

Microfinance And Poverty Alleviation of India: An Empirical Study

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Abstract :-

Poverty is omnipresent but the third world countries are the main sufferers. Even after more than 50 years of planning and employing various poverty alleviation programmes, official estimates shows that 26.1 per cent of total population lives below poverty line in India . Since, independence government has taken several initiatives to tackle the scarce of poverty through area development approach, sectoral approach. But all the initiatives failed to achieve the target due to faulty planning and improper implementation and lack of will. Formal banking sector also ignored the poor due to risk involved in lending to poor as they do not have collaterals and apprehension of non-bankability. Against this backdrop SHG bank linkage from NABARD is considered as best alternative to reach the poor. The provision of small and regular repayment schedule made possible very high recovery rate. After 1990s microfinance has taken it momentum and now it is the largest microfinance movement in the world.

Keywords:- Microfinance, Poverty Alleviation, Rural Finance, SHG (Self Help Group)

Introduction :-

In our Great India rural area play a very vital role in the economy, our economy concentrates on this sector, we can say that this area is the heart of the nation and the farmer of our country is the innovator or the base of the country who not only secure the culture of our country but also serve it to the upcoming generation India is the nation of farmers the majority of citizens of India is based on the agriculture sector and setup his livelihood in the rural area. As Gandiji told that “If want to see the real India then see the village”. The rural area is the heart of the nation and without this heart the nation cannot be developed. Agriculture provides the principal means of livelihood for over 60% of India’s population and Agriculture sector contributes 25% of National Income over the period investment. Despite a steady decline in its share to Gross Domestic Product (GDP) agriculture sector remain the largest economic sector in the country. But now the back bone of the country face various problem such as poverty, illiteracy, inadequate knowledge, unawareness about the current status and the current scenario of the nation and ultimately the world and the main think is debt and insolvency.

The main clause of this problem is un sufficient fund that is money to cope with such a huge problems and ultimately the money lender takes the advantages from it that’s why the farmer face a problem of debt. Farmers are suffering due to a large interest rate and the terms and conditions from the money lender but he doesn’t have any choice and at the end of the result came out that he commute suicide. There is an old saying “farmers takes the birth in debt and die in the same condition “. This was the position of farmers before independence and it still continue after 60 years of independence. If we analyses the suicides by farmers in Maharashtra it is revealed that it is higher in Vidharbha region of the state. For coping with such a huge and critical problem Central Government and State Government contribute his best effort with the help of several packages, schemes, subsidy on the loan, and so on. While developing the nation its make important to developed rural areas first. Development of agriculture sector means not only rural development rather than the overall development of rural people. For this purpose banking contribute very effectively . The rural Development in India is one of the most important factors for the growth of the Indian economy. India is primarily an agriculture-based country .Agriculture Contributes nearly one-fifth of the GDP in India. In order to increase the growth of agriculture, the government has planned several

programmed pertaining to A Rural Development in India. The Ministry of Rural Development in India is the apex body for formulating policies, regulations and acts pertaining to the development of the rural sector. Agriculture, handicrafts, fisheries, poultry and dairy are the primary contributors to the rural business and economy. Credit is a critical factor in development of agriculture and rural sector as it enables investment in capital formation and technological up gradation. Hence, strengthening of rural financial institutions, which deliver credit to the sector, has been identified by NABARD as a thrust area. Various initiatives have been taken to strengthen the cooperative credit structure and the regional rural banks, so that adequate and timely credit is made available to the needy.

Research Objectives :-

For conducting this research following objectives is to be consider ;

- 1) To Study the financial problems of rural India .
- 2) To Study the importance and role of microfinance in India.
- 3) To analyze the impact of microfinance in India .

Research Methodology:-

Methodology used for this paper is secondary method and the data collected from various secondary resources such as journals, articles, libraries and newspapers. The data analysis held on the basis of annual reports of various financial Institution displayed publicly. The data taken from the related research paper were analysed and hence descriptive methodology followed by researcher.

