

Microfinance : A Tool of Sustainable Development

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With 20% Tribal population, Madhya Pradesh is the state of highest tribal population in India. Among them Gond, Bhil and Biagas are main tribes and Abuihmar. Dhruvas, Banjasras are other important Tribes. Agriculture and Mining are their major occupation. The total tribal population comprising 43 ethnic groups is 122.33 Lakh in the state and it is 14.51% of the total tribal population of the country. Besides out of 75 primitive tribal groups identified in the country 3 primitive tribal group's are Bharia, Baiga & saharia reside in Madhya Pradesh. As tribal areas are mostly rugged and densely forested they are comparatively isolated from mainstream. Isolation from mainstream, to some extent, was main reason for preservation of their tradition and culture. But they must be integrated with mainstream for getting their rightful share in the developing economy.

Most tribal are concentrated in dense forested area. Their inaccessibility led to limited political and economic significance. Historically the economy of most tribe's was subsistence agriculture or hunting and gathering. The tribal community traded with outsider for few necessities they lacked. The tribal population is under developed in almost all major fields like education, food security, drinking water, health, employment and infrastructure. The high rate of MMR and IMR along with the problem of malnutrition is one of the major concerns of tribal health. The areas like education, food security, drinking water,

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health, employment, infrastructure etc. has drawn the attention of the Govt, and NGO's, which have started primary schools in different tribal area and reserved seats for their children in middle and high school. But their efforts have yielded little results. Recruitment's of qualified teachers and determination of appropriate language proved key concerns. Many tribal schools are characterized by high drop out rate. Many of them leave school in the process and very few of them are able to complete high school. Very few are eligibility to attend higher education institution. Where the rate of attrition continues uncontrolled, the few Communities Members of agrarian tribes like gonds are reluctant to send their children to school. They want them to work in fields and earn livelihood.

Problems with main Stream Banks-Microfinancing

The few problems of the Tribes may be resolved by arranging microfinance for developing small level economic activities, suitable and acceptable to tribal culture. The problem is that Banks do not provide financial services, such as loans to those clients who have little or no cash income. Bank incurs substantial cost to manage the account of client does not matter the size of the money, subject to condition that clients can provide Security against the loan advanced. The fixed cost of processing loans of any size is considerable. There is a break even point in proceeding loans or deposits below which banks lose money on each transaction they make. Poor people usually fall below that break even point. Besides, Most poor people have few assets that can be secured by banks as collateral Security. As no bank support is coming forward, tribal people are forced to borrow from local money lender who charged very high interest which can be between 10 to 30%. This led to huge debt burden on the tribal people. This worsens the situation as they can't take advantage of what is available to them. Microfinance can we very

useful tool for the poverty alleviation with strong basics, if that can be arranged at lower cost.

Microfinance

Microfinance is the provision of wide range of financial services to the poor. Micro credit which is a part of microfinance, and is the extension of very small loans to those living in poverty to stimulate entrepreneurship. Nearly 1.4 million SHG's comprising approximately 20 million women now borrowing from the banks. It makes the Indian SHG- Bank linkage model, the largest microfinance in the world. Microfinance can help in the development of economy by giving every day people the chance to establish sustainable means of income. Eventual increase in disposable income can lead to economic development and growth.

In the past few years, savings led microfinance has gained recognition as an effective way to provide very poor families low cost financial service. Today NABARD finances more than 500 banks that on lend funds to SHG. SHG comprises twenty or fewer members who are from poorest castes and tribes. Members save small amount of money, as little as a few rupee in a group fund. Members may borrow from group funds for a variety of purpose. It may range from household emergencies to school fees. As SHG proved capable of managing their funds well, they may borrow from local bank to invest in small businesses or farm activities. Banks typically lend up to four rupees for every rupee in the group fund. The member of the groups can decide on the deposit which may range from Rs 40 to Rs 200 Per month depending upon the size of the Group. The loan size may range from Rs 1000 to Rs 10,000.

Tribals of the region maintain a tradition of unity and social adhesives amongst them. So such a model can be of great help, if it is

planned & implemented properly. The MFI stress on asset creation by the SHGS and extend loans for production and providing training for the same. In this region Tribals recognizes the medicinal plants and herb. So. Adequate training and required facility needs to be given to them so that they can market the products in a better and more organized way .

Limitations and Recommendations

The problem can be resolved by expansion of scale of operation of micro-financial services. It can bring down the average operating expenses, The major factor that resist scale of operation is lack of funds. Majority of MFI s can raise deposits for on lending if they one converted to NBFCS. But, a startup capital of RS 20 millions is beyond the reach of many MFI's to get registered as NBFCS. RBI'S role will be crucial as they have to ensure the issue of safety of public money. They should be allowed to borrow Public money with adequate safeguards. MFI. also to have more freedom in raising equity capital, till date provisions does not allow them which should be taken care by Govt agencies and NGOs.

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