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Role of Micro Finance in Poverty Alleviation of Tribals of Nilagiri ITDA of Balasore, Odisha, India

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I. Introduction

Indian microfinance sector is expected to grow nearly ten times by 2011 to a size of about Rs250 billion from the current market size of Rs27 billion, at a compounded annual growth rate of 76%. Microfinance in India started evolving in the early 1980s with the formation of informal Self Help Group (SHG) for providing access to financial services to the needy people who are deprived of credit facilities. National Bank for Agriculture and Rural Development, the regulator for microfinance sector, and Small Industries Development Bank of India are devoting their financial resources and time towards the development of microfinance.

a) Significance of the Study

The world has recognized the gravity of the rural indebtness in developing and underdeveloped countries and a consensus emerged for designing and implementing poverty alleviation schemes in such a manner that the poor would be encouraged to take loans for productive economic activities of their own. The poor in these countries are encouraged to form small groups of people having relatively equal economic status where mutual thrift and credit activities are initiative for meeting their emerging credit needs. As part of poverty alleviation measures, the Government of India has implemented self-employment programmes like Swarnajayanti Gram Swarojagar Yojana, where the measure emphasis is laid on Self-Help Groups formation, social mobilization and economic activation through micro credit finance.

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b) Motivation of the Paper

Tribals constitute about 8.6% of the total population in India. The tribals in India are predominantly rural living in mostly in forests and mountains somewhat isolated from the general population, are overwhelmingly illiterate and more than 50% population live below the poverty line. Though the welfare and development of tribals has been given a very propriety right from the beginning of the first five year plan but still it remains the most backward ethnic group in India on the three most important indicators of development, i.e. health, education and income.

The National Commission review on the working of the Constitution (May, 2001) clearly indicates that a lot needs to be done for further development and welfare of tribals. The overall development of tribals of the society should include their empowerment through Self-Help Groups in educational, social, economic and political sectors while keeping in view of their culture, heritage and traditional identity in terms of age-old rights and privileges of this people along with maintaining harmonious relationship of social and economic development in line with all other sections of the society.

This proposed study will be directed to study the efficiency of the Micro Finance provision to solve the specific peculiar problem of the Tribal people.

The scheduled areas in the states of Orissa comprises of the districts of Mayurbhanj, Sundargarh and Koraput, KuchindaTahasil of Sambalpur, Telkoi, Keonjhar, Champua and Barbil Tahasil of Keonjhar district. Kandhamal, Baliguda and Ghumusar, Udayagiri Tahasil of Phulbani district, R. Udayagiri tahasil, Gumma Block and Rayagada Block, SurudaTahasil, Thuamul Rampur Block and Langigarh Block of Kalahandi district and Nilgiri Block of Balasore district.

Scheduled Caste and Scheduled Tribe population in the state as per 2001 census comes to 60.82 lakhs and 81.45 lakh respectively which is 16.5% and 21.1% of the total population of the state as against 16.2% and 22.2% in the previous census i.e. 1991. The decennial growth of SC and ST population during 1991-01 is 18.6% and 15.8% respectively. Similarly as per

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2001 census the sex ratio among SC and ST people is 979 and 1003 respectively as against 936 and 978 at the national level.

Therefore there is ample scope to study the impact of micro finance in the tribal society for the socio-economic development of tribal people. The outcome which is observed in case of non-tribal people and society cannot be generalized for tribal society. Hence an attempt has been made through study to evaluate the Role of Micro Finance in Poverty Alleviation of Nilagiri ITDA block of Balasore district, so as to analyze the relevance and suitability of micro-finance system in tribal society.

c) Objective of the study

The present study is an attempt to analyze the growth and role of micro finance in developing the socio-economic profile of the tribals in Nilgiri ITDA Block of Balasore district in Orissa. The specific objectives of the study are as follows:

a) To examine the role of micro finance in the socio-economic development of tribal's.

b) To assess whether the micro finance system is capable of raising the productivity level of the beneficiary families in the field of agriculture, horticulture, animal husbandry, small industry and allied activities.

d) Scope of the study

The proposed study as purely analytical and empirical in character is based on both primary and secondary data. Besides descriptive survey method can also be adopted for the study. As the targeted area is confined to Nilagiri ITDA block of district Balasore in Odisha which are covered under the study to explain the micro-finance system in tribal society residing in those areas.

