Research Paper
Impact Factor: 4.164
Refereed Journal

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

MICROFINANCE: A WAY OUT FOR THE RURAL DEVELOPMENT

Prof. Gurwinder Kaur
HOD, Dept. of Commerce, University College Miranpur (Patiala).

Abstract
Micro finance is define as an array of financial services, including loans, savings and insurance, available to poor entrepreneurs and small business owners who have no collateral and wouldn't otherwise qualify for standard bank loans. It is anumbrella beneath that all money services as well as small credit square measure provided to the low financial gain cluster. The requirement for the flowering of microfinance began within the developing nations quite thirty years past. Microfinance refers to tiny scale services provided to individuals, who farm, operate tiny or small enterprise wherever merchandise created, recycled, repaired, or traded. Microfinance taking part in a crucial role in developing the agricultural areas by providing loans to individuals at lower interest. The current analysis paper examine the role and progress of Microfinance programs in developing the conditions of individuals UN agency live in rural areas.

Introduction
Microfinance in Asian country will trace its origins back to the first Nineteen Seventies once the Self utilized Women's Association ("SEWA") of the state of Gujarat shaped an urban cooperative bank, known as the Shri Mahila SEWA Sahakari Bank, with the target of providing banking services to poor ladies utilized within the unorganised sector in Ahmadabad town, Gujarat. The smallfinance sector went on to Microfinance is delineated as an umbrella beneath that money services together with micro credit square measure provided to the low financial gain cluster. The requirement for the evolution of microfinance began within the developing nations over thirty year's agone. Microfinance refers to little scale money services for each credits and deposits. From humble beginnings, the sector has grown significantly over the years to become a multi-billion dollar industry, with bodies such as the Small Industries Development Bank of India and the National Bank for Agriculture and Rural Development devoting significant financial resources to microfinance. Today, the top five private sector MFIs reach more than 20 million clients in nearly every state in India and many Indian MFIs have been recognized as global leaders in the industry.

Concept of Microfinance
The conception of microfinance was created by academician Muhammad Yunus founding father of Grameen bank in Bangladesh and noble prize winner in 2006. Microfinance is that the provision of a broad vary of economic services like deposits, loans, payment services, cash transfers and insurance to the poor and low financial gain households and their micro enterprises. Microfinance is outlined as money Services (savings, insurance, fund, credit etc.) provided to poor and low financial gain shoppers thus on facilitate them raise their financial gain, thereby rising their commonplace of living. The Asian Development Bank (2000) defines microfinance because the provision of broad vary of services like savings, deposits, loans, payment services, cash transfers and insurance to poor and low financial gain households and their micro-enterprises. This definition of microfinance isn't restricted to the below poverty line individuals however it also includes low income households additionally. The taskforce on substantiate Policy and restrictive Framework for Microfinance deep-seated by NABARD outlined microfinance as " the availability of thrift, saving, credit and money services and product of terribly bit to

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

the poor's in rural, semi urban and concrete areas for facultative them to boost their financial gain level and improve their commonplace of living." (Sen, 2008).

The microfinance service suppliers embody apex establishments like full service bank for Agriculture and Rural Development (NABARD), little Industries Development Bank of Asian country (SIDBI), and, Rashtriya Mahila Kosh (RMK). At the retail level, business Banks, Regional Rural Banks, and, Cooperative banks give microfinance services. Today, there are regarding one,61,480 retail credit retailers of the formal banking sector within the rural areas comprising thirteen,000 branches of District level cooperative banks, over 15,480 branches of the Regional Rural Banks (RRBs) and over thirty eight,400 rural and semi-urban branches of economic banks besides virtually ninety four,600 cooperatives credit societies at the village level. On a mean, there's a minimum of one retail credit outlet for regarding 4600 rural individuals. This physical reaching dead set the far off areas of the country to supply savings, credit associate degreed different banking services to the agricultural society is an alone accomplishment of the Indian banking industry. a shot is created here to upset varied aspects about emergence of personal microfinance trade within the context of prevailing legal and restrictive setting for personal sector rural and microfinance operators.

Objectives of the Study

1. To examine the sector wise lending under RIDF.
2. To analyse the Ground Level credit flow.
3. To know the progress of SHIPs program.

Research Methodology

This is a descriptive research paper based on secondary data. Data have been collected through books, various websites, magazines, newspapers, and publications of recent research papers available in different websites, Research Articles, Research Journals, E-Journals, RBI Report, and Report of NABARD etc.

