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IMPACT OF MICROFINANCE INSTITUTIONS ON RURAL DEVELOPMENT WITH RESPECT TO GULBARGA DIVISION, KARNATAKA



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Short Profile

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ABSTRACT:

Microfinance is a means of fight against poverty in developing countries like India through financial activities and increase income for poor households. This is the best way to provide financial services to economically weaker section people in rural areas and it is much needed in India vis-à-vis

other developing countries. Micro Finance Institutions has become more accurate as most of the schemes are involved with encourage savings as well as providing credit and offering various services like Insurance, pension, leasing etc., The present study is aimed at the performance of Microfinance Institutions in India on financial service to poor households and set out to address the challenges and suggestion for improvement of MFIs. Empowerment is the most frequently used term in development dialogue today. It is also the most nebulous and widely interpreted of concepts. Advocates of micro finance claim the very process of forming self-help groups is empowering and a critical mass is formed which can be harnessed to pull households out of poverty traps. The corresponding side of the debate around this issue is that, the same critical mass can be usurped by larger political and economic interests to promote their own mandates, by which women become instruments and are further disempowered. Further, empowerment cannot be achieved through the handling of just money since credit by itself does not bond women together enough to unleash a process of empowerment. Other social and development concerns are required to cement groups so that they can metamorphose into

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vehicles of empowerment. Similarly, advocates of PRIs also claim that participation in the democratic process empowers women.

KEYWORDS

Microfinance Institutions , Rural Development , economically weaker , larger political and economic interests .

1.INTRODUCTION :

Micro credit has its encouraging history and it was first start in Bangladesh by Dr. Mohammad Yunus through Grammen Bank which was first established in 1976. Due to huge spread of the rural bank branches this programme is more suitable for Indian context. SHG – Bank linkage programme was formally launched in India in the year 1992 as a pilot project in 150 district linking with 500 SHGs, 75 percent would be funded by the central Government and rest of the cost would be state Government as a flagship programme by NABARD and aptly supported by RBI through its policy support. Today, SBLP is considered as one of the biggest Micro finance programmes in India. In the present paper the effort has been made to evaluate the SHGs Bank Linkage programme in Gulbarga District and also to know the performance of different financial institutions in SBLP in Gulbarga. The present study is analytical and based on the secondary data which has been collected from different NABARD reports, books and articles.

Self-help groups have emerged as a popular method of working with people in the recent years. Power to the people signifies a new social movement, which has probably been born out of the realization that society's traditional arrangements for solving their problems are inadequate. This movement stems from the people's desire to meet their needs and determine their own destinies through the principle of "by the people, for the people and of the people". Originally Self-help group refers to provision of aid to self, but here self is also taken to mean internal. Self-help emphasizes self-determination, self-reliance self-production and self – empowerment by mobilizing internal resources of the persons, the group or the community.

Thus, collectives of individuals, usually small groups of persons are formed into "self – help groups" that provide mutual aid to each other around common problems and operate under such concepts as self- determination and joint responsibility. They work together to achieve specific behavioral attitudinal or cognitive goals. The group is the central component and everyone works with others for the group's further development and individual needs are met in the process. Self – help groups have, therefore, been developed as a means of dealing with commonly shared social, emotional and physical problem condition. A self - help group can be defined as a supportive, educational, usually change – oriented mutual – aid group that addresses a life problem or condition commonly shared by all members. Its purpose may be personal or societal change or within leadership is indigenous from within the group's members and participation and contributions are voluntary. Professionals rarely have an active role in the group's activities, unless they participated as members. Boundaries include all Those who qualify for membership by having the problem, situation or an identity in common with the other members.

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PROFILE OF GULBARGA DISTRICT

The Gulbarga district is located in the northern part of Karnataka, the main component of Hyderabad Karnataka region, which is the most backward district in Karnataka. The Gulbarga district was bifurcated into two districts one is called Gulbarga with 7 taluks viz., Afzalpur, Aland, Chincholi, Chittapur, Gulbarga, Jewargi and Sedam and another one is yadagiri district with 3 taluks viz., Shahapur, Shorapur and Yadgiri with effect from 30 December 2009. The source of income is mainly agriculture which provides livelihood of the people. 73% of the total population of the Gulbarga District depends upon agriculture and it contributes about 32% to district income.

MICROFINANCE IN GULBARGA DISTRICT

Gulbarga District has been in the forefront in the adoption of Micro finance operations. Micro finance created a fruitful atmosphere in Gulbarga district. Various NGOs/SHPs have working actively. Financial institution viz., Commercial Banks, Regional Rural Banks and Gulbarga District Central Cooperative Bank are also playing the key role of "Credit Purveyor" to SHGs. Government sectors of WCDD are promoting "Stree Shakti" Groups on the basis of sources available about 62% of the households eligible to be covered under SHG. There are about 65,763 Marginal farmers and 130271 small farmers' families in the district. The district has in all 47 NGOs in of which 16 are actively involved in promotion/Nurturing of SHGs. There are six major MFIs operating actively in the district by providing credit to rural people.

The Indian MFIs sector rapidly growing in formal financial market in recent years. This because of MFIs has provided good services to their clients so, borrowers showing their interest in financial operation with MFIs. In recent years multiple borrowers increased between MFIs clients in several states. These multiple borrowers are showing their better performance and their repayment record also in good manner. Competition effects on clients in worldwide and also clients are enjoying the services of MFIs. All formal institutions might not fulfil the credit needs of clients so they might join multiple MFIs because of interest rates might be lower in the second MFIs, better services in second option compare to first one.

Eradication of poverty has become vital objective of the not only for public policy but also this is responsibility and operation of NGO, thinkers, researchers in every country. Though there is several evidence of the success of Micro finance in eradicating poverty of both national and international, therefore microfinance is a strong weapon for the rural poor against poverty.

Relative requirement, factors of policies is much needed for develop the micro finance institutions and create the awareness among the people. Communicating the information regarding the scope of developing income generating projects in their area with help of Micro Finance Institutions and up scale the development of local infrastructure, monitoring, impart the suggestions and provision the other related services like insurance, marketing are very much essential for success to Micro finance. Micro Finance Institutions is not only working as tool of income generating but also empowering economically weaker sections people specially in rural areas by helping them to access more education and better services.

Kalavat Kamble and Gangadhar B. Sonar²⁴ (2006) in his work, "The Role of SHGs in Women Empowerment study on selected SHGs promoted by voluntary organization in Gulbarga District of

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Karnataka" studies that the role of socio-economic empowerment of women. The socio-economic conditions of the SHG women are increasing to a significant level irrespective of different backgrounds. Earlier they used to be home and not exposed to the society and were part of the system. Now they can come out and approach the government machinery, conduct meeting, to signature & more importantly have a good amount of money in their hand. SHGs are mostly focused from financial aspects rather social one this trend is more in the SHGs promoted under government programme. The fact that self-help groups, are increasingly attracting younger generation, this generation not only needs social and economic empowerment but also assertive capacity, freedom from atrocities and a new self image to claim themselves as fully human.

NABARD has defined micro finance as follows: "Micro finance is all about provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their standard of living." UN declared the year 2005 as year of micro credit since the policy makers of UN supported the view that micro finance is an instrument to fight against poverty. According to Nobel Committee, micro finance can help the people to break poverty, which in turn is seen as an important prerequisite to establish long last peace.

CONCLUSION

Several SHGs included very poor members but no conscious attempt was made by the promoters to include exclusively the poorest of a village while forming an SHG. As they felt that only after the SHG concept has trickled down to the poorest strategy of the village society, it was possible to organize them into groups.

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