Family

Factor	Classification	No of Respondents	Percentage
Family size	1-3 members	45	22.50
	4-6 members	109	54.50
	7-9 members	42	21.00
	Above 10	04	02.00
	Total	200	100.00

Source: (Field Survey)

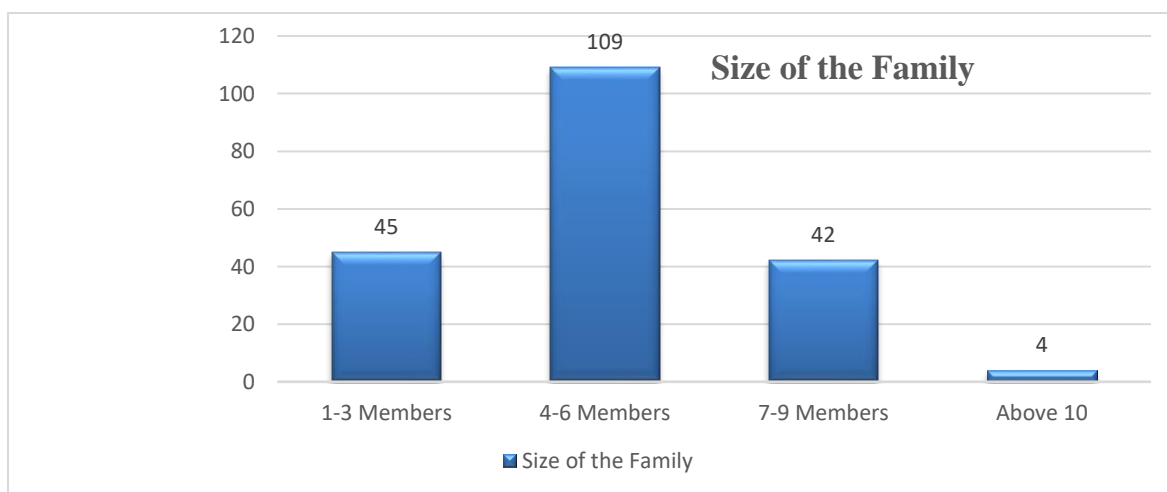


Figure 3.5: Size of the Family

Table 3.5 indicates that most respondents belong to a family size of 4-6 members, constituting 54.50 percent. 22.50 percent of the respondents have family members of 1-3 individuals, while 21 percent have 7-9 members. There were only four families with members above ten.

3.3.6. Types of Houses

In most cases, the type of house that a person owns represents the level of income and living standards. Therefore, the questions regarding the respondents' type of house have been considered an important variable that needs to be analyzed to understand the socio-economic condition of the rural household in the district. The interview schedule was classified into the following groups:

1. Kaccha House: Traditional houses of the Tribal people, constructed of bamboo and other non-cemented materials, are categorized as kaccha houses.
2. Semi-Pukka House: Those houses with tin roofs but bamboo walls are considered semi-pukka houses.
3. Pukka House: A house made of cement and bricks instead of bamboo and leaves is called a pukka house.
4. Rented: Rented house refers to all households that reside in a place or building owned by the other person.

Table 3.6: Types of Houses

Factor	Classification	No of Respondents	Percentage
Types of Houses	Kaccha	97	48.50
	Semi-Pukka	73	36.50
	Pukka	30	15.00
	Rented	Nil	Nil
	Total	200	100.00

Source: (Field Survey)

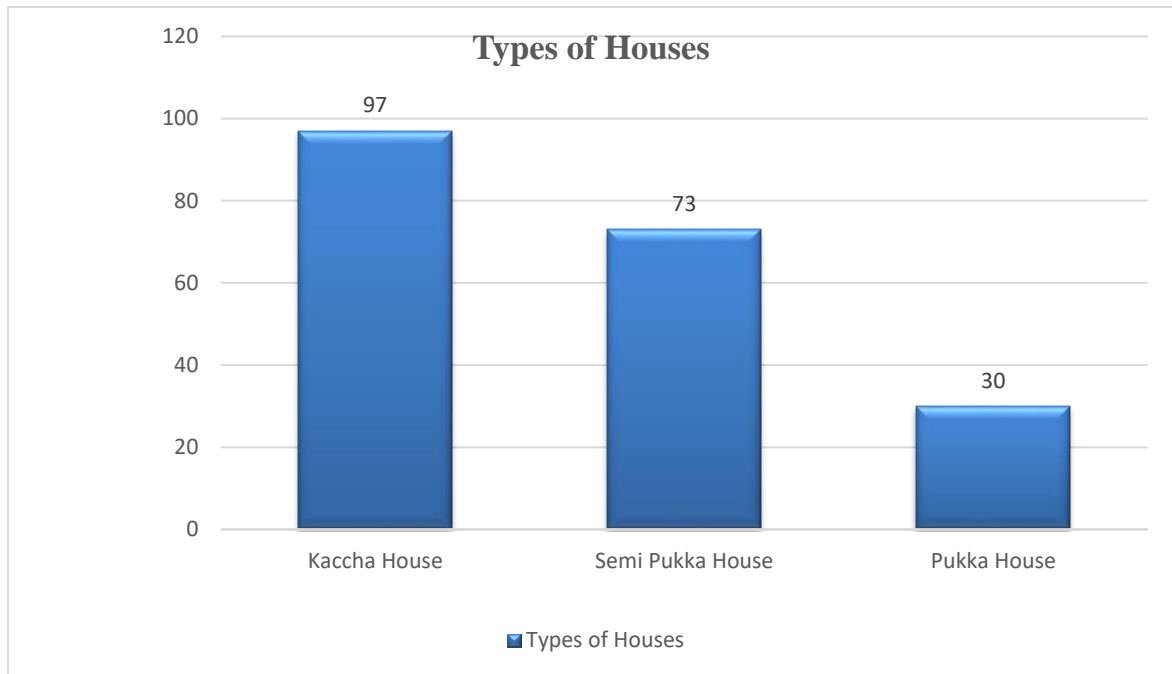


Figure 3.6: Types of houses

Table 3.6 reveals that 48.50 percent of the rural respondents reside in a kaccha house; similarly, 36.50 percent owned a semi-pukka house. It is also visible that only 15 percent of the respondents have a Pukka concrete house, while no respondents reside in a rented home.

3.3.7. Occupation status of the Respondents

The occupation status of an individual plays a decisive role in the living standard of a person. Hence, it is one of the vital sections of a demographic study that aids in understanding the target audience. For the present study, the occupation status of the respondents has been categorized as follows:

1. Agriculture: This section includes all those individuals who undertake farming as their chief occupation and depend on agricultural allied activities for survival.
2. Business: It includes all respondents who take up some income-generating activities of buying and selling goods and services to support themselves and their family members financially.

3. Labour: This category was for individuals who do not have regular jobs like agriculture, business, or any other salaried jobs. They depend on others to hire them for hard physical work. They are seasonal workers who earn daily wages through unskilled construction or carrying heavy loads for another person.
4. Others: This category constitutes respondents who do not fall under the above three classifications. They are usually salaried job individuals who work in Government offices or NGOs as a regular or non-regular employee.

Table 3.7: Occupation status of the Respondents

Factor	Classification	No of Respondents	Percentage
Occupation Status	Agriculture	109	54.50
	Business	79	39.50
	Labour	Nil	Nil
	Others	12	06.00
	Total	200	100.00

Source: (Field Survey)

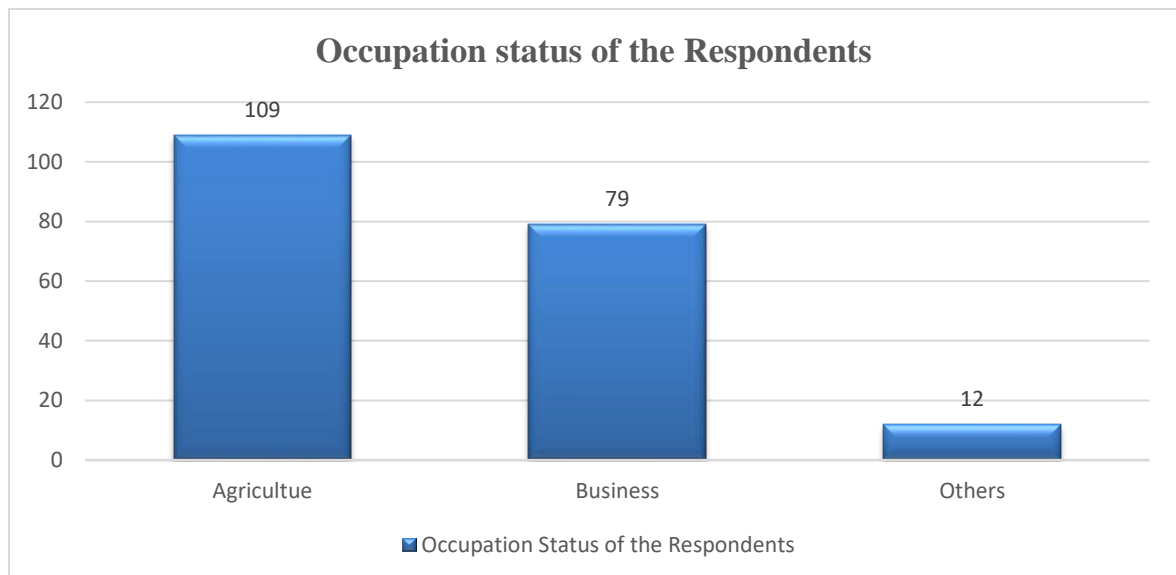


Figure 3.7: Occupation status of the respondents

Table 3.7. depicts that 54.50 percent of the respondents are engaged in agricultural activities and allied services. These individuals practice traditional shifting farming, cultivating rice and other vegetables for themselves, and they do not commercialize their produce by selling it in the market. Whereas 39.50 percent are involved in micro-scale business undertakings such as retail shops, poultry farms, beads making, traditional handbags, weaving, wood handicrafts, piggery farm, cardamom & ginger production, etc. Six percent belong to other categories, i.e., government employees posted in the villages or employees working in private schools in rural regions. Further, none of the rural respondents in the district fall under the labour classification as they all were engaged in their owned agricultural fields or undertook certain businesses for livelihood.

3.3.8. Type of Ration Cards

The State Government issues ration cards as official documents to families to purchase food grains from the public distribution system at subsidized prices. These cards are issued based on the earning levels of the household. Families living above the poverty line limit are given Above Poverty Cards (APL), Below Poverty Line (BPL) cards to households living below the poverty line limit, and Antyodaya Anna Yojana (AAY) cards are further issued to the poorest of the poor families. Thus, the types of ration cards owned by the respondents signify the level of income and the standard of living of the households.

Table 3.8: Type of Ration Cards

Factor	Classification	No of Respondents	Percentage
Types of Ration Card	AAY	22	11.00
	BPL	124	62.00
	APL	54	27.00
	Total	200	100.00

Source: (Field Survey)

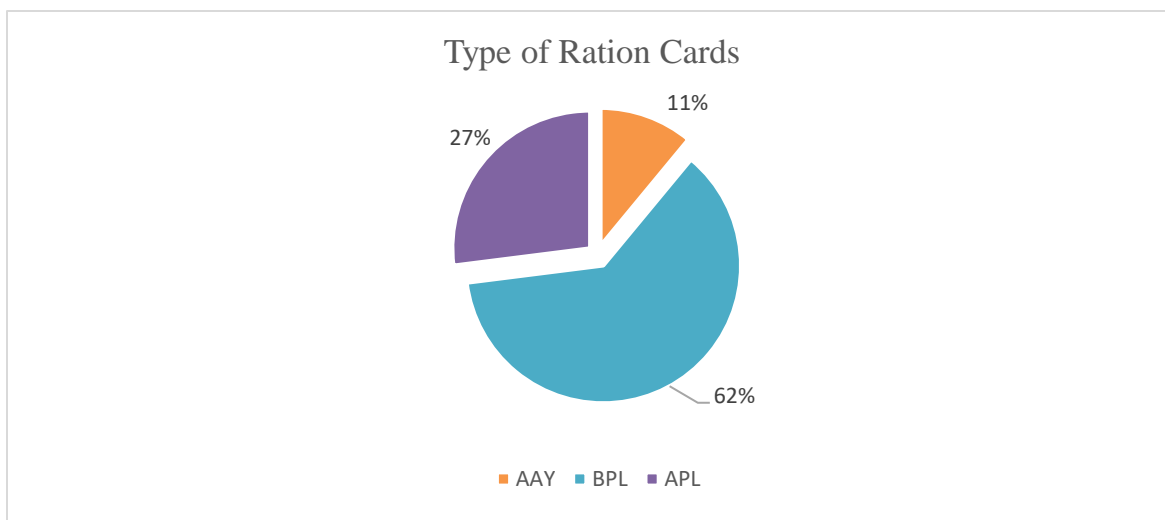


Figure 3.8: Type of ration cards

Table 3.8 shows that most respondents owned a Below Poverty Line ration card, while 11 percent fall under the Antyodaya Anna Yojana (AAY) cards—likewise, 27 percent fall under the Above Poverty Line ration cards category. The above table indicates that most microfinance beneficiaries in the rural villages of Tirap district are poor individuals who survive with an income below the poverty limit set by the Government of India.

3.3.9. Self-Help Group Membership

Self Help Groups have developed as the most effective model of delivering microfinance to people experiencing poverty worldwide. Henceforth, it is essential to study the participation of non-SHG members in microfinance activities. Therefore, a specific question was set to determine the involvement of SHG and non-SHG members in rural villages of the Tirap district.

Table 3.9: Self-Help Group Membership

Factor	Classification	No of Respondents	Percentage
Membership	SHG Members	185	92.50
	Non-SHG	15	07.50
	Total	200	100.00

Source: (Field Survey)

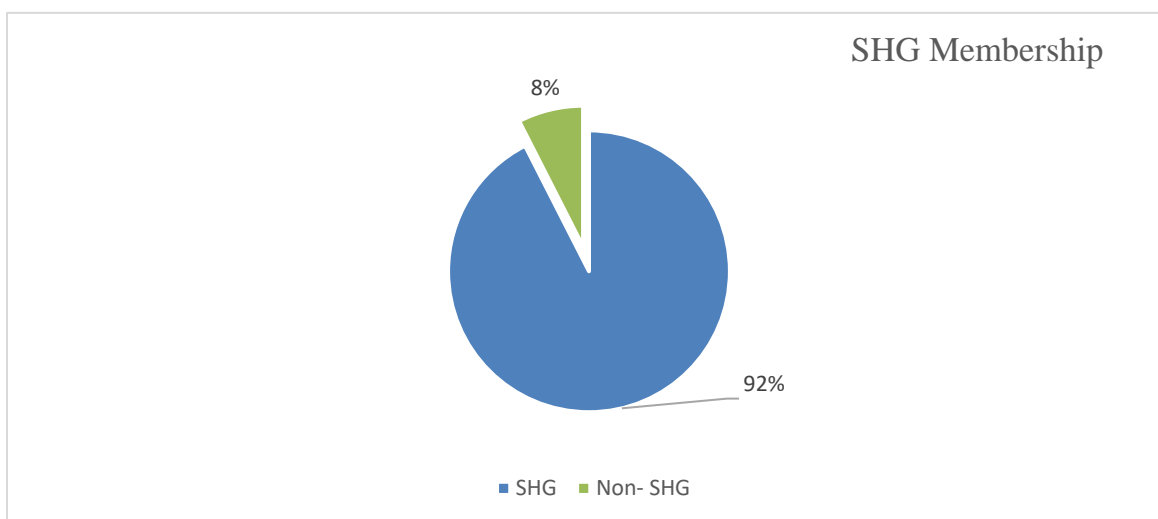


Figure 3.9: Self-Help Group Membership

From Table 3.9, it is evident that 92.50 percent of the microfinance beneficiaries are SHG members. Still, 7.50 percent of the respondents also participate in microfinance activities without being part of a self-help group.

3.4. MICROFINANCE DETAIL

3.4.1. Duration of microfinance loan availed

Microfinance loans are usually offered for a short period of time. However, the different self-help groups can decide on the loan term after a mutual agreement among the members. The loan amount, the purpose of the loan availed, annual savings, etc., are interconnected. Hence, the duration of the microfinance loan has been considered a critical variable in understanding the status of microfinance among the respondents in the Tirap district. The time duration has been categorized into three clusters.

Table 3.10: Duration of microfinance loan availed

Factor	Classification	No of Respondents	Percentage
Duration of Microfinance Loan	Less than one year	150	75.00
	1-2 Years	46	23.00
	More than two years	04	02.00
	Total	200	100.00

Source: (Field Survey)

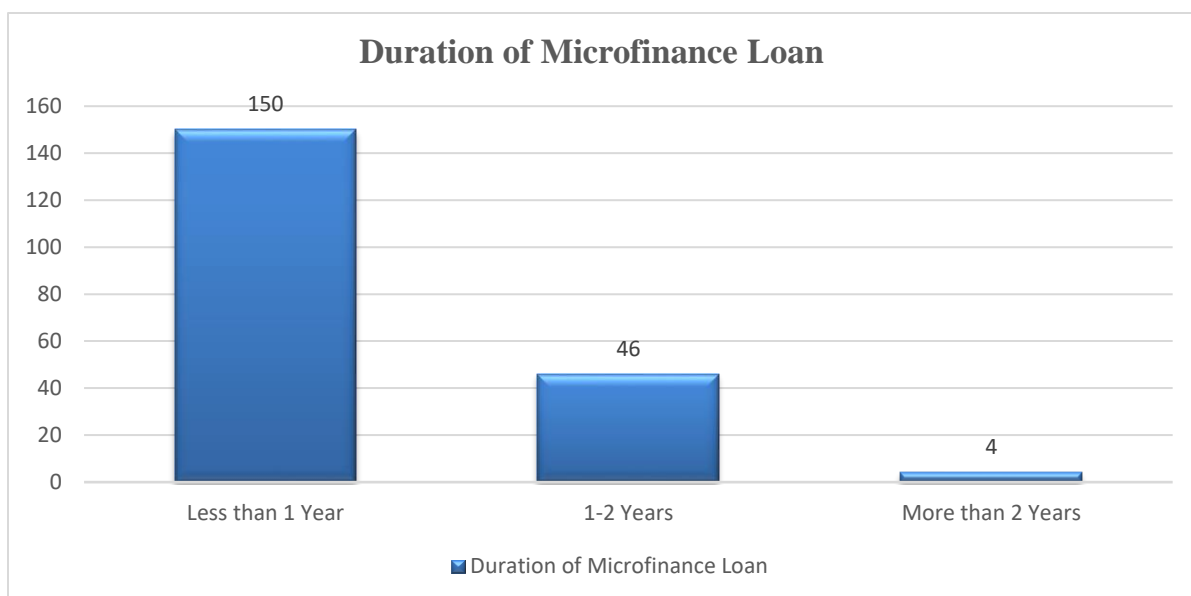


Figure 3.10: Duration of microfinance loan availed

Table 3.10 describes that 75 percent of the total respondents have availed micro-credit for less than one year, while there were 23 percent who had a repayment period of more than one year but less than two years. It is also seen that four respondents have availed of microfinance loans for more than two years.

3.4.2. Number of times microfinance loan availed

The satisfaction level of microfinance can be understood by analyzing the number of times the respondents availed the credit. For instance, a satisfied respondent is likelier to repeat the microfinance process and vice versa. Therefore, it has been identified as one of the critical determinants in understanding the study.

Table 3.11: Number of times microfinance loan availed

Factor	Classification	No of Respondents	Percentage
Number of times Microfinance Loan Availed	1-2 Times	161	80.50
	3-4 Times	39	19.50
	Total	200	100.00

Source: (Field Survey)

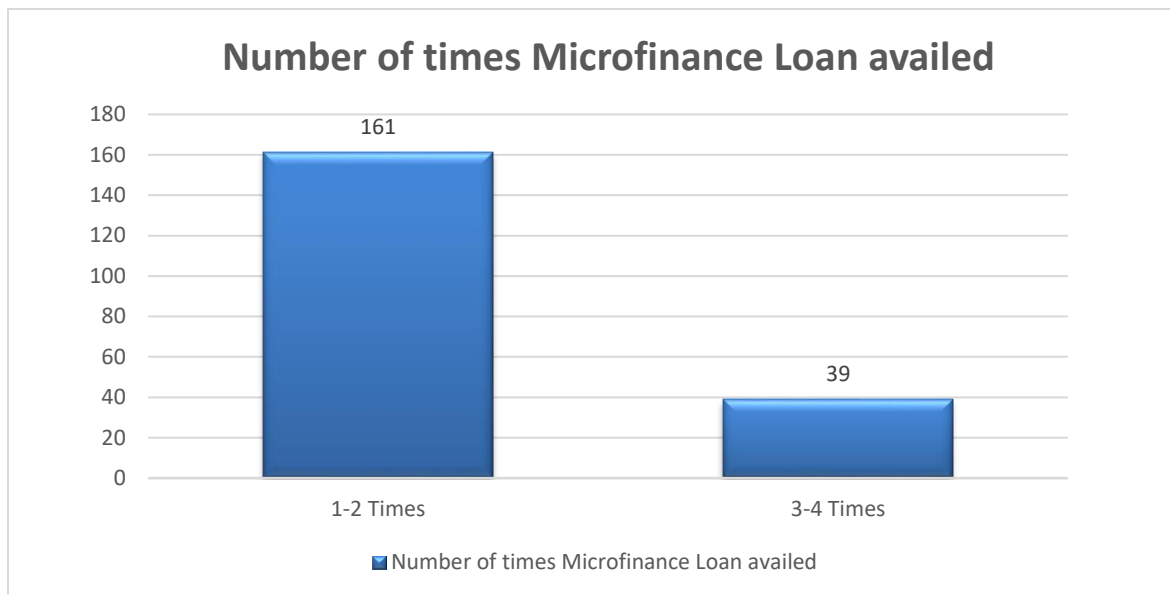


Figure 3.11: Number of times microfinance loans availed

Table 3.11 indicates that 80.50 percent of the respondents have availed of microfinance 1-2 times, while 19.50 percent have availed of microfinance loans 3-4 times.

3.4.3. Sources of availing Microfinance

Identifying the sources of microfinance has been one of the most critical objectives of the study. To determine the various sources of microfinance available to the rural population of the Tirap district, the researcher set the questions with several options like direct loans from Banks, loans from the Non- Governmental Organizations, Government institutions, Friends & relatives, moneylenders, and self-help groups. The research found that all two hundred respondents availed of microfinance solely from the SHGs, and no other respondents have availed of any credit from other sources. The reason is that there is only one State Bank of India and one Cooperative Bank in the District, and these two Banks do not provide direct finance to the customers without collateral. Likewise, Non-Governmental Organizations (NGOs) operate in collaboration with the Government agencies like Arunachal State Rural

Livelihood Mission (ArSRLM) only to provide non-financial services of microfinance in the form of workshops and other awareness programs; however, they do not offer direct finance. Further, the study revealed that Government agencies provide only a revolving Fund (RF) to the newly formed self-help groups to encourage them to undertake income-generating activities but do not provide individual microfinance.

3.4.4. Purpose of availing Microfinance

Reserve Bank of India (RBI) defines microfinance as any collateral-free credit given to a household with an annual household income of up to ₹ 300000, irrespective of end usage and method of application or disbursal. Thus, an individual can avail of microfinance for different purposes, and it is essential to identify these classifications to analyze the economic status of the respondents. The research question was classified as follows:

1. Business purpose: Those respondents who availed of microfinance to finance their newly established micro-scale business or upgrade their existing business unit.
2. Agriculture purpose: This category includes respondents who undertook micro-loans for purchasing agricultural tools or hiring unskilled laborers to sow and harvest the produce.
3. Marriage purpose: This comprises respondents who availed microfinance for financing the marriage celebration of their children or themselves as emergency funds.
4. Educational Purpose: Several individuals avail of microfinance to support their children's education, and this category consists of those respondents.
5. Medical Purpose: People availed of microfinance as emergency aid in times of crisis, and those individuals who took loan for medical treatment comes under this cluster.

6. Consumption Purpose: This section includes all respondents not included in the other five categories. These beneficiaries avail of microfinance for daily usage, like improving diets and housing quality.

Table 3.12: Purpose of availing Microfinance

Factor	Classification	No of Respondents	Percentage
Purpose of availing Microfinance loan	Business Purpose	86	43.00
	Agriculture Purpose	26	13.00
	Marriage Purpose	05	02.50
	Educational Purpose	50	25.00
	Consumption Purpose	20	10.00
	Medical Purpose	13	6.50
	Total	200	100.00

Source: (Field Survey)

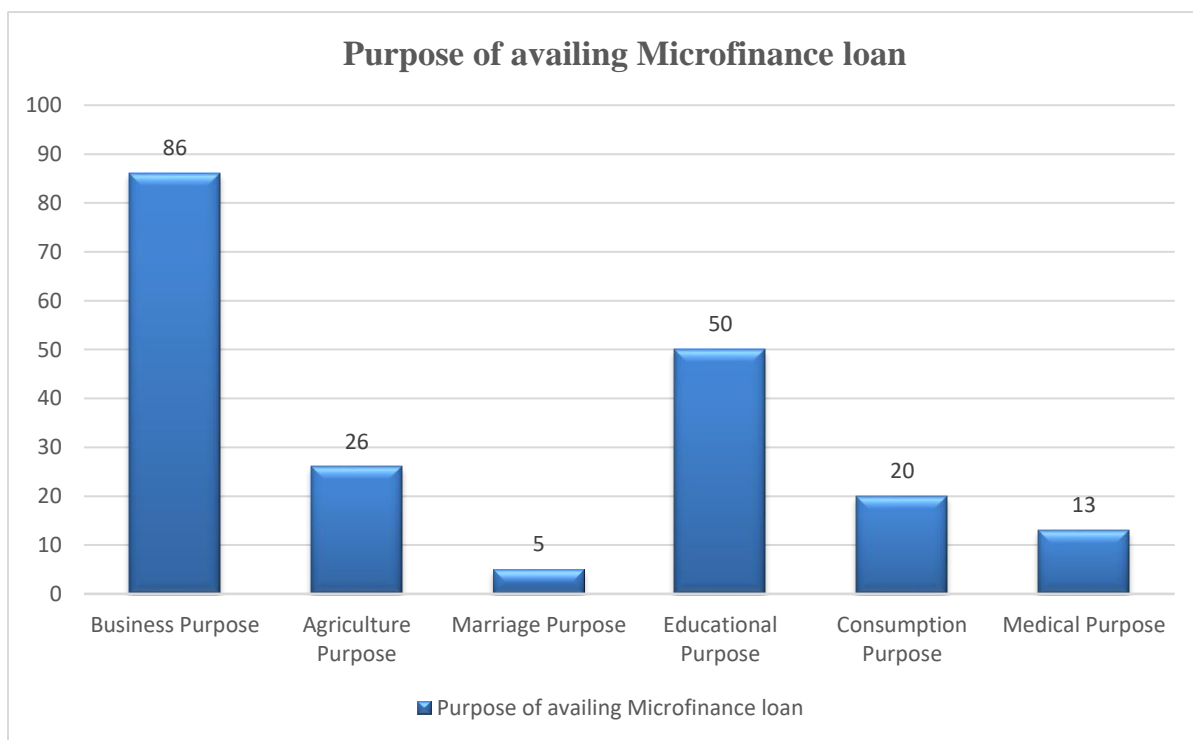


Figure 3.12: Purpose of availing Microfinance

Table 3.12. shows that 43 percent of the respondents availed microfinance for undertaking income-generating activities, 13 percent for agricultural purposes, 2.50 percent for marriage purposes, 25 percent for educational purposes, 10 percent for consumption purposes, and 6.50 percent for medical purposes.

3.4.5. Annual Income

To understand the living standard of the respondents, the researcher finds it necessary to analyze the individuals' annual income. For this purpose, the interview schedule was prepared to determine the yearly earnings of the microfinance beneficiaries. The annual income level of the respondents was categorized into six parts_ Income up to ₹20000, ₹20001-₹40000, ₹40001-₹60000, ₹60001-₹80000, ₹80001-₹100000, and above ₹100000.

