

Role Of Micro Financial Institutions In Promoting Socio Economic Development In Telangana

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Abstract

In Developing Countries Like India, Households Require Finance For Many Reasons. These Include Consumption And Covering Lump Expenses Such As A Marriage Or Illness. But Most Importantly, They Need It To Generate Income. Access To Credit Is Essential To Meet Critical Needs. Socio-Economic Development Requires Adequate Credit At A Reasonable Cost. Financial Inclusion Is Possible Only If There Are Formal Credit Agencies That Can Fulfill These Conditions. To Meet Households' Credit Needs At An Affordable Level And At A Low Cost. Numerous Studies Have Shown That The Poorest And Most Vulnerable Can Access Safe And Affordable Credit. The Preconditions For Growth And Income Inequality Reduction Are Poverty And Areas That Are Disaffected. This Paper Examines The Role Of Financial Institutions In Providing Formal Credit Access To Rural And Urban Areas That Are Most Vulnerable. The Study Also Examines The Role Of Financial Institutions In Providing Credit To Vulnerable Groups. Discuss The Issues Faced By Micro Financial Institutions And Recommend Possible Ways To Prevent Them From Becoming Dangerous.

Key Words: Micro Finance, Poverty Eradication, Rural Credit And Employment

1. Introduction

Every Person Needs Finance At Different Stages In Their Lives. To Ensure We Have Enough Money At The Right Time, It Is Important To Be Able To Access The Money When We Need It. Each Person Can Translate Their Financial Needs Into Measurable Goals That Are Monetary And Achievable At Different Times. This Is For Future Planning And Investment. Globalization And Liberalization Have Led To An Increase In Financial Institutions That Further Impact The Economy's Market System. In The Past Decade, There Has Been Much Discussion And Debate About Globalization, Economic Liberalization, And Global Integration. Many Issues Have Been Raised About India's Participation To World Trade Since April 1994's Trade Negotiations And The Establishment Of Wto January 1995. Despite All The Economic Liberalization, Development And Structural Adjustment, 32% Of India's Population Still Experiences External Disturbances.

In Developing Countries Like India, Households Require Finance For Many Reasons. These Include Consumption, Meeting Lump Expenses Such As A Marriage Or Illness, And Income Generation Activities. Access To Credit Is Essential For Households In Order To Meet Their Most Pressing Financial Needs. Socio-Economic Development Requires Adequate Credit At A Reasonable Cost. Financial Inclusion Is Possible Only If There Are Formal Credit Agencies That Can Fulfill These Conditions. To Meet Households' Credit Needs At An Affordable Level And At A Low Cost. Numerous Studies Have Shown That The Poorest And Most Vulnerable Can Access Safe And Affordable Credit. The Preconditions For Growth And Poverty Reduction Are Identified As Areas That Are Less Fortunate And Those In Lagging Economic Sectors. This Paper Examines The Role Of Financial Institutions In Providing Formal Credit Access For Vulnerable Rural And Urban Sectors.

2 Review Of Literature

An Attempt Has Been Made To Present The Literature Analysis Of Relevant Research In The Field Of Microfinance. Researchers Talk About Microfinance Practices Being Complex And Adoptive. Here Are Some Of The Most Important Micro Finance Research Studies.

(I) Satpute And Ravindra C. Microfinance: A Critical Analysis Of Current Practices, Future Trends, And Special Reference To Amravati District Self-Help Groups Concluded That: Shg Membership Had A Positive Impact On The Percentage Of Women Who Were Members. Participation In Shgs By Women Enabled Them To Find Inner Strength, Self-Confidence, Self Reliance, Selfesteem, Self Respect, And Self-Respect.

(Iii) Siva Nageswara Rao.K. "A Study About Problems And Prospects For Micro And Small-Scale Businesses: With Particular Reference To Krishna District. - A.P." Concluded That The Small Scale Sector Plays An Important Role In Any Economy's Development. India's Government Provides Financial And Other Assistance To Small-Scale Industry Growth. Numerous Banks And Institutions Have Been Directed To Offer Adequate Support For The Small-Scale Sector. There Are Many Problems Facing The Small Scale Industry And Its Units In Areas Such As Finance, Production, Marketing And Human Resource Management. Today, The Indian Banking Sector Is Facing Difficulties With Non-Performing Assets.

