

# The Impact of Nabard's Microfinancing Programs (with a focus on Haryana)

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**Abstract** - Microfinancing allows those with low incomes or no access to traditional banking services to receive small loans. When it comes to starting or expanding a small business, many people worry about their ability to get a loan, but thanks to microfinance, they may do so in a safe, responsible manner. Governments play an active role in microfinance : setting policy for the microfinance industry (most frequently vis-à-vis interest rates), providing lump sum grants to NGOs or other microfinance institutions (MFIs), or lending directly to the poor. Women's access to microfinance as a tool to alleviate poverty and boost their economic standing has gained widespread attention. In the last five years, there has been growing scepticism that microcredit is the best way to help the poor, and especially women, improve their financial standing. It is commonly held by development professionals in India and other developing nations that the state and public institutions have failed to meet the . financing as a solution for the poor.

**Keywords** - Microfinancing, NGOs, Microcredit , Microfinance Institutions (MFIs)

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## INTRODUCTION

'Micro' and 'Finance' are the two parts of the term 'Micro Finance. Poor or low-income persons are often metaphorically represented by the prefix "micro," which refers to diminutive sizes. The prefix "Micro" adds the connotation of a very small sum of money, making the word "Finance" a perfect fit for describing the resources that low-income individuals require. Since the poor require more than just credit, the term "Finance" here also include non-credit financial services like savings and insurance. When it comes to fighting poverty, social financial engineering is invaluable, and microfinance is one of the most effective tools at our disposal.

Microfinance refers to the practise of making banking and other financial services available to those with modest incomes, such as consumers and self-employed individuals. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. The department came into being in the year 1998 with mainstreaming of the microfinance innovation viz. SHG-Bank linkage programme to a nation-wide scale. NABARD, through the department of 'Micro Credit Innovations', has continued its role as the facilitator of microfinance initiatives in the country.

## Features of Microfinance

**Mandatory Security** : Microfinance credit lines and loans stand out from the crowd because they typically don't necessitate collateral. Microfinance organisations frequently provide loans to businesses and individuals without requiring any sort of collateral.

**Borrowers' Financial Stability:** Microfinance lends money to low-income enterprises and individuals. The goal is to help small businesses and individuals who may not have access to traditional banking services.

**Loan Amounts** : Microfinancing organisations typically offer smaller-dollar loans and credit lines. Some variables, like the nature of the enterprise and its location, could cause a disparity in the final figure.

**Duration of the Loan:** Due to the individual's ability to repay the loan in smaller instalments, the term of microfinance loans is typically brief. Borrowers are responsible for paying back the full amount of their loans within the time frame established by the microfinance organisation.

**Purpose:** Small businesses and people from lower income groups are the target customers for microfinance loans. Microfinancing institutions exist primarily to increase revenue for companies in economically depressed areas.

It may be helpful to enumerate some of the characteristics associated with what is perceived to be "microfinance." There are at least nine traditional features of microfinance:

1. Small transactions and minimum balances (whether loans, savings, or insurance)
2. Loans for entrepreneurial activity
3. Collateral-free loans
4. Group lending
5. Target poor clients
6. Target female clients
7. Simple application processes
8. Provision of services in underserved communities
9. Market-level interest rates

#### B. Sources of microfinance

Microfinance providers come in various forms which can be broadly grouped as follows:

**Formal Microfinance Institutions:** rural/microfinance / village banks, commercial banks, telecom firms, and cooperatives offering loans to lower-income group individuals.

**Semi-formal Microfinance Institutions:** non-governmental organizations providing micro sized loans.

**Informal Microfinance Sources:** money lenders and shopkeepers who often loan money on a daily basis and charge exorbitant interest rates.