Table 3.13: Annual income of the respondents

Factor	Classification	No of Respondents	Percentage
Annual income of the Respondents	Up to 20000	7	03.50
	20001-40000	46	23.00
	40001-60000	89	44.50
	60001-80000	34	17.00
	80001-100000	24	12.00
	Above 100000	Nil	Nil
	Total	200	100.00

Source: (Field Survey)

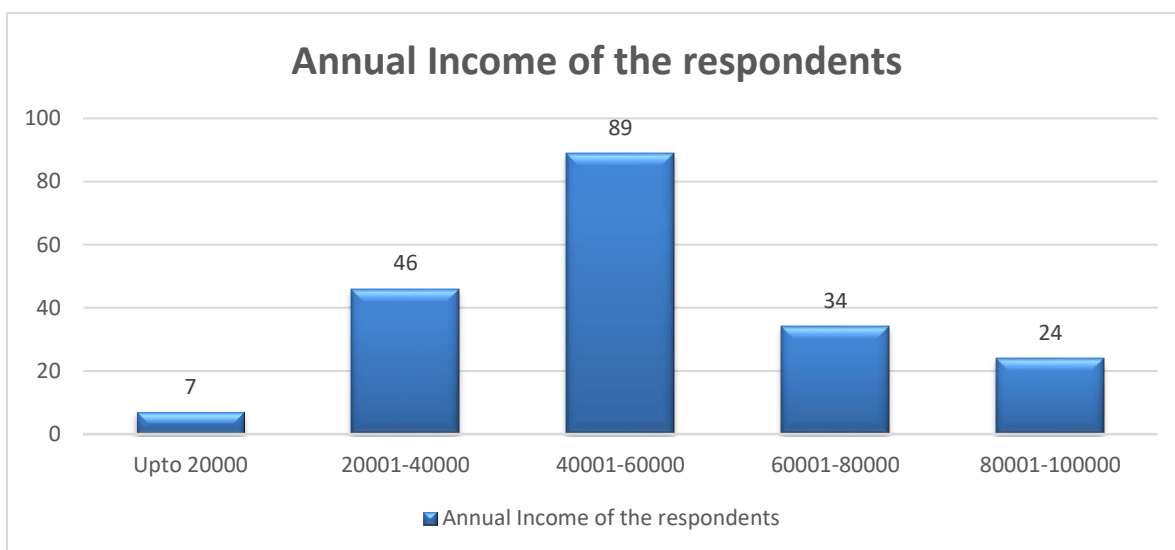


Figure 3.13: Annual income of the respondents

Table 3.13. shows the annual income of the microfinance beneficiaries in Tirap district. The table indicates that 3.5 percent of the respondents had an annual income of up to 20000, while 23 percent had a yearly income of around 20001-40000. Likewise, there were 44.50 percent of the respondents had an annual income of 40001-60000, 17 percent with a yearly income of 60001-80000, and 12 percent with 800001-100000 income annually.

Table 3.14: Mean Income of The Respondents in Tirap District

Descriptive Statistics showing the mean income of the respondents in Tirap district					
Annual income of the Respondents	N	Minimum	Maximum	Mean	Standard deviation
Valid N (listwise)	200	10000	90000	52200	20129.23070

Source: (Field Survey)

Table 3.14. shows the mean income of the respondents in Tirap district. It is seen that the minimum and maximum annual income is between 10000 and 90000, respectively. Further, the mean income of the district is 52200, with a standard deviation of 20129.23070.

3.4.6. Annual Savings

Annual Savings refers to the quantifiable savings that arise in a single year. The respondents' annual savings level is another vital variable that signifies the household's earnings and investment patterns. Therefore, this research classified the respondents' savings into four categories, i.e., amounts up to ₹ 10000 a year, ₹10000 - ₹20000 a year, ₹20001- ₹30000 a year, and those earning above ₹ 30000. Generally, the people in rural villages survive on hand to mouth basis, where savings are not prioritized. Hence, the savings amount has been set relatively low. Those respondents who fall under the first classification of savings up to ₹ 10000 have no or very minute savings.

Table 3.15: Annual Savings of the Respondents

Factor	Classification	No of Respondents	Percentage
Annual Savings of the Respondents	Up to 10000	90	45.00
	10001-20000	51	25.50
	20001-30000	47	23.50
	Above 30000	12	06.00
	Total	200	100.00

Source: (Field Survey)

Table 3.15. states that 45 percent of the respondents have no or very little savings of up to ₹ 10000 annually. Likewise, 25.50 percent has yearly savings of ₹10001 to ₹20000, while 23.50 percent has 20001 to 30000 annual savings. Only six percent of the respondents fall under savings category above ₹ 30000 a year.

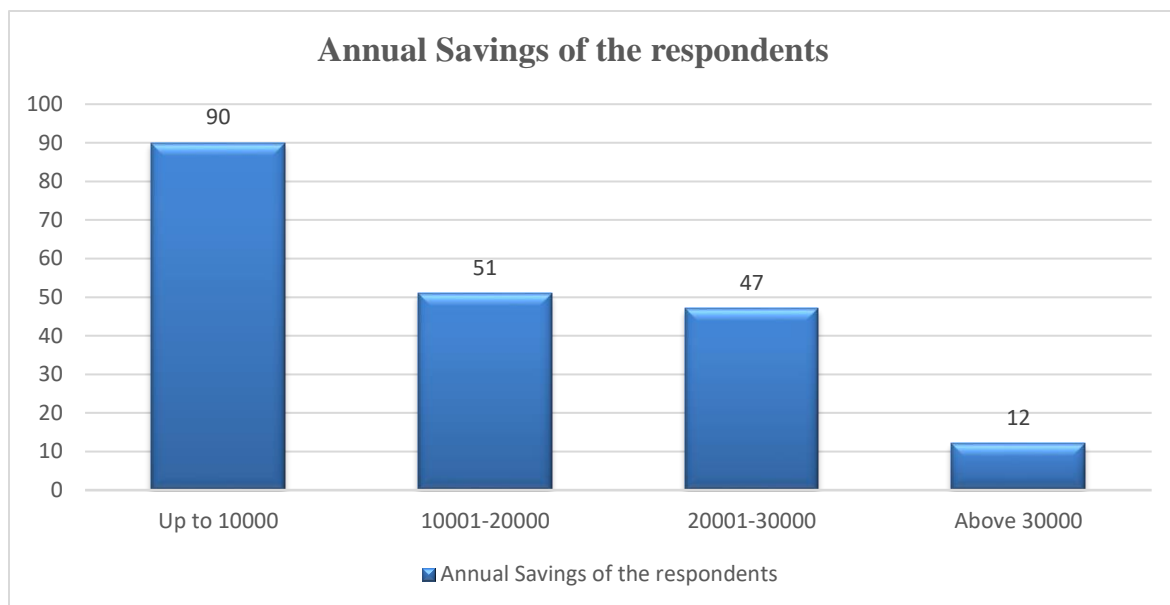


Figure 3.14: Annual Savings of the Respondents

3.4.7. Repayment of loans

To avoid complications, every microfinance borrower would like to repay the loan amount on the due date; however, in some cases, the borrower fails to repay on time due to the unavailability of cash. Generally, in such situations, the SHG members mutually decide on the defaulter's penalty, and peer pressure plays a vital role in solving the problems. Thus, analyzing the nature of Repayment is essential to identify and understand the success rate of delivering credit through microfinance in the rural villages of the Tirap district.

Table 3.16: Repayment of loans

Factor	Classification	No of Respondents	Percentage
Nature of Repayment	Regularly on the due date	194	97.00
	Irregular	06	03.00
	Total	200	100.00

Source: (Field Survey)

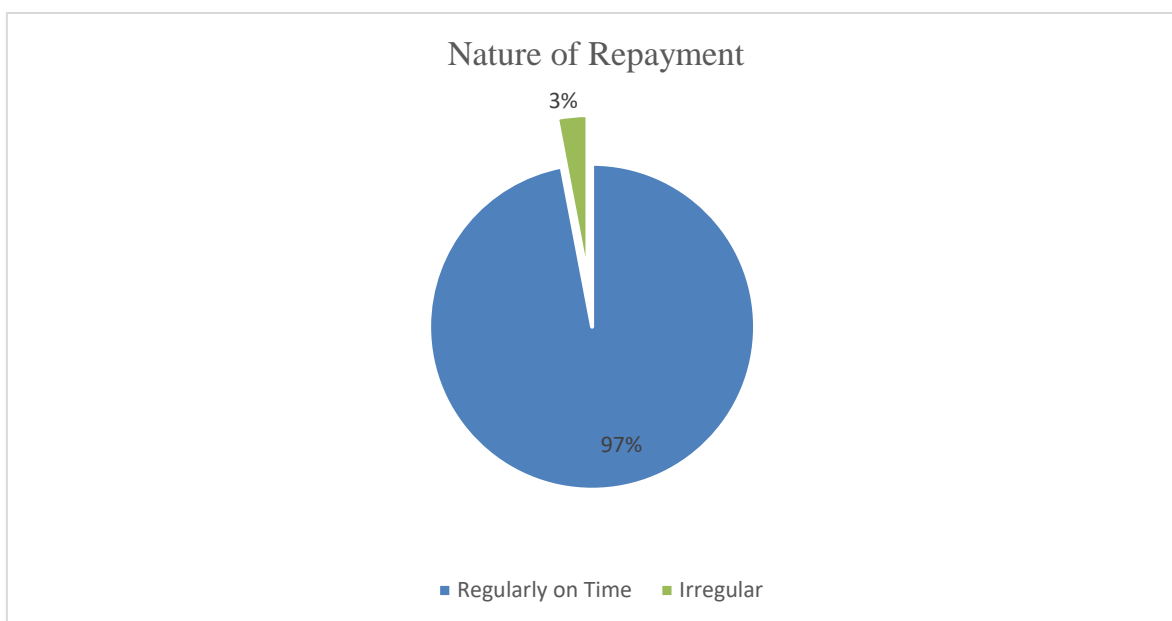


Figure 3.15: Repayment of loans

All over the world, the repayment rate of microfinance loans is very high, and it is considered the most successful means of delivering credit to the rural poor. Table 3.16. also indicate a similar case, i.e., 97 percent of the respondents agree to repay credits on the due date, and only 3 percent have failed to pay precisely on time. Notably, even those respondents who fail to pay regularly are not defaulters because it has been revealed that the SHG members have come up with a solution to reduce the interest rate and levy a relaxed rate for the specific borrower. The usual interest rate of microfinance varies from 1 percent to 5 percent, and this low-interest rate is one of the main reasons for the success of the microfinance industry worldwide.

3.5. IMPACT OF MICROFINANCE ON THE RESPONDENTS

The impact of microfinance on the beneficiaries in Tirap district has been categorized into economic impact, social impact, human capital impact, and psychological impact. Further, these impacts are analyzed through the percentage method, as shown in Table 3.17.

Table 3.17: Percentage analysis of microfinance impact on the respondents in Tirap district

Sl. No	Statement	N	SA	A	N	D	SD
ECONOMIC IMPACT							
1.	There has been a sufficient positive change in cash at hand for basic needs	200	34	166	Nil	Nil	Nil
			17%	83%	Nil	Nil	Nil
2.	There has been an improvement in annual income	200	41	134	Nil	24	1
			20.50%	67%	Nil	12%	0.5%
3.	The daily expenditure has increased	200	49	143	Nil	8	Nil
			24.50%	71.50%	Nil	4%	Nil
4.	The rate of thrift savings has improved	200	30	121	Nil	43	6
			15%	60.50%	Nil	21.50%	3%
5.	There has been positive progress in business	200	19	93	Nil	81	7
			9.50%	46.50%	Nil	40.50%	3.50%
6.	I have been able to generate employment opportunities	200	1	35	Nil	140	24
			0.5%	17.50%	Nil	70%	12%
7.	The quality of housing has improved	200	33	133	Nil	34	Nil
			16.50%	66.50%	Nil	17%	Nil
8.	There has been an increase in financial assets	200	27	145	Nil	28	Nil
			13.50%	72.50%	Nil	14%	Nil
SOCIAL IMPACT							
1.	There has been an improvement in the level of respect in the society	200	48	126	Nil	26	Nil
			24%	63%	Nil	13%	Nil
2.	I have been able to motivate others	200	64	115	Nil	21	Nil
			32%	57.50%	Nil	10.50%	Nil
3.	My personality and leadership capabilities have improved	200	16	134	Nil	49	1
			8%	67%	Nil	24.50%	0.5%
4.	My relationship with my neighbours has improved	200	27	141	Nil	28	4
			13.50%	70.50%	Nil	14%	2%
5.	My social connections have improved	200	33	143	Nil	24	Nil

			16.50%	71.50%	Nil	12%	Nil
HUMAN CAPITAL IMPACT							
1.	There has been an improvement in Children's' education	200	47	122	Nil	31	Nil
			23.50%	61%	Nil	15.50%	Nil
2.	There has been a positive change in daily diets	200	20	147	Nil	33	Nil
			10%	73.50%	Nil	16.50%	Nil
3.	My personal healthcare level has improved	200	15	137	Nil	47	1
			7.50%	68.50%	Nil	23.50%	0.5%
4.	My family members' healthcare has improved	200	14	145	Nil	41	Nil
			7%	72.50%	Nil	20.50%	Nil
PSYCHOLOGICAL IMPACT							
1.	The level of mental stress has been reduced	200	36	145	Nil	19	Nil
			18%	72.50%	Nil	9.50%	Nil
2.	My decision-making skills have improved	200	30	141	Nil	27	2
			15%	70.50%	Nil	13.50%	1%
3.	There has been an improvement in my self-confidence level	200	28	152	Nil	20	Nil
			14%	76%	Nil	10%	Nil
4.	My personal happiness has improved	200	37	146	Nil	17	Nil
			18.50%	73%	Nil	8.50%	Nil

Source: (Field Survey)

Economic impact

Table 3.17 shows that 83 percent of the respondents agree, and 17 percent strongly agree that microfinance has improved the availability of cash in hand for basic needs. 20. 50 percent strongly agree, and 67 percent agree that participation in microfinance activities has improved their annual income. In comparison, 12 percent of the respondents disagree with the statement, and only 0.5 percent strongly disagree. On the increased daily expenditure, 24.5 percent of the respondents strongly agreed, 67 percent agreed, whereas only 4 percent disagreed. Fifteen percent of the respondents strongly agree, while 60.5 percent agree that microfinance has helped improve their

savings habits. However, 21.5 percent disagree, and another 3 percent strongly disagree.

9.5 percent strongly agreed, and 46.5 percent agreed that microfinance positively impacts business undertakings. Still, 40.5 percent disagreed, and the other 3.5 percent strongly disagreed on positively impacting business. Only 0.5 percent strongly agreed on generating employment opportunities, and 17.50 percent agreed on having a positive impact. Whereas, there was 70 percent of the respondents who disagreed and another 12 percent who strongly disagreed. 16.50 percent strongly agreed, and another 66.50 percent agreed on improving the housing quality after being involved in microfinance, while 17 percent disagreed with the statement. Lastly, 13.5 percent strongly agreed, and 72.50 percent agreed with the statement that there has been an increase in financial assets. However, 14 percent disagreed on the positive impact of microfinance on financial assets.

Social impact

Table 3.17. shows that 24 percent of the respondents strongly agree and 63 percent have agreed that participation in microfinance has improved the level of respect in society, whereas only 13 percent have disagreed. Thirty-two percent strongly agree, and 57.50 percent agree that they have been able to motivate others to make life decisions. In comparison, only 10.50 percent of the respondents disagree with the positive impact of microfinance. Eight percent of the respondents strongly agreed, and 67 percent agreed that personality and leadership qualities have developed, whereas only 24.50 percent disagreed and only 0.50 percent strongly disagreed.

13.50 percent of the respondents strongly agree, while 70.50 percent agree that microfinance has helped improve their relationship with their neighbors. However, 14 percent disagree, and another 2 percent strongly disagree with the statement. 16.50 percent strongly agreed, and 71.50 percent agreed that microfinance positively impacts their social connections, but 12 percent disagreed on having any social development because of microfinance.

Human Capital Impact

Of the 200 respondents in the Tirap district, 23.5 percent strongly agree, and 61 percent agree that participation in microfinance has improved the financing of their children's education. In contrast, only 15.5 percent disagreed with the statement. Ten percent strongly agree, and 73.5 percent agree that there has been a positive change in their foot habits, while only 16.5 percent of the respondents disagree with it. Based on improvement in self-healthcare in the Tirap district, 8 percent of the respondents strongly agreed, and 67 percent agreed with the statement. In contrast, only 24.50 percent disagreed, and only 0.50 percent strongly disagreed.

Similarly, on improving the healthcare of the family members In the Tirap district, 7 percent of the respondents strongly agrees. In comparison, 72.5 percent agree that microfinance has helped finance their medical needs in emergencies. However, 20.5 percent disagree with the statement.

Psychological impact

In Tirap district, 18 percent strongly agree, 72.5 percent agree that participation in microfinance has psychologically reduced their mental stress, and only 9.5 percent disagree. On improvement of their decision-making skill, 15 percent of Tirap respondents strongly agreed, and 70.5 percent agreed with the statement. In comparison, 13.5 percent disagreed, and 1 percent strongly disagreed.

Based on improvement in self-confidence in the Tirap district, 14 percent of the respondents strongly agreed, 76 percent agreed with the statement, whereas only 10 percent disagreed. Likewise, on improving the level of personal happiness among the respondents in the Tirap district, 18.5 percent strongly agreed, while 73 percent agreed. Only 8.5 percent disagree with the statement.

Table 3.18: Correlation analysis between the Economic impact, Social impact, Human Capital impact, and the Psychological impact

		Economic Impact	Social Impact	Human Capital Impact	Psychological Impact
Economic Impact	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	200			
Social Impact	Pearson Correlation	.665**	1		
	Sig. (2-tailed)	.000			
	N	200	200		
Human Capital Impact	Pearson Correlation	.511**	.590**	1	
	Sig. (2-tailed)	.000	.000		
	N	200	200	200	
Psychological Impact	Pearson Correlation	.703**	.687**	.687**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	200	200	200	200
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: (Authors Calculation)

Result: The table shows that economic impact, social impact, and human capital impact strongly correlate with the psychological implications among all the constructs. The table highlights that the positive growth in economic Status, social connections, and improvement in health and other human assets directly leads to stress reduction and personal happiness among the microfinance beneficiaries in Tirap district.

3.6. ASSOCIATION BETWEEN THE DEMOGRAPHIC PROFILE AND THE SOCIO-ECONOMIC STATUS OF THE MICROFINANCE BENEFICIARIES IN TIRAP DISTRICT

The data were analyzed using the chi-square test to determine the association between the demographic characteristics of the microfinance beneficiaries and the socio-economic Status in Tirap district.

Hypothesis- 1

H₀: There is no significant association between the age groups and the socio-economic status of the beneficiaries in Tirap district.

H₁: There is a significant association between the age groups and the socio-economic status of the beneficiaries in Tirap district.

Table 3.19: Chi-Square test between the significant association of age groups and the socio-economic status of the beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	53.760	12	.000
Likelihood Ratio	41.337	12	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The Chi-Square test results reveal that the P-value is 0.000 at a 5% significance level, which is less than 0.05. Therefore, we fail to accept the Null Hypothesis. Hence, we conclude that age groups are significantly associated with the socio-economic Status of the beneficiaries in Tirap district.

Hypothesis- 2

H₀: There is no significant association between marital Status and the socio-economic development of the beneficiaries in Tirap district.

H₁: There is a significant association between marital Status and the socio-economic development of the beneficiaries in Tirap district.

Table 3.20: Chi-Square test between the significant association of marital status and the socio-economic development of the beneficiaries in the Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	56.402	9	.000
Likelihood Ratio	35.972	9	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The result of the Chi-Square test discloses that the P-value is 0.000 at a 5% significance level, which is less than .05. Hence, we fail to accept the Null Hypothesis and the alternative hypothesis is accepted. Therefore, we conclude that there is a significant association between marital status and the socio-economic development of microfinance among the beneficiaries in Tirap district.

Hypothesis- 3

H₀: There is no significant association between the educational qualifications and the socio-economic Status of the beneficiaries in Tirap district.

H₁: There is a significant association between the educational qualifications and the socio-economic Status of the beneficiaries in Tirap district.

Table 3.21: Chi-Square test between the significant association of educational qualifications and the socio-economic status of the microfinance beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	46.165	12	.000
Likelihood Ratio	38.414	12	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.000 at 5% significance level, which is less than .05. Therefore, we fail to accept the Null Hypothesis, and the result suggests a significant association between the educational qualifications and the socio-economic status of the beneficiaries in Tirap district.

Hypothesis- 4

H₀: There is no significant association between the number of family members and the socio-economic status of the beneficiaries in Tirap district.

H₁: There is a significant association between the number of family members and the socio-economic status of the beneficiaries in Tirap district.

Table 3.22: Chi-Square test between the significant association of family size and the socio-economic status of the microfinance beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	15.131	9	.087
Likelihood Ratio	13.278	9	.150
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.087 at 5% level of Significance, which is greater than .05. Therefore, the Null Hypothesis is accepted, and the result suggests that there is no significant association between the number of family members on the socio-economic Status of the beneficiaries in Tirap district.

Hypothesis- 5

H₀: There is no significant association between occupational status and the socio-economic development of the beneficiaries in Tirap district.

H₁: There is a significant association between occupational status and the socio-economic development of the beneficiaries in Tirap district.

Table 3.23: Chi-Square test between the significant association of occupational status and the socio-economic development of the microfinance beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	24.138	6	.000
Likelihood Ratio	29.877	6	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test displays that the P-value is 0.000 at a 5% significance level, which is less than 0.05. Hence, we fail to accept the Null Hypothesis. Therefore, the result shows a significant association between occupational status and the socio-economic development of the microfinance beneficiaries in Tirap district.

Hypothesis- 6

H₀: There is no significant association between the type of ration cards and the socio-economic status of the beneficiaries in Tirap district.

H₁: There is a significant association between the type of ration cards and the socio-economic status of the beneficiaries in Tirap district.

Table 3.24: Chi-Square test between the significant association of type of ration cards and the socio-economic status of the microfinance beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	78.035	6	.000
Likelihood Ratio	56.336	6	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test reveals that the P-value is 0.000 at a 5% significance level, which is less than .05. Hence, we fail to accept the Null Hypothesis, and the result shows a significant association between the type of ration cards and the socio-economic Status of the microfinance beneficiaries in Tirap.

3.7. ASSOCIATION BETWEEN MICROFINANCE AND THE SOCIO-ECONOMIC CONDITIONS OF THE BENEFICIARIES IN TIRAP

Hypothesis- 7

H₀: There is no significant association between the duration of microfinance and the socio-economic status of the beneficiaries in Tirap district.

H₁: There is a significant association between the duration of microfinance and the socio-economic status of the beneficiaries in Tirap district.

Table 3.25: Chi-Square test between the significant association of microfinance duration and the socio-economic status of the beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	33.231	6	.000
Likelihood Ratio	14.699	6	.023
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.000 at a 5% level of Significance, which is less than .05. Therefore, we fail to accept the Null Hypothesis, and we conclude that there is a significant association between the duration of microfinance and the socio-economic status of the beneficiaries in Tirap.

Hypothesis- 8

H₀: There is no significant association between the number of times microfinance availed and the socio-economic Status of the beneficiaries in Tirap district.

H₁: There is a significant association between the number of times microfinance availed and the socio-economic Status of the beneficiaries in Tirap district.

Table 3.26: Chi-Square test between the significant association of the number of times microfinance availed and the socio-economic status of the beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.903	3	.407
Likelihood Ratio	2.457	3	.483
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.407 at a 5% level of Significance, which is greater than .05. Therefore, the Null Hypothesis is accepted, and we conclude that there is no significant association between the number of times microfinance availed and the socio-economic status of the beneficiaries in Tirap district.

Hypothesis- 9

H₀: There is no significant association between the purpose of microfinance and the socio-economic status of the beneficiaries in Tirap district.

H₁: There is a significant association between the purpose of microfinance and the socio-economic status of the beneficiaries in Tirap district.

Table 3.27: Chi-Square test between the significant association of the purpose of microfinance and the socio-economic status of the beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	64.021	15	.000
Likelihood Ratio	56.447	15	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test demonstrates that the P-value is 0.000 at a 5% level of Significance, which is less than .05. Therefore, we fail to accept the Null Hypothesis. Thus, the result suggests that there is a significant association between the purpose of microfinance and the socio-economic Status of the beneficiaries in Tirap district.

Hypothesis- 10

H₀: There is no significant association between annual savings and the socio-economic status of the beneficiaries in Tirap district.

H₁: There is a significant association between annual savings and the socio-economic status of the beneficiaries in Tirap district.

Table 3.28: Chi-Square test between the significant association of annual savings and the socio-economic status of the beneficiaries in Tirap district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	50.065	9	.000
Likelihood Ratio	61.183	9	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test demonstrates that the P-value is 0.000 at a 5% significance level, which is less than .05. Therefore, we fail to accept the Null Hypothesis. Thus, the result suggests a significant association between annual savings and the socio-economic status of the beneficiaries in Tirap district.

3.8. IMPACT OF MICROFINANCE ON THE BUSINESS DEVELOPMENT OF THE RESPONDENTS IN TIRAP DISTRICT

Table 3.29: Percentage analysis of microfinance impact on business development for the respondents in Tirap district

Sl. No	Statement	N	SA	A	N	D	SD
FINANCIAL ASPECT							
1.	There has been an increase in business capital	86	20	62	Nil	4	Nil
			23.30%	72.10%	Nil	4.70%	Nil
2.	More alternative sources of credit are available	86	30	45	Nil	8	3
			34.90%	52.30%	Nil	9.30%	3.50%
3.	I have been more confident in taking financial risk	86	22	53	Nil	11	Nil
			25.6%	61.60%	Nil	12.80%	Nil
4.		86	11	26	Nil	49	Nil

	Collecting debts from the debtors has become easier		12.8%	30.20%	Nil	57%	Nil
5.	I have more access to banking services now		29	49		8	Nil
			33.70%	57%		9.30%	Nil
OPERATIONAL ASPECT							
1.	Finding workers has become easier	86	20	36	Nil	29	1
			23.30%	41.90%	Nil	33.70%	1.20%
2.	Raw materials can be availed without many problems	86	14	42	Nil	28	2
			16.30%	48.80%	Nil	32.60%	2.30%
3.	There has been a reduce in an average operational cost	86	9	65	Nil	11	1
			10.50%	75.60%	Nil	12.80%	1.20%
4.	It has been easier to promote the business product	86	27	56	Nil	3	Nil
			31.40%	65.10%	Nil	3.50%	Nil
5.	The amount of profit has increased over the years	86	19	59	Nil	7	1
			22.10%	68.60%	Nil	8.10%	1.20%
MARKETING ASPECT							
1.	The demand for the product in the market has increased	86	32	51	Nil	3	Nil
			37.20%	59.30%	Nil	3.50%	Nil
2.	There has been decreased competition in the market	86	Nil	Nil	Nil	70	16
					Nil	81.60%	18.60%
3.	The average expenditure of the business product has been reducing	86	15	70	Nil	1	Nil
			17.40%	81.40%	Nil	1.20%	Nil
4.	There has been a positive increase in the business revenue	86	21	61	Nil	3	1
			24.40%	70.90%	Nil	3.50%	1.20%

Source: (Field Survey)

Out of the 200 respondents in the Tirap district, 86 have availed of microfinance to finance their businesses. Thus, microfinance's impact on businesses was evaluated only for 86 respondents who used the microfinance loan to start a new business set up or improve an existing business. The findings are as follows:

Financial aspect

Among the 86 respondents in the Tirap district, 20 (23.3%) strongly agreed, and another 62 (72.1%) agreed that microfinance positively impacts their business capital. Only 4 (4.7%) respondents disagreed with the statement that there has been an increase in business capital. On the availability of more alternative sources of credit through microfinance in Tirap district, 30 (34.9%) respondents strongly agreed with the statement, while 45 (52.3%) respondents also agreed. However, 8(9.3%) respondents disagreed, and another 3(3.5%) strongly disagreed that microfinance is an alternative source of rural credit.

While assessing the impact of microfinance on the confidence level in taking a financial risk, it was found that in Tirap, 22(25.6%) respondents strongly agreed, and another 53(61.6%) agreed with the statement. In comparison, there were 11(12.8%) respondents who disagreed. On measuring the impact of microfinance on the collection of debt from debtors in Tirap district, the primary data revealed that only 11(12.8%) respondents strongly agreed and 26(30.2%) respondents agreed on having a positive impact, whereas 49(57%) respondents disagreed that microfinance has any effect on debt collection. While evaluating the impact of microfinance on having more access to banking services among the respondents in Tirap district, it is seen that out of 86 respondents, 29(33.7%) strongly agreed with the statement, while there were 49(57%) who agreed that since participating in microfinance, they had open bank accounts which allows them to have more access to banking services. However, there were 8(9.3%) respondents who disagreed.

Operational aspect

On an operational aspect of business, a question was set to determine if microfinance impacts the recruitment of unskilled workers. The data revealed that in Tirap, 20(23.3%) respondents strongly agreed and 36(41.9%) agreed with the statement, while there were 29(33.7%) respondents disagreed, and another 1(1.2%) respondent strongly disagreed. The study attempted to see if microfinance significantly impacts

the finding of raw materials for the business. The data in Tirap district shows that 14(16.3%) respondents strongly agreed, and 42(48.8%) agreed that increased cash at hand and improved social connections had influenced the accessibility of raw materials. However, 28(32.6%) respondents disagreed, and another 2(2.3%) respondents strongly disagreed with the statement.

Another operational aspect question was about the impact of microfinance in reducing the average operational cost of the business undertakings. The primary data showed that 9(10.5%) respondents strongly agreed, and 65(75.6%) agreed that the average operational cost had been reduced. However, 11(12.8%) disagreed and another 1(1.2%) respondent strongly disagreed. While assessing the impact of microfinance on promoting their businesses, among the 86 respondents, 27(31.4%) strongly agreed, and 56(65.1%) agreed on the positive impact of promoting business. At the same time, only 3(3.5%) respondents disagreed with the statement. The study also tried to determine the impact of microfinance on the profit and loss of the business. In Tirap district, the collected primary data showed that 19(22.1%) respondents strongly agreed. Another 59(68.6%) agreed with the statement, while there were 7(8.1%) respondents who disagreed and another 1(1.2%) respondent who strongly disagreed that there has any positive impact on the business profit due to microfinance.

