

Development and Innovations in the area of Microfinance in Rajasthan

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Abstract

Microfinance has come into view as an important tool for the alleviation of poverty and the empowerment of rural people. According to 2001 census, there are 48% women in the total population of the country. The participation of women at the grass-root level is essential for empowerment and development perspectives. It has been a major concern of the government to bring women into the mainstream of national development. The Ministry of Rural Development has special concerns for women in its various programmes. Microfinance is a novel approach and emerged as a practical alternative to the conventional banking system. This paper examines the impact of microfinance programmes on the empowerment of women in Rajasthan. It lays emphasis on the latest innovations and development in microfinance contributing to the empowerment of women and problems and challenges in its way, so that corrective measures can be evolved in this direction.

KEYWORDS : Micro-Finance, Poverty, Self-help Groups, Microfinance Institutions.

Introduction

Rajasthan is a state in which due to feudalism and patriarchal social order gender discrimination has been a major issue. This has affected the health, literacy level, financial condition and political status of women. Since 1970, efforts have been made to bring women into the mainstream of the development process of the country. In 1990 an empowerment approach has been evolved which was concerned with participation of women in policymaking and process of planning. The Ministry of Rural Development has special concerns for women in its various programmes. The Ministry of Rural Development is implementing various schemes like (SGSY) Swarnjayanti Grammin Swarozgar Yojna, (RDP) Integrated Rural Development Programme and Jawahar Rozgar Yojna having women's components. Microfinance is a novel approach and emerged as a practical alternative to the conventional banking system.

Microfinance and Women's Empowerment

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is a multidimensional process, which enables or authorizes a person to think, take action and behave in an autonomous way. Empowerment of women put emphasis on education and employment, which are essential elements of sustainable development. Microfinance has emerged an important strategy for the alleviation of poverty and the improvement of socio-

economic conditions of the rural poor. The taskforce on supportive policy and regulating framework for microfinance has defined microfinance as “Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income and improve living standards” (2)

Microfinance institutions are autonomous institutions in which members keep their saving safely. These savings used to provide loans to people in exigencies without any cumbersome procedure. Microfinance is about women achieving economic, social and political empowerment, and there is a strong need of empowerment of women in Rajasthan according to the present status of them. Microfinance has proved as a boon for the empowerment of women. Women’s Self-Help Groups Programme which linked to banks are the least cost-effective measures for providing financial assistance to the poor who don’t have reach to the formal financial system. These programmes not only meet the financial needs of the rural poor women, but also improve self-help capacities of the poor, thus leading to their empowerment. The Department of Women and Child Development, The Department of Rural Development, NABARD as well as banks, cooperatives, voluntary organisations are the indicators or promoters of women’s SHGs in the state. Microfinance is required for creating confidence and economic self-reliance, especially among rural women who are mostly invisible in the social structure. It also helps in preventing their exploitation.

Review of Literature

According to the World Bank, empowerment of women should be a key aspect of social development progress (World Bank, 2001) Tiyas Biswas has stated Empowerment of women required long-term strategic process because credit alone cannot enable poor women to overcome their poverty. As asserted by Medatwal Chandan, progress of SHGs is not up to the mark. It should be improved through various schemes and programmes and there is need to find the factors in SHGs programmes, which have greater impact on the empowerment of women. Bhatia and Bhatia have observed that in the recovery of old dues the SHG's is higher than that of other borrowers's. In order to accelerate reduction of poverty and empowerment of women, Government of India has implemented various development and innovative programmes. SHGs had helped the bank's branches. SHG's involvement leads to economic empowerment of poor women. Sibhatullah Nasir found the contemporary issues and challenges in microfinance. He discovered the prevailing gap in the functioning of MFI

Objectives

Through this research, an endeavor has been made to identify the latest development schemes and innovations that have been made. The objectives of this research are:

1. To analyze the role of microfinance in the empowerment of women.
2. To identify the latest development and innovations in the area of microfinance and their implementation in rural areas.
3. To identify the problems and challenges in their effective implementation and offer suggestions for the same.

Methodology

This is a descriptive research paper based on secondary data. Secondary data are collected from reports and websites.

Innovative and Development Approach towards Microfinance

Various development schemes, policies and innovations have emerged in the microfinance sector these days for the uplift of the poor sections of society. According to the microfinance report presented by the Centre for Microfinance the following are the emerging trends:

NRLM (National Rural Livelihood Mission)

The Government of India and the Ministry of Rural Development replaced SGSY with NRLM. The main trust areas in NRLM are: (a) targeting are the poor, not just those who are BPL; (b) Using subsidy as seed capital for long term credit linkage; (c) dedicating support for SHGs and SHGs federations.

