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MICRO-FINANCING A TOOL FOR ALLEVIATION OF POVERTY

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Abstract
Micro-Finance has played an important role and become meaning full tool for the development of the poor section of society those are unable to access market on their own capacity .Formation of Self-Help groups (SHGs),motivation to accumulation of small savings to show the regular saving habit, unity of the group and their managerial capacity and small amount of credit hence forth will undoubtedly provide self-employment to the members and help in transition of their poverty to achieving minimum standard of living .thi papers attempt to explore micro-financing a tool for alleviation of poverty **.**

Introduction
Microfinance emerged in the 1970s as social innovators began to offer financial services to the working poor those who were previously considered “un-bankable” because of their lack of collateral -once, given the opportunity ,not only did clients (poor) of MFIs, expand their business and increase their incomes, but their high repayment rates that is higher than 95 percent has strengthened the capital base of MFIs ,therefore enabling MFIs, to re-lend these funds to even more people has strengthened the capital base MFIs, therefore, microfinance institution are now innovating to empowers the world’s poor to improve their own lives. Credit extended to members has created employment opportunities due to increase in sales which has led to additional staff hence reducing poverty. However, the existing technical capacity to handle MFIs governance is very low due to the level of education. The rural finance policy pursued is more developing countries beginning from 1950s was based on providing subsidized credit through state controlled or directed institutions to rural segments of population. Expansion of credit coverage through state interventions was based on various theoretical assumptions. Seibel and Parshusip(1990) mention that this approach was based on the premise that rural micro-entrepreneurs are unable to organize themselves , they need subsidized credit for increasing their and are too poor to save Yaron ,Benjamin an Piprek(1993) have traced this traditional approach in rural finance leaving to heavily towards direct interventions to Keynesian influence .Under this approach , in addition to the assumptions listed above, the key problem areas visualized in rural financial markets included a lack of credit in rural areas and prevalence of usurious money lenders.

Finance helps the poor catch up with the rest of the economy as it grows. Finance also helps extend the individuals, households and firms that can get a foot hold in the modern economy, and it reduces damaging concentrations of economic power. By and large, thanks to microfinance, there is now a growing appreciation of the “empowerment” dimension of finance, of the extent to which it can give ordinary people and the poor access to opportunity and the ability to escape possified social structures. It is perhaps symbolic of this evolutionary thinking that “building inclusive financial systems that work for the poor” has become the slogan of the United Nations International Year of MICRO-CREDIT to 2005.

In India, since early national plans, successive governments have emphasized the role of finance in promoting equitable growth. With the overwhelming majority of India’s poor living in rural areas, policies aimed at financial inclusion have understandably had rural forms.A growing body of research from around the world shows that well developed and inclusive financial systems are associated with faster growth and better income distribution.

Review of Literature
Access of the poor to micro-credit services is a key element in solving the problem of poverty. Poverty is a multidimensional problem. War against poverty has therefore to be fought in different sectors from several angles. In order to alleviate poverty different policies and programmes are required as indicated by various empirical studies .Sundaram K (2004) computes that education is a necessary condition for improving the condition of

working poor. Mishra and Rao (2003) have made an attempt to show that trade liberalization accelerates growth and thereby reduces poverty.

Rajan S R (2002) provided empirical evidence supporting the fact that countries that have experienced rapid growth and have managed to alleviate poverty -have been those that have integrated with global economy. Ray, Rajan and Lancaster (2005) established the evidence that public distribution system is useful for backward classes as anti-poverty programme. Dev.S (2005) examined that expenditure on rural roads and agriculture have a better impact than government.Microfinance programmes are potentially a very significant contributor to gender equality and pro-poor development.

Swaminathan.M (2007) established that by providing micro-credit to the “poorest of the poor” the gap in the formal rural credit sector can be filled. Fernandez; A.P (2007) is of the opinion that the NGO and MFI can be closely meshed so that a balance can be maintained between environment for poverty eradication and a loan portfolio.