Marketing aspect

The study also attempted to find data regarding the demand for the product. The data revealed that 32(37.2%) respondents strongly agreed, and another 51(59.3%) agreed that microfinance positively impacted product demand. In comparison, only 3(3.5%) respondents disagreed. As the study tried to find if there has been any decreased business competition over the years, the data in the Tirap district revealed that 70(81.4%) respondents disagreed, while another 16(18.6%) strongly disagreed. This indicates that the business operations have been positive and that many more people are starting their businesses.

While analyzing the impact of microfinance on reducing the average expenditure of the business, the data in Tirap district revealed that 15(17.4%) respondents strongly agreed and 70(81.4%) agreed that their average cost had been reduced. In comparison, only 1(1.2%) respondent disagreed. The final business-related question was to find out if there has been any positive increase in their business revenue, wherein it was found that in Tirap district 21(24.4%) respondents strongly agreed, and another 61(70.9%) respondents agreed that there had been a positive impact of microfinance on their business revenue. However, there were 3(3.5%) respondents who disagreed and another 1(1.2%) respondent who strongly disagreed.

Table 3.30: Mean Scores of the Microfinance Impact on Business Development in Tirap District

Sl.No	Statement	N	Minimum	Maximum	Mean
1	There has been an increase in business capital	86	2	5	4.1395
2	More alternative sources of credit are available	86	1	5	4.0581
3	I have been more confident in taking financial risk	86	2	5	4.0000
4	Collecting debts from the debtors has become easier	86	2	5	2.9884
5	I have more access to banking services now	86	2	5	4.1512
6	Finding workers has become easier	86	1	5	3.5233
7	Raw materials can be availed without many problems	86	1	5	3.4419
8	There has been a reduce in an average operational cost	86	1	5	3.8140
9	It has been easier to promote the business product	86	2	5	4.2442
10	The amount of profit has increased over the years	86	1	5	4.0233
11	The demand for the product in the market has increased	86	2	5	4.3023
12	There has been decreased competition in the market	86	4	5	4.1860
13	The average expenditure of the business product has been reducing	86	2	5	4.1512

14	There has been a positive increase in the business revenue	86	1	5	4.1395
	Valid N (Listwise)	86			

Source: (Authors Calculation)

Table 3.30. depicts the mean scores of various aspects of microfinance on business in Tirap district. The computed mean shows that most scores are greater than the mean value, except that collecting debt from debtors has become more accessible. Most respondents state that microfinance has neither positively or negatively impacted debt collection. The table indicates that microfinance has contributed to increased business capital by facilitating alternate sources of credit, reducing the average expenditure, and increasing the profit earned. Thus, we conclude that most beneficiaries agreed that microfinance has significantly improved their business's financial, operational, and marketing aspects.

3.9. CHALLENGES FACED BY THE MICROFINANCE BENEFICIARIES IN TIRAP DISTRICT

The study examines the challenges the beneficiaries encounter in accessing microfinance services in Tirap district. The percentage analysis and the mean score have been computed to understand the level of difficulties that the microfinance beneficiaries faced in Tirap district.

Table 3.31: Percentage analysis of the challenges faced by the microfinance beneficiaries in Tirap district

Sl. No	Statement	N	SA	A	N	D	SD
FINANCIAL PROBLEMS							
1.	Microcredit loans are not sufficient	200	Nil	2	Nil	173	25
			Nil	1%	Nil	86.50%	12.50%
2.		200	Nil	1	Nil	159	40

	The rate of interest charged is very high		Nil	.50%	Nil	79.5%	20%
3.	The process of availing loan is expensive	200	Nil	Nil	Nil	163	37
			Nil	Nil	Nil	81.50%	18.50%
4.	The time duration for Repayment is insufficient	200	Nil	1	Nil	169	30
			Nil	.50%	Nil	84.50%	15%
5.	Penalty in case of Repayment is severe	200	Nil	Nil	Nil	159	41
			Nil	Nil	Nil	79.50%	20.50%
KNOWLEDGE/AWARENESS PROBLEMS							
1.	It isn't easy to understand the credit agreement	200	Nil	Nil	Nil	159	41
			Nil	Nil	Nil	79.50%	20.50%
2.	It is challenging to access microfinance loans	200	Nil	Nil	Nil	150	50
			Nil	Nil	Nil	75%	25%
3.	Processing of microfinance loan is time-consuming	200	Nil	Nil	Nil	154	46
			Nil	Nil	Nil	77%	23%
4.	There is no proper support from loan-providing authorities	200	Nil	2	Nil	164	34
			Nil	1%	Nil	82%	17%
5.	I do not have proper knowledge about the microfinance schemes	200	45	151	Nil	4	Nil
			22.50%	75.5%	Nil	2%	Nil
OTHER PROBLEMS							
1.	Lack of support from the Government agencies	200	Nil	2	Nil	170	28
			Nil	1%	Nil	85%	14%
2.	Family members are not supportive of microfinance activities	200	Nil	Nil	Nil	101	99
			Nil	Nil	Nil	50.50%	49.50%
3.	The rules of availing microfinance are too complex	200	Nil	Nil	Nil	177	23
			Nil	Nil	Nil	88.50%	11.50%
4.	Training facilities are not sufficient	200	Nil	2	Nil	180	18
			Nil	1%	Nil	90%	9%
5.		200	Nil	1	Nil	179	20

	The location of the microfinance institution acts as a disadvantage to me		Nil	.50%	Nil	89.50%	10%
6	The microfinance-providing authorities are not very friendly	200	Nil	1	Nil	175	24
			Nil	.50%	Nil	87.50%	12%

Source: (Field Survey)

Financial problems

While assessing the challenges regarding the sufficiency of microfinance loans, 86.50 percent of the respondents disagreed that the amount is insufficient, and 12.50 percent strongly disagreed. Only one percent of the respondents agreed that the loan amount was inadequate to meet the needs. The usual interest rate levied on the microfinance loan ranges from 1-2 percent. Thus, 79.50 percent of the respondents disagreed, and 20 percent strongly disagreed with the statement that the rate of interest charged is high. In contrast, only 0.50 percent agreed with the statement. Likewise, 84.50 percent disagreed, and 18.50 strongly disagreed that the process of availing loan is expensive. Similarly, 84.50 percent disagreed that repayment duration is insufficient, while 15 percent strongly disagreed with the statement. Only one respondent agreed that the repayment period was not satisfactory. Further, 79.50 percent disagreed that the penalty in case of non-repayment is severe, and the other 20.50 percent strongly disagreed with the statement.

Knowledge Problems

It has been revealed that a lack of financial literacy is a crucial factor hindering the growth of microfinance among the rural population. 79.50 percent of the respondents disagreed, and 20.50 percent strongly disagreed that it is difficult to understand the credit agreement. Likewise, 75 percent disagreed, and 25 percent strongly disagreed with the statement that accessing microfinance loans is challenging. Further, 77 percent disagreed, and 23 percent strongly disagreed that availing microfinance loan is time-consuming. In comparison, 82 percent disagreed, and 17 percent strongly

disagreed that there was no proper support from the authorities. Two respondents were not satisfied with the support received from the microfinance authorities. However, only 2 percent of the respondents disagreed with the statement that I do not have proper knowledge about microfinance. Whereas 75.50 agreed and 22.50 strongly agreed that they do not have appropriate knowledge about microfinance services.

Other problems

In addition to financial problems and awareness problems, some other issues were also examined, and the study revealed that 99 percent of the respondents disagreed or strongly disagreed that there is a lack of support from government agencies. Similarly, 100 percent strongly favored that their family members are very supportive of their participation in microfinance activities, and also, the rules involved in microfinance are not complicated. While only two respondents disagreed that the training facilities are not satisfactory. Only one respondent believed that the microfinance-providing authorities are not friendly, and the location is a disadvantage in accessing microfinance facilities.

Table 3.32: Descriptive Statistics showing the mean score of challenges faced by the microfinance beneficiaries in Tirap district

Sl No	Statement	N	Minimum	Maximum	Mean
1	Microcredit loans are not sufficient	200	1	4	1.8950
2	The rate of interest charged is very high	200	1	4	1.8100
3	The process of availing loan is expensive	200	1	2	1.8150
4	The time duration for Repayment is insufficient	200	1	4	1.8600
5	Penalty in case of non-Repayment is severe	200	1	2	1.7950
6	It is difficult to understand the credit agreement	200	1	2	1.7950
7	It is challenging to access microfinance loans	200	1	2	1.7500

8	Processing of microfinance loan is time-consuming	200	1	2	1.7700
9	There is no proper support from loan-providing authorities	200	1	4	1.8500
10	I do not have proper knowledge about the microfinance schemes	200	2	5	4.1850
11	Lack of support from the Government agencies	200	1	4	1.8800
12	Family members are not supportive of microfinance activities	200	1	2	1.5050
13	The rules of availing microfinance are too complex	200	1	2	1.8850
14	Training facilities are not sufficient	200	1	4	1.9300
15	The location of the microfinance institution acts as a disadvantage to me	200	1	4	1.9100
16	The microfinance-providing authorities are not very friendly	200	1	4	1.8900
	Valid N (Listwise)	200			

Source: (Field Survey)

Table 3.34. describes the mean scores of various challenges faced by the microfinance beneficiaries in the Tirap district. The calculated mean illustrates that the mean scores of most of the statements are less than the mean value, indicating that most respondents disagreed with encountering challenges in microfinance. However, except for the statement, I do not have proper knowledge about microfinance schemes. Therefore, we can conclude that most beneficiaries do not have sufficient knowledge about microfinance. Still, at the same time, they do not face many challenges while availing of microfinance.

3.10. CONCLUSION

Due to the geographical distance from the state capital and other vital townships, Tirap district encounters various inconveniences; thus, it has failed to grow on par with other districts of the State. However, with a slight increase in literacy rate in recent years, the condition has improved. The introduction of NERCORMP and the Arunachal State Livelihood Mission (ArSRLM) has played a crucial role in the economic transformation of the district. It offered several opportunities in the form of financial and non-financial services to the women groups so that they undertake income-generating activities and reduce their sole reliance on agriculture and its related works. By implementing the National Rural Livelihood Mission, the Government has achieved new heights in outreaching people with low incomes in the farthest corners of the country. Under the aegis of NRLM, the Arunachal State Livelihood Mission (ArSRLM) was established in 2011 to facilitate rural Arunachal with financial access. Still, the ArSRLM project started its operation phase-wise and could only reach Tirap district in February 2022.

This practice of the microfinance system has played a vital role in developing the living standards of the underprivileged households in the district, which the banking institution fails to deliver. The study revealed that most respondents are satisfied with the microfinance facilities provided to them. However, one of the severe challenges encountered by the people in Tirap district is the lack of proper awareness about microfinance benefits, as most people are only aware of microcredit and have very limited knowledge about other microfinance services, such as micro saving and microinsurance. Therefore, it can be stated that, despite the limited coverage in the rural regions, the microfinance service-providing authorities have transformed the mindset of the rural population toward participation in financial services by making people realize that people with low incomes can avail of micro-loans without collateral assets or generate income even without formal education.

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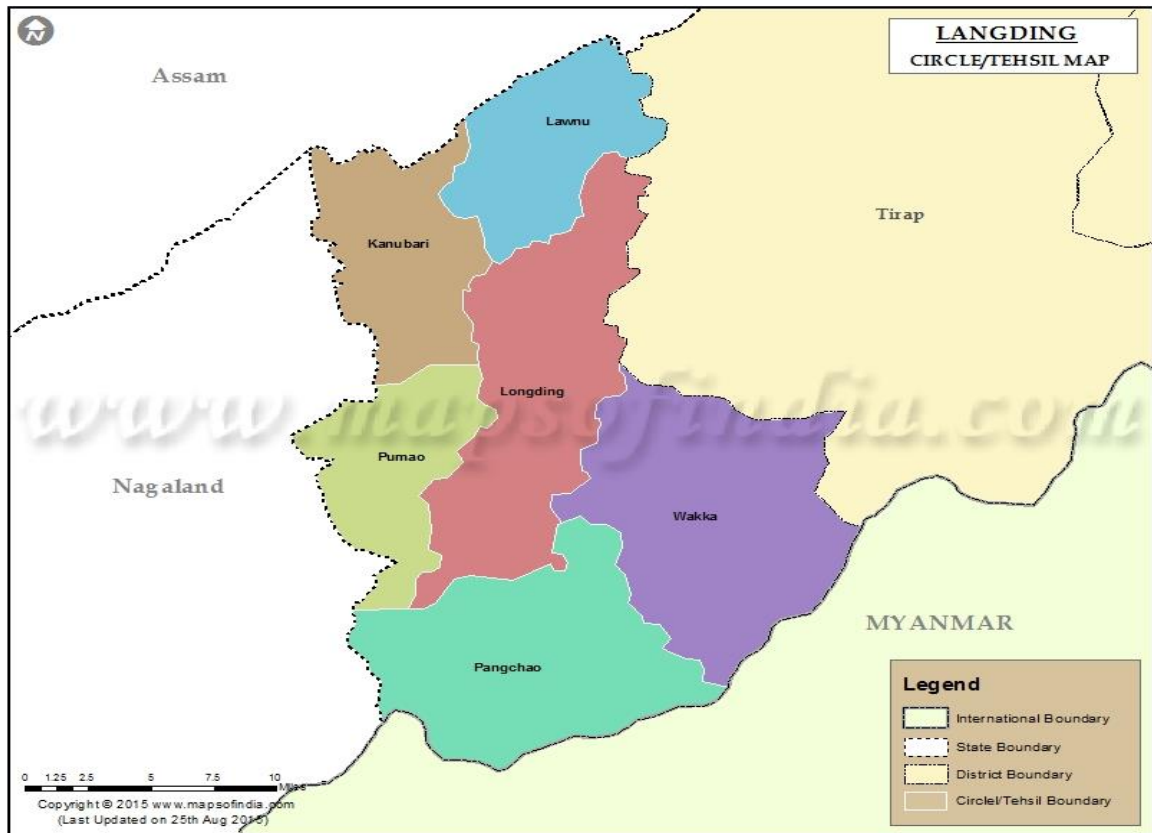
CHAPTER 4:

IMPACT OF MICROFINANCE ON RURAL TRANSFORMATION IN LONGDING DISTRICT

4.1. PROFILE OF LONGDING DISTRICT

Longding is one of the districts in Arunachal Pradesh. It covers an area of 1200 sq. km and lies between 26.87-degree North latitude to 95.30-degree East longitude. The district was carved out of Tirap district and became full-fledged on 19th March 2012. It shares a boundary with Myanmar to the South and South West, Nagaland in the West, and the State of Assam in the North. Longding district is home to the Wanchos, a tribal community with a population of around 60000. There are 9,426 total number of households in the district, wherein the rural population constitutes 52,719, whereas the urban population is only 4,234. The practice of animism persists among the Wanchos, and the governing body is led by the chieftains, known as the wangham. Like most tribals, the wancho houses are made of bamboo or wood, and the roofs are thatched with dry leaves. The community mainly depends on jhum cultivation (Longding.nic.in , n.d.). The level of education in Longding district is relatively low. Under the national flagship programs like SSA and RMSA, the education department in the district is headed by the deputy director of school education, who acts as a district project officer in the field of education. The district's four educational blocks are Longding, Pongchau, Wakka, and Kanubari. The literacy rate in the district is 40.60 percent, where the male population accounts for 49.76 percent, whereas the female literacy rate is only 33.58 percent (Longding.nic.in). As per the official record, the district's total number of literate people is 18,493, of which 11,392 are male, and 7,101 are female.

Exhibit 4: Map of Longding District



Source: (mapsofindia.com)

4.2. MICROFINANCE IN LONGDING

Although more than seven hundred millionaires are in our country, eighty million people in rural areas survive on the minimum resources. This section of the population does not have access to proper electricity supply, internet connectivity, or other basic requirements. Likewise, microfinance is a relatively new concept to the people in Longding district of Arunachal Pradesh. The rural population is deprived of several facilities sponsored by the Government because of the lack of highly active Non- Governmental Organizations and other Community-Based Organizations, resulting in the shortage of awareness and workshop programs necessary for rural transformation.

The financial structure of Longding district is very limited. Only one State Bank of India looks over the banking needs of the entire population in the district. Hence, the rural population is deprived of their basic financial requirements, and they are not aware of the benefits of participating in the banking financial system. However, with several Government schemes such as Pradhan Mantri Jan Dhan Yojana, many individuals have opened a savings account with zero minimum balance and thus contribute towards achieving the objective of financial inclusion among poor households. Likewise, the status of microfinance in Longding district is relatively low. The only institution that promotes microfinance activities is the Arunachal State Livelihood Mission (ArSRLM), which started its operation in February 2022. However, before the introduction of ArSRLM, the North Eastern Region Community Resource Management Project (NERCORMP) played a major role in educating the rural household in the district about the needs and benefits of participating actively in various financial activities. The third phase of the NERCORMP was introduced in Longding district in 2014 as a joint development program by the Ministry of DoNER, the International Fund for Agriculture Development (IFAD), and the North Eastern Council (NEC).

The project focused on major financial activities such as social mobilization, capacity building, marketing support, coverage with Government schemes, and promoting income-generating activities among rural households. The NERCORMP has assisted many women groups in forming a self-help group and undertaking self-employment opportunities within the groups (NERCRMP, n.d.). The project provided training and workshop facilities to the deprived section to promote income-generating activities such as opening a bakery, starting a poultry farm, ornamental beads making, etc. The present study revealed that many self-help groups were formed under the aegis of the NERCORMP, and the people have gained some knowledge about the benefits of financial inclusion through the active role of the project. Further, on February 2022, the Arunachal State Rural Livelihood

was launched in the district, as the NERCORMP terminated its operation on June 2021. Since then, the State Livelihood Mission has been the apex institution in the district that promotes and monitors the effective functioning of microfinance activities. As per the official data of the National Rural Livelihood Mission, there are 386 self-help groups with 3582 total members in Longding district, which are registered under the ArSRLM, of which 13 SHGs are revived, 26 are pre-NRLM, and 347 SHGs are newly formed SHGs (DAY-NRLM). Therefore, despite the low financial outreach among the poor households in the villages, the number of microfinance participation has tremendously increased since the implementation of the NERCORMP and the ArSRLM. Hence, it is noteworthy that these institutions have played a significant role in promoting financial inclusion and developing people's living standards.

4.3. DEMOGRAPHIC PROFILE OF THE RESPONDENTS IN LONGDING

4.3.1. Age-wise distribution of the respondents

As one of the critical variables, the age group was classified into five clusters: 18 years to 25 years, 26 years to 35 years, 36 years to 45 years, 46 years to 55 years, and respondents above the age of 56.

Table 4.1: Age-wise distribution of the respondents

Factors	Classifications	No. of respondents	Percentage
Age Group (in Years)	18-25	4	2.00
	26-35	13	6.50
	36-45	73	36.50
	46-55	93	46.50
	Above 56	17	8.50
	Total	200	100.00

Source: (Field Survey)

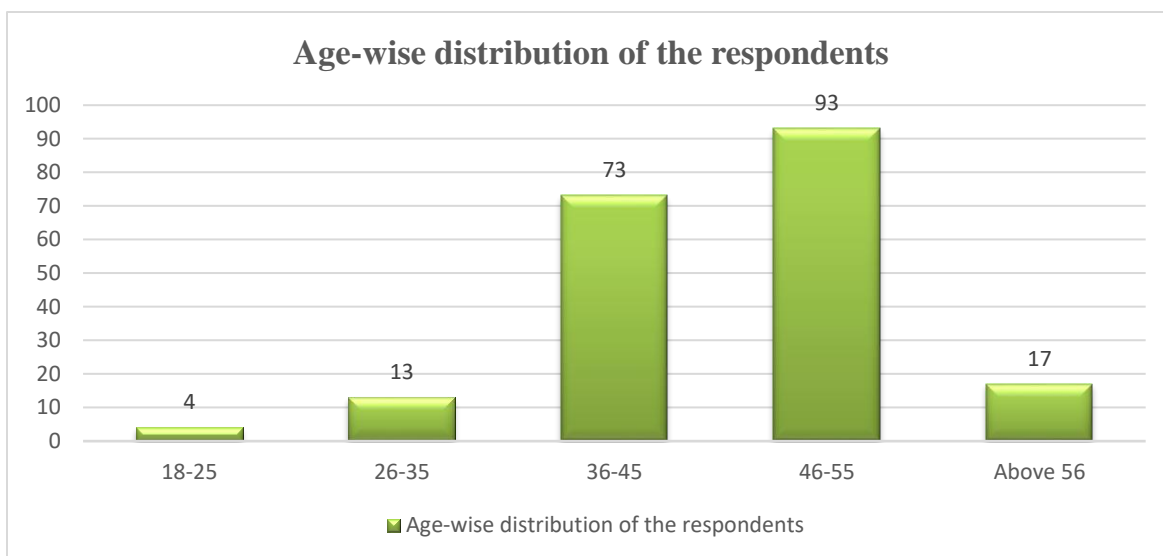


Figure 4.1: Age-wise distribution of the respondents

Table 4.1. shows that only two percent of the respondents fall under the age group of 18 to 25 years. It is followed by the age group distribution of 26- 35 years, constituting 6.50 percent of the respondents. 36.50 percent of the respondents belong to the age group of 36- 45 years. Similarly, most of the microfinance beneficiaries are in the middle-aged category of 46- 55 years, i.e., 46.50 percent. Lastly, 8.50 percent of the respondents were above the age of 56. The majority of the respondents are middle-aged, and the ratio of young and aged population is relatively low.

4.3.2. Gender of the respondents

The gender of the respondents has been considered an essential demographic variable, as it indicates the tendency of an individual towards microfinance.

Table 4.2: Gender of the respondents

Factor	Classification	No of Respondents	Percentage
Gender	Female	196	98.00
	Male	4	2.00
	Total	200	100.00

Source: (Field Survey)

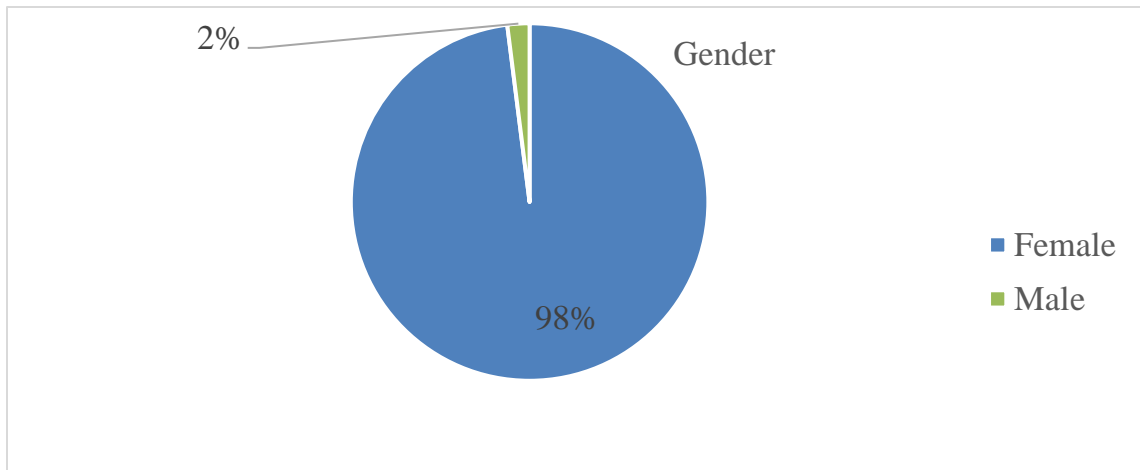


Figure 4.2: Gender of the respondents

Table 4.2. reveals Ninety-eight percent of the respondents are female, and only 2 percent are male beneficiaries. Out of 200 respondents, only 4 were males, and 196 were females. The data clearly illustrates that the women groups in the district actively participate in various microfinance activities by forming self-help groups among themselves and collaborating with the NGOs and the Government in conducting workshops to encourage income-generating activities.

4.3.3. Marital Status of the Respondents

For the study, the marital status of the respondents in Longding district was classified into four clusters, single or unmarried, married, widow/widower, and divorced individuals. The marital status data of the microfinance beneficiaries are presented in table 4.3.

Table 4.3: Marital Status of the Respondents

Factor	Classification	No of Respondent	Percentage
Marital Status	Single	2	1.00
	Married	191	95.50
	Widow/Widower	3	1.50
	Divorced	4	2.00
	Total	200	100.00

Source: (Field Survey)

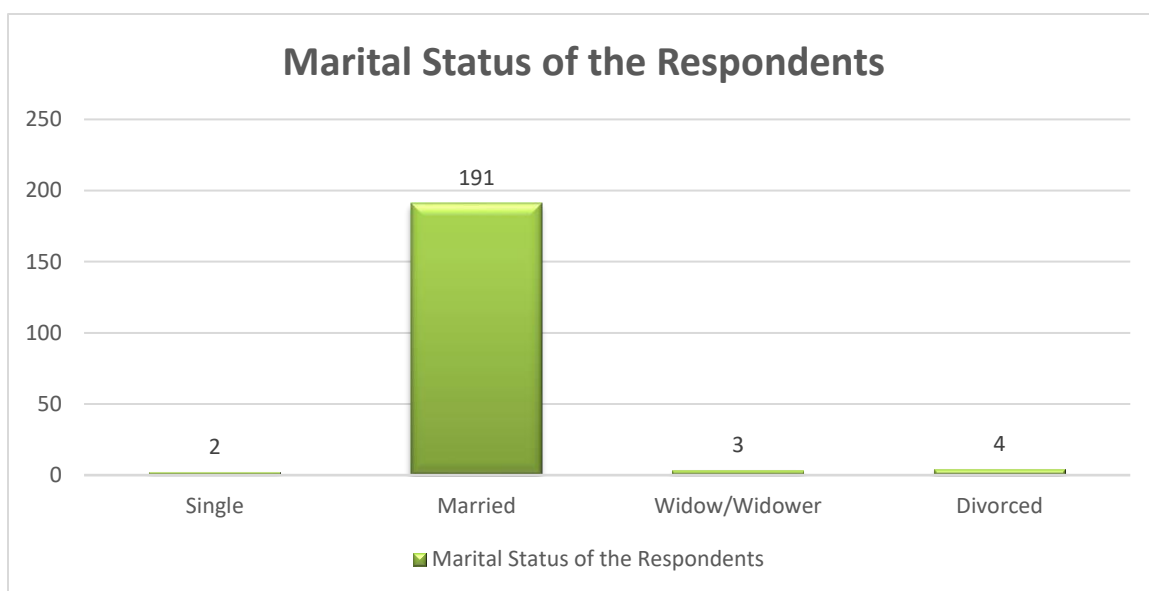


Figure 4.3: Marital Status of the Respondents

Table 4.3 indicates that most respondents are married, as 95.50 percent fall under the married category, while only 1 percent are single or unmarried. Widow/widower respondents account for 1.50 percent, and two percent are divorced.

4.1.4. Educational Qualification of the Respondents

The level of education plays a vital role in ascertaining a person's intellectual ability and reflects their behaviour in making crucial decisions. Therefore, education has been considered an essential demographic variable for the study. The level of education has been classified into five categories.

Table 4.4: Educational Qualification of the Respondents

Factor	Classification	No of Respondents	Percentage
Educational Qualification	No Schooling	12	6.00
	Secondary Level	110	55.00
	HSLC	59	29.50
	HSSLC	19	9.50
	Total	200	100.00

Source: (Field Survey)

Table 4.4. shows that 12 respondents, i.e., 6 percent, have never attended any formal educational institute. At the same time, most belong to secondary-level education, i.e., 55 percent of the respondents have completed primary-level education but have not completed class ten. Likewise, 29.50 percent fall under the HSLC category, and 9.50 percent of the respondents have completed class twelve. The findings signifies that the educational level of the microfinance beneficiaries is low and the majority of them have only acquire primary level education.

