CAREER POINT
INTERNATIONAL JOURNAL OF RESEARCH

Career Point International Journal of Research(CPIJR)
©2022 CPIJR | Volume 3| Issue 1 | ISSN : 2583-1895

"MICROFINANCE: SUSTAINABLE DEVELOPMENT OF FARMERS – A STUDY IN RURAL AREA"

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Abstract: - Financial position of Farmers is the important role in the Indian Economy to growth for GDP and reduce unemployment rate. Main aim of financial position of Farmers in the Agriculture sector is to improve the economies of scale. A financial position means ability to purchase powers of individual for their living standards. During the financing by microfinance and banks to farmers how farmers use these funds for their developments and generate incomes for their living standards? On the other hand financing means provide loans to farmers for use in agriculture work or agribusiness.

Financing are playing important role for farmers development in agriculture sector. They imply farmers can develop themselves in the term of agriculture works, create jobs for others and reduce unemployment in their areas according to village wise or block wise. The processes of financing for farmers are not new in the banking and microfinance industries.

Keywords – Microfinance, Farmers, Finance, SHG, Sustainable Development

I. INTRODUCTION

Microfinance is a category of financial services targeted at individuals and small businesses without access to traditional banking and related services. Microfinance includes financial savings and checking accounts, micro insurance, and fee structures. Microcredit is the provision of small loans to underprivileged customers. The goal of microfinance programmes is to reach out to underserved customers—typically poorer population segments—who may also be socially or geographically marginalized—and help them become self-sufficient. The goal of the larger movement known as microfinance is "a world where everyone, especially the poor and socially marginalized people and families, have access to a wide range of affordable, high-quality economic goods and offerings, including not only credit but also savings, insurance, and other financial products and services payment options, and money transfers. Micro-finance is the provision of a wide range of economic services, including deposits, loans, fee arrangements, cash transfers, and insurance to low- and irregular-income households and their microenterprises. The definition of micro-finance is "financial offerings, such as savings, insurance, money, credit, etc., given to clients with low and erratic incomes to help them increase their profits, so improving their standard of living." The National Micro-finance Taskforce, established in 1999, stated that "the poor live poorly, no longer because they are lazy but rather because they have no access to capital." "Micro-finance strategy offers credit rating, savings, and other very tiny business economic products and services. Amounts to the poor in rural, semi-urban, or urban areas for enabling them to raise their income levels and living standards.

II Literature Reviews (Background Information)

Key Microfinance Elements

1. Microfinance is important to rural finance.
2. It mostly caters to low-income people and primarily deals in modest loans.
3. It is provided through NGOs, also referred to as self-help organizations (SHGs).
4. It is among the most effective and ethical methods for eradicating poverty.
5. It encourages those with low incomes to take advantage of opportunities for self-employment.
6. It is more concerned with offering services than with making money.
7. It strives to aid manufacturers and owners of small businesses.
8. Because they live simply and are devoted to God, poor borrowers rarely miss loan payments.
9. India needs to have several microfinance organizations set up.

III. The Impact And Importance Of Microfinance

The following are some ways that microfinance helps the country's social and economic development:

1. Poor people are unable to acquire financial services due to their low income and incapacity to manage banking procedures and documents. Low-income households and micro businesses can access a variety of financial services through microfinance, including insurance, deposits, loans, payment services, and money transfers.

2. Through their NGOs, microfinance institutions urge the underprivileged to save money. Members of Self Help Groups are given loans and advances using the money generated through savings and microcredit obtained from banks (SHGs). Microfinance organizations help to mobilize and use savings in this way.

3. Because poor people cannot provide collateral or a counter guarantee, traditional banking systems do not grant loans to them. Once more, exorbitant interest rates and onerous procedures and documentation

requirements discourage the poor from applying for bank loans. By giving rural and underprivileged people low-interest loans, microfinance eliminates all of these obstacles.

4. Through the use of microfinance, the less fortunate members of society can access loans with lower interest rates, enabling them to launch and expand their own small companies, escape poverty, and establish independence and self-sufficiency. It encourages self-sufficiency by helping the less fortunate members of society achieve long-term financial independence.

5. Self Help Groups serve as an intermediary via which microfinance is made available (SHGs). More than half of all Self-Help Groups are made up of women (SHGs). They now have more economic and financial resources at their disposal. It represents an improvement in female security. Thus, microfinance gives underprivileged women an economic and social boost.