#### Benefits of Microfinance

Small enterprises and people can benefit monetarily and socially from microfinance. In the financial realm, they establish conditions of independence and longevity for their enterprise. Having access to microfinance can be the spark that ignites an entrepreneur's fire and gives them the courage to launch their own company. It also facilitates the use of savings for necessities such as the installation of electricity and other necessities. Microfinance allows start-ups and sole entrepreneurs to turn their visions into tangible realities. Security, economic expansion, and new opportunity are all benefits of microfinancing. The advantages of microfinance include the following:

**Promotes Convenience :** Large financial institutions are typically unwilling to extend loans to those who have few or no assets. Small firms with lower incomes can easily access microfinance loans. When applying for a loan from a conventional bank, many start-up

owners struggle to gather the necessary documentation to do so. Thanks to microfinance, they have a better chance of securing financial aid.

**Facilitates Enhanced Loan Repayment :** Businesses and individuals can gain the financial independence necessary to repay microloans with the assistance of microfinance. Women business owners often receive preferential loan repayment terms from microfinance organisations. Empowering women can be aided by exposing more women to microfinancing.

**Facilitate Access to Learning :** Farming is the primary source of income for many small, rural families. Because of this, it may be hard for them to provide a high level of financial support for their children's academic development. In addition, because such households often have a shortage of men, the children often help out on the farm. This is where microfinance comes in, making it possible for families to put more resources toward their children's education.

**Activates Options for Potential Investments :** Due to a lack of available capital, several small enterprises in rural locations may have to skimp on necessities. This has the potential to significantly impact earnings and sales. As a result of the availability of microfinancing, these companies are able to meet their most fundamental needs and have fewer financial constraints, allowing them to thrive. Once a company has met its most fundamental needs, it may be more attractive to investors

#### REVIEW OF LITERATURE

**Chawla (2013)** examines the research on Indian MFIs to see how rules have affected the sector there. After the Andhra crisis, in which numerous farmers in the Indian state of Andhra Pradesh committed suicide because they could not afford the exorbitant loan rates levied by unlicensed MFIs, the researchers conducted the present investigation. Since microfinance in India is expected to continue its upward growth trend, the author believes that MFIs should be subject to stricter restrictions. In addition, the report emphasises the significance of the **Microfinance bill of 2012** and its role in streamlining numerous processes, such as fixing the interest rates that can be charged by the MFIs. To lower their cost of capital, the author suggests that MFIs increase transparency in their interest rates charged, use technological solutions to lower their overhead expenses, and tap into new funding channels.

Since its independence, India's government has prioritised expanding access to financial services for the country's impoverished and disadvantaged citizens.

Due to inadequate planning and corruption, however, none of these schemes were successful.

Donor support in the form of revolving money and operating grants was the primary source of capital for many NGO MFIs in India when they first opened their doors. The **RBI Governor, Y. V. Reddy (2007)**, provided a straightforward definition of financial inclusion as "Ensuring bank account to all families that want it," but only after the intervention of the National Bank for Agriculture and Rural Development (NABARD). It would be the first step towards achieving the goal of bank credit as a human right, as supported by Nobel winner Professor Mohammed Yunus, he said.

A number of apex institutions have joined the ranks of the microfinance service providers in India, including the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI), and the Rashtriya MahilaKosh (RMK). Microfinancing is provided by commercial banks, regional rural banks, and cooperatives on a local basis.

**Dutta, P. (2011)** compared the pre-SHG and post-SHG scenarios to determine the impact of NABARD's SHG-bank connection programme on poverty reduction and social empowerment. It also investigates differences in SHG-Bank linkage programme development among states, both nationally and within regions. This research demonstrates that due to the efforts of the Indian government, banks, NGOs, and SHGs, a larger percentage of the country's rural population now has access to the advantages of the contemporary financial system. **V. N. (2010)** provides more detail on the historical context of microfinance's development in the service of societal and economic progress. Researchers found that Self Help Groups played a significant role in improving the lives of women, which was a key factor in the country's success in reducing poverty.