(Iii). Dr. Chanchal Charan Regional Rural Banks& Rural Banks Finance-Miles To Go (A Study In Bihar). She Attempted To Identify The Recent Trends And Problems In Micro-Finance. This Study Found That Micro-Finance In India Has Seen A Notable Development Over The Past Ten Years. The Last Three Years Have Seen Many Structural And Functional Changes, Which Have Led To Poor Growth In Loan Disbursement.

The Study Has The Following Objectives:

This Article Aims To Analyse The Performance And Working Of Micro Financial Institutions In India, Especially Telangana.

To Examine The Role And Importance Of Microfinance Institutions Offering Formal Credit To Economically Less Fortunate Sections Of Society.

To Examine The Year-Wise Disbursement And The Average Distribution Of Money By Shg.

To Examine The Role Of Banks In Promotion Of Microfinance To Eradicate Poverty

To Identify The Problems Of Micro-Finance Institutions And To Suggest Ways To Mitigate Them.

Research Methodology

This Study Includes Both Primary And Secondary Data. The Present Study Uses Multi-Stage Random Sampling To Collect Primary Data. Primarily Data Was Collected From All Over The Country And Then Analyzed In A Selected State. Telangana, The Native State Of The Scholar, Was Chosen For This Study. The Selected Micro-Finance Institutions Were Used To Collect Primary Data.

Secondary Data Was Gathered From Books, Journals And Articles As Well As From Numerous Reports Like Those Of Nabard (National Institute Of Rural Development, Nird), Care And Andhra Pradesh Academy Of Rural Development, (Apar), Care, Andhra Pradesh Mahila Abhivruddhi Society, Society For Elimination Of Rural Poverty, (Serp), Andhra Pradesh Academy Of Rural Development, (Apar), Centre For Economics And Social Sciences, Centre For Economics And Social Sciences, District Rural Development Authorities, Nsso, Statistical Abstract Of Andhra, Statistical Abstract Of Andhra Pradesh, Statistical Abstract Of Andhra Pradesh (Nsso), Various Census Reports, Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), Statistical Abstract Of Andhra Pradesh (Statistical Abstract Of Andhra Pradesh), And Other Census Reports,, &

Importance And Scope Of The Study:

This Research Examined The Role Of Micro-Financial Institutions In The Promotion Of Self-Help Groups And Socioeconomic Development. This Study Is Limited To Telangana State Only. A Study On Self-Help Groups Has Never Been Done In This Area. It Is Therefore Necessary To Do Research In This Region. This Knowledge Would Be A Great Help To The Implementing Agents To Make The Necessary Improvements In Self-Help Groups To Achieve The Empowerment Of All Women And Men. These Aspects Can Be Used To Help

Motivate Members Of Self-Help Groups To Increase Their Participation. The Study Will Reveal The Factors Responsible For Self-Help Groups That Are Formed By Government And Non-Governmental Organizations Performing Well. The Study Will Also Highlight The Importance Of Microfinance Institutions, Microcredit And The Role Of Governments And Self-Help Groups When Offering Micro-Credit. This Study Will Provide Important Input For Policy Makers, Non-Governmental Organizations, Planners, And Policy-Makers In Drafting Policies That Empower Women Through Self-Help Groups.

Micro Financial Institutions For India

In 1974, Micro Finance Was Established In India By Shri Sewa (Self Employed Women's Association), Sahakari Bank. Since The Early Sixties, India Has Had Micro Credit Through Self-Help Groups (Shg). This Was Part Of Formal Credit Delivery Systems. Non-Government Organizations (Ngo) Have A Lot More Freedom To Create Shgs Using Different Models. Shg's Have Become A Way For The Poor To Not Only Be Financially Strong, But Also Mentally, Physically And Socially Sound. The Reserve Bank Of India And Government Of India, Realizing The Importance Of Micro Credit In Development Programs, Have Taken Many Steps To Link Shgs With Formal Financial Institutions. Nabard Began Linking Shgs To Indian Banks In 1992. Linkage Serves The Basic Purpose Of Strengthening Shg's Financial Health By Providing Adequate Bank Credit To These Institutions.

