

An Analytical Study of Role of Micro Finance of NABARD (with Special Reference to Rajasthan)

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Abstract: Micro Finance for the women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor.

Keywords: Micro Finance, poverty, empowerment, exaggerated

1. Introduction

The Term ‘Micro Finance’ has two components namely ‘Micro’ and ‘Finance’. The word ‘micro’ is applied in terms of smallness by and large for representing the poor/ low income people. The word ‘Finance’ which is suffixed with Micro represents small amount of finance matching the needs of the poor/low income people. Since needs of the poor goes beyond credit, the word ‘Finance’ here is covering savings, insurance and other financial and non-financial services for their development. Micro finance is an important tool for social financial engineering in the battle against poverty.

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.

A. Characteristics of micro finance

It may be helpful to enumerate some of the characteristics associated with what is perceived to be “microfinance.” There are at least nine traditional features of microfinance:

1. Small transactions and minimum balances (whether loans, savings, or insurance)
2. Loans for entrepreneurial activity
3. Collateral-free loans
4. Group lending
5. Target poor clients
6. Target female clients
7. Simple application processes
8. Provision of services in underserved communities

9. Market-level interest rates

B. Sources of microfinance

Microfinance providers come in various forms which can be broadly grouped as follows:

- Formal Microfinance Institutions: rural/microfinance / village banks, commercial banks, telecom firms, and cooperatives offering loans to lower-income group individuals
- Semi-formal Microfinance Institutions: non-governmental organizations providing micro sized loans
- Informal Microfinance Sources: money lenders and shopkeepers who often loan money on a daily basis and charge exorbitant interest rates.

2. Review of Literature

The Indian government puts emphasis on providing financial services to the poor and underprivileged since independence. But none of these programs achieved their desired goal due to poor execution and mal-practices on the part of government officials. In India, initially many NGO microfinance institutions (MFIs) were funded by donor support in the form of revolving funds and operating grants. But it is only after intervention of National Bank for Agriculture and Rural Development (NABARD) The RBI Governor, Y. V. Reddy (2007) gave a simple definition of financial inclusion as “Ensuring bank account to all families that want it”. He said it would be the first step towards reaching the goal of bank credit as a human right as advocated by Nobel laureate Professor Mohammed Yunus. Now the microfinance service providers include apex institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and Rashtriya MahilaKosh (RMK). At the lower level we have commercial Banks, Regional Rural Banks and cooperatives to provide microfinance services.

Dutta, P (2011) studied the contribution of SHG-bank linkage program initiated by NARABRD in poverty reduction and social empowerment of the people, by comparing the pre-SHG and post-SHG scenario. It also studies the regional and intra-regional disparity in the development of SHG-Bank

linkage program among the states. The finding shows as a result of collective effort of the Indian government, banks, NGOs and SHGs, more numbers of rural people now have access to the benefits of the modern financial system. V. N. (2010) elaborate about an overview of evolution of microfinance for socio economic development. The research findings suggest that the Self Help Groups contribute substantially in pursuing the conditions of the female population up and through that chip in poverty eradication.

A. National Bank for Agriculture and Rural Development (NABARD)

NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.

Set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs. 5,000 crore as on 31 March 2016. Consequent to the revision in the composition of share capital between Government of India and RBI, the Government of India today holds Rs. 4,980 crore (99.60%) while Reserve Bank of India holds Rs. 20.00 crore (0.40%).

Functions of NABARD

- Financial, Developmental and Supervision - Through these initiatives bank touch almost every side of rural economy. From providing refinance support to building rural infrastructure; from preparing district level credit plans to guiding and inspiring the banking industry in achieving these targets; from supervising Cooperative Banks and Regional Rural Banks (RRBs) to helping them to develop sound banking practices.
- Designing new development schemes to the accomplishment of targeted development schemes; from training handicraft artisans to providing them a marketing platform for selling these articles.

B. Government Sponsored Schemes

The Government of India encourages farmers in taking up projects in selected areas by subsidizing a portion of the total project cost. All these projects aim at enhancing capital investment, sustained income flow and employment areas of national importance.