According to research conducted by **Zohir and Matin (2004)**, MFIs not only aid in poverty alleviation, but the organisations formed for the purpose of using the microfinance facility also contribute beyond finance, such as fostering a sense of community, reliance, and trust among the members. The groundwork provided by these associations can be used to launch additional community-wide initiatives aimed at increasing social capital. They cite resistance to dowry, domestic violence, and respect for women as examples of cultural repercussions of social mediation on society at large. According to research by the United Nations Capital Development Fund in 2004, microfinance serves three crucial functions for the growth of any given society:

- It aids extremely low-income families in providing for their most fundamental requirements and minimising exposure to danger.
- It's linked to a rise in the financial security of individual households,

- Women's economic independence is bolstered, and gender equality is advance.

### **National Bank for Agriculture and Rural Development (NABARD)**

On **12 July 1982**, per the National Bank for Agriculture and Rural Development Act 1981 and per the recommendations of the B. Sivaramman Committee, NABARD was formally constituted. When it was established, it took the place of the Agricultural Credit Department (ACD) and the Rural Planning and Credit Cell (RPCC) at the Reserve Bank of India, as well as the Agricultural Refinance and Development Corporation (ARDC). It is one of the leading organisations in the field, offering a whole Rs.14080 crore. The total amount of shares that can be issued is Rs.30,000,000,000. NABARD's international partners include the World Bank and other international organisations dedicated to agricultural and rural development. These groups serve NABARD by providing advice and funding for rural development and agricultural efficiency. NABARD established NABFOUNDATION as a section 8 corporation, and NABARD's chairman also serves as NABFOUNDATION's chairman.

NABARD has several separate functions in terms of providing financial support to rural areas and here they are:

- With the help of the NABARD programme, money is being allocated to improve rural India's infrastructure so that sustainable irrigation methods can be used.
- Providing monetary services and aid for the general betterment of rural India.
- Organizing, launching, and overseeing funding initiatives for farms and other agricultural enterprises.
- Providing a wide range of financial aid options for establishing and expanding food processing facilities and food parks in certain regions.
- Includes both long-term and short-term refinancing servicing options for clients. At the same time, it offers direct refinance services to Indian cooperative banks.
- To provide rural warehouses with access to lending services, cold chain, and storage facilities.
- The NABARD programme provides financing facilities to marketing confederations.
- Making new guidelines for banks serving rural areas in India.
- **Budgetary, Pedagogical, and Management Concerns** : The bank's efforts affect virtually all segments of the rural economy. From aiding in refinancing to constructing rural infrastructure, from preparing district-level credit plans to directing and motivating the banking sector to achieve these goals, and from supervising

Cooperative Banks and Regional Rural Banks (RRBs) to assisting them in developing sound banking practises, the World Bank is doing it all.

- From brainstorming fresh development plans to carrying them out, and from teaching artisans to make handicrafts to giving them a place to sell their works, we do it all.

### Government Sponsored Schemes

#### GRAMEEN AAWAS YOJANA BY THE GOVT. OF INDIA (PMAY-G)

PMAY-long-term G's goal is to ensure that all households, including those currently residing in kutcha and substandard homes, have access to a pucca house by the year 2022. The State Governments/UTs are in charge of putting PMAY-G into action, however it is coordinated by the Ministry of Rural Development (MoRD) of the Government of India. 2.95 million homes are planned to be built under the programme, with 1 million built in Phase I (2016–17 to 2018–19) and an additional 1.95 million built in Phase II (2019–20 to 2022–23). (2019-20 to 2021-22) Since 2017-18, NABARD has been providing a loan to the National Rural Infrastructure Development Agency (NRIDA), a Special Purpose Vehicle (SPV) of the Government of India, to help pay the Central share of the Scheme. Government of India completely serviced bonds are issued as loans to help pay for PMAY-G initiatives using Extra Budgetary Resources (EBRs). Total NABARD sanction and release as of 31 March 2021 were 61,975 crore and 48,819.03 crore, respectively. The Ministry of Rural Development (MoRD) of the Government of India has stated that, as of 27 February 2021, just 1.30 crore of the 2.95 crore rural dwellings planned under the PMAY-G had been built.