Niilgiri ITDA Block comprises of 25 nos of Gram Panchayats (149 nos of villages including hamlets) having population of 1,29,360 (Male-64,713 ,Female-64647) in 31,679 nos of house holdings. All most all the G.Ps are covering with schedule tribe population .Out of the total population 74,701 (Male-36839, Female-37862) are schedule tribe population in 14763 nos of house holds

Out of that, 10 villages @ 30 nos families from each village are taken for sampling of the study on the bais of socio economic status which are financed by different commercial banks, co-operative banks and other sources for their different activities such as Agriculture, Horticulture, Goatery, Poultry ,Stone carving, Rice husking and Khali stichin etc. These activities are their sources of income generating purposes.

Sample Villages

Village	G.P	House hold	Popu-lation	Male	Female	ST House hold	ST Population	Male	Female	% of ST literacy
Kaduani	Chatrapur	276	1146	600	546	87	711	406	305	51.9
Khuntadiha	Chjatrapur	100	381	194	187	59	178	106	72	49.9
Parasipal	Chatrapur	98	384	196	188	51	171	97	94	53.8
Madhupuria	Chatrapur	91	332	169	163	60	150	94	56	54
Kishore ch.pur	KCPur	283	1206	629	597	198	646	389	257	46.8
Kathagochhi	Mahisapat	317	1363	672	691	191	1061	513	548	41.6
Mahisapata	Mahisapat	385	1673	814	859	222	1479	710	769	43.7
Tentulia	Tentulia	364	1304	663	641	111	638	317	321	47.4
Arbandh	Arbandh	376	1586	788	798	188	965	491	474	43.2
Pithahata	Pithahata	452	1642	834	808	152	762	389	373	47.3
Total		2742	11037	5559	5478	1319	7061	3516	3545	

Source: Census, 2011

Nilgiri is a backward hilly region in Balasore district, predominantly inhabited by aboriginal people. Nilgiri is the only ITDA Block of Balasore district which is densely populated by tribal people. Hence the purposive sampling method can be justified to fulfill the aims and objectives of the research study.

e) Hypothesis for the Study

The study is carried out with the following hypothesis:

1. Is there a positive relationship between Micro-credit and improved living standards of recipient of these micro credits in the study area?
2. Are low income earners able to obtain credit easily from the Government owned micro finance institutions in the study area?

II. Classification and Sources of Data

The traditional classification of data for an empirical study like this has been be followed in this section. Both secondary and primary data sources have been used for data collection. The most important limitation to this paper is the data gap.

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It is in fact the reason why a general theoretical approach has been developed for this study. The fact that a field research cannot be conducted reduces the whole exercise to developing a paper proposal for the actual research phase in Nilagiri ITDA Block of Balasore. During the same period, the total expenditure of Nilgiri ITDA under SCA to TSP as well as Article 275(i) was Rs.484.62 lakh (95.76%) while the expenditure under SCA to TSP was exceeded the allotment, the expenditure under Article 275(i) was Rs.155.25 lakh (84.89%).

Allotment and Expenditure of Nilgiri ITDA from 2010-11 to 2015-16

Sl.No	For the Year	Allotment received in Rupees	Allotment Expenditure in Rupees
1	2010-11	87,16,000/-	86,58,554/-
2	2011-12	79,85,850/-	81,09,350/-
3	2012-13	92,37,000/-	90,29,650/-
4	2013-14	105,08,800/-	1,11,06,755/-
5.	2014-15	126,83,302/-	168,12,133/-
6.	2015-16	98,74,000/-	1.12,23,009/-

Source: ITDA Nilgiri , 2017

This section therefore discusses formulation of the research framework, that is, how data collection and analysis for the actual paper writing on this subject are conducted.

a) Growth of Micro Credit Institutions

A pilot project for purveying micro credit by linking Self Help Groups (SHGs) with banks was launched by NABARD in 1991. Its view was facilitating smoother and more meaningful banking with the poor. RBI had been advancing commercial bank to actively participate in this linkage programme. The scheme has since been extended to RRBs and cooperative banks. The running of SHG is also a great lesson in governance. It teaches the value of discipline both procedural and financial, well run SHGs are subject to external audits that enforce prudence.

