

MICROFINANCE: A BOON TO DEVELOP RURAL INDIA

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ABSTRACT

India is known as country of villages. It clears the portrait that India can only develop if its village will develop. Overall development of India is completely depending on the development of village. Indian economy is an agricultural economy and more than 40% share of the GDP comes from agrarian activities of the villages. But the villages of India are suffering from poverty and starvation. Under such situation it is not possible on the part of the rural cultivators to invest more in their lands to yield more products. They know that the agriculture is not a profitable business for them in spite of that most of the rural people are engaged themselves in agriculture activities. Due to lack of institutional support regarding finance they often gets loan from the village bankers in a high rate of interest. To demolish this system microfinance emerged as a boon for the poor people who are unable to get any access in banking system. To provide support to the poor people microfinance plays a vital role to uplift the rural economy. The function of Microfinance includes not only providing loans and collect deposits of the rural people but also providing insurance of the poor and their small enterprises. The people who are not able to get access in traditional financial services due to their poorness, they can also get access in finance in getting loans opening saving accounts, insurance, money transfer and other banking activities. Best example of the functioning of the microfinance system is "Gramin Bank", who provides most of the services to the rural areas to uplift the rural economy and eradicate the rural financial problems faced by the village people of India.

KEYWORDS: *Financial Institutions Rural Development, GDP, Microfinance, Rural Economy.*

Introduction

Microfinance can be explained as a process of providing different types of small financial assistance i.e. opening saving accounts, getting loans, providing insurance, ease money transfers and other banking services to those people who have no access in the traditional banking system due to their poorness and dearth situation.

It is vivid that Indian economy is based on agriculture and most of the agricultural land situated in villages far away from the township. So it is essential on the part of the Government that greater emphasize should be given on agricultural sectors which will bring smile not only on the lips of the farmers but also to strengthen the economy of our country. In other words we can say that the secret of strengthening Indian economy remains in Indian villages. But it is a matter of grief that these areas are facing government negligence from a long time. Still now most of the villages of India are lacking basic facilities of life. Under this deathly situation microfinance proves itself as a drop of ambrosia for the development of village India. Through this system the people who are unable to bring themselves in to

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the general banking system, get help to fulfill all the banking requirements. The motto of microfinance is to facilitate loans, open saving accounts, providing insurance facilities and other banking services to the villagers of poor financial status.

According to Robinson (2001) "Microfinance refers to small scale financial services for all, both credit and deposit that are provided to people who farm or fish or herd ; operate small or microenterprises where goods are produced, recycled, repaired ; provide services; work for wages or commissions gain income from renting out small amount of land vehicle, draft animal or machinery or tools; and to other individuals and local groups in developing countries in both rural and urban areas."

According to Kofi Annan "In Indian context Microfinance approach assumed the form of self help group bank/linkage programme. The consequences of the studies of self help groups NABARD began exploring the possibilities of establishing linkage between such groups and Banks. Kofi Annan again quoted "Micro credit is a critical anti Poverty tool a wise investment in human capital. Whether poorest especially women, receive credit, they become economic actors with power, power to improve not only their own lives but in a widening circle of impact, the lives of their families, their communities and their nation." (Uttam Paul 2014)

This paper strives to explore the effect of microfinance on the development of the rural people, socially and economically, specially scheduled tribes, scheduled castes and the women.

Necessity of the Study

A country like India whose roots of development remains in villages, where the economy is based mostly on agriculture naturally requires financial support to develop and to change the lifestyle of the village people. To fulfill their economical needs, microfinance is the best way to support them economically and pave the paths of development, microfinance finance may provides safeguard to the cottage industries, and other economic activities in the village level. The poor people, who do not have any access in nations banking system, get benefits through microfinance. To change the economic condition of the Indian villages microfinance increases the opportunity of employment and regular work. To eradicate rural poverty and starvation from Indian villages microfinance proves itself a major weapon. Microfinance helps to enhance the economic status of the villages especially in the case of ST/SC.

Impact of Microfinance

Most of the areas in Indian village dearth, poverty and starvation play their ugly role to harass residents of that area. Due to lack of finance no one can start any business whether it is cottage industry or anything else. With the emergence of microfinance system this hindrance has been demolished and now the rural India is dreaming a new dawn of development with the help of microfinance. Rural economy of India is based on agriculture. But due to lack of finance and proper knowledge most of the villagers involves in monocropping system of agriculture which is unprofitable and never gives security for food for a year. The research work made by various agencies reveals the participation of microfinance in the life of rural people. The field studies of the deferent organization are in the same opinion that the help provided by the microfinance group increased the economic status of the rural inhabitants. Rural industries are also greatly affected through microfinance.

According to JULA S.V' 2014 Microfinance is being considered as a very powerful tool for uplifting the economic condition of the poor through group approach.

Conclusion

Micro finance proved itself a boon for the upliftment of rural India. It brought a new dawn in the life of the village people who were waiting from a long time for the arrival of a system / way through which they can eradicate the poverty, starvation, suppression and deprivation. Microfinance not only alleviates the poverty but also helps the poor people to become self dependant and stand strong against the challenges of village life. Microfinance brought the poorest people of the village in to the mainstream of national life. People who were not able to open an account in nationalized banks got the opportunity to open the same through microfinance. Development means positive change in present position of anything which requires financial support. Before the emergence of microfinance the rural people had no option of getting loan and start a business to survive. Only village bankers were there who collects heavy interest on their loan amount given to the rural farmers and other needy persons. With the emergence of microfinance the difficulties, to open Bank account, get an insurance policy, deposit money and get a loan became more easier. With the passing of the time microfinance became more popular for the

upliftment of the rural people. But there are some exceptions. In India there are some states which did not get full benefit of Microfinance due to their geographical location. But finally we can say that microfinance will prove itself as a pitcher of ambrosia for the rural people and rural development.

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