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## **The Microfinance - “Initiatives of NABARD” in context to Agriculture Sector**

**Poonam, Amrit Kaur**

Assistant Professor Chandigarh University, Punjab, India.

Email: amrit.usb@cumail.in

**Abstract**

After Independence, there were two major concern for India, First was the count of job-less and second was Underdevelopment. The reason behind these problems has been lack of financial assistance. Due to these both factors, sustainable development has been considered as arduous. In addition to this, the difference between poor and rich class has also increased. To gain the development path with sustained level of surplus in form of deposits and investment, Micro- Finance via Self Help Groups (SHG) allows penniless to avail credit. As a result they will not be financially dependent and will grow as well. These people utilize the funding to run their own business and create assets to eliminate scarcity of funds. Microfinance has achieved to be the jargon in India. SHG promotion, women empowerment, financial services delivery, and general poverty eradication through comprehensive financial inclusion have all benefited from the SHG initiative. This paper will focus on the initiatives of NABARD in the sector of Microfinance for developing the Indian Agriculture.

**Keywords:** Micro-finance, SHGs, Agriculture, Sustainable growth.

### **Introduction**

Microfinance service was begun as pilot project by nabard in 1992 by self help group. At that time, the programmed proved itself as the biggest success model of microfinance in India. Though, it is not consolidated framework. It is managed by cbs, rrb's, ngo's & nbfc's whereas banks & nbfc's regulated by rbi and self help groups by nabard. Two-third india resides in rural area in comparison to whole population. This particular strengthis majorly work in agriculture that is having a significant contribution around 17.2-18% to total gross domestic product of India. Nonetheless, the dependency on the activity of agriculture has been gradually decreased with small scale cottage industries & shgs achieving heights in non-urban region of the country. As a result, the input has clearly visible in rural area where microfinance industry increased participation unto 30.2% in few last years through shgs. Notwithstanding, these industries & shgs mostly dependent on private lenders to get financial assistance from big banks. In this situation, the option that attracts the vital place in funding activities is microfinance. There is a very prominent role of microfinance in improving the condition of funding assistance in non-urban area. This study will examine the role, challenges and initiatives taken by nabard in the area of microfinance.