III. Demographic Profile of Study Area (Nilagiri itda of Balasore, Odisha)

Balasore district is one out of the thirty districts of Qdisha. This is the district having interacted with different compositions of population, different culture and confluence of sea, land, horizon of rail road and facility of strong transport system. As the History says Balasore is composed of Bala-E-Shore. It means a city on the coast of the sea. This has been a place of prime importance since the British rule. The district is also famous for defence base and fishing business.

Financial Institutions: A number of commercial banks and co-operative institutions are working in the district, which mobilizes saving and advance loans to different people. There are 71 branches of different commercial banks, 45 branches of Gramya Banks, 136 numbers of co-operative societies and 39 number of non–agricultural multipurpose co-operative societies operate in this district to cater to the needs of the people of the district.

a) Integrated Tribal Development Agency, Nilgiri

Nilgiri Integrated Tribal Development Project (Now ITDA since 1979) was launched on 1st December 1975. It was registered bearing No.15081 under the Society Registration Act of 1860. It has been operating as an Autonomous body since 1979 for the all-round development of ST people and the area.

b) Demographic Profile

As per 2011 census, the total household and population of Nilgiri ITDA are 31679 (including 18319 households) and 1,29,360 respectively. Out of the total population, 64,713 are males and 64647are females. These ratio is 969 in total (ST-990, SC-977).The density of population is447 persons per square kilometres. The average population on size per village is 800 and household size is6.Out of the total population; 12761 persons (9.48%) are SC and 74701 persons (56.16%)are ST.As regards population growth during 1991-2001,the ST with 21.58% population growth is slightly more than the population growth of SC (18.46%) and all communities (14.42%). Over a period of three decades (1971-2001) the proportion of ST population of the ITDA has been increased by 2.93%, which shows a positive impact of socio-economic development intervention by the ITDA for ST people. The infant mortality rate of the area during 2003-04 was 48,6%.The sex ratio of STs in the area as per 2011 census is 990 females followed by SCs (977) and all communities (969).

Nilgiri ITDA area indicates arise in literacy rate of total population by 12.71% over the decade 1991-2001. As per 2001 census, the general literacy rate is estimated at 56.60% as against 43.89% in 1991. The males with 43.89% literacy rate are much ahead of the literacy rate of 26.31% by their female counterpart. Though there is arise of literacy of ST from 15.60% in 1971 to 22046% in 1991, still they are educationally logging for behind the total population and SC population. The ST female literacy is extremely low, lessthan10%.

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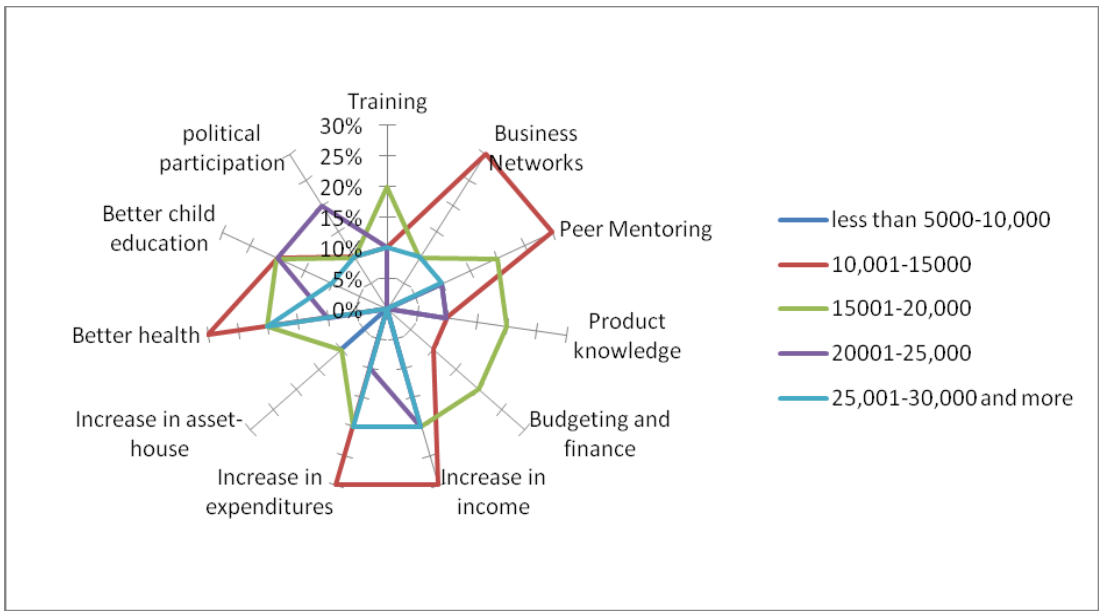
The main work force in Nilgiri ITDA area comprises 32% of its total population 77% of it depend on Agro based economy. The cultivators from 34.16% of the workforce, agricultural labourers comprise 41.44% and 1.12% earn their livelihood from allied agricultural activities like livestock forest and fisheries.