Sector wise lending under RIDF

The Rural Infrastructure Development Fund (RIDF) was set up in NABARD during 1995–96 with a corpus of `2,000 crore with a view to funding rural infrastructure projects related to medium and minor irrigation and watershed development which were lying incomplete for want of financial resources. The fund is supported by deposits from scheduled commercial banks with shortfalls in lending to priority sector and/or agriculture and/or weaker sections. RIDF now covers 36 activities which can be classified under three broad categories i.e., (I) Agriculture and related sectors, (ii) Rural connectivity and (iii) Social sector. RIDF has a significant share in public investment in rural infrastructure constituting nearly one fifth of the pie. It is observed that the share of RIDF loan to outstanding liabilities of the states has shown a steadily increasing trend starting from the Tranche-I till Tranche-XXI. It has not only emerged as an attractive financing option for the state governments, but also helped in redirecting bank credit meant for rural and priority sectors back to the rural economy. The investments in rural infrastructure are known to enable expansion of rural financial markets and usher in inclusive growth in disadvantaged regions of the country. On a cumulative basis, around 26 per cent of RIDF funds now flow to less developed states in the Eastern and North-Eastern Regions as compared to 20 per cent for the closed Tranches viz. RIDF I-XIV. Seen in conjunction with the overall increase in RIDF allocations, this is a significant increase in actual value of loans to these regions over the past seven years.

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

Deposit and Lending Rates and Terms of Financing under RIDF

Deposit rates		
Sr. No.	***Shortfall in overall priority sector lending targets***	***Rate of interest***
1	Less than 5 percentage points	Bank rate minus 2 percentage points
2	5 and above, but less than 10 percentage points	Bank rate minus 3 percentage points
3	10 percentage points and above	Bank rate minus 4 percentage points
Lending rate		
Loans disbursed from RIDF on or after 1 April 2012		Bank rate minus 1.5 percentage points

In the Union Budget 2015–16, `25,000 crore was allocated to NABARD under RIDF-XXI, which is equivalent to the amount allocated during the previous year (i.e. under Tranche-XX). During the year 2015–16, a total number of 13,345 projects involving a loan of `28,829.65 crore were sanctioned to various states under the Tranche (i.e. RIDF-XXI) (Table 5.2). In terms of broad sectoral classification, agriculture and related sectors (including irrigation) accounted for the highest share at `12,262.55 crore (i.e. 50 per cent of total sanction), which was up from 43 per cent of the total sanctioned amount during the previous year. Rural connectivity (i.e. rural roads and bridges) had the second highest share (33 per cent) with a total sanction of `9,301.22 crore. The social sector projects stood third with a total sanction of `4,857.12 (17 per cent). In terms of sub-sectors, irrigation accounted for the highest share (37 per cent), up from 31 per cent of the total sanctioned amount in 2014–15, followed by rural roads (23 per cent), social sector (17 per cent), agriculture (other than irrigation) (13 per cent) and rural bridges (10 per cent). As is revealed by the above data, the most significant achievement of the RIDF operations during 2015–16 is the increase in the coverage of projects under agriculture and related sectors, which for the first time has touched 50 percent, which is in complete alignment with the basic policy and objectives of the RIDF. Another emerging trend is the increase in the ticket size of projects, which was found across all sectors. In respect of the irrigation projects, the average loan size has gone up from a little over `50 lakh to nearly `290 lakh thus indicating a trend in favour of bigger projects in larger numbers. Similar trend was also observed in respect of projects pertaining to other sectors, which included rural roads, bridges, miscellaneous agri-projects and also the social sector projects.

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

Sector-wise Projects and Amounts Sanctioned under RIDF XXI (as on 31 March 2016)

(Amount in ₹ crore)

Sr. No.	Sector	No. of projects	Share in total (%)	Amount sanctioned (₹ crore)	Share in total (%)
	Agriculture and related sectors				
1	Agriculture (other than irrigation)	1,383 (4,282)	10	3,884 (3,423)	13
2	Irrigation	4,714 (17,445)	35	10,787 (8,840)	37
	Total A(1+2)	**6,097 (21,727)**	**45**	**14,671 (12,263)**	**50**
	Rural connectivity				
3	Rural bridges	1,118 (1,468)	8	2,757 (3,416)	10
4	Rural roads	4,471 (5,974)	34	6,545 (7,130)	23
	Total B (3+4)	**5,589 (7,442)**	**42**	**9,301 (10,546)**	**33**
	Social sector projects				
5	Social sector	1,659 (4,145)	13	4,857 (5,829)	17
	Total C	**1,659 (4,145)**	**13**	**4,857 (5,829)**	**17**
	Grand total (A+B+C)	**13,345**	**100**	**28,829**	**100**