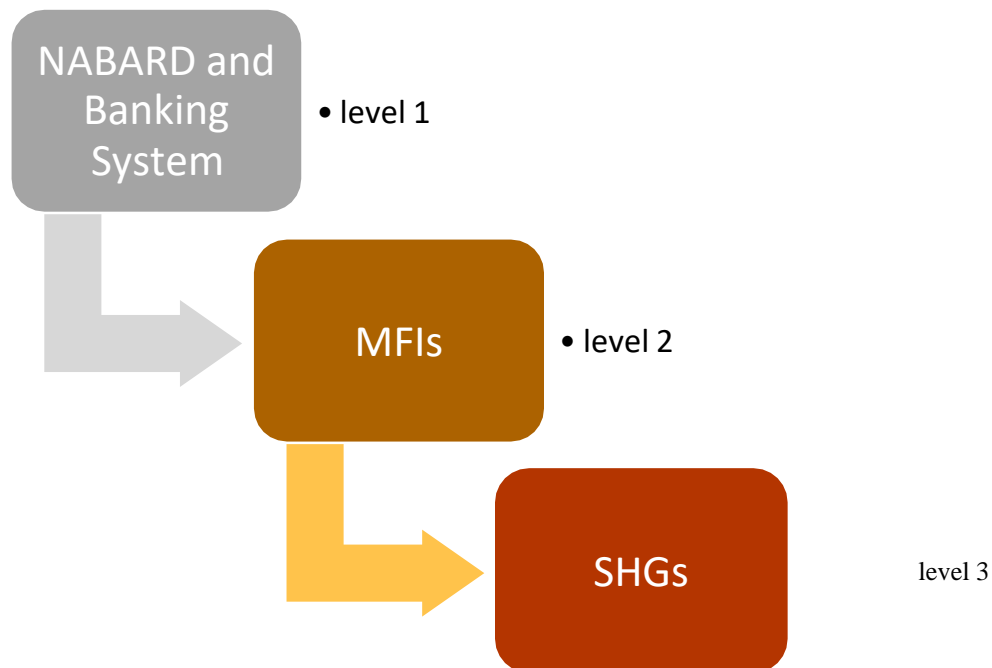
### **Literature Review**

Study of the prose based on Microfinance has clearly stated the challenges, needs & issues with which as an institution it has dealt for the betterment of the nation. There were many rational personalities and some of still examining these emerging parameters. As per Sekhi.V(2007) stated that Microfinance is one of the most efficient tool of eliminating the poverty. As per Singh B & Chawla.S (2007), has revealed that core issue is no availability of credit facilities not opportunities. After few years, Microfinance via Self Help Groups emerged as the strong pillar to uplift the poor section of the society, especially population depend upon agriculture return. As per Sunith (2014), research has bring out the importance of credit loan as compare to subsidies introduced by the government. In addition to this, she has also discussed the difficulties face by poor because of lack of funding assistance in rural areas. As a result, they are bound to approach to private money lenders who charges high rate of interest and trap them in the vicious circle of debt. She has also thrown the light on grants provided by MFIs in a small-small groups called Joint Liability Group. As per Radhakrishna (2012), has stated the massive rise in MFIs and their contribution in enhancement of governance, accountable practices of funding and its regulation. Community wise institutions of Microfinance resulted in healthy approach on the working of MFIs. As a outcome the vitality of SHGs in funding assistance amongst people engaged in agriculture activities has increased and not only this but also the load of MFIs and banks has decreased. As per Verma & Aggarwal (2014) this paper has proved the role of Microfinance in reduction in poverty along with empowering the women of the nation. Research has stated the significance of MFIs to society. Also suggested points for the enhancement of MFIs sustainability. As per Lensink (2018), existence of MFIs is utmost priorities if nation wants to gain growth & money stability. Factor of risk is involved because stability is biggest concern. He has also enlighten the fact that the poor are skilled no need to waste money and resources on training. The training required is only which make them aware to have optimum utilization of the scare resource (money) and will allow to come out of poor condition. As per Agarwal & Sinha (2010), problem faced MFIs because of proper law or norms. These institutions also considered as device whenever any new scheme or policy introduced for rural people. As per Kumar Vipin et. al. (2015), stated the significance of MFIs for rural and least wage population. On the

contrary, also noticed the low pace development of the team of SHGs & their mismanagement which is very important to keep in mind before framing the blue print for any new proposal. As per Nikita (2014), paper stated the decrease in count of groups, increased count of NPAs which revealed the major commercial bank share is there in funding assistance. Suggestion was given for better output of programs run by MF at specific interval of time. As per Mahanta et. al. (2012), paper stated the danger ring toward the optimum management of the microfinance giving clear hint that if managed properly can lead to wonders otherwise can lead to new phase where gap will become more larger than earlier. To avoid that situation, rural people with capability and skilled in their area should give priority while providing the funding assistance or credit and this needs to be happen with the collaboration of both government as well as Microfinance Institutions. As per Maruthi Ram Prasad, Sunitha and Laxmi Sunitha (2011), paper stated the take off stage of MFIs in India where upcoming participants as money leaders in leading and can create new model.

### Research Methodology

The Analysis of this particular examine is eloquent in nature established on secondary statistics for current study is gathered from several sources (reports published by NABARD, published research papers, journals) to access the actions taken by NABARD in Agriculture. The relevant information related to initiatives was collected from official report of Microfinance published on the website of NABARD. Objectives: The objectives for this study are following mentioned below to evaluate the requirement of MFIs in Agriculture sector (India). To evaluate the initiatives of NABARD for Microfinance sector. Microfinance and Agriculture Sector Microfinance is a mode to provide funding to the needy groups or the population depending upon agriculture income. Under this financial aid, they provide various types of assistance. As this amount is required by lower wage rate people, the services are also smaller in amount. This service is developed by mirroring to banking system to support those section of the society who are neither having any job or nor having good source of income to earn and balance their livelihood. To make this happen, self-help groups are formed to help the whole sector. The only goal or objective of is to give the platform of financial opportunity to the non-urban population of the country. This will lead towards the financial self-dependency by accruing own source of income and creating assets for future in form of land, business etc. The role of MFIs is to allow the circulation of the scarce resource (money) via proper channel towards the needy one in form of saving and investment amongst them. Not only this but they have also supported the task load of banking sector by sharing their responsibilities towards agricultural land and the human associated with it by working under specified guidelines. Model of MFIs Working