6. Non-institutional organizations frequently provide financial help to the rural sector, and they are abused in a number of ways. Microfinance has demonstrated success in taking.

IV. Micro Finance In India

The word "microfinance" first appeared in the 1970s as companies like Bangladesh's Garmin Bank and microfinance pioneer Muhammad Yunus launched and shaped the current microfinance sector. Even microfinance in India can be traced back to the early 1970s, when the Gujarati Self Employed Women's Association ("SEWA") established the Shri Mahila SEWA Sahakari Bank, an urban cooperative bank, with the aim of offering banking services to low-income working women.

The first thing that is done in a self-help group model is to pool together an initial principle from the savings of the group's members, who range in number from 5 to 20 and are homogeneous. It is evident that the majority of these groups are dominated by women, which paves the way for women's empowerment. The groups are formed based on mutual interests that lead to common aims. The NGOs follow the SHG group model for operation.

Government-sponsored microfinance programmes like NABARD, or the National Bank for Agricultural and Rural Development, are also available.

The microfinance institutions have come a long way, from being an emerging industry in the 1970s to being acknowledged by the Reserve Bank of India in the 2000s.

V. Key Facts about Microfinance in India

In India, microfinance is crucial in providing credit to those at the base of the economic pyramid. Due to its connections at the grass-roots level, it can influence livelihoods in both rural and urban geographies and promote activities that generate money. In addition, Microfinance: Reaching out to the Bottom of the Pyramid, a September 2020 report from the Reserve Bank of India, functions as a formidable tool for empowering women who up a large portion of its borrowing base.

Smaller, shorter-term, no-collateral loans made through microfinance organizations have higher loan payback frequencies than regular commercial loans do. Usually, these loans are employed for profitable endeavors.

In India, microloans increased by 10% sequentially from the quarters ended in December 2020 to January-March 2021 (Q4FY21), from Rs 2.31 trillion.

The percentage of loans with 90+ day dues increased from 3.8% in December 2020 to 4.4% in March 2021, citing the credit reporting agency's CRIF data.

The increase in microfinance book in Q4FY21 was the result of de-growth in Q1 and Q2 and marginal growth of 1.5% in Q3 of FY21. 42 percent of the market is still dominated by banks.

Geographically speaking, 67% of the loan portfolio of MFIs is split across East, North-East, and South India, while the remaining 35% is distributed across West, North, and Central India. The majority of microloans are distributed among the states, with Tamil Nadu, West Bengal, and Bihar following.

VI. India's Rural Development Through Micro Financing And Poverty Reduction

India has a population that is more than 25% poor. India has between 260 and 290 million impoverished people, according to the World Bank, and this number grows to almost 390 million if poverty is defined as those who live on less than one dollar per day, which is the worldwide benchmark. Around 133 million people, or nearly half of India's poor, reside in the three states of Uttar Pradesh, Bihar, and Madhya Pradesh. India has a rural poor population of 75%, which is made worse by expanding urban-rural inequities. The Indian government's approach for reducing poverty is heavily reliant on infrastructure, social development (especially in the areas of education and health), and rural livelihoods. The improvement of rural livelihoods is a facet of poverty.

The Microfinance Institutions Network (MFIN), a self-regulatory organization (SRO) of the microfinance sector, asserts that over the past ten years, microfinance has significantly advanced financial inclusion by providing doorstep access to credit and insurance services as well as employment through the growth of microenterprises.

- The industry's gross loan portfolio increased from 17,264 crore to 2,51 trillion rupees between March 2012 and December 2021, while the number of borrowers increased from 200 million to 570 million.
- There are now 37 states covered, up from 27 previously.
- It also claims that during the past ten years, the number of persons employed in the industry has increased from 69,000 to at least 400,000.
- According to MFIN, the microfinance industry generated over 12.8 million jobs in 2018–19, both directly and indirectly, citing a report by the National Council of Applied Economic Research.
- In addition, at least 120 million people are covered by life and credit insurance.
- In addition, women make up about 98% of microfinance customers.
- Lastly, 90% of loans are disbursed straight into bank accounts, and digital technology is also being used more and more for collections.
- Sa-Dhan, another industry SRO, reports that since March 2010, the number of MFI branches has virtually doubled from 11,459 to 20,065 even though the number of MFIs has decreased from 264 to 208.
- In the meantime, the average loan amount rose from 9,766 to 35,106.
- The central bank published a consultative report on microfinance regulations in June 2021, proposing significant reforms.
- It is proposed to waive the restriction that only two NBFC-MFIs may lend to a single borrower, and the maximum loan amount would be determined by a household's debt-to-income ratio.
- It seeks to limit a borrower's total interest and principal payments on all open loans to a maximum of 50% of family income.