Impact of increase in amount of microfinance on poverty reduction and entrepreneurship attributes



IV. Research Methodology

The goal of the research process is to produce new knowledge or deepen understanding of a topic or issue. The Quantitative data collection methods rely on random sampling and structured data collection instruments that fit. Comparative and experimental methods of analysis are also adopted by taking interviews of various persons associated with the study. Data will be tested and analyzed through the computer based statistical techniques like, Mean, Standard Deviation and Coefficient of Variation (C.V.), Correlation Coefficient between indicators in the study area is applied to examine the result.

1. Statistical tools like Coefficient Variation, t-test to know the significant of data.
2. Correlation coefficient for the sake of factor analysis.
3. Multiple correlation for establishing degree of relationship between variables.
4. Multiple Regression analysis for inferring directional relationship if any.
5. Chi-square ($\chi 2$) test is used for hypothesis testing.
6. Two-way ANOVA i.e. Analysis of Variance tests are adopted for analysis for measuring the different from various angles between the factors.
7. Factor analysis for finding out the magnitude of importance of the factors being considered.
8. Pie Chart for visual representation and quick perception of effects.

8. Pie Chart for visual representation and quick perception of effects.

a) Functional Analysis

The poverty is made up of many factors such as income, consumption, asset, health and education. But in quantitative research only income, Age and education of the family is considered. However, the impact of microfinance is analysed on the basis of income, age and education of the family and are considered to be benefiting the family with the productive use of loan.

i. *Multiple Regression Model*

In order to examine the contribution of the indicators in causing more economic development, linear model is used. The analysis is based on multiple regression technique. The specification and justification of variables included in the analysis are used as

$$Y = f(X_1\ X_2\ X_3\ X_4\ X_5)$$

Where

Y = Economic Development

X_1 = Age, X_2 = Income, X_3 = Education

X_4 = Family Size, X_5 = Socio-economic status

The form of equation fitted for development is given below linear model

$$Y = C_0 + C_1X_1 + C_2X_2 + C_3X_3 + C_4X_4 + C_5X_5$$

ii. *Coefficient Variation*

C.V. is used to know the data variation collected from the study area. The more variation shows less

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accuracy, less consistency of data. Less variation of data shows more accuracy, more constancy of data.

Formula of coefficient of variation is $C.V. = \frac{\sigma}{\bar{x}} x100$.

iii. *Correlation Co-efficient (`r' value)*

The correlation co-efficient is a statistic descriptive of the magnitude of the relation between two variables. Correlation coefficients are traditionally defined in such a way as to take values extending from –1 to +1. A negative value indicates a negative relation i.e. X decreases as Y increases. The main purpose of the study is to find out the relationship between the variables.

iv. *Analysis of Variance test*

In the analysis, the total variations are split into explained and unexplained variation. This suggests that one can compute an analysis of variance type of table for analysis.

