



A SCHOOLWORK ON ACCELERATING THE PACE OF RURAL DEVELOPMENT OF THROUGH MICROFINANCE IN INDIA

Prof. Lakshminarayana. S¹

*Acharya Institute of Mgt & Sciences
Peenya ,
Bangalore, Karnataka, India*

ABSTRACT

The policy and programs of rural development aim at alleviating rural poverty, generating employment and removing hunger and malnourishment accompanied by the enrichment of the quality of human life as reflected by significantly improved human development index. The problem of rural development, however, is not merely one of development of rural areas but of the development of rural communities to dispel ignorance and poverty and assist the process of creating a self-reliant and self-sustaining, healthy modern little communities. This paper has been premeditated so as to study the various central government schemes in afforestation and wasteland development issues and also the Micro Finance Models which are more feasible and SWOT Analysis of Micro Finance Mgt for sustainable rural development.

KEY WORDS: *Micro Finance Models, GDP, Wasteland development, Poverty.*

INTRODUCTION

Up until around a decade ago, Micro-finance was associated almost exclusively with small scale loans to individuals and businesses in poor communities. Today it is used to describe a selection of financial products such as payments, savings and insurance, that are adapted to meet the needs of low income individuals, businesses and NGOs. Micro-finance also serves people who do not have access to typical banking services.

Micro-finance is also the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. While some studies indicate that micro-finance can play a role in the battle against poverty, it is also recognized that is not always the appropriate method, and that it should never be seen as the only tool for ending poverty

Poor people often do not have access to cost effective money-lending facilities and face having to take on often unaffordable fees and interest rates on loans

available in their local community. This limits growth and development, puts additional financial pressure on low income families and serves to perpetuate the cycle of poverty.

Like borrowing, savings options for people in low income areas are only available through insecure and sometimes erratic schemes including credit associations, rotating savings and credit associations. Financial insecurity denies families and businesses the opportunity to develop suitably, limiting the incomes of entire communities.

OBJECTIVES OF THE STUDY

- ★ To Study the various centrally sponsored sector schemes
- ★ To Understand Microfinance Models
- ★ To Study the Microfinance mgt and SWOT
- ★ To offer suggestions in suitable areas.



RESEARCH METHODOLOGY

The research method adopted is descriptive. The entire information is collected through secondary sources through various reference materials and websites.

A.) Central and Centrally sponsored sector scheme have been initiated to provide assistance to the voluntary organizations for afforestation and wasteland development.

These are outlined below:-

I. INTEGRATED WASTELAND DEVELOPMENT PROJECT SCHEME**Objective:-**

The basic objective of this scheme is to take up integrated wastelands development based on village/ micro-watershed plans and to help in generation of employment in rural areas besides enhancing people's participation in the wastelands development programmes.

II. SCHEME OF TECHNOLOGY DEVELOPMENT EXTENSION AND TRAINING (TDET) FOR WASTELANDS DEVELOPMENT IN NON-FOREST AREAS**Objectives:-**

- To operationally appropriate, cost effective and proven technologies for development of various categories of wastelands specially problem lands affected by soil erosion, land degradation, salinity, alkalinity, water logging etc.
- To implement location specific pilot project as demonstration models for development of wasteland on a sustainable basis

III. SCHEME OF INVESTMENT PROMOTIONAL SCHEME FOR DEVELOPMENT OF NON-FOREST WASTELANDS**Objectives:-**

The principal objectives of the scheme are:

- To facilitate/attract/channelise/mobilise resources from financial institutions, banks corporate bodies including user industries and other entrepreneurs for development of wastelands in non-forest areas belonging to Central and State Governments, panchayats, village communities, private farmers etc.

- To promote group of farmers belonging to different categories, namely, large, small, marginal and SCs/STs for bringing wastelands under productive use.

IV. GRANT-IN-AID SCHEME TO NGOs/ VA FOR UNDERTAKING WORKS RELATING TO AFFORESTATION AND WASTELANDS DEVELOPMENT**Objective:-**

The objective of the scheme is to create awareness, application of appropriate technologies for the development of wastelands and training for increasing capability and capacity building.