Note: Figures in bracket indicate the data for FY 2014–15
Source: NABARD

State-wise Status of Resource Utilisation under RIDF (Tranche I–XXI) (as on 31 March 2016)

S. No.	Regions	Sanctioned		Phased		Disbursed		Utilisation
		Amount (₹ crore)	Share of RIDF Total (%)	Amount (₹ crore)	Share of RIDF Total (%)	Amount (₹ crore)	Share of RIDF Total (%)	% of phased amount
1	Southern region	56,982	23.58	41,592	23.23	40,327	23.51	96.96
2	Western region	34,116	14.12	24,356	13.60	25,501	14.87	104.70
3	Northern region	67,031	27.74	54,544	30.46	49,863	29.07	91.42
4	Central region	23,885	9.88	17,653	9.86	16,149	9.41	91.48
5	Eastern region	49,212	20.36	33,029	18.45	32,859	19.16	99.49
6	North Eastern region and Sikkim	10,434	4.32	7,876	4.40	6,823	3.98	86.69
7	RIDF Total	2,41,659		1,79,049		1,71,521		95.80
8	Bharat Nirman	18,500		18,500		18,500		100
9	**GRAND TOTAL**	**2,60,159**		**1,97,549**		**1,90,021**		**96.19**

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

Ground Level credit flow

During 2015–16, banks have disbursed `8,77,224 crore (provisional) credit to the agriculture sector, against a target of `8,50,000 crore. Commercial banks, Regional Rural Banks (RRBs) and cooperative banks disbursed `6,04,668 crore (provisional), `1,19,261 crore and `1,53,295 crore, respectively.

Agency-wise Ground Level Credit Flow

(Amount in ₹ crore)

Agency	2011–12	2012–13	2013–14	2014–15	2015–16*
Commercial banks	3,68,616	4,32,491	5,27,506	6,04,376	6,04,668
Regional Rural Banks	54,450	63,681	82,653	1,02,483	1,19,261
Cooperative banks	87,963	1,11,203	1,19,964	1,38,469	1,53,295
Total	5,11,029	6,07,375	7,30,123	8,45,328	8,77,224

Note: *Provisional

Source: (1) NABARD (based on reporting by RRBs and cooperative banks)
(2) Indian Banks Association (IBA) (for commercial banks, as reported to NABARD)

Ground-level Disbursement to Agricultural Sector

(Amount in ₹ crore)

Category	2011–12	2012–13	2013–14	2014–15	2015–16*
Crop loans	3,96,158	4,73,500	5,48,435	6,35,412	7,05,443
Term loans	1,14,871	1,33,875	1,81,688	2,09,916	1,71,780
Total	5,11,029	6,07,375	7,30,123	8,45,328	8,77,224

*Provisional

Source: NABARD, based on data reported by banks and IBA

Amending land leasing laws:

There is a strong case for legalisation and liberalisation of land leasing as it would help promote agricultural efficiency, equity, occupational diversification and rapid rural transformation. In this context, an expert committee to review the existing agricultural tenancy laws of various states set up by NITI Aayog has suggested appropriate amendments in these laws, keeping in view the need to legalise and liberalise land leasing for much needed agricultural efficiency, equity, occupational diversification and rapid rural transformation. The committee has also prepared a model agricultural land-leasing act. According to the expert committee (NITI Aayog, 2016), legal restrictions on land leasing have affected agricultural efficiency and lifting them would improve agricultural efficiency, increase farm output and income. Legalisation of land leasing would encourage large land owners to lease out land without fear of losing their land ownership rights and invest in non-farm enterprises (with appropriate capital and technology support), which is vital for occupational diversification and rapid rural transformation. This will reduce the pressure of population on agriculture and enable small farmers to augment their size of operational holdings by leasing in land, and finally will help in improving agricultural efficiency.