NABARD has been a proud channel partner of the Government in some of these schemes shown in this section. Subsidy as and when received from the concerned Ministry is passed onto the financing banks. Major schemes of NABARD are as under:

- Dairy Entrepreneurship Development Scheme
- Capital Investment Subsidy Scheme for Commercial Production Units for organic/ biological Inputs
- Agrilclinic and Agribusiness Centres Scheme
- Solar Schemes

- Agricultural Marketing Infrastructure
- National Livestock Mission
- GSS- Complaints received from Public
- Sugar Package
- Interest Subvention Scheme

3. Objectives of the study

1. To study the role & importance of microfinance in context of NABARD.
2. To study the functions and services offered by NABARD for funding of micro finance.
3. To know the opinion of beneficiaries of self - help groups.
4. To study rules, regulation and working of self- help groups.
5. Is microfinance helps to empower women, thus promoting gender-equity and improving household well-being?

4. Research methodology

The study aimed at analyzing the productivity and utility of micro finance funded by NABARD through its self-help groups in context of India with special reference to Rajasthan. It has taken into account to access the credit allows to women entrepreneur to take advantage of economic opportunities.

A. Hypotheses

Is microfinance helps to empower women, thus promoting gender-equity and improving household well-being?

B. Research methodology

- a) Coverage: The entire credit provided by above agency will be taken as universe of the study.
- b) Data Collection: 50 women loan takers will be taken as sample for study.

C. Analysis and interpretation

Table 1

Opinion of Respondents towards psychological well-being after getting loan

| Psychological factors | Highly increased | Increased | Neither increased nor decreased |
|----------------------------------|------------------|-----------|---------------------------------|
| Self – confidence | 38 | 5 | 7 |
| Awareness of children education | 32 | 7 | 11 |
| Awareness of health services | 29 | 11 | 10 |
| Awareness of sanitation facility | 31 | 9 | 10 |
| Awareness of food nutrition | 30 | 9 | 11 |
| Family planning awareness | 37 | 8 | 5 |
| Interaction with outsiders | 26 | 14 | 10 |

With the help of a well framed questionnaire a number of questions has been asked from targeted respondents and

following outcome has been made.

Table 2
Opinion of respondents towards personal problems

| Problem | Low | Very Low | Moderate |
|---------------------------|-----|----------|----------|
| Literacy | 29 | 12 | 9 |
| Self-confidence | 31 | 9 | 10 |
| Education | 27 | 10 | 13 |
| Skills | 32 | 9 | 9 |
| Co-operation from Husband | 24 | 12 | 14 |

Table 3
Opinion of Respondents towards credit

| Credit | Immediate | Take time | Not yet get |
|--------------------------|-----------|-----------|-------------|
| Access to Credit Sources | 25 | 15 | 10 |
| Availability of Credit | 25 | 13 | 10 |

Table 4
Opinion of Respondents towards other problems

| Other Problem | Low | Very Low | Moderate | Good |
|--------------------|-----|----------|----------|------|
| Government Support | 5 | 35 | 3 | 7 |
| N.G.O. Support | 25 | 5 | 12 | 8 |
| Bank Support | 12 | 5 | 18 | 15 |
| Political Support | 19 | 21 | 5 | 5 |

It is clear from above analysis that microfinance helps to empower women, thus promoting gender-equity and improving household well-being and NABARD is playing good role for improving gender inequality and giving easy loans to small women entrepreneurs with the help of self- help groups and NGO's .

5. Problems and limitations

1. Female entrepreneur doing business at low level such as beauty parlor, atta chaki, tailoring are not willing to fill the questionnaire. It became very hard task to convince them.
2. It is very tough to make it clear that they obtain loan or using their own money.
3. Some of them are illiterate so there is a problem to fill the questionnaire.
4. It requires more time.
5. Banks are very reluctant to disclose their data

6. Conclusion

Thus, this paper presented an analytical study of role of micro finance of NABARD, with Special Reference to Rajasthan.

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