B) Areas of Development:- Integrated Development:-

Integrated development means that the planning of diverse aspects of development cannot be attempted in isolation through a project or even a program approach but it is integrated to take account of their mutual interaction and their linkages, with a view to achieving the total development of human being and the geographical area, thereby bridging the rural-urban gap.

These characteristics mostly relate to the predominance of

- i. land in production with uneven distribution of land and other relevant assets
- ii. agriculture and allied activities
- iii. self-employment and family labor among the land-owning working force [iv] underemployment and casual employment among the working force who hire out their labor for wages
- iv. rural income on seasonal factors with consequent uncertainty and wider fluctuations in income.

Planning Process:-

Planning exercise for IRD should consider provision of the basic institutional conditions necessary for maximization of rural productive resources, securing/ mobilizing mass participation and ensuring equitable distribution.

ALLEVIATING POVERTY

The Prodigious task of alleviating rural poverty cannot be accomplished through piecemeal effort and in isolation of total development of rural areas/rural economy. The entire planning exercise is, therefore, required to be geared up in favor of:-

1. optimum utilization of the growth potential of the villages to increase income, employment, and production

Management Input:-

While the KVIC, Handlooms, Handicrafts, Coir, Sericulture, DRDAs, DICs and public sector banks have been for many years to play their role, none of them and all taken together have demonstrated the level of management and managerial expertise necessary to manage programs of the magnitude and diversity that the IRD envisages. The Management Institutes including IIM, IRMA, NIBM, NIRD, among others, can endeavor to understand and overcome the managerial deficiencies existing in the above referred develop-oriented agencies already involved in planning and implementing their mandated programs having organic link with the IRD.

RECOMMENDATIONS BY RBI MICRO-CREDIT INSTITUTIONS

There are underlined recommendations proposed by RBI:-

Company Law Board to allow SHGs to be members of the Section 25 of the companies act There will be no ceiling in respect of loan amount extended by Section 25 companies to self help groups. However, self help groups may get credit not exceeding Rs 50,000 per member. This is applicable until RBI considers revised instructions on the rule.

As regards to the capital, to encourage more flow of contributions/donations. Donors

to be exempted from income tax under Section 11c of the Income Tax Act. As regards to the capital adequacy, minimum standards need not be considered.

Savings of SHGs promoted by Section 25 companies should be maintained with permitted organizations.

Complete income tax exemption for Section 25 companies providing micro-credit to the donor and to the receiver.

C) MICRO-FINANCE MODELS

- Bank Partnership Model
- Banking Correspondents
- Service Company Model

D) SWOT ANALYSIS FOR MICROFINANCE MANAGEMENT

Strengths:-

- Experienced senior management team
- Great IT system
- Clear defined HR policies and procedures
- Infusion of own equity-commitment from promoters
- Process Innovation
- Clear visionary goals
- Transparency at all levels
- Plans for value added and livelihood support services
- Shared ownership

Weaknesses:-

- Limited resources
- Micro managing
- Start up organization
- Holding on to the staff
- Refine the processes for growth

Opportunities:-

- Huge potential for this market
- Scope of introducing livelihood related services
- Financial crunch is helping organization to be cost effective IT systems

Threats:-

- Financial Crisis
- Increasing competition
- Disorganized banking infrastructure
- Political instability

E) SUGGESTIONS

- People should come forward to create awareness about Microfinance industry.
- MFIs in India have great potential as there is heavy need for microfinance in India based on the India's poverty line.
- The private industries should participate actively in this initiative
- Government should limit their involvement to avoid stunted growth of MFIs
- As per observation micro loan should be given to the rural women only. MFIs can maintain their repayment ratio, without any collateral.
- This research predicted that high interest rates are justifiable because if a commercial bank gives around one million to one individual it is considered same if MFI gives Rs 100 to 10,000 clients. This comparison proves that the operating cost and the man power cost is higher for the MFIs.

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