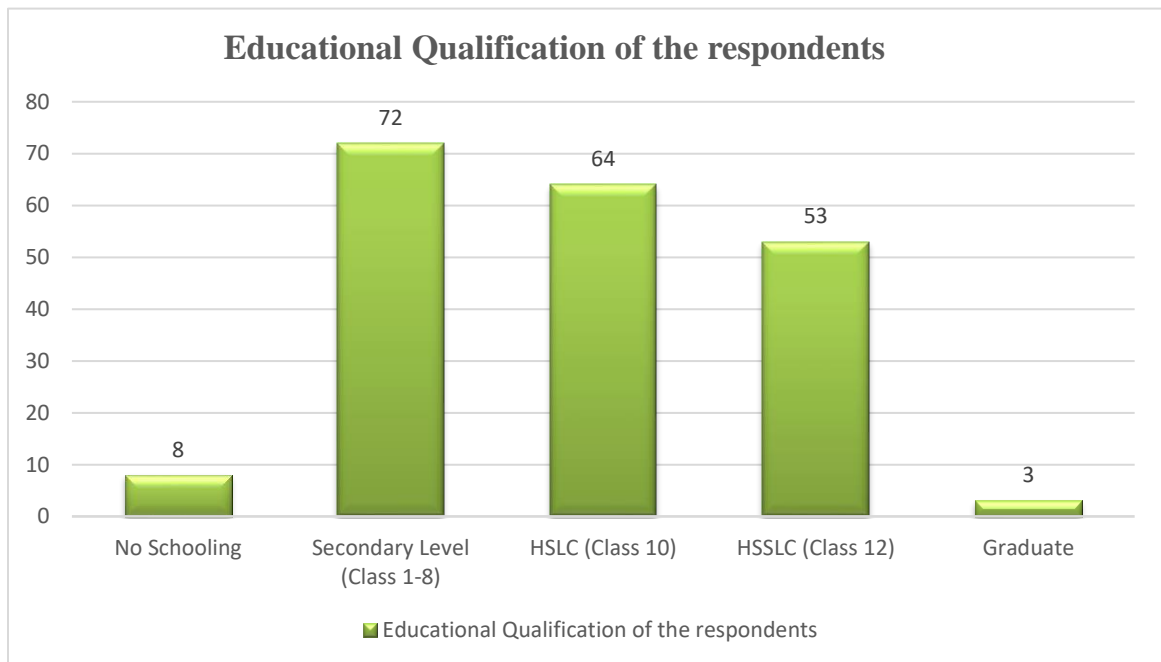


Figure 4.4: Educational Qualification of the Respondents

4.3.5. Size of the Family

The respondent's family size usually affects the savings and expenses in the household. Hence, to understand the socio-economic status of the microfinance beneficiaries in Longding district, the study categorized the family size as 1-3 members, 4-6 members, 7-9 members, and families with more than ten members.

Table 4.5: Size of the Family

Factor	Classification	No of Respondents	Percentage
Family size	1-3 members	24	12.00
	4-6 members	105	52.50
	7-9 members	55	27.50
	Above 10	16	8.00
	Total	200	100.00

Source: (Field Survey)

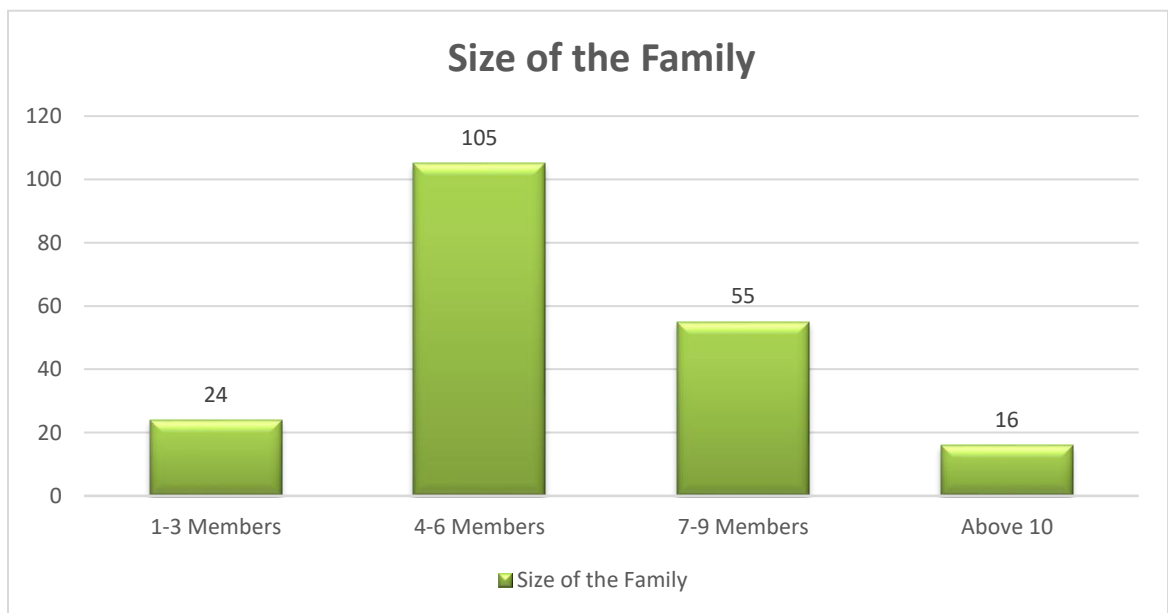


Figure 4.5: Size of the Family

Table 4.5 specifies that most respondents belong to a family size of 4-6 members, constituting 52.50 percent. Twelve percent of the respondents have family members of 1-3 individuals, while 27.5 percent have 7-9 members. There were 16 families (8 percent) with members above ten.

4.3.6. Types of Houses

As an important variable that needs to be analyzed to understand the socio-economic condition of the rural household in the district, the interview schedule was classified into the following groups; Kaccha House, Semi-Pukka House, Pukka House, and Rented House.

Table 4.6: Types of Houses

Factor	Classification	No of Respondents	Percentage
Types of Houses	Kaccha	116	58.00
	Semi-Pukka	69	34.50
	Pukka	15	07.50
	Rented	Nil	Nil
	Total	200	100.00

Source: (Field Survey)

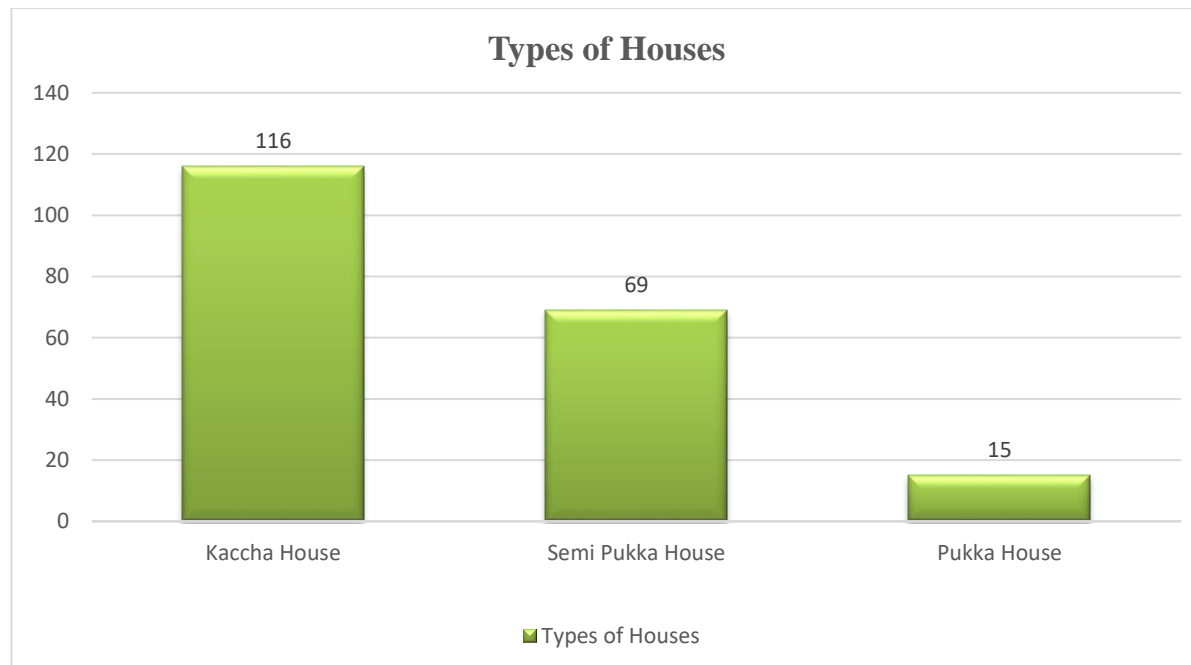


Figure 4.6: Types of Houses

Table 4.6 shows that 58 percent of the rural respondents reside in a kaccha house; similarly, 34.50 percent owned a semi-pukka house. Only 7.50 percent of the respondents have a concrete pukka house.

4.3.7. Occupation status of the Respondents

The occupation status of a person plays a critical role in determining the individual's living standard. Thus, it is one of the essential demographic variables that helps understand the respondents.

Table 4.7: Occupation status of the Respondents

Factor	Classification	No of Respondents	Percentage
Occupation Status	Agriculture	147	73.50
	Business	43	21.50
	Labour	Nil	Nil
	Others	10	5.00
	Total	200	100.00

Source: (Field Survey)

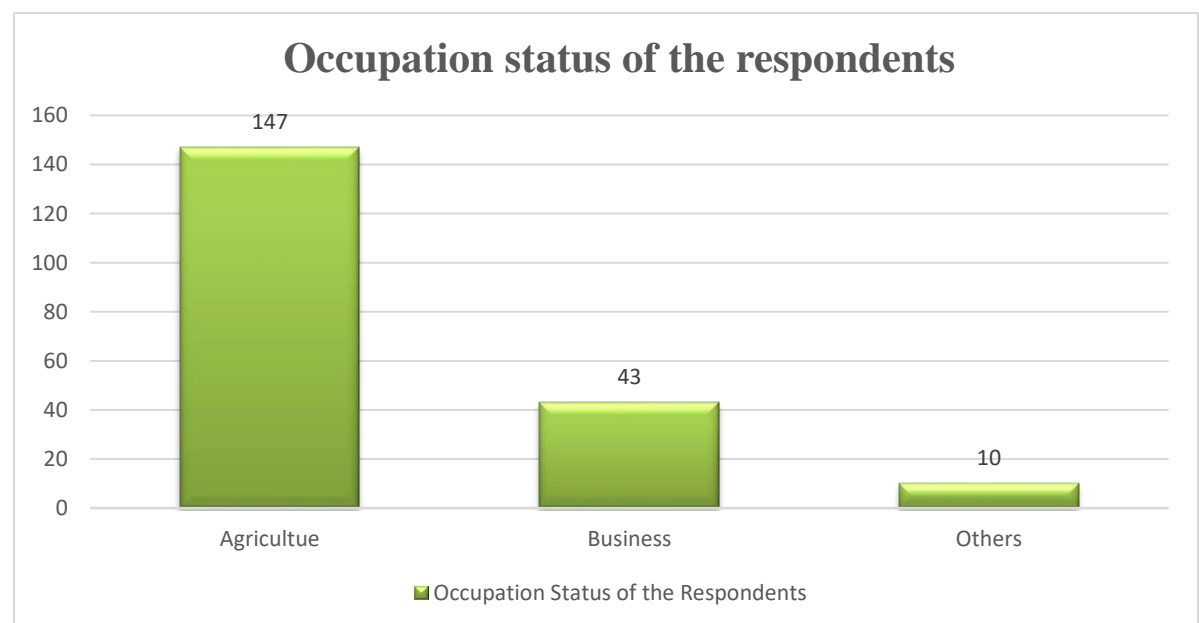


Figure 4.7: Occupation status of the respondents

Table 4.7. shows that 73.50 percent of the respondents are engaged in agricultural activities and allied services. These individuals practice traditional shifting farming, cultivating rice and other vegetables for themselves, and they do not commercialize their produce by selling it in the market. Whereas 21.50 percent are involved in micro-scale business undertakings such as retail shops, poultry farms, beads making, traditional handbags, weaving, wood handicrafts, piggery farm, cardamom & ginger production, etc., Five percent belong to other categories.

4.3.8. Type of Ration Cards

The ration cards are official documents that signify the household's earning level. Families living above the poverty line limit are given Above Poverty Cards (APL), Below Poverty Line (BPL) cards to households living below the poverty line limit, and Antyodaya Anna Yojana (AAY) cards are further issued to the poorest of the low-income families. Thus, it is necessary to consider the type of rations as an essential variable for the study.

Table 4.8: Type of Ration Cards

Factor	Classification	No of Respondents	Percentage
Types of Ration Card	AAY	27	13.50
	BPL	136	68.00
	APL	37	18.50
	Total	200	100.00

Source: (Field Survey)

Table 4.8 illustrates that the majority of the respondents, i.e., 68 percent owned a Below Poverty Line ration card. In comparison, 13.50 percent fell under the Antyodaya Anna Yojana (AAY) cards—and 18.50 percent fell under the Above Poverty Line ration cards category. The above table indicates that most microfinance beneficiaries in the rural villages of Longding district are poor

individuals who survive with an income below the poverty limit set by the Government of India.

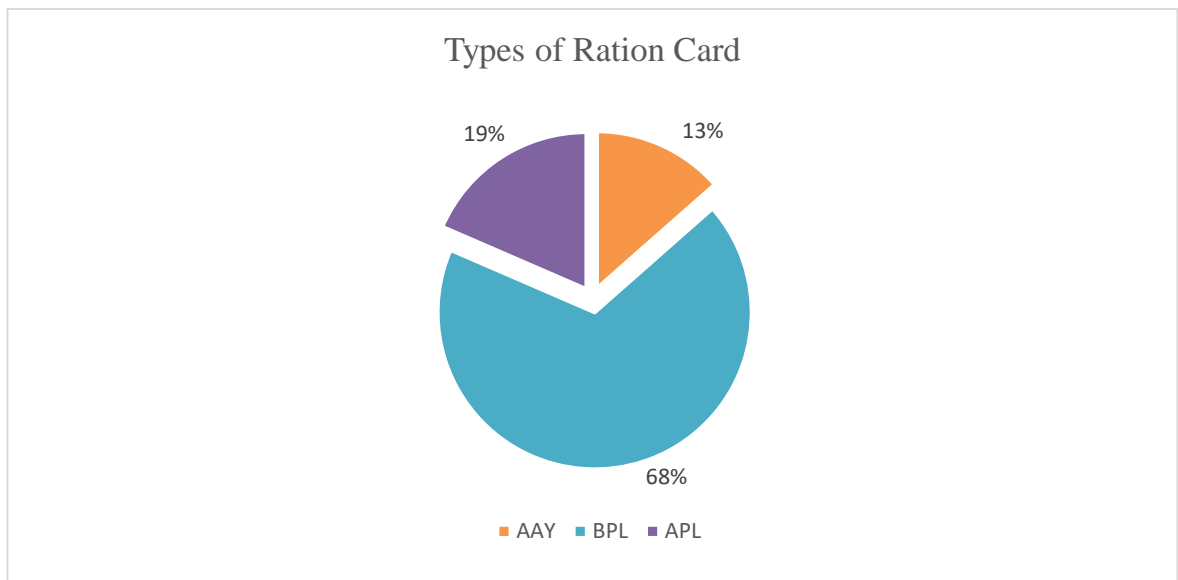


Figure 4.8: Types of Ration Card

4.3.9. Self-Help Group Membership

To understand the performance of microfinance activities it is necessary determine the participation level of SHG members and non-SHG members.

Table 4.9: Self-Help Group Membership

Factor	Classification	No of Respondents	Percentage
Membership	SHG Members	200	100
	Non-SHG		
	Total	200	100.00

Source: (Field Survey)

Table 4.9. shows that 100 percent of the microfinance beneficiaries are SHG members. It was noticed that, unlike Tirap district, male self-help groups participated in various microfinance activities.

4.4. MICROFINANCE DETAIL

4.4.1. Duration of microfinance loan availed

The different self-help groups decide on the loan term after a mutual agreement among the members. Hence, the duration of the microfinance loan is considered a critical variable in understanding the status of microfinance among the respondents in Longding district. The time duration has been categorized into three clusters: less than one year, one to two years, and above two years.

Table 4.10: Duration of microfinance loan availed

Factor	Classification	No of Respondents	Percentage
Duration of Microfinance Loan	Less than one year	171	85.50
	1-2 Years	29	14.50
	More than two years		
	Total	200	100.00

Source: (Field Survey)

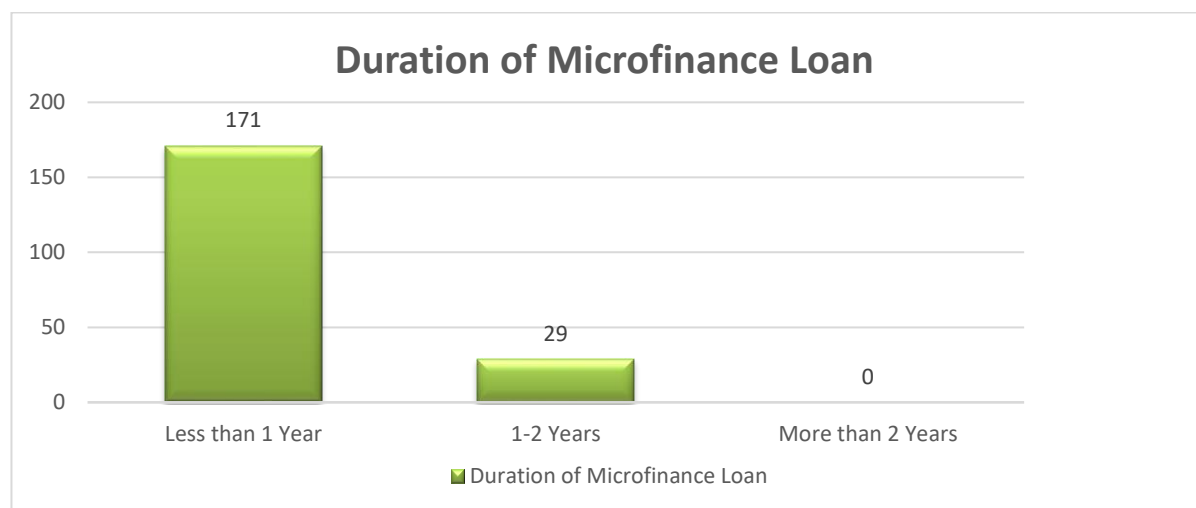


Figure 4.10: Duration of microfinance loan availed

Table 4.10. shows that 85.50 percent of the respondents have availed micro-credit for less than one year, while 14.50 percent had a repayment period of more than one year but less than two years.

4.4.2. Number of times microfinance loan availed

The number of times the respondents availed the microfinance facilities has been identified as one of the vital determinants in understanding the study. The interview schedule was classified as respondents who have availed microcredit one to two times, three to four times, and above five times.

Table 4.11: Number of times microfinance loan availed

Factor	Classification	No of Respondents	Percentage
Number of times Microfinance Loan Availed	1-2 Times	148	74.00
	3-4 Times	52	26.00
	Total	200	100.00

Source: (Field Survey)

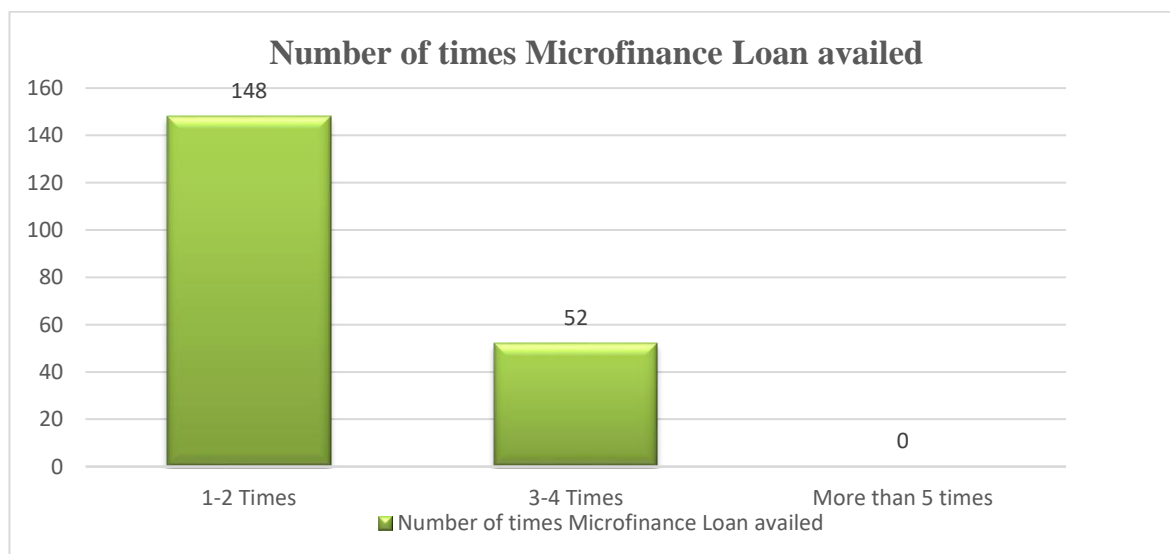


Figure 4.11: Number of times microfinance loan availed

Table 4.11. shows that 85.5 percent of the respondents have availed of microfinance 1-2 times, while 14.5 percent have availed of loans 3-4 times. Among the two hundred respondents in Longding district, no beneficiaries have availed credit more than five times.

4.4.3. Sources of availing Microfinance

To identify the sources of microfinance available to the rural population in Longding district, questions such as direct loans from Banks, Non- Governmental Organizations, Government institutions, Friends & relatives, moneylenders, and self-help groups were asked. The study revealed that all two hundred respondents availed of microfinance solely from the SHGs. The Government agencies like Arunachal State Rural Livelihood Mission (ArSRLM) provide non-financial microfinance services through workshops and other awareness programs; however, they do not offer direct finance.

4.4.4. Purpose of availing Microfinance

Individuals avail of microfinance facilities for various purposes, so it is crucial to identify these classifications to understand the respondents' socio-economic status. The research question was classified into; Business purpose, Agriculture purpose, Marriage purpose, Educational Purpose, Medical Purpose, Consumption Purpose, and others.

Table 4.12: Purpose of availing Microfinance

Factor	Classification	No of Respondents	Percentage
Purpose of availing Microfinance loan	Business Purpose	41	20.50
	Agriculture Purpose	12	06.00
	Marriage Purpose	02	01.00
	Educational Purpose	111	55.50
	Consumption Purpose	12	06.00
	Medical Purpose	22	11.00
	Total	200	100.00

Source: (Field Survey)

Table 4.12. shows that 20.50 percent of the respondents availed microfinance for undertaking income-generating activities, 6 percent for agricultural purposes, 1 percent for marriage purposes, 55.50 percent for educational purposes, 6 percent for consumption purposes, and eleven percent for medical purposes.

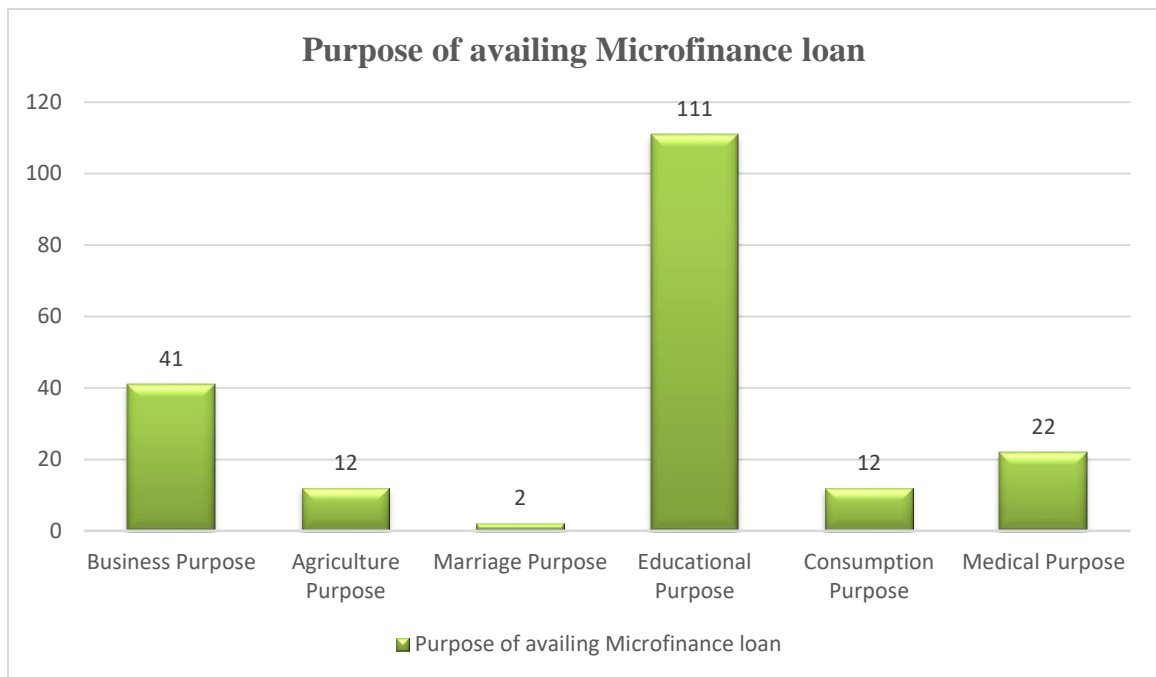


Figure 4.12: Purpose of availing Microfinance

4.4.5. Annual Income

Income plays an important role in understanding the living standard of the respondents, and hence the researcher finds it necessary to analyze the individuals' annual income. For this purpose, the interview schedule was prepared to determine the yearly earnings of the microfinance beneficiaries. The annual income level of the respondents was categorized into six parts_ Income up to ₹20000, ₹20001-₹40000, ₹40001-₹60000, ₹60001-₹80000, ₹80001-₹100000, and above ₹100000.

Table 4.13: Annual income of the respondents

Factor	Classification	No of Respondents	Percentage
Annual income of the Respondents	Up to 20000	10	5.00
	20001-40000	100	50.00
	40001-60000	53	26.50
	60001-80000	30	15.00
	80001-100000	07	3.50
	Above 100000	Nil	Nil
	Total	200	100.00

Source: (Field Survey)

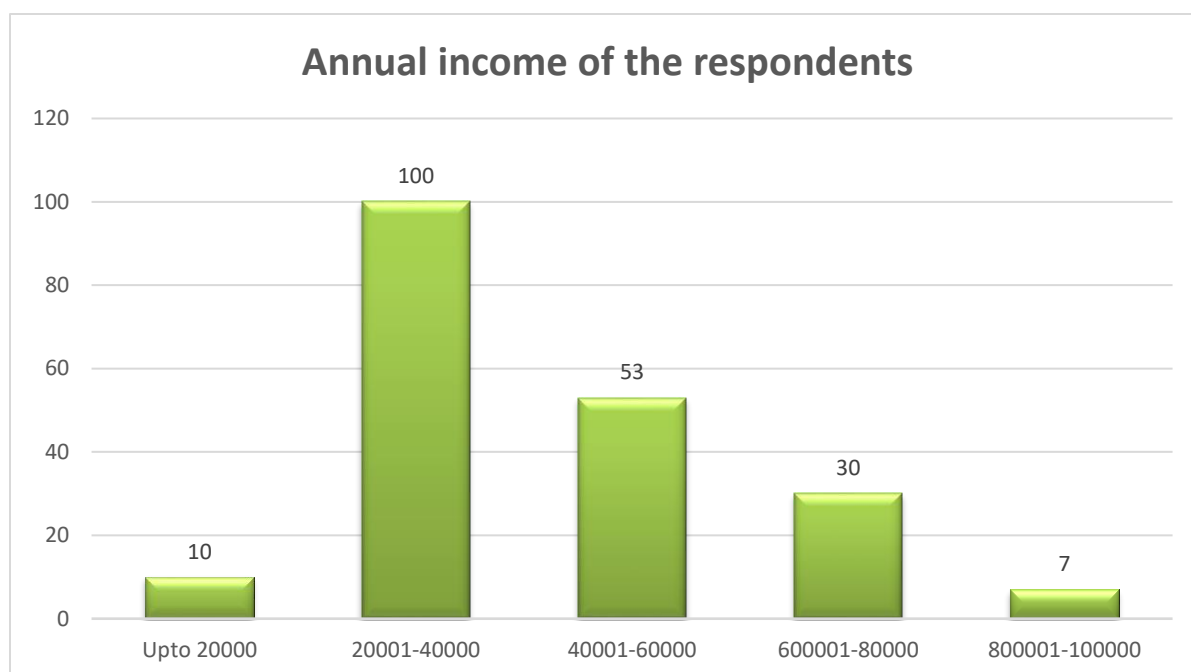


Figure: 4.13: Annual income of the respondents

Table 4.13. highlights the annual income of the microfinance beneficiaries in Longding district. The table shows that 5 percent of the respondents had an annual income of up to 20000, while 50 percent had a yearly income of around 20001-40000. Further, 26.50 percent of the respondents had an annual income of 40001-60000, 15.5 percent with a yearly income of 60001-80000, and only 3.5 percent with 80001-100000 income annually. No respondents opted for an annual income of more than 100000.

Table 4.14: The mean income of the respondents in Longding district

Descriptive Statistics showing the mean income of the respondents in Longding district					
Annual income of the Respondents	N	Maximum	Maximum	Mean	Standard deviation
Valid N (listwise)	200	10000	90000	42400	18437.454

Source: (Field Survey)

Table 4.14. shows the mean income of the microfinance beneficiaries in Longding district. The mean income is 42400 and the standard deviation is 18437.454.

4.4.6. Annual Savings

The respondents' annual savings level signifies the household's earnings and investment patterns. Therefore, the study categorized the respondents' savings into four categories, i.e., amounts up to ₹ 10000 a year, ₹10000 - ₹20000 a year, ₹20001- ₹30000 a year, and those earning above ₹ 30000.

Table 4.15: Annual Savings

Factor	Classification	No of Respondents	Percentage
Annual Savings of the Respondents	Up to 10000	145	72.50
	10001-20000	38	19.00
	20001-30000	13	6.50
	Above 30000	4	2.00
	Total	200	100.00

Source: (Field Survey)

Table 4.15. states that 72.50 percent of the respondents have no or very little savings of up to ₹ 10000 annually. Likewise, 19 percent has yearly savings of ₹10001 to ₹20000, while 6.5 percent has 20001 to 30000 annual savings. Only 2 percent of the respondents fall under savings above ₹ 30000 a year.

