

A STUDY ON RURAL DEVELOPMENT WITH THE SUPPORT OF MICRO FINANCE

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Introduction

Development of local resource-based economy will provide additional employment and employment to people living in rural area. In this context Schumacher (1974) observed that in order to bring work to the people, not people to the work it was absolutely necessary to establish million and millions of small scale industries in rural areas.

Developing countries aim at maximum utilization of their own national and manpower resources. Even such countries availing raw materials in abundant and labour resources in cheap and surplus they cannot achieve their targeted growth rate without having sufficient financial resources. In a labour extensive economy it is necessary to liberalise and fluctuate the financial and monetary policy which are the tools to achieve the multi-dimensional life goal of the poor. To achieve these goals and keep rural people from the burden of prescribed by the moneylenders Government NGOs and voluntary organization plays a crucial multi-linked role in rotating Micro-finance. Now-a-days micro-credit is a world-wide scheme and it is broadly established to uplift the rural poor from their poor condition.

Muhammed Yunus (2004) stated that lessons from the experiences of other developing countries like Bangladesh, Indonesia, Bolivia and Philippines motivated India too to start

experiencing innovative scheme of SHGs which are also called as 'thrift and credit groups'. The SHGs is a brainchild of Grameen Bank of Bangladesh which was founded by Prof. Muhammed Yunus of Chittagong University in the year 1975. In India NABARD initiated it in 1986-87, but the real effort was made after 1991-92 from the linkage of SHGs with the banks.

ROLE OF MICRO FINANCE IN RURAL DEVELOPMENT

Ratna Ravikumar stated that SHG is a small economically homogeneous and affinity group to rural/urban poor voluntarily formed to save and contribute a common fund to be lent to its members as per group decisions and for working together for the socio-economic upliftment of their families and community. SHGs is a medium group for the development of saving habit among women. These SHGs come to the rescue of women and they enhance the quality of status of women as participants, decision-makers and beneficiaries in the democratic economic, social and cultural spheres of life.

(i) Employment Potential

Nagayya reported that the Associated for Advancements (ASA) in Bangladesh Society for Helping and Awakening Rural Poor through Education (SHARE) in India, Centre for Youth and Social Development (SYSD) in South Asia and Bangladesh, Rural Advancement Committee, consultative group to assist the poorest, Professional Assistance Development Action, Self-Employed Women Association and Credit Development forum and focusing their financial attention to the income and employment generation of the rural poor with livelihood support.

Under the scheme of SHARE 11% of Andhra Pradesh and 44% of Bihar respondent raised their employment generation in the year 2004. 97% of the PRADAN and 83% of the SHARE scheme belonged to Adivasi, Dalits and other backward castes in rural areas.

(ii) Co-operation and SHGs

Kanagaraj explained that a federation of SHG members can function as co-ordinating and monitoring agency for a particular coverage area the federation is a democratically elected and evaluate all the activities carried out by the groups of SHGs under one panchayat. The federation gives support, motivate and train members apart hum networking with other agencies for village development. The ultimate goal of this federation is to evaluate all the activities carried out by SHGs for the betterment of the group as well as society.

(iii) Micro-Finance and Poverty Alleviation

John E. Akolen indicated that micro-credit and small enterprises play an important role in improving livelihood of rural and urban population in developing countries. There is a significant difference in their mean value of loan both for men and women. Women getting higher proportion (90%) rather than men (10%) because poverty can easily be eradicated- active participation of women in income generating and saving motivating activities. The most important goal of micro credit is having world poverty by 2015.

(iv) Women Entrepreneurship

Narayanasamy defined that out of 100 SHGs 98 groups are only women engaged with micro-enterprises because they are the main key to close the poverty. The basic principles of SHGs are group approach, mutual trust organization of small and manageable group, group cohesiveness, spirit of thrift demand-based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment. Sudhakar Reddy (2000) extricate that Non-farm activities undertaken by women in rural area precisely the industrial sector, construction service sector, home-based production activities

trading, etc. providing employment opportunity and entrepreneurial skill at the maximum level.

(v) Saving Promotion

Hillary noted that financial services generally improve the economic position of 61% of the respondent improving their assets and diversification of higher return in occupational promoting adoption at new Non-farm practices and significant increase in income and saving.

(vi) Self-Sufficiency

Pitt mentioned 90% SHG clients are women in the Grammer Bank of Bangladesh and their consumption expenditure increases 18 taka for every 100 taka borrowed by women. Credit provided to women importantly improve measurement of health and nutrition and educational status of their children. The Grameen Bank of Bangladesh has earned name and fame as the pioneer of credit services for poor rural people throughout the country 'slowly but survey' more and more people can work themselves out of poverty. The Grameen Bank achieved repayment rate of 98% from its borrowers, 94% of whom and women so successful.

