

Impact of Micro Finance on Socio Economic Development (with special reference to Rural People of Rajouri District in Jammu and Kashmir State)

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ABSTRACT

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. Microfinance has put an end to the poverty of majority of people by providing micro loans to large no. of families. It enhanced the livelihood of people and includes the micro loans to encourage the development of small scale entrepreneurial activities. In this research paper an attempt has been made to investigate the impact of microfinance on socio economic development with special reference to Rajouri district of Jammu and Kashmir state. The paper concentrates on how microfinance institutions have been established in order to promote the living standard of people, saving habits, credit and insurance facilities in Rajouri District. It further emphasizes on the need of microfinance initiatives and also throws light on how micro financial services are dependent of interest, satisfaction level and financial condition of rural people in Rajouri district of Jammu and Kashmir.

1. Introduction

Microfinance is a source of financial services for entrepreneurs & small businesses lacking access to banking & related services. It is a very popular occurrence worldwide now, which is helpful in removing poverty and increasing the poor economically and socially. It is becoming mainstream growth interference for poverty mitigation & empowerment of the poor. Nearly all Countries are working it as a part of their strategy for fighting against scarcity. Also in India, it has become a policy success. In India programs of microfinance are executed through SHGs which is usually a group of 0-15 Persons, which belongs to the same economic and social environment. Inaugurated by NABARD (National bank for agricultural and rural development) this is the major aspect body in the field of rural development, although it has better results. Microfinance has created a milestone in southern India and has proved successful. In remote areas problems concerning to financing of houses, education of children's, and health care etc are supported by microfinance to a great extent. Improved access and efficient terms of savings, credit and insurance facilities would facilitate the deprived sections to set up micro ventures, build up economic property, manage the risks better and enhance income earning capability and resultantly improve their standard of living.

Microfinance has put an end to the poverty of majority of people by providing micro loans to large no. of families. It enhanced the livelihood of people and includes the micro loans to encourage the development of small scale entrepreneurial activities. Depending upon the institutions which are providing loans, such credits are available at very high costs viz 10 to 13% loaners operate with little competition since potential entrants quickly find that costs and risks are high and borrowers are usually unable to offer standard forms of collateral, if any at all. Innovations monitor other borrower's activities, schedules of loans that increase over conditional on successful performance and weekly loan refund requirement

and it mainly includes contracts that give borrowers encouragement to abort bad credit risks. The international organizations have joined in pushing to reach 100 million households around the world by the year 2005 and thus the movement is now worldwide. But what is the ultimate impact on poor households? While strong claims are made for the ability of microfinance to reduce poverty, only a handful of studies use appropriate control framework to answer the question.

2. Review of Literature

The literature review provides an overview towards the key concepts, theoretical and empirical perspectives and helps us to locate the progress in the field of study and the research gaps in the area. While there are a large number of studies on impact of microfinance on the socio economic upliftment on the growth of border people, a brief review of important studies on impacts of microfinance were addressed by many researchers and some important studies are presented here. **Ahmad (1999)** states that microfinance is helping in awarding the women about their rights and motivating them to tackle their problems. **Schreiner (1999)** found that microfinance is not efficient instrument for poverty alleviation in US because of weak social structure. Though it can shift benefits to self employment. **Bhatia and Bhatia (2000)** revealed that providing credit through self help groups has a greater recovery results than other credit lending through various other schemes. **Dasgupta (2000)** stated that low income clients are getting number of benefits through SHGs like increasing savings and enlistment of resources. **Gurumoorthy (2000)** revealed that microfinance is helpful in achieving rural development objectives. It extends a great way for proper development of weaker sections. **Nagaya (2000)** states that self help groups acts as powerful supply for extending credit to poor people. It is a prompt rising tool which enhances income generating enterprises. **Barnes et al., (2001)** examining microfinance institutions found a positive impression of

microfinance on entrepreneurs because microfinance helped them in increasing their assets and net worth, reduced helplessness and increased their value, skills and education. **Mosley (2001)** found a positive growth of income and assets of low income borrowers or better off borrowers than control group. **Swain (2004)** examines that microfinance reduces threat of increasing consumption of poor households. It further states that BPL people are most likely borrowers of microfinance as microcredit acts a helping hand for increasing their economy. **Malik and Luqman (2005)** stated that microcredit is the program to approach microfinance. Microcredit has the potential to enhance the quality of life, family affairs of women, reduction in domestic violence and above all the program of microcredit and microfinance has empowered women and enhanced their ability in the issues of decision making. **Waqar et al., (2008)** estimated a positive long term impact of microfinance (microcredit) on growth and development of Pakistan as it found a better role of microfinance on agriculture which enhances GTP through its growing value. **Dobra (2011)** finds that there is no effective correlation between microfinance and women empowerment though it enables women to be empowered. **Ondoro and Omena (2012)** stated that microfinance has brought a revolutionary impact on lines of poor people that are their saving habits becomes better and they develop a habit of high repayment rates. **Mula and Sarker (2013)** stated that by joining microfinance through SHGs, members were empowered to a significant level. He further says that members through microfinance were able to improve economic variables in spheres of self income, asset creation, employment generation and savings. This in turn helped rural women for their betterment and to tackle socio economic evils. **Nasir and Farooqi (2016)** stated that microfinance has played an important role for women empowerment in terms of reducing poverty level and generating self income. The study further appreciates the concept of microfinance in bringing confidence, patience and courage among member (women) to establish their own business. **S. Poominathan and Amilan (2016)** revealed that microfinance is providing value for women development. He further suggests that steps should be taken by organizations on factors like empowerment, education, health, community and religion.