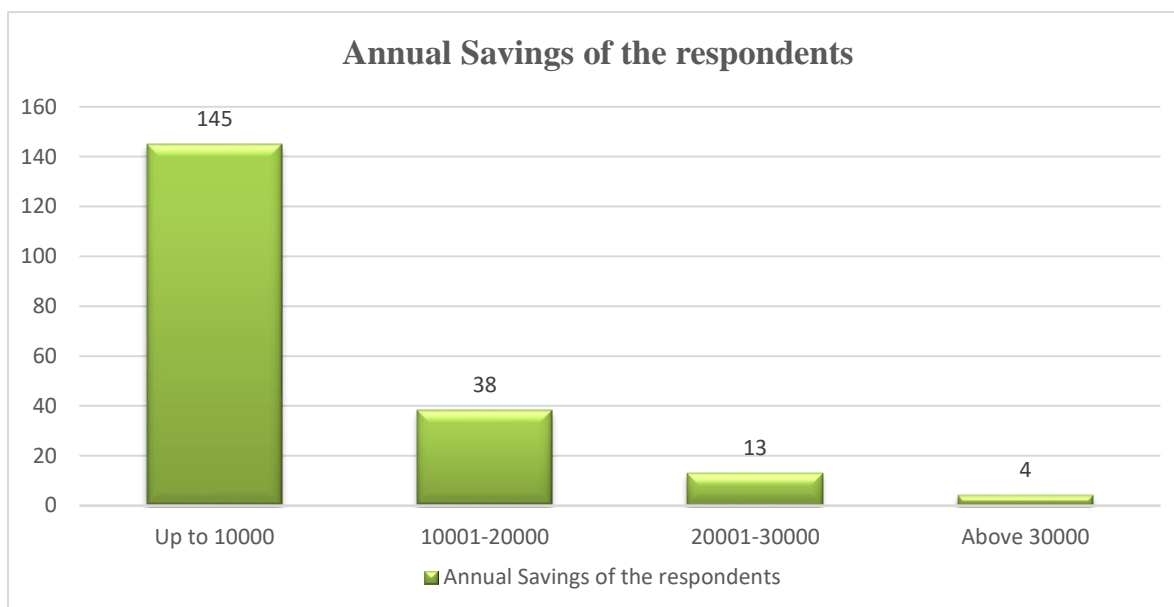


Figure 4.14: Annual Savings of the Respondents

4.4.7. Repayment of loans

The SHG members mutually decide on the duration for Repayment of loans, defaulter's penalty, and peer pressure plays a vital role in solving the problems. Thus, analyzing the nature of Repayment is essential to identify and understand the success rate of delivering credit through microfinance in rural villages.

Table 4.16: Repayment of loans

Factor	Classification	No of Respondents	Percentage
Nature of Repayment	Regularly on the due date	193	96.50
	Irregular	7	03.50
	Total	200	100.00

Source: (Field Survey)

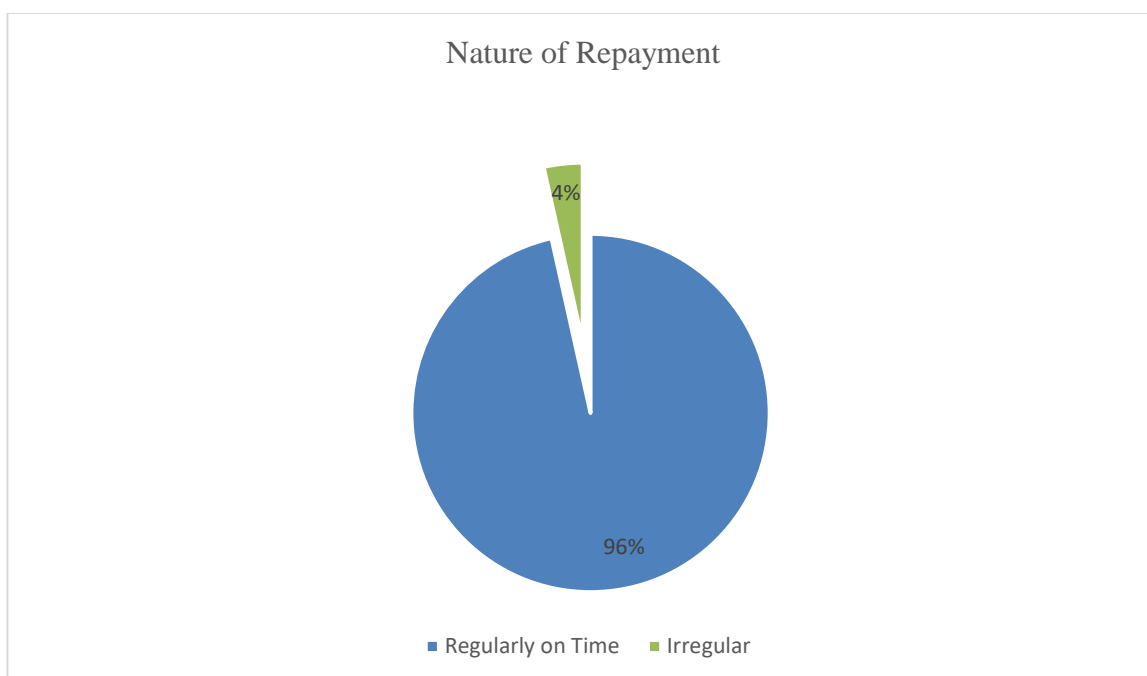


Figure 4.15: Repayment of loans

Table 4.16 indicates that 96.50 percent of the respondents agree to repay credits on the due date, and only 3.50 percent have failed to pay precisely on time. In cases of failure to pay regularly on time, the SHG members reduce the interest rate and levy a relaxed rate for the specific borrower. The usual interest rate of microfinance varies from 1 percent to 5 percent.

4.5. IMPACT OF MICROFINANCE ON THE RESPONDENTS

The impact of microfinance on the microfinance beneficiaries in Longding district is evaluated by categorizing it into economic, social, human capital, and psychological implications. The percentage analysis of microfinance impact on the respondents in Longding district is presented in table 4.17.

Table 4.17: Percentage analysis of microfinance impact on the respondents in Longding district

Sl. No	Statement	N	SA	A	N	D	SD
ECONOMIC IMPACT							
1.	There has been a sufficient positive change in cash at hand for basic needs	200	2	135	Nil	63	Nil
			1%	67.5%	Nil	31.5%	Nil
2.	There has been an improvement in annual income	200	11	125	Nil	62	2
			5.5%	62.5%	Nil	31%	1%
3.	The daily expenditure has increased	200	9	127	Nil	64	Nil
			4.50%	63.50%	Nil	32%	Nil
4.	The rate of thrift savings has improved	200	6	120	Nil	69	5
			3%	60%	Nil	34.50%	2.50%
5.	There has been positive progress in business	200	2	61	Nil	131	6
			1%	30.5%	Nil	65.50%	3%
6.	I have been able to generate employment opportunities	200	Nil	29	Nil	162	9
			Nil	14.50%	Nil	81%	4.5%
7.	The quality of housing has improved	200	3	127	Nil	69	1
			1.50%	63.50%	Nil	34.5%	0.50
8.	There has been an increase in financial assets	200	6	123	Nil	70	1
			3%	61.5%	Nil	35%	0.5%
SOCIAL IMPACT							
1.	There has been an improvement in the level of respect in the society	200	12	135	Nil	52	1
			6%	67.50%	Nil	26%	0.5%
2.	I have been able to motivate others	200	14	132	Nil	47	7
			7%	66%	Nil	23.50%	3.5%
3.	My personality and leadership	200	5	131	Nil	53	11

	capabilities have improved		2.50%	65.5%	Nil	26.50%	5.5%
4.	My relationship with my neighbours has improved	200	8	135	Nil	52	5
			4%	67.50%	Nil	26%	2.50%
5.	My social connections have improved	200	11	134	Nil	48	7
			5.50%	67%	Nil	24%	3.5%
HUMAN CAPITAL IMPACT							
1.	There has been an improvement in Children's' education	200	38	116	Nil	44	2
			19%	58%	Nil	22%	1%
2.	There has been a positive change in daily diets	200	2	132	Nil	55	11
			1%	66%	Nil	27.50%	5.5%
3.	My personal healthcare level has improved	200	6	126	Nil	62	6
			3%	63%	Nil	31%	3%
4.	My family members' healthcare has improved	200	8	128	Nil	58	6
			4%	64%	Nil	29%	3%
PSYCHOLOGICAL IMPACT							
1.	The level of mental stress has been reduced	200	5	136	Nil	53	6
			2.50%	68%	Nil	26.5%	3%
2.	My decision-making skills have improved	200	5	138	Nil	52	5
			2.50%	69%	Nil	26%	2.50%
3.	There has been an improvement in my self-confidence level	200	4	140	Nil	50	6
			2%	70%	Nil	25%	3%
4.	My personal happiness has improved	200	2	145	Nil	51	2
			1%	72.5%	Nil	35.5%	1%

Source: (Field Survey)

ECONOMIC IMPACT

Table 4.17. shows that 1 percent of the respondents strongly agree, and 67.50 percent agree that microfinance has improved the availability of cash in hand for basic needs. In contrast, 31.50 percent disagreed with it. 5.50 percent strongly agree

on improving their annual income, and 62.50 percent agree that participation in microfinance activities has improved their income. In comparison, thirty-one percent of the respondents disagree, and only one percent strongly disagree with the statement.

On the increased daily expenditure, 4.50 percent of the respondents strongly agreed, 63.50% agreed, and thirty-two percent disagreed. Three percent of the respondents strongly agreed, while 60 percent agreed that microfinance has helped improve their savings habits. However, 34.50 percent disagree, and another 2.50 percent strongly disagree. Further, one percent strongly agreed, and 30.50 percent agreed that microfinance positively impacts business undertakings. Still, 65.50 percent disagreed, and the other three percent strongly disagreed on positively impacting business. However, 14.50 percent agreed on generating employment opportunities, while, eighty-five percent disagreed. Whereas 81 percent of the respondents disagreed and another 4.50 percent strongly disagreed. 1.50 percent strongly agreed, and another 63.50 percent agreed on improving the housing quality after being involved in microfinance, while 34.50 percent disagreed one respondent strongly disagreed with the statement. Lastly, three percent strongly agreed, and 61.50 percent agreed with the statement that there has been an increase in financial assets. But, 35 percent disagreed, and 0.50 percent strongly disagreed on the positive impact of microfinance on financial assets.

Social impact

On assessing the social impact, six percent of the respondents strongly agree, and 67.50 percent agreed that participation in microfinance has improved the level of respect in society. In contrast, twenty-six percent disagreed and one respondent strongly disagreed with the statement. Seven percent strongly agree, and 66 percent agree that they have been able to motivate others in making life decisions. In comparison, 23.50 percent of the respondents disagree and 3.50 percent strongly disagreed with the positive impact of microfinance. 2.5 percent of the respondents

strongly agreed, and 65.5 percent agreed that personality and leadership qualities have developed, whereas 26.50 percent disagreed and 5.50 percent strongly disagreed. Four percent of the respondents strongly agree, while 67.50 percent agree that microfinance has helped improve their relationship with their neighbors. However, twenty-six percent disagree, and another 2.50 percent strongly disagree with the statement. Lastly, 5.50 percent strongly agreed, and sixty-seven percent agreed that microfinance positively impacts their social connections, but twenty-four percent disagreed and 3.5 percent strongly disagreed on having any social development because of microfinance.

Human Capital Impact

In Longding district, Nineteen percent strongly agreed, and 58 percent agreed that microfinance significantly impacts their children's education status. However, 22 percent disagreed, and other one percent strongly disagreed with the statement. Further, one percent of the respondents strongly agreed, and 66 percent agreed, while, 27.5 percent disagreed, and another 5.5 percent strongly disagreed that microfinance has positively impacted their daily diet. Based on improvement in self-healthcare in Longding district, 3 percent strongly agreed, and 63 agreed with the statement. In comparison, 31 percent disagreed, and another 3 percent strongly disagreed that microfinance significantly contributes to their health improvement. Similarly, on improving the family members' healthcare, 4 percent strongly agreed, and 64 percent agreed. However, 29 percent disagreed, and 3 percent strongly disagreed that microfinance had improved their family healthcare.

Psychological impact

While analyzing the psychological impact, the data revealed that 2.5 percent strongly agreed and 68 percent agreed that their mental stress had reduced. In comparison, 26.5 percent disagreed, and another 3 percent strongly disagreed. 2.5 percent of the respondents strongly agreed on improving their decision-making skills, and 69 percent agreed. In comparison, 26 percent disagreed, and another 2.5

percent strongly disagreed that microfinance has positively impacted their decision-making skill. Based on improvement in self-confidence among the 200 respondents, 2 percent strongly agreed, 70 agreed to the statement, 25 percent disagreed, and 3 percent strongly disagreed. Lastly, on developing the level of personal happiness among the respondents, 1 percent strongly agreed, and 72.5 percent agreed. However, 35.5 percent disagreed, and 1 percent strongly disagreed that microfinance had improved their happiness.

Table 4.18: Correlation analysis between Economic impact, Social Impact, Human Capital Impact, and the psychological impact

		Economic Impact	Social Impact	Human Capital Impact	Psychological Impact
Economic Impact	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	200			
Social Impact	Pearson Correlation	.785**	1		
	Sig. (2-tailed)	.000			
	N	200	200		
Human Capital Impact	Pearson Correlation	.619**	.771**	1	
	Sig. (2-tailed)	.000	.000		
	N	200	200	200	
Psychological Impact	Pearson Correlation	.624**	.773**	.910**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	200	200	200	200
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: (Authors Calculation)

Result: The table shows that economic impact strongly correlates positively with the social impact statements, while the social impact and the human capital impact strongly correlates with the psychological impact. The table highlights that the positive growth in economic Status, social connections, and human capital variables directly leads to improved psychological development among the microfinance beneficiaries in Longding district.

4.6. ASSOCIATION BETWEEN THE DEMOGRAPHIC PROFILE AND THE SOCIO-ECONOMIC STATUS OF THE MICROFINANCE BENEFICIARIES IN LONGDING DISTRICT

To determine the significant association between the demographic variables and the socio-economic status of the microfinance beneficiaries in Longding district, the data were analyzed using the chi-square test.

Hypothesis- 1

H₀: There is no significant association between the age groups and the socio-economic status of the beneficiaries in Longding district.

H₁: There is a significant association between the age groups and the socio-economic status of the beneficiaries in Longding district.

Table 4.19: Chi-Square test between the significant association of age groups and the socio-economic status of the beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	26.245	20	.158
Likelihood Ratio	29.943	20	.071
N of valid cases	200		

Source: (Authors Calculation)

Result: The Chi-Square test results reveal that the P-value is 0.158 at a 5% significance level greater than .05. Therefore, the Null Hypothesis is accepted. Hence, we conclude that age groups have no significant association with the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 2

H₀: There is no significant association between marital Status and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between marital Status and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.20. Chi-Square test between the significant association of marital status and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	43.635	15	.000
Likelihood Ratio	27.608	15	.024
N of valid cases	200		

Source: (Authors Calculation)

Result: The result of the Chi-Square test discloses that the P-value is 0.000 at a 5% significance level, which is less than .05. Hence, the Null Hypothesis is not accepted. Thus, there is a significant association between marital status and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 3

H₀: There is no significant association between the educational Qualification and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the educational Qualification and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.21: Chi-Square test between the significant association of the educational Qualification and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	34.595	15	.003
Likelihood Ratio	34.287	15	.003
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.003 at a 5% significance level, which is less than .05. Therefore, we fail to accept the Null Hypothesis. Hence, the result states a significant association between the educational qualification and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 4

H₀: There is no significant association between the number of family members and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the number of family members and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.22: Chi-Square test between the significant association of the number of family members and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	15.247	15	.434
Likelihood Ratio	15.703	15	.402
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.434 at a 5% level of significance, which is greater than .05. Therefore, the Null Hypothesis is accepted, and the result shows that there is no significant association between the number of family members and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 5

H₀: There is no significant association between occupational status and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between occupational status and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.23: Chi-Square test between the significant association of the occupational status and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Sig (2-sided)
Pearson Chi-Square	30.218	10	.001
Likelihood Ratio	30.763	10	.001
N of valid cases	200		

Source: (Authors Calculation)

Result: The result of Chi-Square test shows that the P-value is 0.001 at a 5% significance level, which is less than .05. Hence, the Null Hypothesis is not accepted. Therefore, the result reveal that there is a significant association between the occupational status and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 6

H₀: There is no significant association between the type of ration cards and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the type of ration cards and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.24: Chi-Square test between the significant association of the type of ration cards and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	59.376	10	.000
Likelihood Ratio	65.563	10	.000
N of valid cases	200		

Source: (Authors Calculation)

Result: The Chi-Square test result shows that the P-value is 0.000 at 5% level of significance, which is less than .05. Hence, we fail to accept the Null Hypothesis. Therefore, there is a significant association between the type of ration cards and the socio-economic status of the microfinance beneficiaries in Longding district.

4.7. ASSOCIATION BETWEEN MICROFINANCE AND THE SOCIO-ECONOMIC CONDITION OF THE MICROFINANCE BENEFICIARIES IN LONGDING DISTRICT

Hypothesis- 7

H₀: There is no significant association between the duration of microfinance and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the duration of microfinance and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.25: Chi-Square test between the significant association of the duration of microfinance and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.796	5	.236
Likelihood Ratio	7.278	5	.201
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.236 at a 5% level of significance, which is greater than .05. Therefore, the Null Hypothesis is accepted, and hence, we conclude that there is no significant association between the duration of microfinance and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 8

H₀: There is no significant association between the number of times microfinance availed and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the number of times microfinance availed and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.26: Chi-Square test between the significant association of the number of times microfinance availed and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.131	5	.831
Likelihood Ratio	2.347	5	.799
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test shows that the P-value is 0.831 at a 5% level of Significance, which is greater than .05. Therefore, the Null Hypothesis is accepted, and hence, there is no significant association between the number of times microfinance loan availed and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 9

H₀: There is no significant association between the purpose of microfinance and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the purpose of microfinance and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.27: Chi-Square test between the significant association of the purpose of microfinance loan and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	44.664	25	.009
Likelihood Ratio	44.533	25	.009
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test demonstrates that the P-value is 0.009 at a 5% significance level, which is less than .05. Therefore, we fail to accept the Null Hypothesis. Hence, the result shows a significant association between the purpose of microfinance loans and the socio-economic status of the microfinance beneficiaries in Longding district.

Hypothesis- 10

H₀: There is no significant association between the annual savings and the socio-economic status of the microfinance beneficiaries in Longding district.

H₁: There is a significant association between the annual savings and the socio-economic status of the microfinance beneficiaries in Longding district.

Table 4.28: Chi-Square test between the significant association of annual savings and the socio-economic status of the microfinance beneficiaries in Longding district

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	30.314	15	.011
Likelihood Ratio	33.538	15	.004
N of valid cases	200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test demonstrates that the P-value is 0.011 at a 5% significance level, which is less than .05. Therefore, we fail to accept the Null Hypothesis. Thus, the result states a significant association between the annual savings and the socio-economic status of the microfinance beneficiaries in Longding district.

4.8. IMPACT OF MICROFINANCE ON THE BUSINESS DEVELOPMENT OF THE RESPONDENTS IN LONGDING DISTRICT

Among the two hundred respondents in Longding district, only forty-one respondents have undertaken microfinance facilities for business activities. Hence, table 4.29. shows the percentage analysis of microfinance impact on the respondents in Longding district.

Table 4.29: Percentage analysis of microfinance impact on the respondents in Longding district

Sl. No	Statement	N	SA	A	N	D	SD
FINANCIAL ASPECT							
1.	There has been an increase in business capital	41	2	35	Nil	4	Nil
			4.9%	85.4%	Nil	9.8%	Nil
2.	More alternative sources of credit are available	41	16	21	Nil	4	Nil
			39%	51.2%	Nil	9.8%	Nil
3.	I have been more confident in taking financial risk	41	Nil	37	Nil	4	Nil
			Nil	90.2%	Nil	9.8%	Nil
4.	Collecting debts from the debtors has become easier	41	1	18	Nil	22	Nil
			2.4%	43.9%	Nil	53.7%	Nil
5.	I have more access to banking services now	41	1	36	Nil	4	Nil
			2.4%	87.8%	Nil	9.8%	Nil
OPERATIONAL ASPECT							
1.	Finding workers has become easier	41	1	32	Nil	8	Nil
			2.4%	78%	Nil	19.5%	Nil
2.	Raw materials can be availed without many problems	41	1	22	Nil	18	Nil
			2.4%	53.7%	Nil	43.9%	Nil
3.	There has been a reduction in an average operational cost	41	Nil	31	Nil	10	Nil
			Nil	75.6%	Nil	24.4%	
4.	It has been easier to promote the business product	41	Nil	36	Nil	3	2
			Nil	87.8%	Nil	7.3%	4.9%
5.	The amount of profit has increased over the years	41	Nil	37	Nil	4	
			Nil	90.2%	Nil	9.8%	
MARKETING ASPECT							
1.	The demand for the product in the	41	Nil	35	Nil	6	Nil

	market has increased		Nil	85.4%	Nil	14.4%	Nil
2.	There has been decreased competition in the market	41	Nil	6	Nil	35	
			Nil	14.6%	Nil	85.4%	
3.	The average expenditure of the business product has been reducing	41	Nil	34	Nil	7	Nil
			Nil	82.9%	Nil	17.1%	Nil
4.	There has been a positive increase in the business revenue	41	Nil	36	Nil	5	Nil
			Nil	87.8%	Nil	12.2%	Nil

Source: (Field Survey)

Financial aspect

Out of forty-one respondents in Longding district, 2(4.9%) strongly agreed, and 35(85.4%) agreed that participation in microfinance had increased the business capital. However, 4(9.8%) respondents disagreed with the statement. Likewise, on assessing the availability of more alternative sources of credit through microfinance in Longding district, 16 (39%) respondents strongly agreed, and 21(51.2%) respondents agreed with the statement, whereas 4(9.8%) respondents disagreed that microfinance acts as an alternate source of credit to the rural population in the district. Further, while assessing the impact of microfinance on the confidence level in taking a financial risk, the data revealed that 37(90.2%) agreed to have improved confidence in taking a financial risk. In contrast, there were 4 (9.8%) respondents who disagreed.

On measuring microfinance's impact on debt collection from debtors in Longding district, only 1(2.4%) strongly agreed, and the other 18(43.9%) agreed with the statement. In contrast, there were 22(53.7%) respondents who disagreed that microfinance has a positive impact on debt collection., Lastly, while evaluating the impact of microfinance on having more access to banking services among the respondents in Longding, only 1 (2.4%) respondent strongly agreed, while 36(87.8%)

agreed with the statement. On the other hand, 4(9.8%) respondents disagreed with the positive impact of microfinance towards more access to banking services.

OPERATIONAL ASPECT

In addition to the financial aspect, an interview schedule was also prepared for the operational aspect of the business. The study's findings revealed that in Longding district, only 1(2.4%) respondent strongly agreed, and 32(78%) agreed that microfinance has to lessen the trouble of finding unskilled laborers. In comparison, only 8(19.5%) respondents disagreed that microfinance has no impact on finding workers for the business. Similarly, 1(2.4%) respondent strongly agreed, and 22(53.7%) respondents agreed with the statement that microfinance has a significant impact on finding raw materials, whereas 18(43.9%) respondents disagreed that microfinance has an impact on the accessibility of raw materials required for business.

Another operational aspect attempted to determine the impact of microfinance in reducing the average operating cost of the business undertakings in Longding district. The data indicated that 31(75.6%) agreed, while 10(24.4%) disagreed that microfinance significantly impacts the average operational cost of their business., Further, while assessing the impact of microfinance on promoting their businesses, among the 41 respondents in Longding district, 36(87.8%) respondents agreed that it has been easier to promote business after participating in the workshop programs wherein the Non-Governmental Organizations assist the businesses in marketing of the business product. However, 3(7.3%) respondents disagreed and another 2(4.9%) strongly disagreed with the statement., Lastly, the study also tried to understand the impact of microfinance on the profit of the business, and the findings revealed that in Longding district, 37(90.2%) agreed with the statement, while the other 4(9.8%) disagreed.

MARKETING ASPECT

While assessing the marketing aspect of microfinance's impact on business development in Longding district, the data showed that 35(85.4%) respondents agreed that the demand for their product has increased, but 6(14.4%) respondents disagreed. The study further attempted to find if there has been any decrease in business competition over the years. The findings revealed that 35(85.4%) respondents agreed with the statement, while 6(14.6%) disagreed. This signifies that in the Longding district, many business undertakings did not do well since the termination of NERCORMP, which was their main sponsor. However, few people take up micro-scale businesses instead of solely depending on agriculture.

On analyzing the impact of microfinance on reducing the average expenditure of the business, the table shows that 34(82.9%) agreed on the positive impact of microfinance on average cost reduction. In comparison, 7(17.1%) respondents disagreed with it., Lastly, the final business-related question was to find out if there has been any positive increase in their business revenue, wherein it was found that in Longding district, 36(87.8%) respondents agreed with the statement. In comparison, 5(12.2%) respondents disagreed that microfinance positively impacts their business revenue.

Table 4.30: Mean score of microfinance impact on business development in Longding district

Sl. No	Statement	N	Minimum	Maximum	Mean
1	There has been an increase in business capital	41	2	5	3.8537
2	More alternative sources of credit are available	41	2	5	4.1951
3	I have been more confident in taking financial risk	41	2	4	3.8049
4	Collecting debts from the debtors has become easier	41	2	5	2.9512
5	I have more access to banking services now	41	2	5	3.8293
6	Finding workers has become easier	41	2	5	3.6341

7	Raw materials can be availed without many problems	41	2	5	3.1463
8	There has been a reduction in an average operational cost	41	2	4	3.5122
9	It has been easier to promote the business product	41	1	4	3.7073
10	The amount of profit has increased over the years	41	2	4	3.8049
11	The demand for the product in the market has increased	41	2	4	3.7073
12	There has been decreased competition in the market	41	2	4	2.2927
13	The average expenditure of the business product has been reducing	41	2	4	3.6585
14	There has been a positive increase in the business revenue	41	2	4	3.7561
	Valid N (Listwise)	41			

Source: (Authors Calculation)

The above table describes the mean scores of microfinances financial, operational, and marketing aspects on business in Longding district. The calculated mean shows that most scores are greater than the mean value, except for two statements, i.e., collecting debts from the debtors has become more accessible, and there has been decreased competition in the market. This implies that microfinance has contributed significantly to the micro-scale businesses in the Longding district, and there has been more competition in business undertakings; however, it has been revealed that microfinance has neither a positive nor negative impact on the debt collection of the beneficiaries from the debtors.

4.9. CHALLENGES FACED BY THE MICROFINANCE BENEFICIARIES IN LONGDING DISTRICT

The study attempted to analyze the various challenges encountered by the microfinance beneficiaries in Longding district. The percentage analyses and the mean scores of the responses are computed in the following tables.

Table 4.31: Percentage analysis of challenges faced by the microfinance beneficiaries in Longding district

Sl. No	Statement	N	SA	A	N	D	SD
FINANCIAL PROBLEMS							
1.	Microcredit loans are not sufficient	200	Nil	9	Nil	184	7
			Nil	4.50%	Nil	92%	3.50%
2.	The rate of interest charged is very high	200	Nil	8	Nil	181	11
			Nil	4%	Nil	90.5%	5.5%
3.	The process of availing loan is expensive	200	Nil	Nil	Nil	188	12
			Nil	Nil	Nil	94%	6%
4.	Time duration for Repayment is insufficient	200	Nil	10	Nil	181	9
			Nil	5%	Nil	90.50%	4.5%
5.	Penalty in case of non-Repayment is severe	200	Nil	4	Nil	184	12
			Nil	2%	Nil	92%	6%
KNOWLEDGE/AWARENESS PROBLEMS							
1.	It is difficult to understand the credit agreement	200	Nil	2	Nil	188	10
			Nil	1%	Nil	94%	5%
2.	It is challenging to access microfinance loans	200	Nil	Nil	Nil	194	6
			Nil	Nil	Nil	97%	3%
3.	Processing of microfinance loan is time-consuming	200	Nil	1	Nil	187	12
			Nil	0.5%	Nil	93.5%	6%

4.	There is no proper support from loan-providing authorities	200	Nil	8	Nil	183	9
			Nil	4%	Nil	91.5%	4.5%
5.	I do not have proper knowledge about the microfinance schemes		71	127	Nil	2	Nil
			35.50%	63.5%	Nil	1%	Nil
OTHER PROBLEMS							
1.	Lack of support from the Government agencies	200	Nil	12	Nil	183	5
			Nil	6%	Nil	91.5%	2.5%
2.	Family members are not supportive of microfinance activities	200	1	1	Nil	166	32
			0.5%	0.5%	Nil	83%	16%
3.	The rules of availing microfinance are too complex	200	Nil	2	Nil	191	7
			Nil	1%	Nil	95.50%	3.5%
4.	Training facilities are not sufficient	200	Nil	12	Nil	181	7
			Nil	6%	Nil	90.5%	3.5%
5.	The location of the microfinance institution acts as a disadvantage to me		Nil	21	Nil	174	5
			Nil	10.5%	Nil	87%	2.5%
6	The microfinance-providing authorities are not very friendly		Nil	17	Nil	178	5
			Nil	8.5%	Nil	89%	2.5%

Source: (Field Survey)

Financial problems

While evaluating the challenges regarding the adequacy of microfinance loans, 92 percent of the respondents disagreed that the amount is insufficient, 3.50 percent strongly disagreed, whereas 4.50 percent agreed that the loan amount was inadequate to meet the requirements. Further, 90.50 percent of the respondents disagreed, and 5.50 percent strongly disagreed that the rate of interest charged is high. On the other hand, four percent agreed with the statement. Likewise, 94 percent disagreed, and six strongly disagreed that the process of availing loan is expensive. Similarly, 90.50 percent disagreed that repayment duration is

insufficient, while 4.50 percent strongly disagreed with the statement, whereas five percent of the respondents agreed that the repayment period was not satisfactory. Lastly, ninety two percent disagreed that the penalty in case of non-repayment is severe, and the other six percent strongly disagreed with the statement. However, two percent of the respondents in Longding district agreed that the penalty in case of non-repayment is severe.

