

Micro Credit Programmes in India: An Analysis

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Abstract

Micro-finance can be a powerful toll in initiating a cyclical process of growth and development. Micro credit programmes have become a major tool of development and found to be the only practical and most appropriate solution to alleviate poverty. Over the past two decades micro credit programs have emerged as one of the leading strategies in the overall movement to end poverty. Micro credit has come to be recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with focus on empowering women. Micro credit programmes have been employed in developing countries for some years, and their effectiveness in the development and poverty alleviation is increasingly acknowledged. Micro-Finance activity can improve the access of rural poor to financial services. Its role in alleviation of poverty is very crucial. The present study attempts to analyze the poverty is a bigger issues & challenges in India.

Introduction

In India, Micro credit programmes are run primarily by NABARD in the field of Industry, Service and business (ISB). The success of Micro credit programmes lies in diversification of services. Micro finance scheme of SIDBI is under operation since January 1999. Micro credit programmes have become a major tool of development and found to be the only practical and most appropriate solution to alleviate poverty. Micro credit programmes have been employed in developing countries for some years, and their effectiveness in the development and poverty alleviation is increasingly acknowledged (Krog, 2000). Credit is usually provided to groups of individuals of village organisations that use joint-liability to enforce loan repayment. Through group savings and loans, poor people often increase their economic security and well being. Over the past two decades micro credit programs have emerged as one of the leading strategies in the overall movement to end poverty. Micro credit has come to be recognised and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with focus on empowering women. Micro credit programmes extend small loans to poor people for self-countries micro credit programmes have proved to be an effective tool in freeing people from poverty and have helped to increase their participation in the economic and political processes of society (Secretary General, United Nations, 1998). India is a haven to 22% of the world's poor. Such a high incidence of poverty is a matter of apprehension, in view of the fact that poverty eradication has been one of the major objectives of the development process. Really, poverty is a global dialog. Poverty eradication is considered integral to humanity's mission for sustainable development. Thus, reduction of poverty in India is vital for the attainment of international goals. The philosophy underlying the poverty alleviation programs is to tackle the rule poverty by endowing the poor with productive assets and training for raising their skills so that they are assured of a regular stream of employment and income in raising themselves above the poverty line. This paper discusses various poverty alleviation programs and focuses on programs like Rural Landless Employment Guarantee Program (RLEG), National Rural Employment Program (NREP), Jawar Rozgar Yojana (JRY), and Integrated Rural Development Program (IRDP).

Review of Literature

Literature review not only highlights the historically significant studies, but also suggests the trends in theoretical progress as well as in methodology and techniques used in these studies. Hulme & mosely (1996) credit the counter revolution against development financial institutions (DFIs) which were a prime symbol of government intervention in rural credit markets to 'Ohio school' as the economists at Ohio state University provided the theoretical underpinnings to the critique of past approach and contributed to transfer of these ideas into operational policies of world bank. Yaron, Benjamin & piprek (1997) have traced this traditional approach in rural finance learning heavily towards direct intervention to Keynesian influence under this approach, in addition to the assumption listed above, the key problem areas visualized in rural finance markets included a lack of credit in rural areas, absence of modern technology in agriculture, low saving capacity in rural areas under prevalence of usurious money lenders.

Objectives of the Study

1. To study the microcredit programme
2. To examine the efforts of micro credit .
3. To know the impact of micro credit in India.
4. To examine the micro-finance in India.

Research Methodology

Methodology of the study is deductive, observational and analytical. This approach of the study is macro in character and analysis is bases upon secondary data. The required data have been collected from various sources i.e. journal, books, NABARD Annual Report, various Bulletins of Reserve Bank of India, Economic Survey etc. in addition to these a number of senior professor and academicians have been approached for discussion and collecting essential information's and their opinions have been used as primary sources.

Micro-Credit Programmes in India

Poverty can be considered to be a social phenomenon in which a section of the society is unable to satisfy even its basic necessities of life. When a substantial part of a society is deprived of the minimum level of living, that society is said to be plagued with mass poverty. The problem of poverty in India has become very critical. India has completed almost eleven five year plans, but still it has not succeeded in solving this basic probelm. Micro credit programme has become an important tool to eradicate poverty in India. It is gathering momentum to become a major force in India. The self-help group (SHG) model with bank lending to groups of poor women without collateral has become an accepted part of rural finance. The concept of micro- credit is not new. It exists in every society in one form or other Towards microfinance, the concept was first developed by Jonathan Swift in 1700 in Ireland with a viw to bring out the financial services to the door steps of the neglected rural poor by banks by establishing 'Irish Loan Fund System' through provision of short- period without collateral security. In 1800s variously and Credit Co operatives began to emerge in Europe to assists the rural populace to breakout their dependence on money lenders and improve their financial conditions. The modern concept of micro-finance can be traced out as Marshall Plan at the end of Second World War in the middle of 20th century. In 1900s, microfinance companies came into being with specific motto of increasing the commercialization of rural sector as well as weaker sections manpower resource by mobilizing 'idle' saving; and increasing investment through credit, and thereon zeroing indebtedness. Many countries like Indonesia (1995), Pakistan (1957), Bangladesh (1976) and Bolivia (1980) started micro credit facilities by establishing various institutions. The beginning of the microfinance movement in India could be traced to the self-help groups/ bank linkage program started as a pilot project in 1992 by NABARD. This program has emerged as the most popular model of microfinance in India.

Conclusion and Suggestions

Micro credit programme has become an important tool to in Indian economy. It is gathering momentum to become a major force in India. The self-help group (SHG) model with bank lending to groups of poor women without collateral has become an accepted part of rural finance. In India forming and nurturing small, homogeneous and participatory self-help groups (SHGs) of the poor has today emerged as a potent tool for human development. This process enables the poor, especially the women from the poor households, to collectively identify and analyse the problems they face in the perspective of their social and economic environment. It helps them to pool their meager resources, human and financial, and priorities the use of resource for solving their own problems. An attempt could be initiated to promote a cadre of new generation micro-finance leaders to strengthen the micro-finance institutions (MFIs) to optimise their contribution towards the sector's growth. Thus, with some renewed effort, substantial progress may be made in taking MFIs to the next orbit of significance and sustainability. This needs close monitoring of the on-going microfinance initiatives, suitable modification or formulation of innovative and forward-looking policies, bases on the ground realities of successful MFIs in India. The micro-finance plays following important role in poverty alleviation.

1. Micro-finance activity can improve the access of rural poor to financial services.
2. Micro-finance can be a powerful tool in initiating a cyclical process of growth and development.
3. Increased access signifies the overcoming of isolation of rural women in terms of their access to financial services and denial of credit due to absence of collateral security.
4. The micro-finance interventions help in inculcating necessary habits for economic independence and self- reliance. Appropriate and participatory credit plans by the members of a group can help in social and economic empowerment.
5. The group utilizes its corpus to disburse loans of small amount amongst the needy members. In the beginning, the members meet out their consumption needs out of their own fund and after wards they obtain loans from the Banks for taking up some economic activities for their sustained living.
6. The pool of saving generated out of very small but regular voluntary contributions improves access of the poor women to bank loans.

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