Type of Research Design:-

The research is descriptive and exploratory research. Descriptive in the sense that it establishes relationship between literacy rate of the country and given parameter. Exploratory research in the sense that it collects data from various parameter and tends to establish a cause and effect relationship between the parameter. The data taken from the related research paper were analyzed and hence descriptive methodology followed by researcher.

Review of Literature :-

Shinde keshav (2014) has done their research in the topic “**Impact of microfinance and self help groups (SHG) on Rural Market Development**” their analysis about the study conducted by NABARD revealed that financial services required by poor households are: safe-keeping of small surpluses in the form of thrift; access to consumption loans to meet emergency needs and financial services and products. The benefits in terms of higher income, consumption, and savings matter for the poor, the focus here is broader, as an attempt is made to assess some key dimensions of women’s empowerment-defined broadly as expansion of freedom of choice and action to shape their own lives. Concluded with areas of future research emphasizing on review of literature on SHGs, the experiences of several leading NGOs involved in the formation of SHGs and interviews with chief executives and staff of other NGOs/ projects promoting SHGs.

Devi S. Kavitha (2014) has reviewed on the topic “**Micro Finance and Women Empowerment**” this topic in this article is the presentation in a succinct and applicative manner of several decision making processes”. Microfinance gained impetus primarily because it promised the social and economic uplift of women in developing countries across Asia, Latin America, and Africa. Countries in these regions have patriarchal societies that harbor gender-biased traditions preventing the liberation of women. The ability to generate and control their own income can further empower poor women. Research shows that credit extended to women has a significant impact on their families' quality of life. Of these methods microfinance providers tend to involve the husbands of their female clients when talking business, because his support is vital. Additionally, any plan to fight poverty cannot solely focus on one gender and circumstances therefore; many microfinance programs serve men as well.

Ugiagbe Ernest Osas(2014) has done his research in the topic “**A Survey of the Perception of the Services of Micro Finance Institutions by the Female Service Users in Benin City, South-South, Nigeria**” and has reviewed this paper to investigate the struggles of managerial identity in relation to the

process of becoming/being the perceptions of the services of the micro finance Institutions by the women service users, and how the services of micro Institutions affect businesses of the beneficiaries of the micro credit loans. Management tends to be based on the idea that management concerns the acquisition of the female participants, and senior management personnel of the micro credit institutions were interviewed. The cluster and simple random sampling were used to select the participants for the study the poor services and attitude of officials of micro finance institutions and other Problems like the regressive tax regimes, harsh economic climate and patriarchy are negatively affecting the business ventures of the loan beneficiaries and by implication the goals of poverty reduction via micro credit scheme. The leaders of registered unions were the informants. The study focuses on only The result reveals that the poor services and attitude of officials of micro finance institutions and other

Micro Finance and their Importance:-

Micro finance in India is still in its nascent. Micro finance yet remains a powerful tool for development. It may be a panacea, but it has brought a sea of change in the lives of many in the poor and over-populated country India. By reaching the un-reached rural poor in the rural areas, micro finance innovations are yielding results and giving hope to the millions of poor through providing credit. The SHG-Bank linkage and financial through MFIs approaches is no doubt an effective instrument by which very poor can access hassle free formal credit without any collateral security and simultaneously improve their thrift habits. But in order to make the approaches more useful means for poverty alleviation a sustainable rural development, there is a need for sincere intervention by the promotional agencies particularly the banks and block authorities in the areas of awareness building, skill Development and training, etc. considering the number of clients, range of services and the increase involvement of both formal and informal sector institutions, there is tremendous scope for the sustaining of micro finance development in India

In early 1980's, the existing banking policies, procedures and systems were not suited to meet the requirements of poor. For borrowings poor people usually resort to unorganised sector. NABARD recommended that alternative policies, systems and procedures should be put in use to save the poor from the clutches of moneylenders. Thus microfinance was introduced in banking sector.

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to the poor and low income households and their micro-enterprises. Microfinance is defined as "Financial Services (savings, insurance, fund, credit etc.) provided to poor and low income clients so as to help them raise their income, thereby improving their standard of living".