Knowledge Problems

As the study attempts to analyze the awareness problems encountered by the microfinance beneficiaries in Longding district, the findings revealed that ninety-four percent of the respondents disagreed, and five percent strongly disagreed that it is difficult to understand the credit agreement. While there were only two respondents who agreed to face difficulties in understanding the agreement. Likewise, ninety-seven percent disagreed, and three percent strongly disagreed with the statement that accessing microfinance loans is challenging. Further, 93.50 percent disagreed, and six percent strongly disagreed that availing microfinance loan is time-consuming. Only one respondent agreed that the process is time-consuming. Further, 91.50 percent disagreed, and 4.50 percent strongly disagreed that there was no proper support from the authorities. Whereas only four percent of the respondents were not satisfied with the support received from the microfinance authorities. Lastly, only one percent of the respondents disagreed with the statement that I do not have proper knowledge about microfinance. Whereas ninety nine percent of the respondents either agreed or strongly agreed that they do not have adequate knowledge about microfinance.

Other problems

Apart from assessing financial problems and awareness problems, other issues were also examined, and the study showed that 91.50 percent of the respondents disagreed and 2.50 percent strongly disagreed that there is a lack of support from government agencies. In contrast, six percent agreed that they are not satisfied with

the support received from the Government agencies. Similarly, ninety-nine percent agreed or strongly agreed that their family members support their participation in microfinance activities. At the same time, two respondents disagreed with the statement. Further, on analyzing if the rules involved in microfinance are not complicated, ninety-nine percent of the respondents disagreed or strongly disagreed. While six percent of the respondents disagreed that the training facilities are not satisfactory, the other ninety four percent disagreed or strongly disagreed with the statement. 8.50 percent of the respondent believed that the microfinance-providing authorities are not friendly, and 10.50 percent found that the location is a disadvantage in accessing microfinance facilities.

Table 4.32: Descriptive Statistics showing the mean score of challenges faced by the microfinance beneficiaries in Longding district

Sl No	Statement	N	Minimum	Maximum	Mean
1	Microcredit loans are not sufficient	200	1	4	2.0500
2	The rate of interest charged is very high	200	1	4	2.0250
3	The process of availing loan is expensive	200	1	2	1.9400
4	Time duration for Repayment is insufficient	200	1	4	2.0550
5	Penalty in case of non-Repayment is severe	200	1	2	1.9800
6	It is difficult to understand the credit agreement	200	1	2	1.9700
7	It is challenging to access microfinance loans	200	1	2	1.9700
8	Processing of microfinance loan is time-consuming	200	1	2	1.9500
9	There is no proper support from loan-providing authorities	200	1	4	2.0350
10	I do not have proper knowledge about the microfinance schemes	200	2	5	4.3350
11	Lack of support from the Government agencies	200	1	4	2.0950

12	Family members are not supportive of microfinance activities	200	1	2	1.8650
13	The rules of availing microfinance are too complex	200	1	2	1.9850
14	Training facilities are not sufficient	200	1	4	2.0850
15	The location of the microfinance institution acts as a disadvantage to me	200	1	4	2.1850
16	The microfinance-providing authorities are not very friendly	200	1	4	2.1450
	Valid N (Listwise)	200			

Source: (Field Survey)

Table 4.23. shows the mean scores of various challenges and problems faced by the microfinance beneficiaries in the Longding district. The computed mean illustrates that the mean scores of most statements are less than the mean value, which implies that most respondents disagreed on facing many challenges while availing of microfinance services. However, the statement, I do not have proper knowledge about microfinance schemes, shows a mean score above 4. Therefore, the findings signify that most Longding district beneficiaries do not encounter too many severe problems while participating in microfinance activities. However, it is seen that the majority of the respondents do not have sufficient knowledge about microfinance activities.

4.10. CONCLUSION

Longding district is one of the newly formed districts in Arunachal Pradesh, carved out of the south portion of Tirap district in 2012. The socio-economic status of the district is identical to its parent district. The district encounters several problems that get in the goal of its transformation from a rural to a developed region. Even in this period of high technology and infrastructure connectivity, many of the villages

in Longding district do not have access to basic amenities of life. The region's people depend solely on their agricultural farms. Most of the rural population relies on jhum cultivation to support their livelihood. In the contemporary environment, those households find it difficult to meet their basic need due to the absence of income-generating activities. In such a scenario, over the years, the central and State Government has continuously attempted to achieve the long-term objective of poverty alleviation by encouraging the active participation of rural society in economic activities. The microfinance mechanism attempts to address the problem of rural credit requirements by assisting the women population to form self-help groups and develop the habit of self-reliance. Usually, the women groups in the villages come together and form a group of 10 or more members, where they collect a minimum amount, pool a collective fund, and lend the funds to each other in times of need. This microfinance project by the Governemnt and Non-Governmental Organizations has given some hope to the rural population in the district, and the findings of the research study show that microfinance has positively impacted the beneficiaries by enhancing their financial, social, psychological, and business status. However, there is an urgent need for adequate financial literacy among the people to encourage them to undertake income-generating activities that provide employment opportunities and self-reliance.

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CHAPTER 5

GROWTH AND PERFORMANCE OF MICROFINANCE IN TIRAP AND LONGDING DISTRICTS: A COMPARATIVE ANALYSIS

5.1. INTRODUCTION

Microfinance may be characterized in various forms across different geographical locations. However, all the interpretations contain the same objective of providing financial access to all the deprived individuals who lack access to the traditional banking system (Kumar, 2021). According to the Malegam Committee Report 2010, microfinance includes; borrowers with low income, small loans, and no collateral required. Generally, loans are provided for income-generating activities but can be utilized for other purposes, such as housing and consumption (Kn & Jessica, 2018). Though the level of development in financial inclusion differs based on the outreach of the microfinance institutions and the financial literacy of the people in a region, creating an equitable society through poverty alleviation and rural transformation has remained a significant challenge for the Government since independence (Gaur & Rao, 2020). Most poor households availed microfinance loans for services such as consumption, medical emergencies, educational purposes, business undertakings, etc., to improve their living standards. Hence, microfinance is often regarded as one of the most crucial development paradigms in human history for its effective way of serving the financially challenged population, who are economically productive (Kumar, 2021).

Microfinance has contributed to economic growth worldwide by effectively aiding the deprived population to overcome financial scarcity in times of need. Likewise, the successive Government has positively impacted the lives of the people in the rural villages of Tirap and Longding districts. The chapter highlights the comparative study of the microfinance respondents in Tirap and Longding districts. In this chapter, a comparison is made based on demographic profile,

business details, economic impact, social impact, human capital impact, and psychological impact. It also deals with the impact of microfinance activities on those respondents who have availed microfinance for business purposes. The comparison was made based on financial, operating, and marketing aspects. The chapter further covers the various challenges the beneficiaries confront while availing microfinance. The challenges were categorized into financial problems, awareness problems, and other problems.

5.2. DEMOGRAPHIC PROFILE OF THE RESPONDENTS

5.2.1. Age-wise distribution of the respondents

The age group comparison among the microfinance beneficiaries in Tirap and Longding districts is shown in Table 5.1 and Figure 5.1.

Table 5.1: Age-wise distribution of the respondents

Age (in years) Districts	18-25	26-35	36-45	46-55	Above 56	Total
Tirap	14	25	64	77	20	200
Longding	4	13	73	93	17	200
Grand Total	18	38	137	170	37	400
Percentage	4.5	9.5	34.25	42.5	9.25	100

Source: (Field Survey)

The table shows that in Tirap district, seven percent of the respondents fall under the young age group of 18 years to 25 years. It is followed by the age group distribution of 26- 35 years, constituting 12.50 percent of the respondents. Thirty-two percent of the respondents belong to the age group of 36- 45 years. Similarly, most of the microfinance beneficiaries are in the middle-aged category of 46- 55 years (38.50 percent), and 10 percent of the respondents were about the age of 56

years. As for Longding district, only two percent of the respondents fall under the age group of 18 to 25. It is followed by the age group distribution of 26- 35 years, constituting 6.50 percent of the respondents. 36.50 percent of the respondents belong to the age group of 36- 45 years. Similarly, most of the microfinance beneficiaries are in the middle-aged category of 46- 55 years, i.e., 46.50 percent. Lastly, 8.50 percent of the respondents were above the age of 56. In both districts, most respondents are middle-aged, and the ratio of young and aged populations is relatively low.

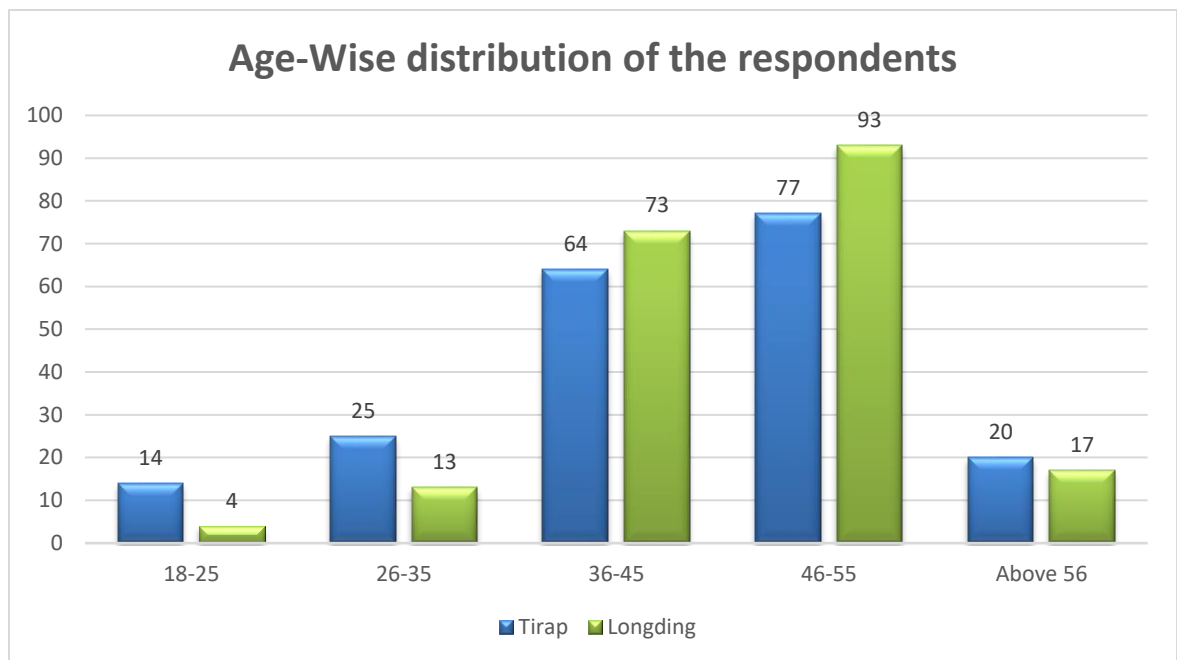


Figure 5.1: Age-wise distribution of the respondents

5.2.2. Gender of the respondents

In both districts, male and female participation in microfinance activities differ. Therefore, a comparison is made through a percentage analysis and it is shown in table 5.2.

Table 5.2: Gender of the respondents

Gender Districts	Female	Male	Total
Tirap	180	20	200
Longding	196	4	200
Grand Total	376	24	400
Percentage	94	6	100

Source: (Field Survey)

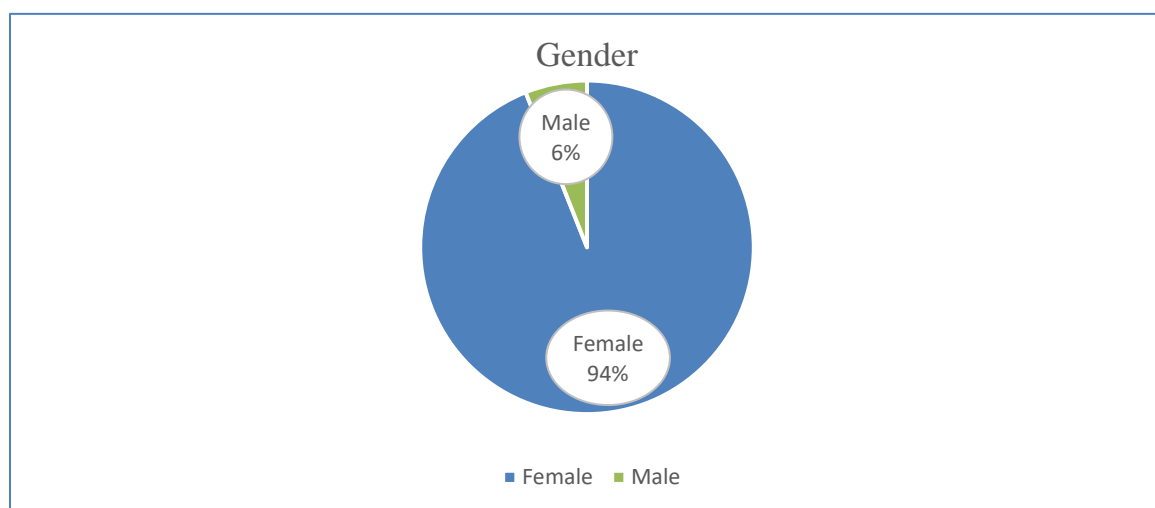


Figure 5.2: Gender of the respondents

In Tirap district, Ninety percent of the respondents are female, and only ten percent are male beneficiaries, while in Longding district, Out of 200 respondents, only 4 were males, and 196 were females. The data clearly illustrates that the women groups in the districts actively participate in various microfinance activities by forming self-help groups and collaborating with the NGOs and the Government to conduct workshops to encourage income-generating activities.

5.2.3. Marital Status of the Respondents

The comparative table and graph of the marital status among the microfinance beneficiaries in Tirap and Longding districts are shown below.

Table 3.3: Marital Status of the Respondents

Status Districts	Single	Married	Widow/ Widower	Divorced	Total
Tirap	19	167	12	02	200
Longding	2	191	03	04	200
Grand Total	21	358	15	06	400
Percentage	5.25	89.5	3.75	1.5	100

Source: (Field Survey)

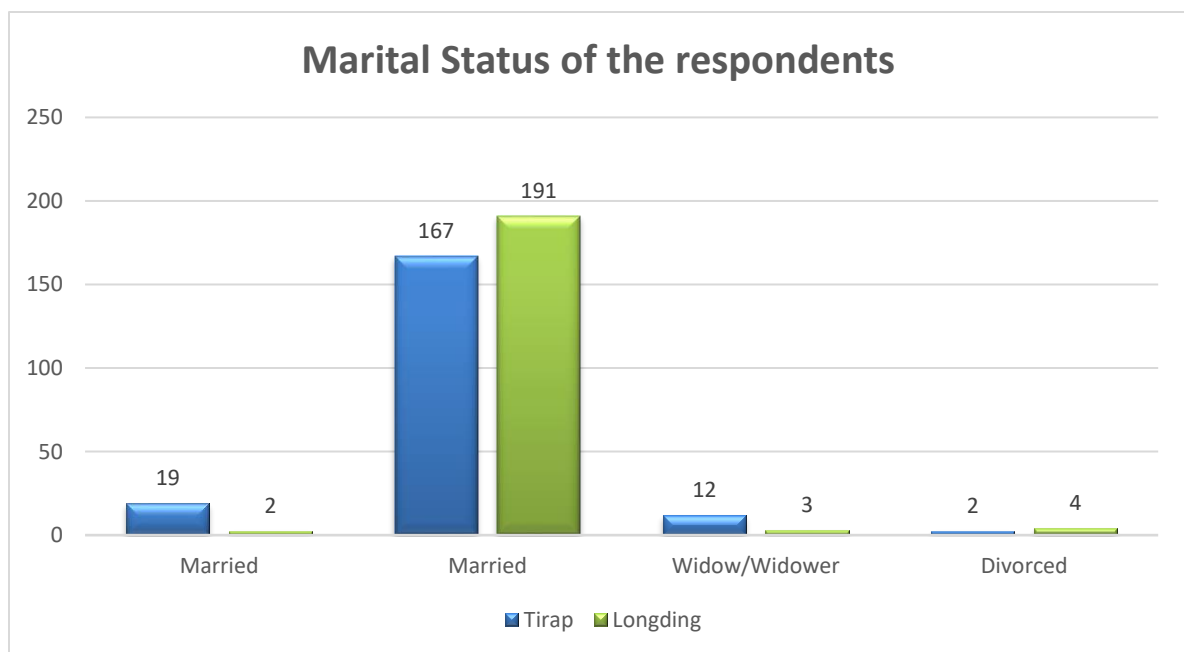


Figure 5.3: Marital Status of the Respondents

Most respondents in Tirap district are married, as 83.50 percent fall under the married category, while 9.50 percent are single or unmarried. Widow/ widower respondents account for 6 percent, and only one percent are divorced. In Longding, 95.50 percent fall under the married category, while only 1 percent are single or unmarried. Widow/ widower respondents account for 1.50 percent, and two percent are divorced.

5.2.4. Educational Qualification of the Respondents

The level of education differs from one region to another. Therefore, a comparative analysis of the educational Qualification of the microfinance beneficiaries in Tirap and Longding districts is highlighted in Table 5.4 and Figure 5.4.

Table 5.4: Educational Qualification of the Respondents

Qualifications Districts	No Schooling	Secondary	HSLC	HSSLC	Graduate	Total
Tirap	8	72	64	53	3	200
Longding	12	110	59	19		200
Grand Total	20	182	123	72	3	400
Percentage	5	45.5	30.75	18	0.75	100

Source: (Field Survey)

The data in Tirap district shows that eight respondents, i.e., four percent, have never attended any formal educational institute. At the same time, most of them belong to secondary-level education, i.e., 36 percent of the respondents have completed primary-level education but have not completed class ten. Likewise, 32 percent fall under the HSLC category, and 26.50 percent of the respondents have completed class twelve. Lastly, only three respondents had a bachelor's degree. As for

Longding district, 12 respondents, i.e., 6 percent, have never attended any formal educational institute. While most belong to secondary-level education, i.e., 55 percent of the respondents have completed primary-level education but have not completed class ten. 29.50 percent fall under the HSLC category, and 9.50 percent of the respondents have completed class twelve. The data implies that the educational Qualification of the microfinance beneficiaries in the rural villages of Tirap and Longding districts is low. This is mainly because most respondents are married women who have dropped out of schools and colleges to take care of their families and are now actively involved in various microfinance activities.

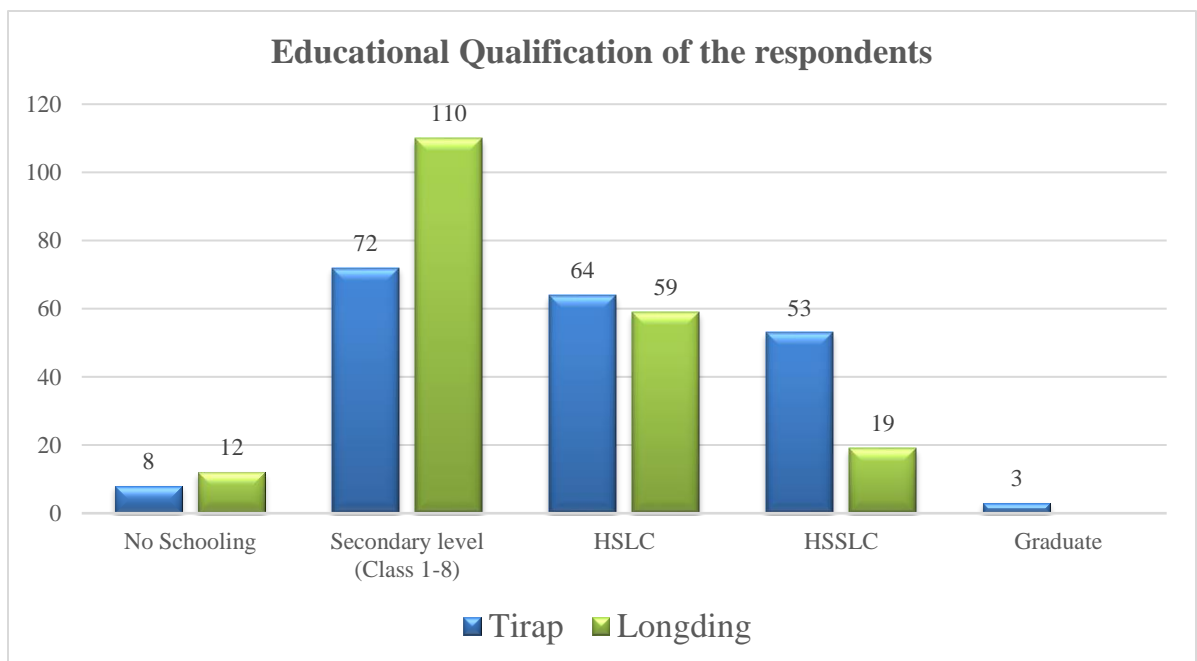


Figure 5.4: Educational Qualification of the Respondents

5.2.5. Occupation Status of the Respondents

The rural households in Tirap and Longding districts are primarily involved in agricultural activities. However, they are also engaged in other activities. Therefore, it is essential to compare the occupational status of the microfinance beneficiaries in both districts to analyze their participation level.

Table 5.5: Occupation Status of the Respondents

Occupation Districts	Agriculture	Business	Labour	Others	Total
Tirap	109	79	Nil	12	200
Longding	147	43	Nil	10	200
Grand Total	256	122	Nil	22	400
Percentage	64	30.5	Nil	5.5	100

Source: (Field Survey)

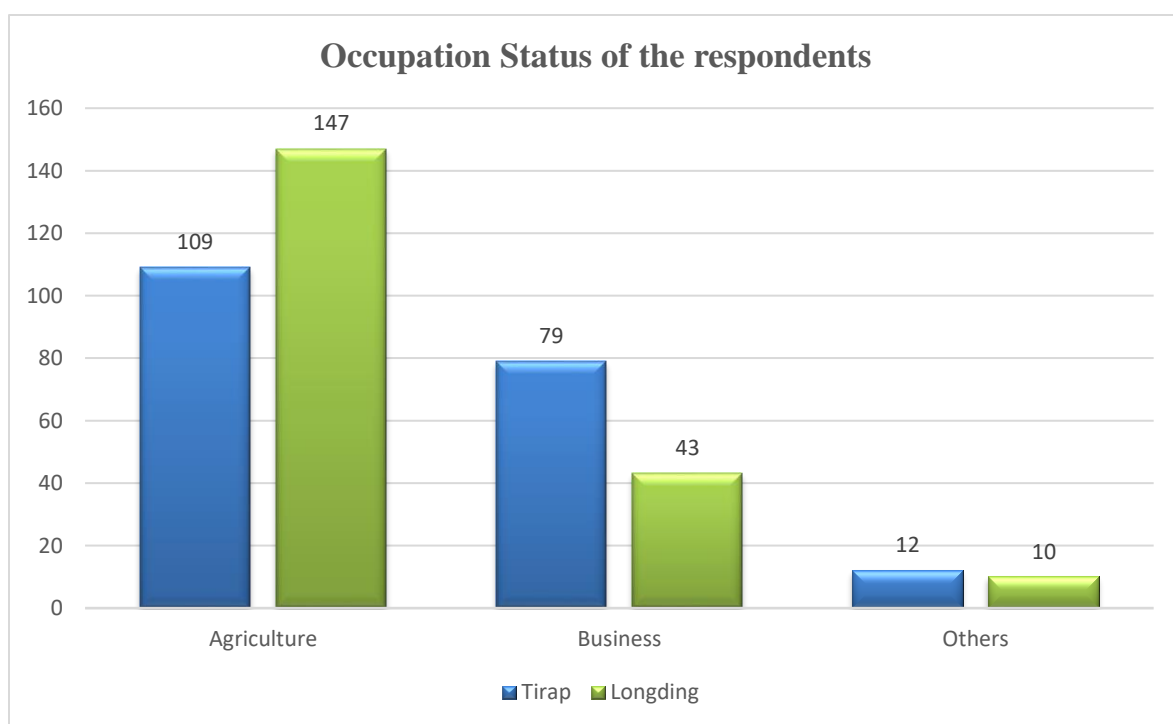


Figure 5.5: Occupation Status of the Respondents

In Tirap district, 54.50 percent of the respondents are engaged in agricultural activities and allied services. In comparison, 39.50 percent are involved in micro-scale businesses, and six percent belong to other categories, i.e., government employees posted in the villages or employees working in private schools in rural

regions. As for Longding district, 73.50 percent of the respondents are engaged in agricultural activities and allied services, whereas 21.50 percent are involved in micro-scale business undertakings, and 5 percent belong to other categories. Further, none of the rural respondents in the districts fall under the labor classification as they all were engaged in their owned agricultural fields or undertook certain businesses for livelihood. These individuals practice traditional shifting farming, cultivating rice and other vegetables for themselves. Their micro-scale business undertakings comprise retail shops, poultry farms, beads making, traditional handbags, weaving, wood handicrafts, piggery farm, cardamom & ginger production, etc.

5.2.6. Self-Help Group Membership

The self-help group is the most prominent form of the microfinance model, and most of the microfinance participants are SHG members. However, other non-SHG members also avail micro-credit loans. Therefore, a comparative analysis has been made between the Tirap and Longding district beneficiaries.

Table 5.6: Self-Help Group Membership

Membership Districts	SHG	Non-SHG	Total
Tirap	185	15	200
Longding	200	Nil	200
Grand Total	385	15	400
Percentage	96.25	3.75	100

Source: (Field Survey)

The data shows that in Tirap district, 92.50 percent of the microfinance beneficiaries are SHG members. Still, 7.50 percent of the respondents also participate in microfinance activities without being part of a self-help group. As for Longding district, it is evident that 100 percent of the microfinance beneficiaries are SHG members, and unlike Tirap district, the data revealed that there were male SHG members in some villages.