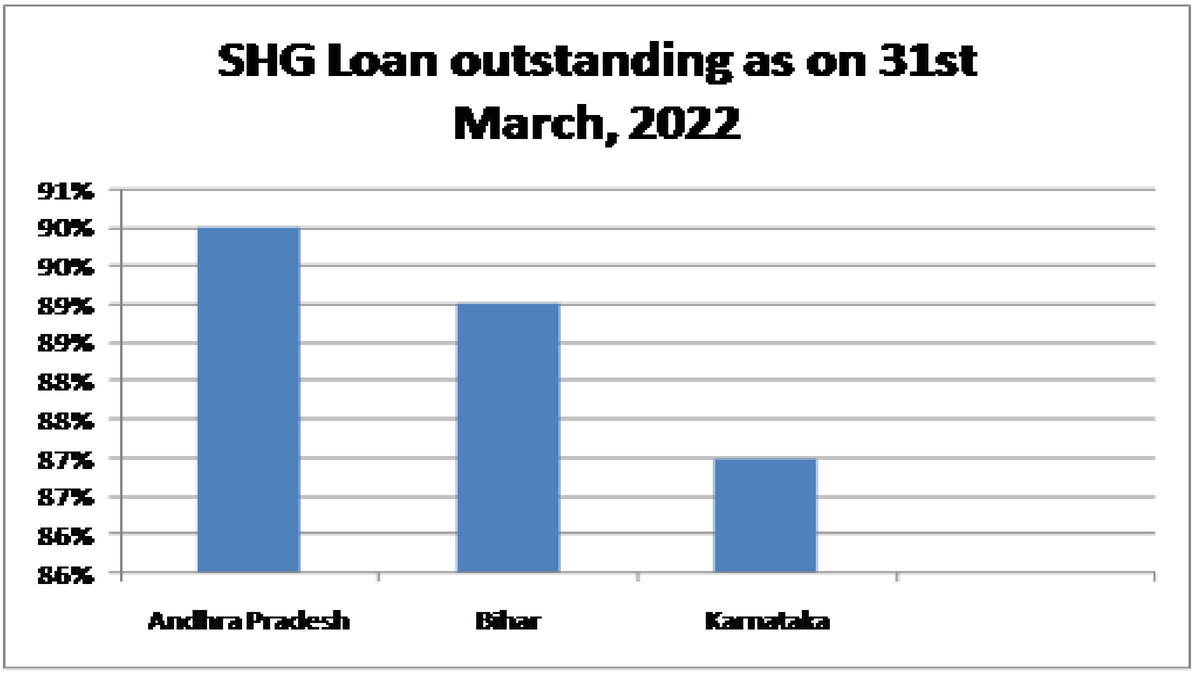
VII. Self Help Groups (Sghs) And Microfinance For Rural Development

A total of 67 lakh credit-linked SHGs had loans outstanding as of March 31, 2022, totaling R1, 51,051.30 crore, or R2.24 lakh per SHG throughout all of India. As of 31 March 2022, the Southern area has the most loans outstanding across all SHG positions and collectively.

The credit linkage status of SHGs as of March 31, 2022, is shown state-by-state. Overall, 57% of the 118.93 lakh SHGs with linked savings had unpaid loans to banks. Credit linkage percentages in nine states are higher than the national average. With 90% of its SHGs having loans outstanding, Andhra

Pradesh is in the lead, followed by Bihar (89%) and Karnataka (87%). Along with Tripura, states from the South and East dominate the list. In comparison to the situation on March 31, 2021, the average size of loans outstanding on March 31, 2022, has increased in all States. Chandigarh (432%) has the largest rise, followed by Jharkhand (155%) and Manipur (139%).

Over the past decade, the number of SHGs with credit links has increased at a CAGR of 10.8%. (2012-13 to 2021-22). By 2024–2025, 46 lakh SHGs are anticipated to be credit-linked at this growth rate. Similarly, during the same time period, credit disbursement per SHG increased at a CAGR of 5.7%. It is therefore reasonable to anticipate that by 2024–25, the average credit disbursement per SHG will likewise rise, from the current R2.93 lakh to R3.46 lakh. With the help of all stakeholders, this progress must be accelerated due to the shifting economic landscape and rising ambitions.



