Role of SIDBI and NABARD in Indian development.

Shruti
PhD Research Scholar
Faculty of commerce
Lalit Narayan Mithila University. Darbhanga

Abstract

Economists have long agreed that access to finance plays an important role within the process of dipping the inequality in wealth distribution, it enhancing the household income and supply better employment opportunities. Microfinance in India is now mounting and covering wider boundaries more importantly it gets appreciations as a tool to scale back poverty. It has become a critical tool for reaching all those underprivileged groups like women, socially and economically backward classes for the aim of empowerment and providing access to financial services. It is a price effective mechanism for providing financial services to the poor. This working paper tries to stipulate the prevailing conditions of the Microfinance in India. Further, the paper is highlighting the financial & promotional support by NABARD and SIDBI within the sector of microfinance.

Keywords: microfinance, self-help group, NABARD, refinance, SIDBI and MFIs

Introduction

small savings of the economically deprived people for their future requirement and for the resolution of credit, insurance services and to meet special goals of empowerment of such privileged group is the basic need of development for any developing country.

To ensure these amenities microfinance came into existence. The concept of microfinance has become the master-concept in deprived countries of Asian countries since the success and innovative idea of microfinance by Grameen bank of Bangladesh. The concept of microfinance does not remain restricted to Asian countries only it has widened all around the world and emerged as a powerful tool for poverty alleviation, especially in third world countries including India; it has established its standard in developing countries as imperative means for diminution of poverty. Microfinance is all about finance the inclusive financial system is associated with faster growth and better income distribution (Badu & Jindal, 2000). Microfinance is meant for the wealth supply to extremely poor people, as Mohammad Younis founder of the innovative concept of microfinance in Bangladesh said conventional banks look for the rich but Grameen bank look for the absolute poor this clearly indicates that such scheme is meant for the unfortunates, and unfortunately people of India is said to be the home of one-third of the world's total unfortunate population.

The factor like abject poverty, low education, diseases, and infrastructure are major issues which Indian fail to address since its independence. Keeping in view all the factors of socio-economic of poor the World Bank has categorized India under the low-income class (World Bank, 1990). So the notion of microfinance has set up an optimistic field in the Indian economy. India constitutes the second largest populated nation in the world but the astonishing is that the world one-third poor population lives in India which in result leads India to abject poverty, low education ratio, low standard of life, low sex ratio, and exploitation. Microfinance against poverty has been recognized as one of the best tools by many countries including India for the proper address of unfortunate people. In India the program of microfinance has the inherent capacity to unveil the untapped potentiality of underprivileged by mobilizing them to pool their funds, building their capacities, and empowering them to leverage external credit (Zubair, 2006).

The availability of finance to the poor helps them to catch up with the rest of the economy as it grows. Finance also helps extend the range of individuals, households, and firms and get a grip on the modern economy. Microfinance is growing and suitable structure for India's poor for their well being in every aspect. It has been confidently agreed that finance supportive schemes for rural development excessively boosts the income growth of the poorest, reduces income inequality, and this is strongly associated with poverty alleviation (Beck, Kunt & Peria, 2006). No doubt that India has grown enormous but a majority of ill-fated people still does not seem to have access to finance from conventional sources, it takes an average of 33 weeks to get a loan approved in rural India, with borrowers having to pay up to 42% of their loan amounts in bribes to officials (World Bank, 2005).

So clearly means it is very hard for the Indian poor to get credit support from conventional banks and profit earning institution. For a successful entrepreneur, finance is as much important as the innovation of ideas and risk-bearing factors are. In India the ideas and risk-bearing factor was never the problem, the rich ideas and risk-taking entrepreneurs are numerous in India, both in rural and the urban areas, but the setback of non-availability of funds or finance is hammering these entrepreneurs. Since the independence and before that, the Indian government has strenuous more on industrialization especially in the beginning years of independence which makes the condition of entrepreneurs even worse. Similarly, the government promoted commercial banks more than the development banks, those commercial banks never came forward for the promotion of ideas and innovations. These commercial banks always looked forward to the prosperous customer where they can get an advantage for the wealth maximization, they never thought about the poor and those customers, wherefrom a margin of profit was less. As there was no other promotional support from the government for the proper alleviation of poverty and endorsement of entrepreneurs this led the condition of poor and entrepreneurs worst then the worse. The detraction of financial opportunities to the maximum population of rural India through banking inclusion has an indirect effect upon the attainment of education and health opportunities and this, in turn, harms the social, financial, and economic empowerment of the poor, since the need of microfinance came into existence. Microfinance was in India since independence but has attained its recognition in the late years of the 1970s with the motive of equality, equity, and mutual self-help and on the philosophy of cooperation and mutual benefits. There is no unique definition of microfinance, different countries and different people define it differently, however, many initiators who have worked for the elevation of microfinance has defined microfinance as.