This model has interpreted the working of MFIs, where the major process of financial assistance starts from NABARD and Banking Industry and from there the role of MFIs has to begin as the intermediary who assists financially to the small SELF HELP GROUPS formed in those areas. Because they are more connected and have better understanding of the needs and requirements of the rural area, work and their people. Significance of MFIs in Agriculture Sector The Biggest contribution of MFIs is to provide credit to the rural population, poverty elimination, empowering the women, growth of the economy, and circulation of money in form of saving, initiating skill development trainings and programs for the people to make them self-employed and efficient, giving the mantra of sharing and caring by mutual cooperating with each other in financial terms and last but not the least social enhancement of the society as whole by doing welfare. Challenges being the reason of good cause, still MFIs have also encountered various hurdles in the path of welfare which we called the challenges and these are not due to one reason. As we have discussed in the above mention paper that how MFIs were emerged, collaborated with banking system and NABARD and given birth to SELH HELP GROUPS to reach to the main aim. One of the major factor of contribution is lack of financial understanding or we can say literacy, secondly, inability to raise the funds from NBFCs, thirdly heavy dependency on banks, fourthly mismanagement or not so strong governance, fifth era of competition, sixth interest rates and their link with political sensitivity and requirement to avoid latest trends. So to deal with this all, NABARD has taken certain initiatives in 2021. Initiatives taken by NABARD, 2021 As per NABARD, SHG-BLP is the biggest of all whole globe that having 13.8 crore

families with 112 lakh SHGs money in the banks 37,477 crore where annuery credit intake 58,000 crore and 1, 03,289 crore is outstanding.

Organisations	Accredited during theyear 2020-21		Releases during theyear 2020-21		Accumulative Sanctions allowed on 31 <sup>st</sup> March 2021		Accumulative Release on 31 <sup>st</sup> March 2021	
	Amount (lakhs)	Number of Self Help Groups promoted	Amount (lakhs)	Number of SHGs savings linked	Amount (lakhs)	Numbers of Self Help Groups promoted	Amount (lakhs)	Number of Self Help Groups savings linked
1.)RRBs	0	0	0	0	1764.3	61656	666.9	55288
2.)NGOS	654	6470	427.57	9811	38043.8	700652	15599	544497
3.)IRVs	0	0	0	0	455.18	26350	78.25	12313
4.)SHG Federations	0	0	0	0	25.4	200	12.37	46
5.)PACS	41.2	800	42.94	1199	669.61	14925	95.57	3311
6.)COOP.BANKS	0	0	23.15	534	1294.22	66782	609.33	59975
7.)NGOs-MFIs	172.13	2569	37.7	1126	337.13	5869	41.7	1126
8.)FARMERS CLUB	0.13	10	0.13	0	46.13	5138	20.45	4469
<b>Sum Total</b>	<b>867.46</b>	<b>9849</b>	<b>531.49</b>	<b>12670</b>	<b>42635.77</b>	<b>881572</b>	<b>17123.57</b>	<b>681025</b>
<b>Women SHG Scheme (in 150 LWE affected and backward districts)</b>								
<b>Anchors NGO</b>	<b>NA</b>	<b>NA</b>	<b>651.64</b>	<b>18</b>	<b>20438.1</b>	<b>204381</b>	<b>13948</b>	<b>129167</b>

Source:- <https://www.nabard.org> NABARD will grant the support to agencies for promoting and nurturing SHGs. Will run scheme for women, to promote backward and rural areas of nation. NABARD will give support to JLGs for their own formation and nurturing. Livelihood interventions will be supported for SHGs. Development Programme will be introduced for Micro Enterprises i.e. (MEPD-MICRO ENTERPRISED DEVELOPMENT PROGRAMME). LEDP Programme. Innovation projects under LEDP NABFOUNDATION. Support and training will be provided to MFIs client. Permitting grants to the village programmers. To support digital India, ESHAKTI will be launched. Refinance help to banks Support to MFIs framework. Special initiatives during pandemic (COVID19). Implementation of National Rural Livelihood Mission (NRLM) and Scheme for Interest Subvention to Women SHGs. Findings This paper has found out the nation is having a large count of people and specifically those who are having their roots attached with rural and agricultural area who neither have accessibility to banks nor to any financial services or aids. As a result, NABARD in association with RBI and government of India has taken these above mentioned initiatives which clearly states that even these supporters are having some challenges in their path waybut still being optimistic is something that will bring the goal closer and make it accomplish in future. Recommendations There are some recommendations on the basis of above findings there should be a proper standardized regulation for the cooperation of MFIs and NBFCs. MFIs also needs to upgrade their services in context to diversity. Digital India motto can also be connected under MFIs working and management for smooth functioning like interest rate calculation, risk analysis. Well trained teams should be prepared who can earn incentives by educating rural population. The insight of MFIs must be change. In other words, rather than considering as a social or charitable body, can be called as profitable and sustainable one.

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