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

SHIPs program

During the year 2015–16, NGO–MFIs were included as eligible Self Help Promoting Institutions (SHPIs) for formation and nurturing of SHGs to enlarge the range of SHPIs. The NGO–MFIs with their affinity to rural geography, acquaintance with the poor and rapport with banks are strategically positioned to boost the formation of SHGs, nurture them and facilitate credit linkages with banks. The scheme will be implemented in priority states where there is dearth of good NGO–SHPIs. Grant support to NGO–MFIs would be up to `5,000 per SHG for promotion and credit linkage of SHGs. The period of assistance will be up to 4 years. It is expected that NGO–MFIs would also be functioning as business correspondent (BC) of a bank and therefore NABARD's support has been confined primarily to taking care of pre-credit linkage expenditure and auditing of SHG books.

Grant assistance extended to SHPIs as on 31 March 2016

(Amount in ₹ lakh)

Agency	*Cumulative position up to 31 March 2016*			
	No. of SHGs sanctioned	*Amount sanctioned*	*No. of SHGs promoted*	*Amount released*
NGOs	6,50,132	30,475	4,58,033	10,308
NGO–MFIs	0	0	0	0
RRBs	56,048	1,341	44,344	324
Cooperative Banks	68,762	1,072	55,126	482
IRVs	29,810	514	14,084	88
Farmers' Clubs	5,098	41	1,995	21
SHG Federation	300	32	195	15
PACS	13,430	593	1,601	57
Total	**8,23,580**	**34,068**	**5,75,378**	**11,295**

The scheme for promotion of women SHGs in 150 backward/Left Wing Extremism (LWE) affected districts spread across 29 states is being implemented with support of GoI. The anchor NGOs work as SHPIs for promotion and credit linkage of SHGs. They also act as business facilitator for tracking and monitoring the SHGs and are responsible for loan repaymentsby SHGs. Under the project 1.81 lakh women SHGs have been savings-linked and 98,033 of them have been creditlinked. A cumulative amount of `67.85 crore was utilised as grant assistance out of the WSHG Fund for various activities as on 31 March 2016.

Conclusion

In conclusion, I'll prefer to say that it's been a motivating endeavour to analysis on the Microfinance business. There's little doubt that this business has nice potential within the future. If the plans for microfinance square measure dead then Republic of India will certainly have new dimension to that. It'll increase India's normal and build it one in every of the powerful nations of the planet economically.

The plans for microfinance if enforced can offer associate in progress monetary stability and sustenance for the poor in each the agricultural and concrete space. The obstacles and challenges will be taken as a daring step in bridging the missing gaps that square measure hurdles to the event of microfinance. ICICIs

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

success in microfinance resulted owing to series of innovative models and initiatives. One immense step of religion has enabled some banks and MFIs to grow on the far side an explicit purpose.

Bibliography

1. http://www.microjustice4all.org/web/pdf/casos2/5_5.pdf
2. http://www.prsindia.org/billtrack/the-micro-finance-institutions-development-and-regulation
3. www.microfinanceindia.org
4. www.ifmr.ac.in
5. www.microfinanceinsight.com
6. Sinha,S(2003) “Financial services for low income families: An Appraisal” IIMB Management Review,15,2.
7. NABARD (2011), “Status of microfinance in India 2010-2011” Retrieved April 20,2012, Annual Report of National Bank for Agriculture and Rural Development.
8. RBI (2011) “Report on trend and progress of Banking in India 2010-11” June 30,2011 ,Annual Report submitted to Government of India by Reserve Bank of India.
9. Imhanlahimi, J. and Idolar, E.J.(2010) “Poverty alleviation through microfinancing in Nigeria: Prospects and Challenges” Journal of financial management and Analysis” 23(1):2010:66-82.
10. Gulati, Ashok and Shweta Saini (2016), ‘Food Inflation in India’, in Uma Kapila (ed.), Indian Economy since Independence, Academic Foundation, New Delh
11. UNDP (2015), Human Development Report 2015, United Nations Development Programme, hdr.undp. org/sites/default/files/2015_human_ development_report.pdf
12. RBI (2015), Financial Stability Report, Reserve Bank of India, December 2015 (Issues No. 12).
13. RBI (2016), Sixth Bi-monthly Monetary Policy Statement, 2015–16, by Raghuram G. Rajan, Governor, Reserve Bank of India, 2 February 2016.
14. Rangarajan, C (2005), ‘Agricultural Credit: Reaching the Marginalized Farmers’, lecture delivered at the Bankers’ Conference (BANCON) 2005, Kolkata, 12 November 2005.