India's Government Has Recognized The Importance Of Mfi's For Finance Intermediation And In The Union Budget 2005. It Has Given Mfi's The Status Of 'Banking Correspondent' And Strengthened The National Microfinance Fund Under Nabard With An Increment Corpus Of Finance 100 Million. The Fund Was Rebranded As Micro Finance Development Equity. The Financial Intermediation Role Of Mfi's Was Also Highlighted In The Rbi's Annual Credit Policy Statement 2005-06. Today, 8 Million Shgs Are Connected To Banks. Nabard And The Government Promote Livelihood Programmes, Group Insurance Products, To Increase The Quantity Of Loans, And Fresh Finance For Shg's. The Flagship Programme For Poverty Alleviation, Shg's, Was Initiated By The Ministry Of Rural Development (Govt. India. Nrlm Believes That The Poor Have The Inherent Capabilities To Contribute To The Country's Growing Economy. This Is Done In Collaboration With The Department Of Financial Services, Ministry Of Finance And Govt. India Continued To Implement The Scheme To Promote And Finance Women Self-Help Groups In 150 Districts That Are Left-Wing Extremists (Lwe) Or Backward. (Nabard).

Telangana, A Brand New State, Is Doing A Great Job In Promoting The Socio-Economic Development Of Telangana's People. It Is Also One Of The Most Productive States In India, Especially In The Southern Region. The Average Credit Disbursed By One Shg In Telangana Was 2.84 Lakhs. This Is Despite Having 54.96 Credit. There Were More Than 96% Of Credit-Worthy Groups In Telangana, Followed By Andhrapradesh At 89%. You Can Also See That Average Loans Disbursed In Telangana, Karnataka And Karnataka Saw A Slight Decline Of 5%. The Telangana And Six Other States (Three From The Southern Region) Are Above The All-India Level In Terms Of Credit Linkage Density For Shgs. The Telangana Has More Loan Accounts Than Any Other State, Due To The Fact That Many Shgs Have Bank Loans Under Cash Credit, Investment Credits And State Government Loan Programs. This Year, More Shgs Took Out Bank Loans Than Ever Before. The Shgs Are Also Able To Access Credit And Self-Help Groups.

Role For Financial Institutions:

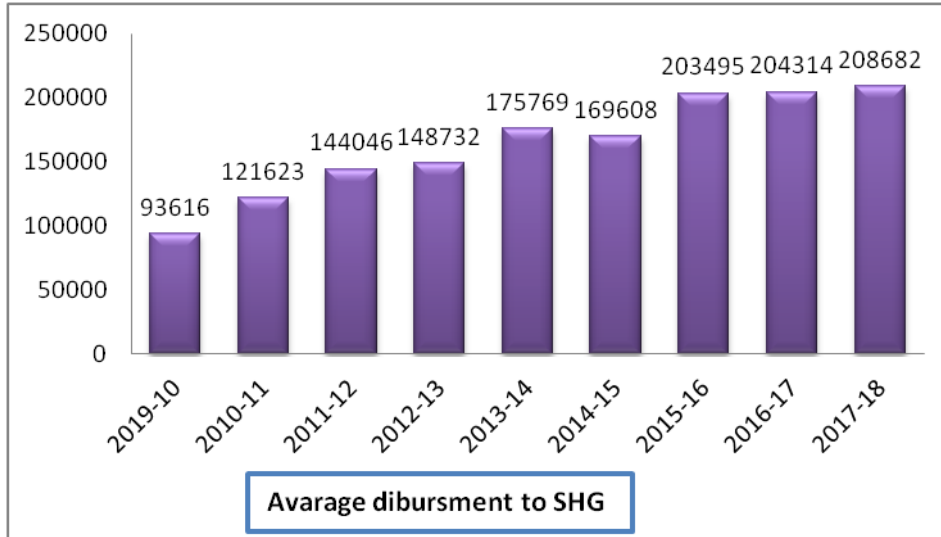
India's Economic Growth Agenda Is Centered On Providing Financial Services To The Poor And Timely Credit. Around 70% Of India's Population Lives Off Agriculture. Over 40% Of India's Gdp Is Contributed To By The Rural Sector. The Economic Development Of The Country Can Be Made Possible By The Empowerment Of Rural Folk, Which Includes Farmers, Small-Scale Industrial Workers, And Rural Articians. The Rural Credit System In India Is Full Of Peculiarities And Diversities. In Rural Credit, Informal Sources Of Lending Were Once The Dominant Source. This Group Includes Village Money Lenders, Relatives Of Land Lords, And Friends. Later, Institutional Lending Was Developed. There Is A Multi-Agency Approach To Organized And Formal Sources. It Includes Co-Operative Banks, Rural Banks, Commercial Banks, And Regional Rural Banks. This Helps In Rural Finance.