Micro-financing is regarded as a tool for socio-economic up-liftment in a developing country like India. It is expected to play a significant role in poverty alleviation and development. Mohammed Yunus was awarded the Noble Prize for application of the concept of microfinance, with setting up of the Grameen Bank in Bangladesh. Micro credit and microfinance are different. Micro credit is a small amount of money, given as a loan by a bank or any legally registered institution, whereas, Microfinance includes multiple services such as loans, savings, insurance, transfer services, micro credit loans etc.

Role of Micro Finance in India

In India, economic reforms with a human face have been accepted as the guiding principle of sustainable development. Keeping the poor at centre stage, the policies need to be reoriented so as to develop and optimize the potential of such a large segment of the population and enable them to contribute in the growth process significantly in terms of output, income, employment and consumption. Viewed from this angle, our survey results show that. " Micro-Finance can be a power-full instrument initiating a cyclical process of growth and development. "Micro-Finance activity improved access of rural poor to financial services, both savings and credit." Increased access signifies over-coming isolation of rural women in terms of their access to financial services and denial of credit due to absence of collateral."The pool of savings generated out of very small but regular contributions improved access of the poor women to bank loans. "It could also help in strengthening poor families' resistance to external shocks and reducing dependence on

moneylenders." The observed support for consumption smoothening would not have been possible, but for the SHGs internal support."The predominance of borrowing for crop cultivation reflects support for meeting working capital needs."Possibilities could be explored for using SHGs as a strong conduit for purveying crop cultivation loans to very small and marginal farmers to step up crop loan finance.

Critically analysis of Microfinance

" Poverty Alleviation: Universally accepted critique is that "poverty is the worst form of violence." Poor hence have little to offer by way of security against credit that might be extended by the micro-finance institution. The Green Revolution of 1970s attempted to superimpose of Farm Mechanization of Western Agricultural methods using tractor power, chemical fertilizers, etc., resulting in an unintended outcomes, engulfing the hiatus between the haves and the have-nots. It is true that life is a constant struggle against poverty and hardship. Access to micro-financial services like micro credit, insurance, savings and other products can overcome poverty and provide a better life " Empowerment of Women:

The microfinance is mainly focused on poor women which provides an independent sources of income outside the home and expose to a new sets of ideas, values and social support. Women are more thus became assertive and confident in creating own assets and play a stronger and strengthening role in decision making toward family development. Many research studies have found that "having cash in hand and greater control over it can lead to empowerment of women." Out of 89 millions, 82 per cent of microfinance clients are women whose decision-making role increasing and repaid at rate averaging 97 per cent. In brief, giving women access to micro-credit loan, therefore, generates a multiple effect that increases the activities of microfinance institutions benefiting multiple generations. "Microfinance is both financial access and tool of poverty alleviation of rural poor and would help in improving the quality of life in rural India." Sustain Financial, Outreach and Impact: Poor household transform every day survival to planning for the future. Increased earning from financial services lead to better nutrition and better living conditions. Pay for healthcare services when needed rather than go without or wait until their health deteriorates. Therefore, the bottom up approach for generating income and becoming self-reliant enjoys a considerable success.

Conclusion:-

Although, the Government also launched several subsidized wage and self-employment programmes for the benefit of the poor and the cooperatives weaker section of the society could not be turned around. Of late, micro finance has emerged as a catalyst of rural development, especially in the overpopulated country like India. The impact of micro finance programme especially through Self-Help Groups (SHGs) has been effective in making positive social change to all members, irrespective of the direct borrowers of the micro credit. Importantly, in the rural context, the SHGs have facilitated the poor to overcome the existing constraints grappling the formal credit institutions. Therefore, micro finance is a new method to meet the credit requirement in rural areas. It is being viewed as one of the most powerful tools for uplifting the economic conditions of the asset-less poor through group approach that ensures active participation and involvement of the beneficiaries in effective implementation of the programme.

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