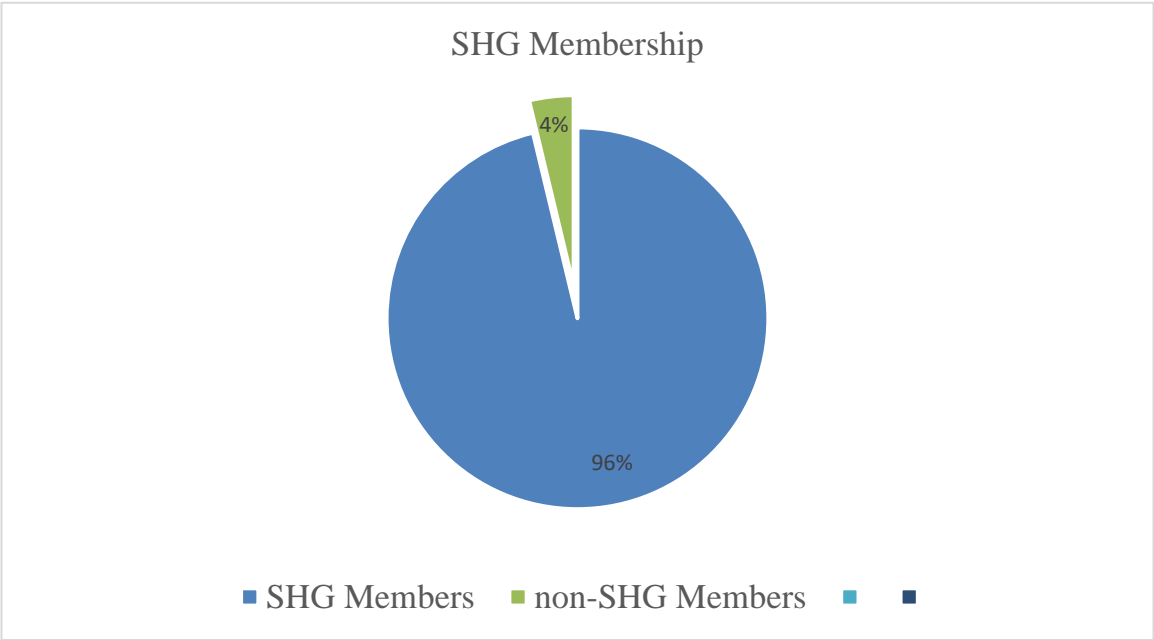


Figure 5.6: Self-Help Group Membership

5.3. MICROFINANCE DETAIL

5.3.1. Duration of microfinance loan availed

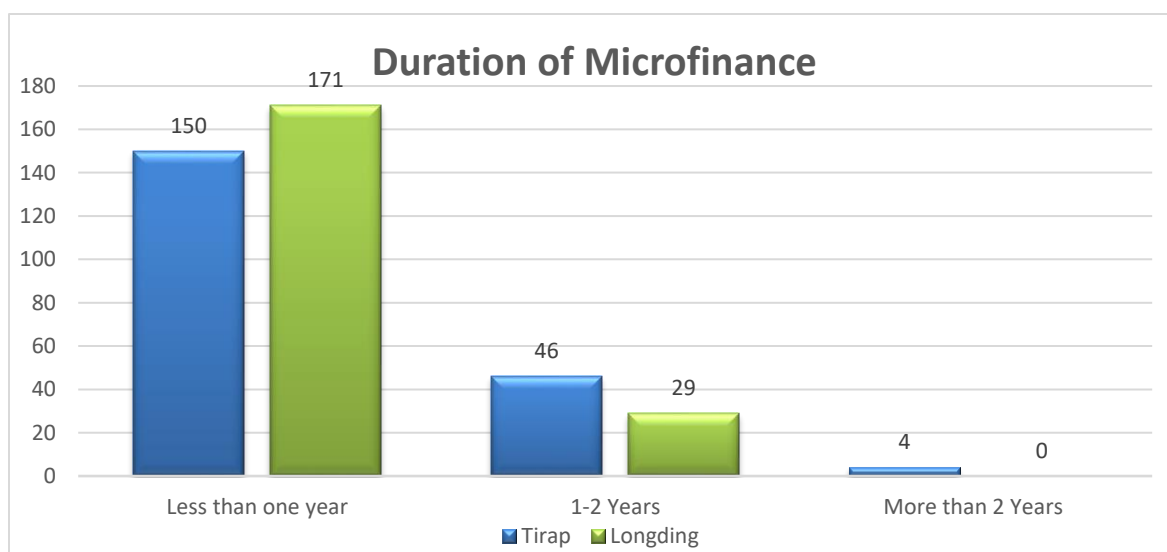
The microfinance loan-providing authority can decide the loan repayment duration, so it differs from region to region. Therefore, table 5.7 and Figure 5.7 show the comparative analysis among the Tirap and Longding district beneficiaries.

Table 5.7: Duration of microfinance loan availed

Duration Districts	Less than one year	1-2 years	More than two years	Total
Tirap	150	46	4	200
Longding	171	29	Nil	200
Grand Total	321	75	4	400
Percentage	80.25	18.75	1	100

Source: (Field Survey)

In Tirap district, 75 percent of the total respondents have availed of micro-credit for less than one year, while there were 23 percent who had a repayment period of more than one year but less than two years. It is also seen that four respondents have availed of microfinance loans for more than two years. Whereas, In Longding district, 85.50 percent of the respondents have availed of micro-credit for less than one year, while 14.50 percent had a repayment period of more than one year but less than two years.

**Figure 5.7: Duration of microfinance loan availed**

5.3.2. Sources of availing Microfinance

One of the most important objectives of the present study was to identify the sources of microfinance. The study revealed that all four hundred respondents in the two districts availed micro-credit exclusively from the SHGs. The banking institutions do not provide non-collateral free loans. Further, Non-Governmental Organizations (NGOs) and Government agencies only provide non-financial microfinance services through workshops and other awareness programs. These institutions do not offer direct finance and provide a revolving Fund (RF) to the newly formed self-help groups to encourage the groups to undertake income-generating activities.

5.3.3. Purpose of availing Microfinance

According to the RBI, an individual can avail microfinance for various purposes, provided the household annual income does not exceed three lakh. Hence, identifying the different uses of microfinance loans is necessary to understand people's behavior regarding microfinance services.

Table 5.8: Purpose of availing Microfinance

Purpose	Business	Agriculture	Marriage	Education	Consumption	Medical	Total
Districts							
Tirap	86	26	5	50	20	13	200
Longding	41	12	2	111	12	22	200
Grand Total	127	38	7	161	32	35	400
Percentage	31.75	9.5	1.75	40.25	8	8.75	100

Source: (Field Survey)

In Tirap district, 43 percent of the respondents availed microfinance for undertaking income-generating activities, 13 percent for agricultural purposes, 2.50 percent for marriage purposes, 25 percent for educational purposes, 10 percent for consumption purposes, and 6.50 percent for medical purposes. Whereas the data in Longding district shows that 20.50 percent of the respondents availed microfinance for income-generating activities, 6 percent for agricultural purposes, 1 percent for marriage purposes, 55.50 percent for educational purposes, 6 percent for consumption purposes, and 11 percent for medical purposes.

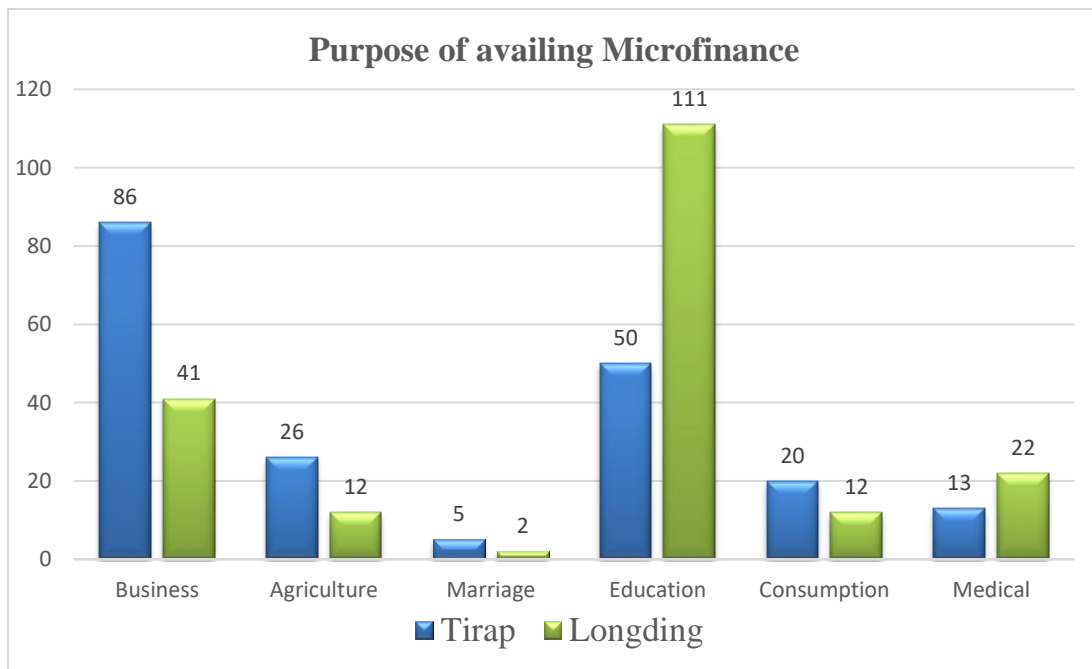


Figure 5.8: Purpose of availing Microfinance

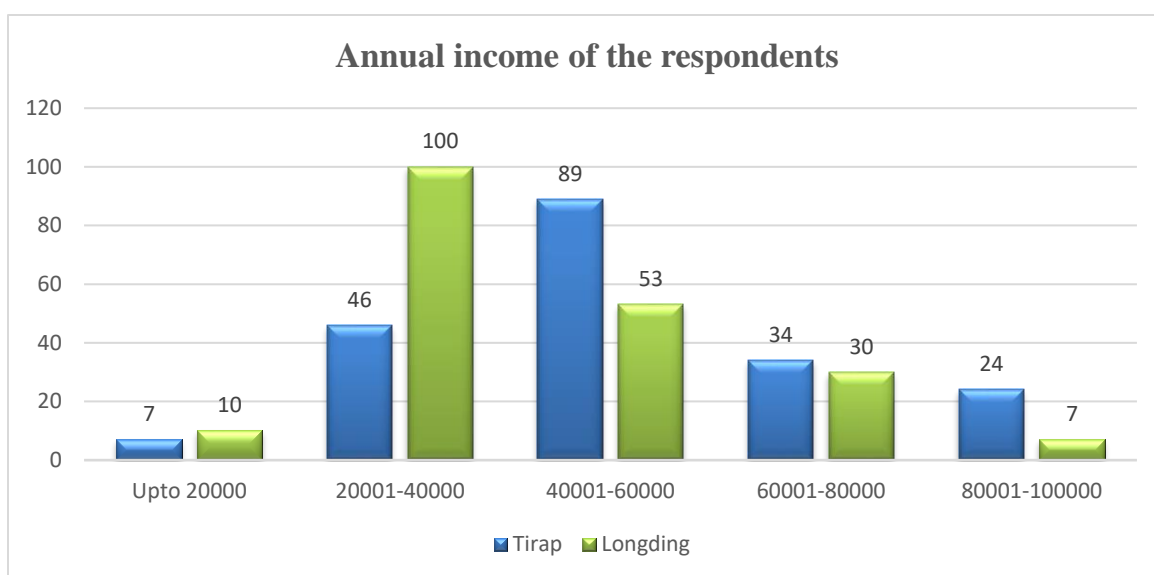
5.3.4. Annual Income

The level of an individual annual income shows their standards of living. Thus, it is an important variable that needs to be studied to understand the rural population's preferences.

Table 5.9: Annual income of the respondents

Savings Districts	Up to 20000	20001- 40000	40001- 60000	60001- 80000	80001- 100000	Above 100000	Total
Tirap	7	46	89	34	24	Nil	200
Longding	10	100	53	30	7	Nil	200
Grand Total	17	146	142	64	31		400
Percentage	4.25	36.50	35.50	16	7.75		100

Source: (Field Survey)

**Figure: 5.9: Annual income of the respondents**

In Tirap district, 3.5 percent of the respondents have an income of up to ₹20000. Likewise, 23 percent have a yearly income of ₹20001 to ₹40000, 44.50 percent have a 40001 to 60000 annual income, and 17 percent have an income of 60001-80000. Lastly, 12 percent of the respondents had income above 80001-100000. As for Longding district, five percent of the respondents had an annual income of upto ₹ 20000, while 50 percent had an income of 20001-40000, twenty-six percent around 40001-60000, 15 percent of around 60001-80000, and only 3.5 percent of the respondents with annual income up to 80001-100000.

Hypothesis testing

H_0 : There is no significant difference between the mean income of the respondents in Tirap and Longding districts.

H_1 : There is a significant difference between the mean income of the respondents in Tirap and Longding districts.

Table 5.10: Z test on the mean income of the respondents in Tirap and Longding districts

z-Test: Two Sample for Means		
Average annual Income of the respondents		
	Tirap Income	Longding Income
Mean	52200	42400
Known Variance	405185929.6	339939698.5
Observations	200	200
Hypothesized Mean Difference	0	0
Z	5.077223986	
P(Z<=z) one-tail	1.91495E-07	
Z Critical one-tail	1.644853627	
P(Z<=z) two-tail	3.82989E-07	
Z Critical two-tail	1.959963985	

Source: (Authors Calculation)

Table 5.10. shows that the z value at 5.08 is greater than the critical value of 1.96. Therefore, we fail to accept the null hypothesis and conclude that there is a significant difference between the mean income of the respondents in Tirap and Longding districts.

5.3.5. Repayment of loans

In mutual agreement with the beneficiaries, the microfinance providing authority decides the duration of Repayment, the interest rate and the penalty in case of non-repayment. Hence, a comparison study has been made to analyze the rate of timely Repayment in Tirap and Longding districts.

Table 5.11: Repayment of loans

Repayment Districts	Regularly	Irregular	Total
Tirap	194	6	200
Longding	193	7	200
Grand Total	387	13	400
Percentage	96.75	3.25	100

Source: (Field Survey)

In Tirap district, the data indicate that 97 percent of the respondents agree to repay credits on the due date, and only 3 percent have failed to pay precisely on time. As for Longding district, 96.50 percent of the respondents agree to repay credits on the due date, and only 3.50 percent have failed to pay precisely on time. Notably, even those respondents who fail to pay regularly are not defaulters because it has been revealed that the SHG members have come up with a solution to reduce the interest rate and levy a relaxed rate for the specific borrower.

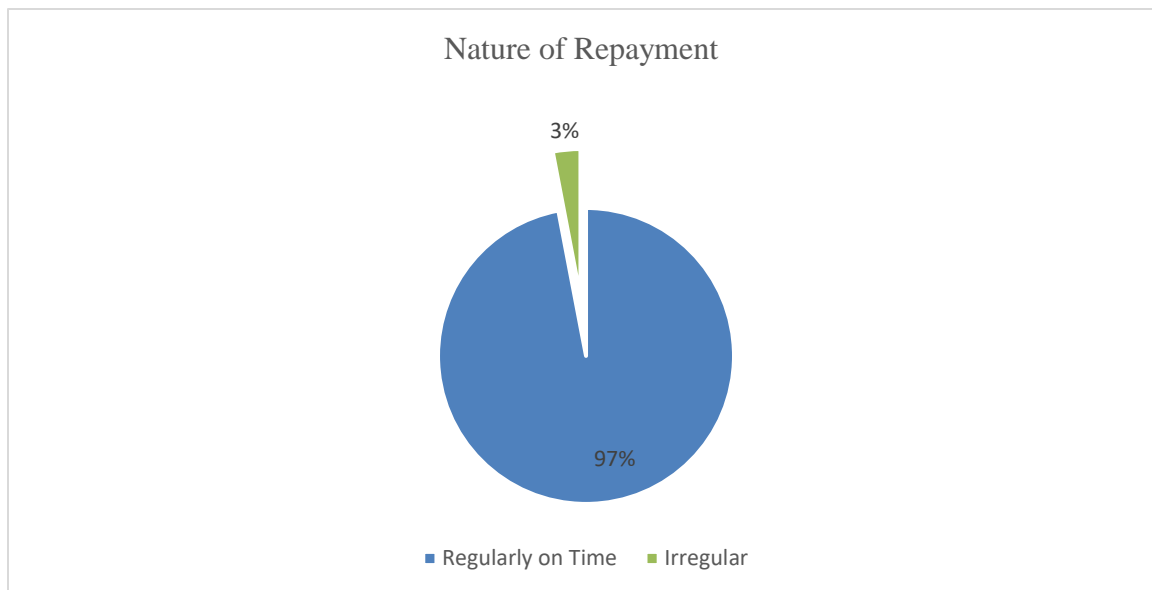


Figure 5.10: Repayment of loans

The usual interest rate of microfinance varies from 1 percent to 5 percent, and this low-interest rate is one of the main reasons for the success of the microfinance industry worldwide. All over the world, the repayment rate of microfinance loans is very high, and therefore, it is considered the most successful means of delivering credit to the rural poor.

5.4. IMPACT OF MICROFINANCE ON THE RESPONDENTS

The impact of microfinance on the beneficiaries in Tirap and Longding was analyzed through a percentage tabulation by categorizing the constructs into economic, social, human capital, and psychological impact. The correlation analysis is shown in table 5.12.

Table 5.12: Correlation analysis between the Economic Impact, Social Impact, Human Capital Impact, and Psychological Impact

		Economic Impact	Social Impact	Human Capital Impact	Psychological Impact
Economic Impact	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	400			
Social Impact	Pearson Correlation	.763**	1		
	Sig. (2-tailed)	.000			
	N	400	400		
Human Capital Impact	Pearson Correlation	.602**	.721**	1	
	Sig. (2-tailed)	.000	.000		
	N	400	400	400	
Psychological Impact	Pearson Correlation	.684**	.761**	.837**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	400	400	400	400
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: (Authors Calculation)

Result: Table 5.12. displays the correlation between the various factors as per the responses of the 400 beneficiaries. The table shows that economic impact strongly correlates with social impact. In contrast, social impact and human capital impact have a strong positive correlation with the respondents' psychological aspect, which is the highest among all the constructs.

5.5. ASSOCIATIONS BETWEEN THE DEMOGRAPHIC PROFILE AND THE SOCIO-ECONOMIC STATUS OF THE MICROFINANCE BENEFICIARIES IN TIRAP AND LONGDING DISTRICTS

To determine the association of microfinance with the demographic profile of the respondents in Tirap and Longding districts, a comparative analysis has been made by testing the chi-square test. The test is applied to understand the difference between the impact of the two districts.

Table 5.13: Chi-Square test between the significant association of the age groups and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	53.760	12	.000	26.245	20	.158
Likelihood Ratio	41.337	12	.000	29.943	20	.071
N of valid cases	200			200		

Source: (Authors Calculation)

The outcome of the Chi-Square test shows that in Tirap district, the P-value is 0.000 at a 5% significance level, which is less than .05. Thus, we fail to accept the null hypothesis and conclude that there is a significant association between the age groups and the socio-economic status of the beneficiaries in Tirap district. Whereas, in Longding district, the P-value is .158 at a 5% significance level, which is greater than .05. Therefore, the null hypothesis is accepted, and there is no significant association between the age groups and the socio-economic status of the beneficiaries in Longding district.

Table 5.14: Chi-Square test between the significant association of the marital status and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	56.402	9	.000	43.635	15	.000
Likelihood Ratio	35.972	9	.000	27.608	15	.024
N of valid cases	200			200		

Source: (Authors Calculation)

The chi-square test result shows that the p-value at a 5 % significance level is .000 for both districts. Thus, we fail to accept the null hypothesis, and it signifies a significant association between the marital status and the socio-economic status of the beneficiaries in Tirap and Longding districts.

Table 5.15: Chi-Square test between the significant association of the educational Qualification and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	46.165	12	.000	34.595	15	.003
Likelihood Ratio	38.414	12	.000	34.287	15	.003
N of valid cases	200			200		

Source: (Authors Calculation)

The chi-square test result between the educational qualification and the impact of microfinance on the beneficiaries in Tirap and Longding shows that the P-value at a 5% significance level is .000 for Tirap district and 0.003 for Longding district, which is less than 0.05. Thus, we fail to accept the null hypothesis and conclude that there is a significant association between the educational qualification and the socio-economic status of the microfinance beneficiaries in Tirap and Longding districts.

Table 5.16: Chi-Square test between the significant association of the number of family members and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	15.131	9	.087	15.247	15	.434
Likelihood Ratio	13.278	9	.150	15.703	15	.402
N of valid cases	200			200		

Source: (Authors Calculation)

The outcome of the Chi-Square test shows that the P-value is 0.087 in Tirap district and 0.434 in Longding district at a 5% significance level, which is greater than .05. Thus, the null hypothesis is accepted. The result shows no significant association between the family size and the socio-economic status of the beneficiaries in both districts.

Table 5.17: Chi-Square test between the significant association of the occupational status and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	24.138	6	.000	30.218	10	.001
Likelihood Ratio	29.877	6	.000	30.763	10	.001
N of valid cases	200			200		

Source: (Authors Calculation)

The chi-square test result shows that the P-value at a 5% significance level is .000 for Tirap district and 0.001 for Longding district, which is less than 0.05. Thus, we fail to accept the null hypothesis and conclude that there is a significant association between occupational status and the socio-economic status of the microfinance beneficiaries in Tirap and Longding districts.

Table 5.18: Chi-Square test between the significant association of the type of ration cards and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	78.035	6	.000	59.376	10	.000
Likelihood Ratio	56.336	6	.000	65.563	10	.000
N of valid cases	200			200		

Source: (Authors Calculation)

The chi-square test result between the types of ration cards and the microfinance impact on the beneficiaries in Tirap and Longding shows that the P-value at a 5% significance level is .000 for both districts, which is less than 0.05. Thus, we can conclude that there is a significant association between the ration cards and the microfinance impact on the beneficiaries in Tirap and Longding districts

Table 5.19: Chi-Square test between the significant association of the duration of microfinance and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	33.231	6	.000	6.796	5	.236
Likelihood Ratio	14.699	6	.023	7.278	5	.201
N of valid cases	200			200		

Source: (Authors Calculation)

On analyzing the chi-square test between the Duration of microfinance and the microfinance impact on the beneficiaries in Tirap and Longding districts, the outcome shows that the P-value at 5% significance level is .000 for Tirap district, which is less than 0.05 and .236 for Longding district, which is greater than 0.05. Thus, we fail to accept the null hypothesis in the case of Tirap district. But, in the case of Longding district, the null hypothesis is accepted. Therefore, we conclude that there is a significant association between the duration of microfinance and the socio-economic status of the beneficiaries in Tirap district but not in Longding district.

5.20: Chi-Square test between the significant association of the number of times microfinance availed and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.903	3	.407	2.131	5	.831
Likelihood Ratio	2.457	3	.483	2.347	5	.799
N of valid cases	200			200		

Source: (Authors Calculation)

Result: The chi-square test result shows that the P-value at a 5% significance level is .407 for Tirap district and 0.831 for Longding district, which is greater than 0.05. Thus, we accept the null hypothesis and conclude that there is no significant association between the number of times microfinance availed and the socio-economic status of the beneficiaries in Tirap and Longding districts.

Table 5.21: Chi-Square test between the significant association of the Purpose of microfinance availed and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	64.021	15	.000	44.664	25	.009
Likelihood Ratio	56.447	15	.000	44.533	25	.009
N of valid cases	200			200		

Source: (Authors Calculation)

The chi-square test result between the Purpose of microfinance and the microfinance impact on the beneficiaries in Tirap and Longding districts shows that the P-value at a 5% significance level is .000 for Tirap district and .009 for Longding district, which is less than 0.05. Therefore, we fail to accept the null hypothesis. Thus, there is a significant association Purpose of microfinance and the socio-economic status of the beneficiaries in Tirap and Longding districts of Arunachal Pradesh.

Table 5.22: Chi-Square test between the significant association of the annual savings and the socio-economic status of the beneficiaries in Tirap and Longding districts

	Tirap			Longding		
	Value	Df	Asymptotic Significance (2-sided)	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	50.065	9	.000	30.314	15	.011
Likelihood Ratio	61.183	9	.000	33.538	15	.004
N of valid cases	200			200		

Source: (Authors Calculation)

Result: The outcome of the Chi-Square test demonstrates that the P-value is 0.000 at a 5% level of Significance for Tirap district and 0.011 for Longding district, which is less than 0.05. Therefore, we fail to accept the Null Hypothesis. Thus, the result suggests a significant association between the annual savings and the socio-economic status of the microfinance beneficiaries in Tirap and Longding districts.

5.6. IMPACT OF MICROFINANCE ON THE BUSINESS DEVELOPMENT OF THE RESPONDENTS

Hypothesis Testing-

H₀: Microfinance has not contributed significantly to developing small-scale businesses in Tirap and Longding districts of Arunachal Pradesh

H₁: Microfinance has contributed significantly to developing small-scale businesses in Tirap and Longding districts of Arunachal Pradesh

Table 5.23: Descriptive analysis of mean scores of the microfinance impact on business development in Tirap and Longding districts of Arunachal Pradesh

	Mean	
	Tirap	Longding
Financial Aspects	3.8674	4.6585
Operational Aspect	3.8093	3.5610
Marketing Aspects	3.6483	3.3537
Valid N (listwise)	86	41

Source: (Authors Calculation)

Result: The table shows the comparative mean score of the impact of microfinance on the business undertakings of the respondents in Tirap and Longding districts. The business impact was categorized into financial, Operational, and Marketing aspects. The respondents' mean score indicates that most respondents agreed that microfinance positively impacts business undertakings. Therefore, we fail to accept the null hypothesis and conclude that there is a significant improvement in the financial, operational, and marketing aspects of microfinance on business in Tirap and Longding districts of Arunachal Pradesh.

Table 5.24: CROSS TABULATION OF THE BUSINESS RESPONDENTS

Microfinance has become an alternative source of rural credit			Name of the District		Total
			Tirap	Longding	
Strongly Disagree	Male or Female	Female	3		3
	Total		3		3
Disagree	Male or Female	Male	1	0	1
		Female	7	4	11
	Total		8	4	12
Agree	Male or Female	Male	11	1	12
		Female	34	20	54
	Total		45	21	66
Strongly Agree	Male or Female	Male	6	1	7
		Female	24	15	39
	Total		30	16	46
Total	Male or Female	Male	18	2	20
		Female	68	39	107
	Total		86	41	127

Source: (Field Survey)

Result: Table 5.24. shows the cross-tabulation between districts, Gender, and the role of microfinance as an alternate source of rural credit. Out of 20 male respondents, 19 agreed that microfinance had become an alternate source of credit, while among the female respondents, 93 out of 107 agreed with the same statement. Thus, on a percentage-wise, 86.92 percent of female respondents and 95 percent of male respondents are satisfied with microfinance as a source of rural credit.

5.7. IMPACT OF MICROFINANCE ON EMPLOYMENT GENERATION

The study attempts to determine the impact of microfinance on providing employment opportunities to the beneficiaries in Tirap and Longding district.

Table 5.25: Descriptive Statistics of employment generation opportunities

	N	Mean
Employment Generation Opportunities		2.2475
Valid N (listwise)	400	

Source: (Authors Calculation)

Result: The mean value of 2.2475 indicates that most responses are left-skewed (negatively skewed). Conclusively, microfinance amount was not sufficiently able to generate employment opportunities in Tirap and Longding districts. This is mainly because microfinance is generally small and insufficient to provide employment opportunities to others. However, the study revealed that microfinance facilities have contributed positively towards providing self-employment opportunities to the beneficiaries.

5.8. CHALLENGES FACED BY THE MICROFINANCE BENEFICIARIES IN TIRAP AND LONGDING DISTRICTS

The various problems encountered by the microfinance beneficiaries are analyzed by computing percentage tabulation and mean scores of the five-point Likert scale.

Table 5.26: Mean score of challenges faced by the microfinance beneficiaries

	Mean	
	Tirap	Longding
Financial Problems	1.9740	2.0110
Knowledge Problems	2.2290	2.4520
Other Problems	2.0658	2.0600
Valid N (listwise)	200	200

Source: (Authors Calculation)

Result: The above table shows the comparative mean score of the various challenges faced by the Tirap and Longding district microfinance beneficiaries. The challenges are grouped into Financial, Knowledge, and Other categories.

The questions under the financial problems include queries such as (a) the loan amount is not sufficient, (b) the rate of interest charged is very high, (c) the process of availing loan is expensive, (d) the time duration of Repayment is insufficient and (e) penalty in case of non-repayment is severe. The mean score of financial problems in Tirap district is 1.9740, which indicates that most of the respondents agreed that the loan amount is sufficient, the rate of interest charge is not high, the loan availing process is not expensive, and there is no severe punishment in case of non-repayment on the due date. Similarly, in the Longding district, the mean score of financial problems is 2.0110, which signifies that the respondents do not face many issues relating to the abovementioned statements. However, we can see that the mean score is higher for the Longding district, which implies that people in the Longding district experience more financial problems than the Tirap district.

Knowledge or awareness challenges of microfinance comprised of questions such as (a) it is difficult to understand credit agreements, (b) it is difficult to access loans, (c) it is a time-consuming process, (d) there is no support from the authority and (e) knowledge on microfinance is limited. The mean score of these five questions in the

Tirap district is 2.2290, below the average score. Thus, it implies that people do not face many problems in understanding the credit agreement, nor is it challenging to access microfinance loans. They also agreed that there is sufficient support from the authority. Still, at the same time, many respondents agreed that they have minimal knowledge about other microfinance facilities other than self-help groups. As for the Longding district, the mean score of all knowledge problems questions is 2.4520, a bit more than the Tirap district. Hence, it indicates that the respondents in the Tirap district are more aware of microfinance than the Longding district.

The other question includes (a) lack of support from the Government, (b) No encouragement from the family members, (c) the rules are complex, (d) training are not sufficient, (e) the location of the loan institution is far, and (6) the authorities are not friendly. The mean score of other problems in the Tirap district is 2.0658, and the Longding district is 2.0600. The mean scores of both districts are identical, implying that most respondents agreed that there is proper support from the Government and family members, the rules are pretty simple, training facilities are sufficient, and the authorities are sociable.

5.9. CONCLUSION

As one of the country's low-income States, around thirty-five percent of the population in Arunachal Pradesh lives under the poverty line, and Tirap and Longding districts are two of the backward districts in the State, where most of the population resides in rural villages and are unaware of various economic and banking activities. The rural population in Tirap and Longding rely on jhum cultivation to support their livelihood, where they cultivate rice, millets, and other vegetables. In the contemporary environment, those households find it difficult to meet their basic need due to the absence of income-generating activities. However, over the years, the Government has sponsored several projects to facilitate poor individuals accessing microfinance services through skilled and unskilled wage employment opportunities. The study revealed that microfinance activities had

broadened the mindset of the people by encouraging them to undertake income-generating activities in the form of retail shops, weaving, ornamental beads making, handicrafts, poultry farming, piggery farm, cardamon plantation for marketing purposes etc. Further, on analyzing the major challenges faced by the microfinance beneficiaries in Tirap and Longding districts, it was found that, the people are generally satisfied with the amount of microcredit and the support provided by the authorities. However, it revealed that most of the respondents do not have adequate knowledge about the advantages of microfinance schemes, and they are only aware of the microcredit facilities, which they avail to meet their needs in emergencies. Hence, to sum up, microfinance has significantly contributed towards the transformation of the rural population in Tirap and Longding districts, but at the same time, there is a need for a heap of literacy awareness programs to educate the rural population about the long-term benefits of various microfinance instruments such as micro-savings, microinsurance, microlensing, and other complementary non-financial services.