3. Need of study

In Jammu division with special reference to district rajouri, access to credit remains a major challenge for the underprivileged section of household who live in far-flung areas. Nowadays, financial institutions have made this segment informal, more profitable & welcoming for the underprivileged & lower sections of people. Instead of this information that the district rajouri has a widespread banking networks and the significance of micro finance lies in the fact that the formal banking sector has not met the financial needs of the poor sections due to the following reasons;

- a) Inadequate bank branches in the remote areas
- b) Inability of the poor to offer satisfactory collaterals against the loans.
- c) There is low level of education and information among the unprivileged section of people.
- d) There is an objection of banks to foray into microfinance.

These financial institutions have made the credit easier & convenient to the people of far flung areas by offering a number of financial services which further offer micro loans to the low level income families, regularly without any security. The finance can be used for production activities, consumption or for operating /starting a small business unit. Though this credit enables low level income people to raise their livelihoods & level of income. Microfinance has provided access to the people of remote areas in order to generate economic growth opportunities. It changes & boosts the lower & weaker sections of the society mainly SC/ST categories. The microfinance also avail micro insurance facilities to the rural people in order they reduce expenses related to health problems or the damage of an assets can be recovered. The information reveals that the interest rates are hidden charged by the informal money lenders than those of micro finance institutions. Thus, there is a devastating demand from all the corners to save the people of rural areas from these extorters and microfinance institutions played a very important role to reach the unprivileged section of people.

4. Objectives of the Study

1. To the study the role of microfinance in the Rural people of Rajouri district
2. To examine & analyze the management of microfinance programmes in the study area.
3. To know the extent to which microfinance programs are implemented in Rajouri district
4. To analyze the impact of microfinance on the socio economic upliftment in the rural people of Rajouri district.
5. To give feasible suggestions for the smooth functioning of microfinance in the study area.

5. Hypothesis

In consonance with the above said objectives following hypothesis will be framed

H02: There is no significant impact of microfinance on the socio economic upliftment in the rural of district Rajouri

H12: There is significant role of microfinance in the rural people of district Rajouri.

6. Research Methodology

The study is more focused on secondary data, where as the primary data will be collected through discussions with the respondents, bank officials and personal interviews with the respondents and the secondary data has been collected from various reports of RBI, annual reports of the banks, journals, magazines, census of India and from various regional and statistical district reports and lead bank reports. The other relevant data /information related to this study published by the govt. will be further used for this purpose.

7. Limitations of the study

- Due to the cost and time constraints the study has been restricted in many ways like limited areas selected for study.
- Only the micro-financial institutions find their place in the study because all banks including the commercial ones don't deal in micro financing.

- The study covers only the microfinance and its impact on the poor sections and neglects other parameters like the savings and insurance needs of these sections.

8. Findings

- Government has been making efforts for developing the micro financing institution and these institutes, by providing their services, have improved overall income and life style of the poor people.
- These institutions have also created employment opportunities in these backward and underdeveloped areas.
- These institutions were found to be assisting the poor rural people building assets and securing their livelihood by serving various economically uplifting schemes.
- The Self Help Group (SHG) bank linkage scheme and MFI's were found to be flourishing, being assisted by different apex banks and financial institutions and various domestic and international agencies. Yet poor people avail services from non institutional sources because of low accessibility and regional imbalances.
- Many MFI's are functional in small areas and as such saturation of these institutes can be seen which has resulted in inappropriate finance.
- It was found that less NPA's have occurred in these institutions unlike the traditional banks.
- It was also found that the government has been serving more like a facilitator than a regulator, and hence these institutions have a greater scope for sustained growth.
- These institutions have been making strong efforts to increase their reach and expand their programs of financial assistance.

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9. Suggestions

- There is a need for the growth of microfinance and the institutions for developing an inclusive financial system.
- The accessibility of the MFI's should be increased.
- Microfinance as the function should be a combined function the NGOs, SHGs, MFIs and the commercial banks.
- Efforts should be made to alter and expand the scope of the activities of MFIs.
- Various programmes should be conducted by MFIs and NGOs for awareness of rural poor people for availing the credit and loans.
- MFIs should also conduct programmes for rural people for opening up new undertakings in diverse domains.

10. Conclusion

The study demonstrated that microfinance plays a significant role in the socio economic development of rural people of Rajouri district in the state of Jammu and Kashmir and also helps the poor people in increasing their level of income, standard of living as well as in the upliftment of the rural people. The study will be concluded with the following points

It is clear that the microfinance has the positive impact on the living standard of people and also in the alleviating the poverty in the area.

Microfinance institutions has provide micro and short term loans to the poor people in order they start small business which results in the upliftment of socio economic status of rural people .

They opened bank branches in these areas which gave an opportunity to the people to get an employment.

Microfinance is the backbone for the needy people in the rural areas.

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