F-statistic is computed as

$$F = \frac{\text{Mean sum of square of explained sum square}}{\text{Mean sum of square of residual sum square}}$$

$$= \frac{\sum y_i^2 / k-1}{\sum e_i^2 / n-k}$$

since our model consists of five explanatory variable

$$\text{so, } F = \frac{\sum y_i^2 / 4-1}{\sum e_i^2 / n-4} = \frac{\hat{C}^2 \sum x_i^2}{\sum e_i^2 / n-4}$$

The null hypothesis Ho is Ci = 0

if calculated F > tabulated F with (k-1) and (n-k) degrees of freedom with chosen level of significance we reject the null hypothesis and accept that the data is significant.

If calculated F < tabulated F, then we accept the null hypothesis and conclude that data is not significant.

To achieve the objectives of the study i.e. primarily to assess whether the micro finance system is capable of raising the productivity level of the beneficiary families in the field of agriculture, horticulture, animal husbandry, small industry and allied activities and whether there is upgradation of tribal living standard, health and hygiene and housing, drinking, water education, infrastructure situation in tribal areas after Micro Finance linkage of the area in the study area, different techniques and important indicators considered for the following analysis.

Mean, Standard Deviation and Coefficient of Variation (C.V.) of the indicators

Indicators	Mean	S.D.	C.V	t-test
Age (X_1)	2.70	± 0.78	28.98	59.777
Income (X_2)	2.57	± 0.78	30.32	57.129
Education (X_3)	1.72	± 0.69	39.99	43.311
Family Size (X_4)	2.00	± 0.63	31.68	54.681
Socio-Economic Status (X_5)	2.47	± 0.73	29.72	58.283

In the above table it is observed that there is less variation in case of Age (X_1) followed by Socio-Economic Status indicator (X_5), this shows more consistency of opinion collected from the study area. It is also found that in case of the indicator Education (X_3) there is more variation i.e. 39.99, which shows less consistency of data in the study area.

Tabulated value of t-test at 5% level of significance = 1.960 and for 1% level of significance = 2.576.

Here, the t-statistic for the indicators considered viz. Age, Income, Education, Family Size and Socio-Economic Status are significant both at 5% level of significance and 1% level of significance.

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Correlation Coefficient (`r' value) between indicators in the study area

Categories	Age (X_1)	Income (X_2)	Education (X_3)	Family Size (X_4)	SES (X_5)
Age (X_1)	1.00				
Income (X_2)	0.87**	1.00			
Education (X_3)	0.81**	0.89**	1.00		
Family Size (X_4)	0.81**	0.77**	0.73**	1.00	
Socio-Economic Status (X_5)	0.83**	0.92**	0.82**	0.74**	1.00

***. Correlation is significant at the 0.01 level*

It reveals from the above table that correlation coefficient (`r') value between income and socio-economic status is 0.92, this shows there exists strong and positive correlation between these two indicators. correlation between these two indicators. Next Next strong and positive correlation exists between income and education i.e. 0.89.

In the above case strong and positive correlation exists between age and income (0.87), age and education (0.81), age and family size (0.81), age and socio-economic status (0.83), income and family size (0.77), education and family size (0.73), education and socio-economic status (0.74). It is observed from the above correlation matrix table that there is almost all the indicators considered for the study are strong and positive correlation exists between the two dependent variables.

b) Chi-square (χ^2) test

i. *Testing of research questions*

The data presented in this chapter are analyzed according to the questions used in this study and the questionnaires administered for the research. In analyzing the research questions, the chi-square (χ^2) test is used at 95 percent confidence interval or 5 percent level of significance. The decision rule is to accept the null hypothesis (H_0) and reject the alternative hypothesis (H_1), if the calculated chi-square is less than the critical value of the chi-square using the requisite degree of freedom. The reverse holds, i.e. reject H_0 and accept H_1 if the calculated chi square value is more than the critical chi square value.

Calculate the chi square statistic χ^2 by completing the following steps:

1. For each *observed* number in the table subtract the corresponding *expected* number (*O — E*).
2. Square the difference [$(O — E)^2$].
3. Divide the squares obtained for each cell in the table by the *expected* number for that cell [$(O - E)^2 / E$].
4. Sum all the values for $(O - E)^2 / E$. This is the chi square statistic.

Hypothesis-1: There a positive relationship between Micro-credit and improved living standards of recipient of these micro credits in the study area.

Test Statistics

Chi-Square	213.973[a]
df	3
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 75.0.