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CHAPTER 6

SUMMARY AND CONCLUSION

6.1. INTRODUCTION

The concept of microfinance is relatively new to the people in Tirap and Longding districts of Arunachal Pradesh. The registered self-help groups started on November 2014 under the aegis of the NERCORMP. Prior to this period, a few non-registered SHGs existed without proper monitoring and functioning. Since its introduction in 2014, the NERCORMP has enhanced the financial transformation of the rural population in Tirap and Longding districts through social mobilization and self-empowerment at the grassroots level. In collaboration with the Ministry of DoNER, the North Eastern Council (NEC), and the International Fund for Agriculture Development (IFAD), the NERCORMP provided capacity-building projects, credit facilities, marketing support, and convergence with other Government schemes to the deprived individuals. However, the project ended its operation on November 2021, and the Arunachal Pradesh State Rural Livelihood Mission started managing the microfinance activities in Tirap and Longding districts on February 2022.

The study on Microfinance and Rural Transformation in Tirap and Longding districts attempts to understand the status of microfinance in Arunachal Pradesh, with particular reference to the district of Tirap and Longding. It also emphasizes identifying the sources of microfinance credit available to the people and examining its impact on undertaking small-scale businesses. The present chapter summarizes the significant findings of the study. It concludes by presenting essential suggestions for improvement of the existing microfinance scenario and recommends the scope for further research in the study area.

6.2. SUMMARY OF MAJOR FINDINGS

This section of the chapter summarises the major findings of the research study. The results are based on the primary data collected from the respondents and secondary data gathered from several reliable sources. The major findings are sub-categorized as follows:

6.2.1. Profile of the microfinance beneficiaries

- It is found that most of the microfinance beneficiaries belong to the middle-aged group of 36-55 years, which indicates that the young individuals focus more on other job opportunities instead of participating in microfinance activities. One of the reasons is that most of the young generations seek salaried jobs over entrepreneurial careers. Similarly, the aged population appears inactive as they are unaware of the various microfinance benefits. Among many other problems, it is difficult for them to regularly attend group meetings by forming SHGs. Therefore, the participation level of old individuals was shallow.
- Of 400 respondents, only 24 were males, and 376 were females. This proves that the women groups' participation is much more active than the male counterparts in the Tirap and Longding districts of Arunachal Pradesh. Generally, the concept of SHGs was instituted to provide self-reliant opportunities to the rural population. Thus, the women groups form SHGs in collaboration with the NGOs and the Government, participating in workshops and other training programs that encourage them to pursue income-generating activities and avail of other non-financial benefits.
- Most respondents are married, as 89.5 percent fall under the married category, while 5.20 percent are single or unmarried. Widow/ widower respondents account for 3.75 percent, and only 1.5 percent are divorced.
- The findings revealed that the educational Qualification of the microfinance beneficiaries in the rural villages of Tirap and Longding districts is low. Five

percent of the respondents have never attended any formal educational institute, and most belong to secondary-level education, i.e., 45.5 percent are under matric. Likewise, 30.75 percent fall under the HSLC category and 18 percent of the respondents have completed class twelve. Lastly, only 0.75 percent of the respondents had a bachelor's degree. This is mainly because most respondents are married women who have dropped out of schools and colleges to take care of their families and are now actively involved in various microfinance activities.

- On assessing the number of family members, 53.50 percent belong to a family size of 4-6 members. 17.25 percent of the respondents have family members of 1-3 individuals, while 24.25 percent have 7-9 members. There were twenty families with members above ten.
- 53.25 percent of the rural respondents reside in a kaccha house; 35.50 percent own a semi-pukka house. The study revealed that only 11.25 percent of the respondents have a Pukka concrete house, while no respondents reside in a rented home.
- Sixty-four percent of the respondents are engaged in agricultural activities and allied services. These individuals practice traditional shifting farming, cultivating rice and other vegetables for themselves, and they do not commercialize their produce by selling it in the market. Whereas 30.5 percent are involved in micro-scale business undertakings such as retail shops, poultry farms, beads making, traditional handbags, weaving, wood handicrafts, piggery farm, cardamom & ginger production, etc. 5.5 percent belong to other categories, i.e., government employees posted in the villages or employees working in private schools in rural regions.
- Sixty-five percent of the respondents owned a Below Poverty Line ration card, while 12.25 percent fell under the Antyodaya Anna Yojana (AAY) cards. Only 22.75 percent fall under the Above Poverty Line ration cards category. Thus, it indicates that most microfinance beneficiaries in the rural villages of Tirap and

Longding districts are poor individuals who survive with an income below the poverty limit set by the Government of India.

- Among the four hundred respondents in Tirap and Longding districts, 96.25 percent of the microfinance beneficiaries are SHG members, while only 3.75 percent were non-SHG members.
- 80.25 percent of the total respondents have availed of micro-credit for less than one year, while 18.75 percent had a repayment period of more than one year but less than two years. It is also seen that 1 percent of the respondents have availed of microfinance loans for more than two years.
- 77.25 percent of the respondents have availed of microfinance 1-2 times, while 22.75 percent have availed of loans 3-4 times.
- 31.75 percent of the respondents availed microfinance for undertaking income-generating activities, 9.5 percent for agricultural purposes, 1.75 percent for marriage purposes, 40.25 percent for educational purposes, 8 percent for consumption purposes, and 8.75 percent for medical purposes.
- 4.25 percent of the respondents have an income of up to ₹20000. Likewise, 36.50 percent have a yearly income of ₹20001 to ₹40000, while 35.50 percent have a 40001 to 60000 annual income, and sixteen percent have an annual income of 60001-80000. Lastly, 7.75 percent of the respondents had income above 80001-100000.
- 58.75 percent of the respondents have no or very little savings of up to ₹ 10000 annually. Likewise, 25.25 percent has yearly savings of ₹10001 to ₹20000, while 15 percent has 20001 to 30000 annual savings. Only 4 percent of the respondents fall under savings above ₹ 30000 a year.
- The repayment rate of microfinance loans in Tirap and Longding districts is relatively high, as 96.75 percent of the respondents repay their credits on the due date, and only 3.25 percent have failed to pay precisely on time. Notably, even those respondents who fail to pay regularly are not defaulters because it has been

revealed that the SHG members have come up with a solution to reduce the interest rate and levy a relaxed rate for the specific borrower. The usual interest rate of microfinance varies from 1 percent to 5 percent, and this low-interest rate is one of the main reasons for the success of the microfinance industry worldwide.

6.2.2. Sources of Microfinance

Identifying the sources of microfinance has been one of the most major objectives of the research. The study revealed that all the respondents have availed of microfinance exclusively from the SHGs, and no other sources. Further, after interviewing the Bank employees, it was learned that the State Bank of India and the Cooperative Bank in the districts do not provide direct finance to the customers without collateral. Likewise, several Non-Governmental Organizations (NGOs) operate in collaboration with the Government agencies like Arunachal State Rural Livelihood Mission (ArSRLM) only to provide non-financial services of microfinance in the form of workshops and other awareness programs; however, they do not offer direct finance. Further, the study revealed that Government agencies provide a Revolving Fund (RF) to the newly formed self-help groups to encourage them to undertake income-generating activities but do not provide individual microfinance. A Revolving Fund of ₹ 15000 is provided to every SHG, and after six months of its formation, five or more SHGs form Primary Level SHG Federations (PLFs). These PLFs make Microcredit Plans (MCPs), and the ArSRLM provides a one-time grant of ₹102500 to the PLFs with the best plan known as the Community Investment Fund (CIF).

6.2.3. Impact of Microfinance on Economic Development

A comparative analysis was conducted by computing the latent variables' mean score to determine the impact of microfinance on the respondents, and hypothesis testing was done using the chi-square test. The data revealed that the calculated mean score in Tirap district is 3.6275, which signifies that most respondents have

agreed on the positive impact of microfinance activities. Likewise, the chi-square test results suggest that age groups, marital status, educational qualifications, family size, occupation status, types of ration cards, duration of microfinance, and the purpose of microfinance significantly impact the economic status of the people. Most respondents agreed that after participating in microfinance activities, there had been a positive increase in cash at hand, daily expenditures, and annual income, which has improved their housing quality, financial assets, and level of thrift savings. However, the data revealed that 82 percent of the respondents disagreed on their ability to generate employment opportunities.

As for the Longding district, the mean score of the economic variables is 3.1169. This indicates that microfinance positively impacts the economic development of the people, but the level is relatively low compared to the Tirap district. Further, the chi-square test result shows a significant impact of age, educational qualifications, family size, occupation status, types of ration cards, duration of microfinance, and the purpose of microfinance on the economic development in Longding district. However, the p-value of the chi-square test between marital status and economic growth was more than 0.05 at a 5% significance level. Hence, there is no significant difference between the marital status and the economic condition of the people in the Longding district. Similarly, 86 percent of the respondents strongly disagreed or disagreed that they could generate employment through microfinance. The causes of low employment generation are mainly because the microfinance amount is usually small in numbers, and the people use these loans for their daily usage or setting up sole proprietorship business, which is small and does not require hiring employees.

6.2.4. Impact of Microfinance on Social Development

The primary data were analyzed through percentage, mean, and chi-square tests to understand the impact of microfinance on the social status of the people in the Tirap and Longding districts. In both districts, most respondents agreed that microfinance had had a positive impact on their social life. After participating in the workshops

and training programs conducted by the microfinance providing agencies, many individuals have improved their personalities, improving their ability to motivate others by building better relationships with friends and neighbors and eventually receiving more respect from society. The mean scores of the social variables were 3.8770 for the Tirap district and 3.4530 for the Longding district, respectively. Thus, it indicates a positive outcome of microfinance on social development. Further, the chi-square test result shows a significant impact of age groups, marital status, educational qualifications, types of ration cards, and the purpose of microfinance on the social status of the people in both districts. However, the chi-square result indicated no significant association between the occupation status and the social development of the people in the Longding district.

6.2.5. Impact of Microfinance on Human capital development

The study also analyzed data to evaluate microfinance's impact on human capital development in the Tirap and Longding districts. The percentage analysis showed that most respondents strongly agreed that there had been a massive relief in financing their children's education through microcredit. Similarly, there has been an adequate improvement in the daily diets and healthcare of the respondents. The mean scores of the human capital variables show a positive output at 3.7363 for the Tirap district and 3.4263 for the Longding districts, respectively. Further, the chi-square test outcome indicates a significant association between marital status and the type of occupations with the human capital development in both districts. However, in the Longding district, the result suggests that the type of ration cards, the duration, and the purpose of microfinance have no impact on human capital development.

6.2.6. Impact of Microfinance on Psychological Development

The impact of microfinance on the psychological aspects of the respondents in Tirap and Longding districts was also computed by using percentage analysis, chi-

square test, and mean scores. The percentage analysis revealed that most of the respondents agreed on the positive impact of microfinance on their psychological behaviors. The variables include reducing mental stress, improving decision-making skills, and improving self-confidence and personal happiness. The mean scores are positive at 3.9488 for the Tirap district and 3.4338 for the Longding district. The chi-square test suggests a significant difference between the marital status and type of ration cards with the psychological behavior in both districts. However, in the Longding district, the test result revealed no significant difference between the educational qualifications and the type of occupations with the psychological behavior of the people.

6.2.7. Impact of Microfinance on Business

Out of the 400 respondents, 86 respondents in the Tirap district and 41 respondents in the Longding district have undertaken microfinance to finance their micro-scale business setup. The respondents' mean score indicates that most individuals agreed that microfinance positively impacts business undertakings. Likewise, before the introduced microfinance services in the districts by NERCORMP, the number of people with a business mindset was extremely low. It was only through the organized training and development programs that most individuals resailed their capabilities of starting a business unit. Such non-monetary microfinance assistance has enabled the people in the rural villages to undertake income-generating activities in the form of traditional beads makings, weaving, poultry farms, handicrafts, retail shops, restaurants, pickle makings, bamboo mats, vegetables, and fruits plantation for commercial purposes, etc. For instance, the SHG members started farming organic ginger, cardamom, litchis, oranges, potatoes, etc., for selling in the market only after getting help from the NGOs to promote their business. Therefore, after analyzing the data and conducting personal interviews with the respondents, the study revealed that microfinance services had boosted the confidence among rural individuals that there are several business opportunities

even in the most backward villages, and the people have the capabilities to undertake such income-generating activities instead of solely depending on agricultural field. Hence, the null hypothesis_ microfinance has not contributed significantly to developing small-scale businesses in Tirap and Longding districts is rejected. Thus, microfinance services significantly impact business activities in the rural villages of Tirap and Longding districts.

6.2.8. Challenges Faced by the Microfinance Beneficiaries

The study attempts to understand the problems faced by the microfinance beneficiaries in the Tirap and Longding districts by using percentage analysis and computing the mean scores of the variables. The data analysis indicates that the majority of the respondents agreed that the microfinance amount is sufficient enough for their needs, the interest rate is not high, there is no loan processing cost, the time for repayment is adequate, there is proper support from the authority and family members, and it is not difficult to access the microfinance loan. This is because microfinance loans are usually availed by poor individuals who do not borrow huge amounts, with the fear of their ability to repay, and the interest rate does not act as a challenge; after all, the rate usually ranges from one to two percent. The usual repayment period is six months, but no punishment is imposed in rare cases of failure to pay on the due date. Further, understanding the credit agreement is simple, and there is proper guidance from the Government agencies and the NGOs for their smooth operations. The family members are also very supportive of participating in microfinance activities. However, the percentage analysis shows that 98 percent of the respondents in the Tirap district and 99 percent in the Longding district agreed that they do not possess proper knowledge about other microfinance models, except the SHG-Bank Linkage program. The computed mean of the variables under the challenge faced in the Tirap district is 2.0896, which is lower than the mean of the Longding district, i.e., 2.173. However, the standard deviation is .37052 in the Tirap district and .23768 in the Longding

district. Therefore, we can conclude that, even though most respondents do not experience many challenges, some individuals in the Tirap district encounter serious problems, which cause higher standard deviation.

6.3. SUGGESTIONS

- The rural population fail to seize the opportunities of several government schemes due to the lack of knowledge and fear of financial risk in the future. Therefore, more seminars and workshops should be conducted to highlight the benefits of such projects in rural areas. Likewise, the NGOs and Government authorities should periodically organize periodic training to impart further awareness about self-management, household decision-making, and the long-term benefit of microfinance by inculcating thrift savings habits.
- To promote the agricultural produce of marginal farmers, periodical exhibition programs may be conducted to display their products on at large scale. Further, more training should be provided to encourage income-generating activities among the rural population, explicitly developing entrepreneurial skills.
- The Government may encourage more NGOs to undertake microfinance services as one of their primary activities.
- Microfinance activities through SHGs should not be exclusively confined to women groups. More participation of males should be encouraged to improve the performance of several Government schemes.
- Regional Rural Banks and microfinance institutions need to be set up in the districts to provide direct microfinance to the people.
- Government should promote computerization or digitalization of the book of accounts maintained by the SHGs to increase the transparency in transactions. SHG federation should be formed at every village and circle to monitor their performance regularly.

- The concept of SHGs and their significance in improving the livelihood of underprivileged households may be included in school-level education to create awareness among the youth.
- The Government and other voluntary organizations should implement such development projects that improve the individuals' economic status and empower their social and psychological aspects.
- Generally, the beneficiaries attend workshops and training programs only when such programs are conducted in their villages. People tend to avoid such training due to a lack of transportation services and daily work in the field. Likewise, it was noticed that people with higher formal education participate more, while individuals with no schooling usually refrain from such benefits. Therefore, it is necessary to make attendance mandatory for at least one representative from each SHG to participate in such seminars and conduct literacy drive programs for members with no schooling.
- Extensive financial literacy should be conducted to educate the rural population regarding systematic investment in business and saving habits in savings accounts and other investment schemes.
- Training programs should be concerning the business activities feasible for the rural areas, i.e., agriculture & horticulture activities, handicrafts, handlooms, tailoring, animal husbandry, etc. Further, marketing opportunities are also required as promoting these products is difficult for the villagers.
- There is a need for the Government to implement uniformly accepted rules and regulations for the operations of the Government bodies and the NGOs dealing in microfinance.
- The interest rate on the microfinance rendered by the self-help groups ranges from one to five percent, depending on the members. Thus, microfinance

agencies should discourage such practices to bring uniformity in the interest rate charged.

- To ensure proper usage of the group's funds, every self-help group should maintain an appropriate book of account, and the NGOs or Government agencies should regularly monitor it.
- Some individuals hold the post of the president, general secretary, treasurer, etc., from the formation of the SHGs till the end. There should be a rotation system among the office bearers of the SHGs, to ensure that all members are updated about their operations.
- Very few individuals under the age groups of 18—25 and 56 above participate in microfinance activities. Thus, the authorities must measure to motivate the young and the aged groups to increase income-generating activities and contribute towards the rural transformation.
- Availing of microfinance loans should not be the only objective of the SHG members. They should concentrate on other non-financial aspects such as health and hygiene practices. The SHG federations should also take active initiatives in eradicating social evils like opium cultivation, alcoholism, child labor, women's harassment, etc.
- There is a need to introduce Peer pressure groups in every SHG to ensure regular payment among friends.
- Some beneficiaries felt that the microfinance amounts are insufficient to invest in businesses, as most loans are below ₹50000. Therefore, the members could provide loans based on the need of the borrowers.
- The repayment duration may be improved by facilitating instalment basis repayment in case the borrower experiences some financial crisis.
- The SHG meetings should be strictly considered, and absentees may be imposed a minimal amount as a penalty to ensure that all members are focused on the growth of microfinance activities in the region.

6.4. SCOPE FOR FURTHER RESEARCH

After analysing the collected data, the study concluded that there had been certain limitations in the present research due to limited time and finance. Therefore, the study suggests the following areas for further research.

1. The present study has been conducted only on 400 samples, and thus it may not represent the actual status of the microfinance services in the state of Arunachal Pradesh. Further research maybe conducted with larger sample size and more geographical coverage.
2. A study can be conducted exclusively on the non-financial assistance provided by the authorities to the SHG members.
3. A comparative study of microfinance services in rural and urban region can be undertaken.
4. A comparative study maybe conducted on the performance of registered SHGs and non-registered SHGs.
5. Further separate study may be conducted on the role of Banks and NGOs in promoting microfinance.

6.5. CONCLUSION

Much progress has been made over the years in understanding the multifaceted nature of poverty. Yet all around the world, one of the most complicated struggles that have confronted humans' resourcefulness for ages has constantly been combating poverty and attaining balanced development in rural regions. Poverty is often used as a synonym for starvation, illness, lack of shelter, and suffering. However, the causes and existence of poverty appear as a maze of twisted knots with a mixture of complex features, and the factors which cause poverty are so pervasive that identifying and tackling the root causes is tricky. Consequently,

finding an answer to overcoming poverty across diverse geographical locations, cultures, and societies has been complicated. Therefore, constructing a well-argued casual credit delivery model that completely identifies and understands the composite nature of poverty on a mass scale is an immeasurably complex task. However, the study shows that the introduction of the microfinance movement has enabled poor households to overcome poverty by accessing non-collateral credit for income-generating activities and availing of other non-financial assistance. Thus, the objective of the Government to develop the nation can only be achieved by implementing as many schemes through microfinance to cover the deprived section of the country to achieve balanced growth in both rural and urban areas.

The findings show no limits to age groups, marital status, or education level for people to participate in various microfinance activities. Before the introduction of microfinance schemes in Tirap and Longding districts, the poor individuals in the rural villages were unaware of any financial services that could be availed without collateral security. The people were scared to take a financial risk as they were no proper guidance about the benefits of microfinance activities. However, with the implementation of self-reliant opportunities by the Government, the deprived population can make use of the available resources by undertaking income-generating activities. Despite the relatively low coverage, the microfinance movement has enhanced the lives of many households in rural villages by transforming their mindset towards non-collateral banking services and their prospects to shift from agricultural aspects to business entrepreneurship. The comparative study of the two districts reveals that the socio-economic status of Tirap and Longding districts are reasonably similar. In both these districts, most of the people reside kutcha houses in villages and depend on shifting cultivation for their livelihood. The people's educational level is low, and many of the households possess a BPL or AAY ration card. Since the same institution monitors the functioning of microfinance in both districts, the behavior of the beneficiaries

towards the authority is satisfactory. Many do not possess adequate knowledge about other microfinance instruments. Some of the difference found in the study is that, unlike Tirap district, there are few male SHGs in Longding district, and the number of family members is more in Longding district. After analyzing several statistical tools, the study revealed that despite the similarities, the living standards of the beneficiaries in terms of income, savings, education, types of houses etc., are slightly better in Tirap district. Further, eighty-six respondents in Tirap district availed microfinance for business purposes compared to forty-one respondents in Longding district. The availability of cash has provided the rural population in Tirap and Longding districts with adequate primary healthcare, diet, business opportunities, and education for their children. Based on the study, microfinance is a rural banking system intended to deliver credit access to underprivileged individuals lacking other formal financial services. Thus, microfinance has proven to be one of the most effective tools in poverty alleviation and rural transformation that provides financial and non-financial assistance to poor households in rural villages.

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ANNEXURE 1

INTERVIEW SCHEDULE

Madam/Sir,

I am pleased to inform you that I, Mr. Khugang Moses Wangsa, a full-time Ph.D. research scholar enrolled in the Department of Commerce, Nagaland University, Kohima Campus, Meriema, under the supervision of Dr. Amrendra Kumar. I am pursuing my Ph.D. research on the topic “**Micro finance and Rural Transformation: A Study of Tirap and Longding District of Arunachal Pradesh**”.

In this connection, I seek your valuable opinion on the role of microfinance in transforming rural livelihood. Therefore, I request your good self to kindly spare time to give your valuable response relating to the following aspects of my research. All the information received would be kept confidential and will be used only for the purpose of PhD research work.

Thanking You.

1. Date of Interview : _____
2. Name of the Block/Village : _____

PART (A) PERSONAL DETAILS

1. Name of the respondent : _____
2. Address : _____
3. Contact number : _____
4. Age
18- 25 ☐ 26-35 ☐
36-45 ☐ 46-55 ☐
56 and above ☐
5. Gender :
Male ☐ Female ☐
6. Marital status
Single ☐ Married ☐
Widow/Widower ☐ Divorced ☐
Don't want to disclose ☐
7. Educational qualification

No Schooling	<input type="checkbox"/>	Secondary level (Class 1-8)	<input type="checkbox"/>
HSLC (Class 10)	<input type="checkbox"/>	HSSLC (Class 12)	<input type="checkbox"/>
Graduate	<input type="checkbox"/>		
Others, please specify: _____			

8. Members in family			
1-3 members	<input type="checkbox"/>	4-6 members	<input type="checkbox"/>
6-9 members	<input type="checkbox"/>	10 above	<input type="checkbox"/>

9. Type of house			
Kuccha house	<input type="checkbox"/>	Semi-pukka	<input type="checkbox"/>
Pukka house	<input type="checkbox"/>	Rented house	<input type="checkbox"/>

10. Occupation status			
Agriculture	<input type="checkbox"/>	Business	<input type="checkbox"/>
Labour	<input type="checkbox"/>	Others, please specify: _____	

11. Household ownership and facilities			
Electricity	<input type="checkbox"/>	Water supply	<input type="checkbox"/>
Cooking gas	<input type="checkbox"/>	Two-wheelers	<input type="checkbox"/>
Four-wheelers	<input type="checkbox"/>	Others, please specify: _____	

12. Types of Ration Card			
Antyodaya Ration	<input type="checkbox"/>	BPL Ration Card	<input type="checkbox"/>
APL Ration Card	<input type="checkbox"/>		

13. Are you a member of SHG?			
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

11.1. If yes, Name of the SHG: _____

11.2. Total Number of members in SHG : _____

PART (B) MICROFINANCE DETAILS

1. Amount of microfinance availed: _____	
2. Duration of microfinance:	
Less than 1 year	<input type="checkbox"/>
2-3 years	<input type="checkbox"/>
1-2 years	<input type="checkbox"/>
More than 3 years	<input type="checkbox"/>
3. Number of times you have availed microfinance	
1 -2 Times	<input type="checkbox"/>
2-3 times	<input type="checkbox"/>
4-5 times	<input type="checkbox"/>
More than 5 times	<input type="checkbox"/>
4. Source of availing Microfinance	
Self Help Groups	<input type="checkbox"/>
Banks	<input type="checkbox"/>
Friends/Relatives	<input type="checkbox"/>
NGOs	<input type="checkbox"/>
Government Institutions	<input type="checkbox"/>
Money lenders	<input type="checkbox"/>
Others, please specify: _____	
5. Purpose for which microfinance was availed	

To start a new Business ☐
 For agriculture purpose ☐
 For marriage purpose ☐
 For education purpose ☐
 For personal reasons ☐

To purchase new machinery ☐
 For consumption purpose ☐
 For medical purposes ☐
 To repay old loans ☐
 Others, please specify: _____

6. Annual income earned

Up to 20000 ☐
 40001-60000 ☐
 80001-100000 ☐

20001-40000 ☐
 60001-80000 ☐
 Above 100000 ☐

7. Annual savings of the respondents

Up to 10000 ☐
 20001-30000 ☐
 400001-50000 ☐

10001-20000 ☐
 30001-40000 ☐
 Above 50000 ☐

8. How are you repaying your loans?

Regularly on due dates ☐ Irregular ☐ Not paying at all ☐

PART (C) IMPACT OF MICROFINANCE

This part of the schedule attempts to identify the perception of the beneficiaries on the role of microfinance in rural transformation. It has been categorised into different aspects such as economic, social, psychological, political and business. **Kindly rate the changes before and after availing microfinance in order of preference in 5-point scale (5=strongly agree, 4=Agree, 3=Undecided, 2= Disagree, 1=strongly disagree)**

IMPACT OF MICROFINANCE ON THE RESPONDENTS						
1. ECONOMIC IMPACT		5	4	3	2	1
1	There has been a sufficient positive change in cash at hand for basic needs					
2	There has been an improvement in annual income					
3	The daily expenditure has increased					
4	The rate of thrift savings has improved					
5	There has been positive progress in business					
6	I have been able to generate any employment opportunities					
7	The quality of housing has improved					

8	There has been increase in the financial assets					
2. SOCIAL IMPACT		5	4	3	2	1
1	There has been an improvement in the level of respect in the society					
2	I have been able to motivate others					
3	My personality and leadership capabilities have improved					
4	My relationships with my neighbours have improved					
5	My social connections have been improved					
3. HUMAN CAPITAL IMPACT		5	4	3	2	1
1	There has been improvement in children's education					
2	There has been positive change in daily diets					
3	My personal healthcare level has improved					
4	My family members' healthcare has improved					
4. PSYCHOLOGICAL IMPACT		5	4	3	2	1
1	The level of mental stress has been reduced					
2	My decision-making skills have improved					
3	There has been an improvement in my self-confidence level					
4	My personal happiness has improved					

IMPACT OF MICROFINANCE ON BUSINESS						
FINANCIAL ASPECT		5	4	3	2	1
1	There has been an increase in the business capital					
2	More alternative sources of credit are available					
3	I have been more confident in taking financial risk					
4	Collecting of debts from the debtors has become easier					
5	I have more access to banking services now					

OPERATIONAL ASPECT		5	4	3	2	1
1	Finding workers has become easier					
2	Raw material can be availed without many problems					
3	There has been a reduce in an average operational cost					
4	It has been easier to promote the business product					
5	The amount of profit has increased over the years					
MARKETING ASPECT		5	4	3	2	1
1	The demand for the products in the market has increased					
2	There has been decreased competition in the market					
3	The average expenditure of the business product has been reducing					
4	There has been a positive increased in the business revenue					

PART (D) CHALLENGES FACED BY THE RESPONDENTS

In this part of the scheduled, the researcher tries to access the problems and challenges encountered by the beneficiaries while availing microfinance. **Kindly rate in order of preference in 5-point scale (5=Strongly agree, 4=Agree, 3=Undecided, 2= Disagree, 1=Strongly disagree)**

CHALLENGES FACED		5	4	3	2	1
Financial problems						
1	Microcredit loans are not sufficient					
2	The rate of interest charged is very high					
3	The process of availing loan is expensive					
4	The time duration for repayment is insufficient					
5	Penalty in case of non-repayment is severe					
Knowledge/Awareness problems						
1	It is difficult to understand the credit agreement					

2	It is challenging to access microfinance loans					
3	Processing of microfinance loan is time-consuming					
4	There is no proper support from loan-providing authorities					
5	I do not have proper knowledge about the microfinance schemes					
Other problems						
1	Lack of support from the government agencies					
2	Family members are not supportive about microfinance activities					
3	The rules while availing loans are too complex					
4	Training facilities are not sufficient					
5	The location of the microfinance loan institution acts as a disadvantage to me					
6	The microfinance-providing authorities are not very friendly					

Thank You for your cooperation.

Signature of the Respondent