Vasaimala, M.P.V and K.Narener (2007) is of the view that micro financing has showed substantial change in the income in urban context (77%) as compared to the rural areas (65%).

The government has multipronged action to alleviate poverty in the country. It is universally acknowledged that credit plays very important role in poverty alleviation as well as inclusive growth for the country. Khandker (1998) agrees with Hulme and Mosley and Kimenyi that the petty nature of the businesses and the low skilled levels of performance and knowledge of the borrowers are harming the sustainability of the growth that is achieved. In order for the poverty alleviation to be sustainable the poverty alleviation to be sustainable, an increase should be seen in productivity and income rather than in consumption. Khandker (1998) argues for more activities with high growth potential to initiate long term poverty reduction. In order to do this, an increase in loan size will be necessary.

Main Objectives of MUCRO Credit

- To create employment opportunities.
- To empower rural women.
- To improve the living standard of the rural people.
- To make easy access to institutional credit facilities.
- To mobilize rural savings.
- To make optimum utilization of rural resources.

Poverty: Global Perspective

The problem of poverty has continued to remain the central challenge of development at the global level. Nevertheless, growth, poverty relationship has remained obscure even after three decades of empirical research on development -region wise, state wise and for all categories of countries. The experienced with liberalized policy regime after mid-eighties has thrown up more issues such as whether the poor have been benefited by less than proportionately. The developing countries in South Asia, East Asia and even in Sub-Saharan Africa have experienced higher growth rates than those by the middle income countries, but the condition of the poor has improved perceptible.

Poverty Unless Developed Countries (LDC)

UNCTAD report 2002 on escaping poverty trap defines less developed countries (LDCs) nature of poverty as generalized poverty and says poverty is a situation in which a major part of the population at or below income levels sufficient to meet their basic needs, and in which the available resources in the economy, even when equally distributed, are barely sufficient to cater for the basic needs of the population on a sustainable basis.

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In LDCs the average per capita private consumption per day between 1995-99 is $0.29 for $ 1 a day norm. The percentage of population living less than a dollar per day is 50% and for $2-a-day is 81%.Within LDCs when we look at African and Asian LDCs, African LDCs are worst hit by poverty. More than 65% of population is living less than $1-a-day and almost 88% of population is living on less than $2-a-day during 1995-99.Poverty in India.

The Concept of Poverty is Multi-DimensionalViz Income Piverty and Non Income Poverty
It covers not only the levels of income and consumption, but also health and education, vulnerability and risk; and marginalization and exclusion of the poor from the mainstream of the poverty.

There has been much debate about how exactly poverty should be defined. In popular understanding, poverty is identified with lowness of income, which prevents a family from obtaining and enjoying the basic necessities of life, including a minimum food, Clothing, shelter and water, this concept is defined as income poverty. Reduction of incidence of poverty has always been the main thrust of planning in India.

Significance of the Study
There are differences in the in the incidence of poverty and composition of the poor among Indian states. The incidence of poverty and factors underlying the persistence differ significantly from the state to state, while there was a significant reduction in poverty in the country, the decline in incidence of poverty in Bihar according to official estimates is not very steep and the poverty level was much higher than the national averages. However the incidence of urban poverty is more or less similar to the national level.

Source
Economic Survey, 2001-02 & EPW, March 22-28/29 April, 4, 2003 that the alternative estimates on incidence of poverty in India during 1999-2000, indicates Rural-Urban level and rank of poverty of different major states, which is official as well as non-official (alternative), in which states like Punjab, Haryana, Gujarat have maintain the upper rank in both the estimates for example Punjab ranks first in rural as well as urban area in both the estimates that is official and alternative. Likewise Haryana, Gujarat, ranks second and fifth and after then Kerala maintain the ranks of least poor state of the country.