Nabard, In Association With The Department Of Financial Services; Ministry Of Finance; Government Of India Financing Various Entities Like Cooperative Banks Cooperative Banks And Commercial Banks. This Has Resulted In A Significant Decrease In Informal Lending. To Provide Credit For Rural People, Informal Sources Still Dominate Rural Credit Delivery Systems. Many People Are Served By Micro Finance, Including Those

From Scheduled Caste Schedule Tribes And Minorities. Data Shows That Women Make Up 96% Of All Clients. Sc, St's Account For 20% And Minorities 10%.

3.Results And Discussions

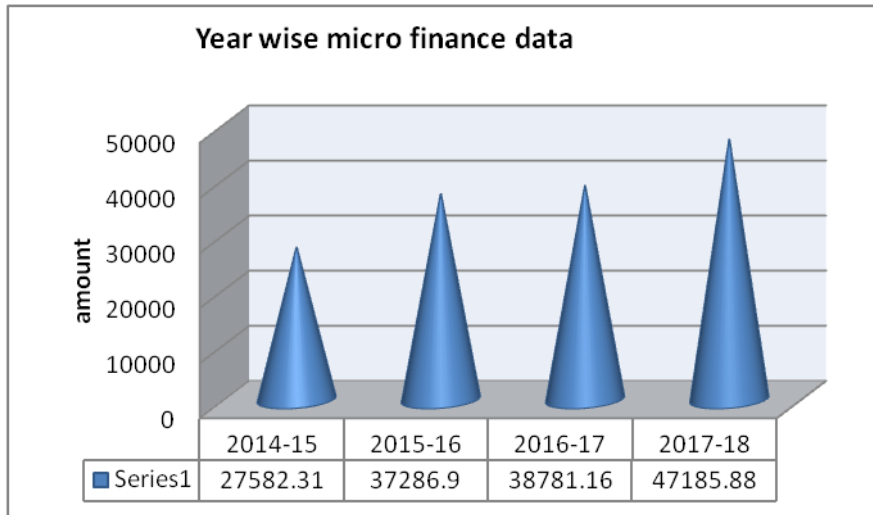
Average Disbursement Per Shg's



These Data Show That Banks Average Disbursement Per Shg. From 2009-10 To 2013-14, It Has Been Noted That There Is An Increase In This Trend. The Year Saw A Slight Decrease In Disbursements Due To Other Causes, Except For 2014-15. This Year's Disbursement Is Lower Than The Previous Year 14-15, Which Recorded 169608 Per Group, And Previous Year 175769 By Each Group. In 2016-17, The Cash Disbursement To One Shg Increased By 0.4%.