(vii) Micro-Finance and Linkage Programme

Shylendra stated that through linkage programme NABARD would like to realize the vision of empowering rural poor by improving their access to the formal credit system in an effective and sustainable manner to reach the goal of 100 million poor through one million SHGs by 2008.

(viii) Micro-Finance and Decision-making Power

Rosalinda evaluated that micro- Finance integrated scope for personal, social and political empowerment. The experience of micro-credit began in the early 1950s as a social development initiative to alleviate rural poverty created position impact on cash stored poor and women in rural areas increase confidence, sense of self-worth, higher conscious of their rights, greater awareness and exposure to the outside world, greater decision-making with the household and outside activities and improved health and nutrition of family members

III. METHODOLOGY

This study is an evaluation study to asses the effect of (SGSY) Swarnajayanthi Gram Swarozgar Yojana implemented by the District Rural Development Agency. The study employed both quantitative methods of evaluation survey and qualitative methods of participatory evaluation, repaying capacity and saving habits data have directly gathered from the field using interview schedule.

Objectives

- a) To evaluate the investment structure, in terms of loan/ and subsidy and personal savings of the Micro finance.
- b) To recognize the group activities of Micro finance women in the household economy.
- c) To estimate activity-wise return on investment.

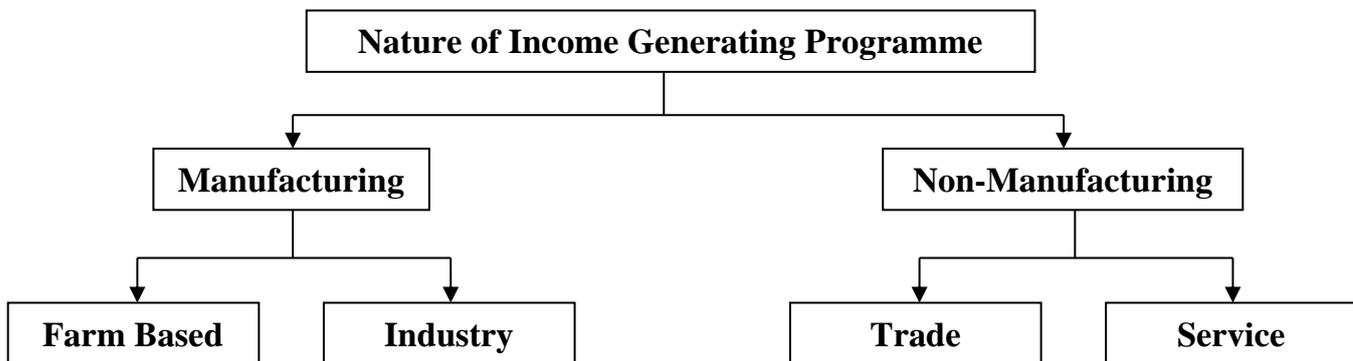
Hypotheses

1. There is a significant relation between maximum employment potential and return on investment.

2. The impact of Micro finance create positive effect on literacy and decision-making power of women in rural areas.

Sampling Design

The poor in the union territory have been formed into M.F. Group under SGSY numbering about 462 M.F. Group in 2001 but how it has changed into 952. This study covered 100 M.F with 156 members selected randomly in 10 villages of Pichavaram at Chidambaram block. Adequate care has been taken to ensure universal fair results interms age, extent of assistance, return on investment and employment potential.



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|--------------------------------------|-------------------------|-----------------------|---------------------|
| 1. Curry leaf | 1. Ink-making | 1. Cloth business | 1. Equipment rental |
| 2. Fruits and Vegetables cultivation | 2. File-making | 2. Petty shop | 2. Tailoring |
| 3. Milch Animal Rearing | 3. Note book-making | 3. Pickle shop | 3. Telephone Booth |
| 4. Mushroom cultivation | 4. Flour -making | 4. Pappad preparation | 4. Carpentry |
| | 5. Masala powder-making | 5. Handicraft | |

IV.EVALUATION OF MICRO-FINANCE FOR RURAL DEVELOPMENT

S.No.	Name of Activity	No. of Members	Percentage
1.	Farm-based activity	31	15.5
2.	Industry	67	33.5
3.	Trade	79	39.5
4.	Service	23	11.5
Total		200	100

Source: Computed

Table 1 explains that Micro Finance availed loan for different purposes under SGSY scheme indicating that majority of the members of the groups have got loans for trade followed by small scale industry. This can be mainly attributed to predominance of industry and trade because their return on investment is usually higher than the other two categories.