VIII. MFI Operations Progress In 2021–2022

Portfolio:

After the chaos of the pandemic, the sector completed the fiscal year 2021–22 on a high note and is gradually returning to its pre–COVID level. At the conclusion of the financial year 2021–22, the sector's total portfolio—which includes banks and SFBs—was R2, 62,599 crore, representing a 5% year-over-year gain. The combined MFI portfolio (for-profit and not-for-profit) accounts about 44% of the sector's total revenue, or R1, 15,917 crore. The Not-for-Profit MFIs displayed a stunning rise of 30% in the most recent financial year 2020–21, followed by the NBFC–MFIs with a 19% Y–o–Y growth rate. The top 5 states in terms of MFI portfolio share are Tamil Nadu, Bihar, Karnataka, Uttar Pradesh, and Madhya Pradesh, and they account for 59% of the MFI portfolio.

Disbursement:

The total amount disbursed in 2021–2022 was R2, 49,675 crore, a 27% increase over the prior year. MFIs contributed R1, 01,949 crore of the total payout, a 43% increase from the prior year. Bihar, Tamil Nadu, Karnataka, Uttar Pradesh, and Maharashtra are the top 5 states for MFI disbursement, accounting for 60% of the total. The constant assistance provided by the government in the form of special liquidity funds, TLTRO funds, and the Credit Guarantee Scheme may be responsible for the MFIs' startling increase in the amount of disbursement. Indicators of the economy opening up and the return to normalcy of the lives of MFI borrowers include an increase in the number of active loans and the total portfolio, a surge in disbursement, and an improvement in collection efficiency.

Portfolio Quality:

As the Portfolio at Risk (PAR) 30+ decreased from 9.01% at the end of March 2021 to 5.27% at the conclusion of the fiscal year 2021–22, the sector's overall portfolio quality improved. Additionally, PAR 90+ has increased and was 2.43% at the end of March 2022 as opposed to 4.10% at the conclusion of the previous fiscal year. While Bihar, Haryana, Uttar Pradesh, and Punjab have PAR values that are greater than the national average, Assam, West Bengal, Kerala, Tamil Nadu, and Madhya Pradesh have PAR levels that are lower. Despite the recovery, the sector has an NPA of about R33 billion and about R7 billion in write-offs from 2021 to 2022.

Employee status of MFIs:

There are 1.61 lakh MFI employees in 28 States, 5 Union Territories, and 595 districts in India, with 10% of them being female and 61% working in the field. However, a higher attrition rate presented a new problem for the sector last year. This has caused MFIs to refocus on the necessity of strategically allocating funds for employee welfare, employee motivation, and employee training.

Digitization:

The MFI operation's focus on digitization during 2021–2022 saw another significant change. As a result of the epidemic, MFIs are now considering digital collection strategies utilizing a range of technologies and partnering with Payment Banks, Payment Wallets, and other payment technologies. Data shows that volumes under digital collections are rising steadily. Even for client acquisition, loan processing and monitoring, as well as the structure and management of groups, technology use has increased.

New Regulations:

In the upcoming years, MFIs' growth trajectory will be maintained by the RBI's release of the new Regulatory Framework for Microfinance Loans. MFIs are already preparing to implement the new requirements in the field by establishing the necessary interest rate policies and providing training on correct family income assessment, among other things. Since the RBI has granted MFIs the freedom to set loan pricing and other modifications, SROs now have a bigger responsibility to oversee client protection and responsible lending.

IX CONCLUSIONS

Through enhanced knowledge and awareness of financial security during economic crises, etc., micro finance institutions provide a good platform to improve farmers' financial health. It engages in a lot of activities that generate income. Microcredit is the practice of making extremely small loans to people in need with the intention that they will utilize the money to start their own enterprises or expand existing ones. People without collateral, a credit history, or a reliable source of income are frequently granted loans made through microcredit.

Self-Help Groups are unofficial organizations where people gather to discuss how to improve their living circumstances. They aid the underprivileged, particularly women, in developing their social capital.

Self-Help Groups have shown to be the most efficient method for providing microfinance services to the underprivileged. A variety of financial services may be offered, including insurance, loans, deposits, and money transfers.

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