From the above statistics, we reject H_0 and accept H_1 if the computed χ^2 is more than the critical value or vice versa. Thus, computed χ^2 (213.973) is greater that the critical value of (7.815), thus, we accept the alternative hypothesis H1. This shows that micro-credit availability has a positive impact on living standards of recipient of these micro credits in the study area. The reason for this assertion is that when people with micro enterprises have access to credit, they are able to expand their businesses, employ more people and also not only improve their living standards, but also, improve the living standards of people they employ.

Hypothesis-2: The low income earners are able to obtain credit easily from the Government owned micro finance institutions in the study area.

Test Statistics

Chi-Square	126.96[a]
df	3
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 75.0.

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Thus, the critical value of χ^2 (7.815) is less than the calculated value (126.960), thus, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1). The implication of this decision is that there are difficulties encountered by the poor or low income earners in obtaining loans from micro credit institutions. This may be as a result of these microfinance banks not having confidence on these low income earners in repaying back the loan collected; or these low income earners not being able to meet the requirements of these microfinance banks in getting a loan, etc.

c) Regression Results

Linear Regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. Below table describes the main regression results. It shows the effect of the indicators adopted for the study.

Independent variables

Age	-	X_1	Income	-	X_2
Education	-	X_3	Family Size	-	X_4
Socio-economic	-	X_5			

Regression results – Effect of indicators in case of economic development in the study area

i. *Dependent Variable – Economic Development*

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.865[a]	.749	.745	.334	.116

a. Predictors: (Constant), X_1, X_2, X_3, X_4, X_5

b. Dependent Variable: Y

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	97.949	5	19.590	175.391	.000[a]
	Residual	32.838	294	.112		
	Total	130.787	299			

a. Predictors: (Constant), X_1, X_2, X_3, X_4, X_5

b. Dependent Variable: Y

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.198	.075		2.632	.009
	X_1	.036	.057	.043	.631	.528
	X_2	-.012	.086	-.015	-.143	.886
	X_3	.032	.063	.033	.502	.616
	X_4	.487	.054	.467	9.059	.000
	X_5	.365	.069	.405	5.327	.000

a. Dependent Variable: Y

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Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.09	3.34	2.19	.572	300
Residual	-.495	.658	.000	.331	300
Std. Predicted Value	-1.921	2.006	.000	1.000	300
Std. Residual	-1.481	1.970	.000	.992	300
a. Dependent Variable: Y					

In most variables the calculated value of the coefficient (Beta) in the regression equation is either perverse or insignificantly different from zero. It shows the indicator family size (X_4) have more effect on economic development in the study area. Next followed by the indicator `socio economic status' have effect on development. Indicators like age, education have positive impact on development. It is observed that the indicator family size has significant contribution towards development in the study area. It is also revealed from the Multiple coefficient of correlation (R) table that calculated value of R square is 0.749, which indicated that there is a strong and significant relationship between the indicators.

Analysis of Variance (ANOVA) for the indicators in the study area

Reliability

Case Processing Summary			
		N	%
Cases	Valid	300	100.0
	Excluded[a]	0	.0
	Total	300	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items
.957	5

Alpha (Cronbach). This model is a model of internal consistency, based on the average inter-item correlation.

ANOVA						
Source of variation		Sum of Squares	df	Mean Square	F	Sig
Between People		671.669	299	2.246		
Within People	Between Items	207.156	4	51.789	541.222	.000
	Residual	114.444	1196	.096		
	Total	321.600	1200	.268		
Total		993.269	1499	.663		
Grand Mean = 2.29						

Reliability analysis allows studying the properties of measurement scales and the items that compose the scales. The Reliability Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Intra-class correlation coefficients can be used to compute inter-rater reliability estimates.

Where, tabulated value of F-test at 5% level of significance for (4,299) degree of freedom = 2.42 and tabulated value of F-test at 1% level of significance for (4,299) degree of freedom = 3.41, Here, in case of the above table between the indicators (row) is highly significant. The calculated value is 541.222. This shows calculated `F' value is more than tabulated `F' value both at 5% and 1% level of significance.