The support and facilities of the micro-Finance scheme

1. Organising exhibitions exclusively for product manufactured by MF Scheme at bimonth intervals.
2. Helping the MF Scheme to participate in the training programme organized by various Government departments.
3. Special attention given to MF Scheme on Government offices.
4. Extension of market scope for the product of the MF Scheme
5. Tie-up arrangement with Co-operative Institutions and training centres.
6. Special effort taken by the Government officials, financial agencies and NGOs to develop the personal skill of MF Scheme members.
7. Recommended to purchase the materials produced by the MF Scheme through the Government departments and academic institutions.

Skill Development

Effective utilization of investment mostly depends on the familiarity of small scale industry of the borrowers and the skill they possess in particular trade activities. The effort taken by the Tamil Nadu corporation for women development and NGOs plays an active role in providing and upgrading the skill of the members of MF Scheme. Out of 200 members 40% of the beneficiaries have undergone training in the trade and 33.5% in small scale industry.

Economics of Micro-Enterprises

To ascertain the earnings from each of the activities undertaken by the members calculations are made out on revenue generation and expenditure incurred under each activity. This has helped to derive net income per annum from each activity as percent of total investment to provide return on investment. Employment potential denotes persons employed per Rs.one lakh investment.

Table 2

Details of Loan and Investment Per Activity

Sl. No.	<i>Details of Investment</i>	<i>Amount(Rs.)</i>	%	<i>Low per head(in Rs.)</i>
	Total investment	3298543	100	21144
	Loan and subsidy	2343907	71	15025
	Own fund	824635	25	5286
	Other resources	130001	4	833

Table 3

Return on Investment and Employment Potential

Sl.No.	Name of Activity	Return on Investment (Y)	Employment Potential (No.)
I	FARM-BASED ACTIVITY		
	1. Curry leaf	21	12
	2. Fruits and vegetables cultivation	23	11
	3. Milch Animal Rearing	23	12
	4. Mushroom Cultivation	20	12
II	INDUSTRY		
	1. Ink-making	27	15
	2. File-making	19	13
	3. Note book-making	17	12
	4. Flour-making	40	10
	5. Masala powder-making	25	11
III	TRADE		
	1. Cloth business	56	17
	2. Petty shop	68	19
	3. Pickle shop	53	14
	4. Papped shop	57	16
	5. Handicraft	28	10
IV	SERVICE		
	1. Equipment rental	23	11
	2. Tailoring	40	12
	3. Telephone Booth	78	19
	4. Carpentry	50	13

Source: Computed

The return on investment is relatively higher in small scale industry and service-based activities. In rural areas generally people used PCO system for their easiest communication and

that habitual system provide more income and employment generation for the local beneficiaries

The activities which fetch the lowest return on investment is mushroom Cultivation, notebook-making, Equipment rental and file-making due to lack of skill and less demand depending on their seasonal demand.

The activities which fetch a moderate return on investment are cloth business, petty shop, pickle shop, pappad shop due to the efficient skill and scope for market. The extent of investment made and the return from investment could be inferred that around 75% of the respondent have an average income of Rs. 200 per month and the remaining 25% of the respondent reported that the average monthly income ranging from Rs. 1000 to Rs. 1700. Thus vast majority of the members with financial assistance under SGSY and NGOs have improved their economic condition and decision-making power in development of their family members.

Problems of MF Scheme are:

1. Lack of understanding and co-operation among MF Scheme.
2. Conflicts between Micro Finance Scheme leadership and membership based on caste and location of resident.
3. Monopolistic power in the hand to NGOs and banking agency.
4. Federation play a key role in production and marketing area.
5. Inability to catch the market for farm-based product rather than industrial product.

V. CONCLUSION

The financial assistance provided to MF for the development of socio-economic status reached preferably having member from socially and economically weak and downtrodden. The Government officials, Banking agencies and NGOs played very good role in bringing up the groups at the maximum betterment. Micro-finance is a multi-disciplinary concept to support the rural poor and women for their better standard of living preferably with the satisfaction of minimum needs. It is advisable for the selected /graded MF whereas members have demonstrated leadership initiative, a stand-up mind set to challenge at any cost plus hard work against odds and the necessary skills to get them connected by means of franchise holding to medium or small industries in small towns or the rural fringe of urban centres.

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