MPOWER (Mitigation of Poverty in Western Rajasthan)

This project has been implemented in western Rajasthan, which required specific intervention to strengthen microfinance and livelihood. To meet the problems faced by women in the western Rajasthan with the partnership of IFAD and SRTT MPOWER was started. This project is expected to impact 87,000 households across 1400 villages in the region.

Bhamashah Financial Empowerment Scheme

The objective of the scheme is to open 50 lakh bank accounts in the name of women. It is aimed at financial inclusion through business correspondent model. All women are supposed to be issued smart cards that would keep track of their personal information and financial history.

Mushrooming of Multi-Level Marketing to Collect Saving from the Poor

The basic purpose of this multilevel marketing is to provide microfinance services at the doorsteps of the rural people.

Producer Companies

These companies have emerged as successful models for the empowerment of women. A producer company is owned by its members who are required to be 'primary producers', that is, persons engaged in an activity connected with, or related to, primary produce. Members' ownership or equity in Producer Company is not publicly traded. Some examples of successful producer companies that have emerged in Rajasthan are Ginger Producer Company, Grameen Aloe Producers Company Ltd. etc.

Mobile Phone-based MIS

MITRA (Mobile Information Technology for Rural Development) is that management information system (MIS) which is based on the mobile system. Reports and information have been generated through the mobile phone.

Weather-Based Insurance Scheme (WBIS)

This scheme provides claims in those situations in which weather conditions don't turn in favourable situations.

Roll Back of Private Sector Bank Form Microfinance

In the microfinance sector, many private sector banks came forward 4-5 years ago to provide credit to the poor through SHGs and MFIs. The models involved partnering with microfinance institutions, using business facilitators for microfinance services.

Interest Subsidy of 50% on Loans Taken by Women SHGs

The state government has decided to give 50% subsidy on interest to SHGs if they repay to banks on time. This is a positive trend and provides incentives to be regular in payment.

Standard Micro-Insurance Product for Rural and Social Sector

The product is proposed to link with KCC, farmer clubs, and SHGs which would enable the insurers to reach out to the policy holders easily for premium and other servicing.

Problems and Challenges

Despite significant progress of various microfinance programmes and development schemes there are some issues:

1. There is a problem of synergy among the different microfinance-promoting institutions since they seem to be working at cross purposes.
2. Disintegration of different self-help groups. Due to group dynamics issues group members have internal conflict and rivalry. Leadership issues are the main cause of internal conflict.
3. Interest rate charges by microfinance institutions are much higher than the rate of formal banking system. Microcredit institutions are not under the control of any regulatory framework, which can control interest rates.
4. Women do not have proper knowledge regarding market potential and profitable avenues for making the choice of business.
5. Group lending or group collateral programmes put additional pressures and stresses on women, which may increase vulnerability and lead to disempowerment.
6. Due to traditional gender norms, women remain trapped only in low productivity sectors. It leads to low economic empowerment.
7. Lack of technical expertise in economic sectors.
8. Lack of qualitative aspect in the variable programmes and policies evolved by the government for the empowerment for women due of low literacy and education.
9. Due to change in social issues and technology there is lack of dedicated human resources to support various microfinance programmes.
10. Loans raised through microfinance is mainly used for consumption purpose not for productive purpose.

Suggestions

Microfinance provides the best platform for the weaker sections of society, viz. women, to work for their socio-economic uplift and empowerment. Taking into consideration the problems and challenges, we can make some recommendations.

1. Microfinance programmes and group formation should be handled by trained personnel in a professional manner.
2. Leading banks and industry developments must be taken into consideration for district-wise and block-wise economic opportunities and resource mapping.
3. The skills should be imparted through various training programmes to women.
4. New help groups should be formed and quality standard should be focused for new as well as reorganized groups.
5. Co-ordination committees should be formed for better linkage/association among different SHGs working in different areas in Rajasthan.
6. The microfinance programmes should not be restricted only for meeting the financial needs of women but also include entitlements and status of women.
7. Substantial financial investments are required for the promotion of different self-help groups. These financial resources must be planned as per a concrete, long-term action plan.
8. For control of interest rates of microcredit institutions, regulatory framework should be established, based on transparency and avoiding hidden cost.

Conclusion

From what is said above, it may be concluded that microfinance and other development schemes have benefited women. They lead to their socio-economic and political empowerment. Women are the main pillar of the family. Their empowerment will lead to the development and growth of economy and society. However, there are various problems and challenges in the proper implementation of various microfinance programmes. New types of institutions should be formed based on an innovative and flexible approach, client participation and gender mainstreaming. It will lead to checking exploitation and ending discrimination and enable them to develop their full potential.

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