Year	No Of Shg's With Savings With Linkage (Lakhs)	Amount Of Loan Disbursed(Crores)
2014-15	76.97	27.58
2015-16	79.03	37.29
2016-17	85.77	38.78
2017-18	87.44	47.18

Source: Nabard Data



Data Source: Nabard Report

In 2017-18, 25515.23 Million Was Disbursed To 1992 Loans Accounts. These Data Show That There Has Been An Increasing Trend In Year-To-Year Disbursement To Shg Groups And Shg Accounts With Banks. You Can See That Both The Number And Amount Of Shg's With Savings Through Linkage Banks Has Increased Steadily. Nabard And Banks Facilitated Financial Shg's Through Capacity Building Programs, Seminars, And Workshops. The Above-Mentioned Sum Of 72.10crore Has Been Approved.

Progress Under Microfinance During The Year 2017-18

Name Of The Agency	Savings Of Shg's		Loans Disbursed To Shg's		Outstanding Loans	
	No Of Shg's	Savings	No Of Shg's	Loans Disbursed	No Of Shg's	Loan Out Standi ng
Commercial Banks	4833712	1166422.45	1272886	2870762.37	2904086	48748 05.16
Regional Rural Banks	2807744	580735.20	782563	1511933.55	1658221	22738 64.21
Cooperative Banks	1302981	212053.87	205683	335891.69	458051	41117 5.75
Total	8744437	1959211.52	2261132	4718587.61	5020358	75598 45.12

Source: Nabard

The Role Of Commercial Banks That Have The Highest Savings Is Crucial To Rural Communities' Financial Development. Data Shows That The Highest Savings Rates Of Commercial Banks Are 59.53, 29.64% For Regional Rural Banks And 10.82% For Cooperative Banks. Telangana Is Second In Savings With 6,68,242 Crores. Telangana Has The Lowest Union Territories With 2,64,669lakhs. (Source Nabard). Total Loans To Shgs By Banks 47.18,587.6 Million, Of Which 28.70,762.37 Crores Regional Rural Banks 15.11,933 Lakhs, And Cooperative Banks 3.35,891.69.

4. Conclusion

The World Bank Estimates That Indian Microfinance Activity Is Currently At 4% For The Poor, Despite All Efforts. A 2003 Survey By The National Government Found That 22 Percent Of Cultivator Households Have Access To Credit From Informal Sources, While Only 27% Get Credit From Formal Sources. This Indicates That Micro Credit Is In High Demand. It Is Therefore Recommended To Expand The Reach Of Microfinance, Especially By Formal Institutions. Self-Help Micro-Credit Programs Are Often Seen As The Best Way To Reach The Poor. Therefore, It Is Important To Make Sure That The Poor Are Not Left Out. It Is Essential That The Poor Participate In The Formation, Implementation, And Monitoring Of Programs That Affect The Poor. Sgsy Should Not Make Microcredit Or Microfinance A Sub-Program. It Should Be An Economic Program On Its Own. Shgs Must Also Be Able To Grow In Their Capacity. Banks Need To Be More Innovative In Terms Of Correspondents And Business Facilities. This Will Allow Them To Expand Their Reach To Banks For Financial Inclusion. Economic Reforms That Have A Human Face Are The Basis Of Sustainable Development In India. The Policies Must Be Reoriented To Maximize The Potential Of This Large Population And Allow Them To Make A Significant Contribution To The Growth Process In Terms Of Output, Income And Consumption. The Indian Micro Finance Scene Has Seen A Significant Rise In Popularity Due To The Pioneering Efforts Made Over The Past Ten Years. It Is Possible To Take Mfis To The Next Level Of Sustainability And Significance With A Few Efforts. Innovative And Forward-Looking Policies Based On The Realities Of Successful Mfis Are Required. These Policies, Along With A Commercial Approach By The Mfis To Making Micro Finance Financially Sustainable, Will Make The Sector Vibrant And Help It Achieve Its Singular Mission Of Providing Financial Services For The Rural Poor. Despite This, Micro Finance Institutions Have Continued To Focus On Expanding Micro Finance's Reach, With Little Concern For The Quality, Viability, And Depth Of Financial Services.

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