A significant challenge for microfinance is to serve as a development of microeconomic. As observed, in the study area, family size followed by the socio-economic status of the tribal in Nilgiri ITDA Block

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of Balasore district has played the major and significant role for the economic development. It is also observed that indicators like income and socio-economic status varying in the same and positive direction. If socio-economic status is increasing, the income on an average is also increasing in the study area, which indicates effective impact on economic developmental of microfinance activities. The development of microfinance sustainable poverty alleviation tool, is reaching is undoubtedly critical in improving access to finance sufficient scale to fulfill demand for financial services. This emphasis on Microfinance seems to have generated a view that Microfinance development could provide an answer to the problems of rural financial market development. Beholding the present situation, we must take a long an active people-centred and growth-oriented poverty alleviation strategy - a strategy which seems to incorporate particularly tribal aspirations, dynamism and involvement.

A general conclusion that emerges from this research study is that access to finance is important for tribals of Nilagiri to unlock them from the shackles of poverty to realise their full potentials. The statistical reported results derived using quantitative analysis suggests that all three variables: income, education and family size are significant and have a high correlation with access to finance. A closer examination of results suggest that an increase in income of the family is positively correlated with the size of loan up to a point but this relationship does not holds when the size of loan reached a certain size. So, there may be an optimal loan size which MFIs should offer. Thus the relationship between increase in income and increase in amount of loan has inverted U shaped. These results have implications for microfinance organisations themselves, donors and policy makers at large. The logistic regression results show that with the increase in amount of loan, there is probability of increase in children education.

The qualitative analysis shows microfinance loans have positive impact on poverty reduction. Access to finance leads to an increase in income, product knowledge, especially when this is supported with peer mentoring for the new members of microfinance institution.

The increase in, product knowledge and peer mentoring help to reduce information asymmetry and the regular monthly meetings and repayments help to build bonds, create a sense of belonging, learning relating to business practices and in instilling business discipline.

There is excessive focus amongst MFIs to support start-ups who may have potential to become independent earners. Therefore it is concluded from the fact that ensuring the MFIs have a desired positive impact on poverty reduction amongst Tribals.

V. Summary of Finding, Conclusion and Suggestion

Nilgiri is a backward hilly region in Balasore district. Nilagiri ITDA block of district Balasore in Odisha which are covered under the study to explain the micro-finance system in tribal society residing in those areas. Nilgiri is the only ITDA Block of Balasore district which is densely populated by tribal people. Therefore the research in Nilagiri, Balasore district of Odisha, has been adopted in the case study method for *the assessment of the impact of microfinance on the lives of the rural poor* in selected rural settings and the research method for empirical inquiry that investigates a contemporary phenomenon within the real-life context.

The interventions so far made in the Nilagiri ITDA areas on various components indicates that a large number of interventions in the field of income generating schemes, infrastructure development schemes and on information, education and communication (IEC) have been extended in the project area, but there are some missing critical socio-economic and physical infrastructures.

The overall strategy of the micro-financing programme focuses on empowering the tribals and enabling them to enhance their food security, increase their incomes and improve their overall quality of life through more efficient natural resources management based on the principles of improved watershed management and more productive environmentally sound agricultural practices and through off farm/non-farm enterprise development.

It is observed that female (60%) is numerically more than male (40%), which shows the dominancy of tribal's and plays important role in the poverty alleviation of tribal through microfinance in the study area. Microfinance is also providing financial services to the poor who are not served by the conventional formal financial institutions - it is about extending the frontiers of financial service provision.

The provision of such financial services requires innovative delivery channels and methodologies. The needs for financial services that allow people to both take advantage of opportunities and better management of their resources.

The importance of education recognized for growth i.e in the study area 1.67% only are College/University, 8.33 % are matriculate, 50% are below matric and 40% of the respondents are found illiterate. This is definitely an issue and challenge for the nation's growth. The more the people educated obviously takes the opportunity of microfinance system.

Microfinance is one of the effective tool amongst many for poverty alleviation. However, it should be used with caution -despite recent claims, the equation between microfinance and poverty alleviation is

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not straight-forward, because poverty is a complex phenomenon and many constraints that the poor in general have to cope with. We need to understand when and in what form microfinance is appropriate for the poorest; the delivery channel, methodology and products offered are all inter-linked and in turn affect the prospect and promise of poverty alleviation. The access to the formal banking services is difficult for the poor.