At the initial stage, it was believed that microfinance is a narrow concept of financial services, which is general services like saving and credit there too (Ledgerwood, 1999). Later it is said that it can also include other financial services such as insurance and payment services. (Schreiner & Colombet, 2001). With the passage of time and the improvement of microfinance, people start to believe that microfinance is a "provision of carefulness of credit and other financial services and products of very small amounts to the poor in rural, semi-urban and urban areas, for enabling them to raise their income levels and improve living standards" (Microfinance study mode, 2009).

Further Indian Micro-Finance Bill defines it as Micro Finance is an economic development tool whose objective is to assist the poor to work with their way out of poverty. It covers a range of services which include, besides the provision of credit, many other services such as savings, insurance, money transfers, counseling, etc. (Standing Committee On Finance, 2014).

All together we can summarize microfinance as the service rather than the core meaning of finance, it is the service of providing the finance and financial services to the people in rural, semi-urban, and boost areas for assisting them to raise their income level and improve living standard. Microfinance is for the intensive development; (severe) growth strategy of the microfinance sector can be cost-effective and ensure the long term sustainability of the sector (Craig and Cheryl, 2006). Microfinance is now mostly concerned with rural people as the urban market has become an overcrowded and vast area of rural is to cover yet, microfinance institutes with the collaboration of central development banks and Non-Government Organizations(NGO's) carrying out the operation in these areas. Microfinance institutions and microfinance itself came into existence in the early 1980s with small efforts at forming informal self-help groups (SHG) to provide access to much-needed savings and credit services. From this small beginning, the microfinance sector has grown significantly in the past decades. Even though microfinance institutes (MFI) in India work for urban and rural poor in different states of India with different names but these institutions aim to enable underprivileged people to become self-reliant by engaging them in income-generating activities.

Further by participating in its livelihood and financial literacy programs. These Microfinance institutions can either provide savings services directly through deposit-taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner (Barry, 1995). The main product which they (MFI's) offer is the microcredit for the deprived people, which is said to be the synonymous to microfinance in the Indian context. However microfinance is not confined to credit only other services like savings, thrift, and microfinance have not attained its heights (CRISIL, 2009). The microfinance sector in India is fragmented from east to west and from north to south of the national boundary, we have crossed the mark of 4000 solo MFI's, NGO's and mutual NGO-MFIs of which more 400 have active lending programs, the loan capacity of Indian MFI's has crossed the mark of 35000 crores by March 2015. However, these microfinance institutions were incomplete without the financial support of National bodies like the National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) which are offering significant (financial resources) and financial services to the world of microfinance and financial institutions. Saving of small amounts by the number of people in the group can help them at the time of authentic need and saving makes the people of the group more disciplined towards the future is. To some extent, this microfinance concept of SHG is based on the principle of Adam Smith who said "The best result comes from everyone in the group doing what's best for himself" further he said self-interest is one of the important aspect of nation wealth maximization. The growing rate of SHGs in India shows that the people themselves disciplined towards the saving status of microfinance in India 2008 onwards Microfinance in India is running under two basic models of microfinance one is Self Helping Group (SHG) Model and another one is Micro financial institute model. The SHG model works on the principle of direct financing to SHG by the banks and the MFI model covers financing of microfinance institutions(MFIs) by banking agencies to lend the same amount to SHG's and other small borrowers (NABARD, 2009). From one side it is Self Help Group (SHG) which is based upon the saving of groups (SG) that is self-managed community-based groups that provide their members access to basic financial services. SHGs are composed of 15 to 25 self-selected individuals who meet regularly (usually weekly or fortnightly) to save and, if desired, borrow for short periods, paying monthly interest at a rate set by the group (Aga Khan Development Network [AKDN]) even government is coming forward to help these SHG's. From the other side microfinance institutes find out the deprived ones and helps them to have access to finance with their own and from government organizations especially from NABARD and SIDBI.

CONCLUSION :-

The financial institutions and SHG's in India have set their standard to reduce poverty for decades. Some financial institutions came into existence but do not budge for the long, however, their contribution can not be ignored. These institutions have added their best to extend microfinance message to the people and had accord for the upliftment of the covered area. We

ISSN: 2278-4632
Vol-10 Issue-4 No. 1 April 2020

have taken the contributory microfinance institution and SHG's which have helped to make financial assistance available to helpless people since 2008 till 2014. We have shown the variation in the number of SHG's and MFI's. Further their contribution to the world of finance in India.

REFRENCE:-

- Business Standard
- The Financial Express
- www.nabard.org
- NAFSCOB (Analytical and graphical presentational are made by CSID, NABARD)