On the other hand states like Assam, Bihar, Orissa and MadhyaPradesh are more affected from chronic poverty and ranks on the bottom in urban as well as rural poverty.

1.12.2006 indicates the credit linkage between SBI and Self Help Groups in the country. Shows that the yearly data of SHGs linked finance, number of beneficiaries, amount outstanding, no. of SHGs maintain saving account in the bank and amount in saving with banks and all these things are increasing yearly which clearly shown in above table that is indicates the yearly progress of Self Help Groups -Bank linkage and the data comprised of New SHG financed by banks. During 2002-03 the total no. is 255882 which increased to 620109 during 2005-06 and then again decline in 2006-07 but the cumulative number increasing yearly.

Cumulative Growth of SHG-Bank Linkage Programme
During 1992-2007 in which there is a sharp increase in the number of SHGs linked that is from 255 during 1992-93 to 2924973 during 2006-07.Likewise bank loan also increased from 0.29crore during 1992-93 to 18040.74 crore during 2006-07.On the other hand refinance assistance also increased from o.27 crore during 1992-93 to 5446.49 crore during 2006-07.

NABARD
That performance of the Microfinance facilities delivered as on March 31 2006, inwhich Number of SHGs linked to the banks is 2238565 and 90 percent of women groups are included, 545 No. of participating banks in which 47 are commercial banks, 158 Regional Rural Banks and 340 co-operative banks. Microfinance facilities provided in more than 30 states/UTs of the country and the participating bank branches are 44362 spread over 583 districts of

the country. And 4896 partners are included, 113.98 billion loans disbursed in which 41.60 million refinance occurred. Around 32.98 million poor households' benefited and average loan /SHGs are 50917.

Microfinance programme has a significant role to play in Indian economy for boosting micro entrepreneurial activities for creating productive assets coupled with employment generation and reduction of poverty. So, in order to cover all the poor households, particularly BPL households, there is a need for providing full support by the government, financial institutions, NGOs to SHGs programme. So far the SHGs -bank linkage programme has been much successful in achieving quantitative targets. The need of the hour is to make the programme more qualitative that is, enriching the lives of poorest of the poor in the context of globalised socio-economic environment. Political interference in the functioning of SHGs should be avoided. Around 90 percent of the aggregate groups are women self-help groups. These groups have face to face problems such as, indifferent attitude of bank officers, exploitation by promoting NGOs, lack of marketing facilities for product/services. These bottlenecks should be rooted out on priority basis. Women group and vulnerable section of society should be given responsibility of running Anganwadi, fair price shops so that they become permanent entities.

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. Micro Finance refers to a collection of banking practices built around providing small loans (typically without collateral) and accepting tiny deposits. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost-effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting the peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living. Women are poorer and more disadvantaged than men. The UNDP's Human Development Report, 1995 found that 70% of the 1.3 billion people living on less than $1 a day are women. Studies in Latin America, and elsewhere show that men typically contribute 50-68% of their salaries to the collective household fund, whereas women “tend to keep nothing back for themselves.” Because “women contribute decisively to the well-being of their families,” investing in women brings about a multiplier effect. Again, every micro finance institution has stories of women who not only are better off economically as a result of access to financial services, but who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turns gives them the chance to contribute financially to their households and communities.

Conclusion

Various studies have shown ample evidence of efficient, sustainable micro finance institutions whose programmes are intentionally empowering. It is worth mentioning some of the institutions that are both focused on empowerment and are financially self-sufficient, such as Working Women's Forum (WWF) in India, which organizes women to achieve better wages and working conditions; ADOPEM in the Dominican Republic, which provides business training and training on democratic processes and civil society; and OMB in the Philippines, whose commitment to holistic transformation includes leadership training, personal development and business training.While many micro finance institutions seek to empower women as an implicit or explicit goal, others believe they cannot afford to focus on empowerment because it is incompatible with financial sustainability or because it detracts from the core business of providing financial services.

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