Thus, it is clear that majority of the borrowers are not repaying their loans in regular instalments. This may be mainly due to unproductive utilization of loan or insufficient return on investment.

Since change in social status was under multiple responses it was stated separately. Thus it is clear that socio-economic developments of the borrowers were caused under different parameters by effecting utilization of loan.

The facts concerning the income level i.e 70% of the family of respondents earn monthly more than Rs.12000 and 30% of the sample earn monthly below Rs.12000 annually. The study depicts that income distribution of the respondents is skewed and found that the higher income group is predominant in the sample area. It is also observed that the trend of the modern time is that the size of the family in general has been reduced, i.e. from an estimated number of eight to two or four. Many as 67% respondents are having mud and thatched house, 20% are having semi-pucca houses and only 13% are having pucca houses in the study area. So most of the respondents possessed mud and thatched houses. Only 10% of the land are under irrigation. Almost 90% of people do the single crop in the sample area i.e the traditional food crop rather than commercial crop. The people in the sample area prefers to acquire loans from the formal financial institutions i.e regional rural bank and nationalised bank. The duration of loans is 5 years as in case of 80% of the people and they utilised it it productive purpose. In addition, the process of acquiring a loan entails many bureaucratic procedures, which lead to extra transaction costs for the poor. Formal financial institutions are not motivated to lend money to them. In general, formal financial institutions show a preference for urban over rural sectors, large-scale over small scale transactions, and non-agricultural over agricultural loans.

a) Conclusion

Microcredit and microfinance have received extensive recognition as a strategy for poverty reduction and for economic empowerment. Microfinance is a way for fighting poverty, particularly in rural areas, where most of the world's poorest people live rural development and poverty reduction are commonly related to the issue of rural employment. In Nilagiri ITDA of Balasore district the tribal households livelihood strategies comprise several options, including farming and non-farm activities, local self-employment and wage employment, and migration. Microfinance has proven to be an effective and powerful tool for tribal development and poverty reduction.

Poverty is a threat to the tribals, because they cannot meet up his primary or basic needs of life, that of his family or his dependents. Poverty is like that which sucks the blood for its livelihood. It exists where people are unable to make both ends meet for better livelihood. Finally it is concluded that this study is set out to establish the relationship between microfinance and poverty reduction, the difference between microfinance and traditional savings rotating system and loan repayment and poverty reduction.

After a theoretical and empirical exploration of relevant literatures, it is concluded that there is a significant relationship between microfinance and poverty reduction; significant difference between microfinance and traditional savings rotating system; loan repayment and poverty reduction.

On the premises of the revelations from this study, we conclude that thus microfinance alone cannot reduce the level of poverty in any given society except the government provide the basic infrastructural facilities such as good road, constant power supply, good transport system etc that is when microfinance will play an effective and efficient role of poverty reduction instrument in contemporary society. Therefore, the following recommendations were provided to stimulate the use of microfinance as a poverty reduction strategy in tribal societies

b) Suggestions

Numerous traditional and informal system of credit that were already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader- in looking at its long-term aspects too .very little attention has been given to empowerment questions or ways in which both empowerment and sustainability aims may be accommodated. Failure to take into account impact on income also has potentially adverse implications for both repayment and outreach, and hence also for financial sustainability. An effort is made here to present some of these aspects to complete the picture.

The organizations involved in micro credit initiatives should take account of the fact that:

- Credit is important for development but cannot by itself enable very poor tribal's to overcome their poverty.
- Making credit available to tribals does not automatically mean they have control over its use and over any income they might generate from micro enterprises.
- In situations of chronic poverty it is more important to provide saving services than to offer credit.

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- A useful indicator of the tangible impact of micro credit schemes is the number of additional proposals and demands presented by local villagers to public authorities.

India is the country where there is a collaborative model between banks, NGOs, MFIs and Tribal development organization exists. It is clear that micro finance need to look beyond just increasing tribal's access to savings and credit and organizing self help groups to look strategically at how programmes can actively promote higher in poverty alleviation.

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