The Indian government provides partial subsidies to farmers who undertake projects in certain zones. All of these initiatives have the same overarching goal: to improve strategically important sectors of the economy in terms of employment, income stability, and investment.

Here you will find a few of the government programmes in which NABARD has participated as a channel partner. Finance institutions are given subsidies as soon as possible after receiving them from the relevant Ministry. The following are NABARD's most important programmes:

- ❖ Program for Fostering Innovation and Growth in the Dairy Industry.
- ❖ Commercial Production Units Organic/ Biological Inputs Capital Investment Subsidy Scheme.
- ❖ Agricultural Health and Business Clinics Act.
- ❖ Solar Projects.

❖ Agricultural Marketing Infrastructure

❖ National Livestock Mission

### OBJECTIVES OF THE STUDY

1. Investigate the function and value of microfinance within the framework of NABARD.
2. To hear feedback from people who have benefited from self-help organisations.
3. To investigate the structure, operation, and rules of such organisations.
4. Does access to microloans help women become financially independent, hence fostering gender equality and boosting family well-being?

### HYPOTHESE

Is microfinance useful in enhancing the economic security of low-income families

and advancing gender equality?

### RESEARCH METHODOLOGY

**(a) Coverage:** We will consider the complete pool of people who have received credit from the aforementioned organisation as our sample.

**(b) The Gathering of Information :** It is planned to conduct research on a sample size of 60 female borrowers.

**(c) Study Area :** The study area was covered haryana . It has taken into account to access the credit allows to women entrepreneur to take advantage of economic opportunities.

### ANALYSIS AND INTERPRETATION

A variety of questions were asked of the intended respondents using a carefullycrafted questionnaire, and the results are as follows.

**Table 1: Opinion of Respondents towards psychological well-being after getting loan**

Psychological Factors	Highly Increased	Increased	Neither Increased Nor Decreased
Self-confidence	44	6	10
Awareness of Children education	38	8	14
Awareness of Health services	32	16	12
Awareness of Sanitation facility	36	10	14
Awareness of Food nutrition	37	9	14
Family planning awareness	39	12	9
Interaction with outsiders	30	17	13

**Table 2: Opinion of Repondents towards Personal Problem**

Problem	Low	Very Low	Moderate
Literacy	32	16	12
Self-confidence	35	12	13
Education	29	12	19
Skills	38	14	8
Co-operation from Husband	33	16	11

**Table3 : Opinion of Respondents towards credit**

Credit	Immediate	Take time	Not yet get
Access to Credit Sources	35	14	11
Availability of Credit	33	16	11

**Table 4 : Opinion of Respondents towards other problems**

Other Problem	Low	Very Low	Moderate	Good
Government Support	8	38	4	10
N.G.O. Support	30	5	14	11
Bank Support	17	5	23	15
Political Support	21	24	8	7

Microfinance's positive effects on women's economic independence have been well-documented, and NABARD is doing its part to reduce gender disparities by making it easier for small women business owners to obtain loans with the support of self-help groups and non-governmental organisations (NGOs).

**LIMITATIONS**

- Women who run small businesses like beauty salons, atta chaki shops, and tailor shops are reluctant to fill out the survey. It became a monumental challenge to win them over.
- It's not easy to tell whether they're using a loan or their own savings.
- It's difficult for some of them to fill out the questionnaire since they can't read or write.
- It's a time-consuming process.
- Financial institutions are hesitant to share customer information.

**CONCLUSIONS**

Membership of SHGs has enabled economic empowerment of women through control of resources, political empowerment through participation in decision-making, social empowerment through better social standing obtained by better economic status. Thus, the SHGs have become the most powerful conduits for incubating and empowering women to move from subsistence to sustainability. NABARD would arrange for conduct of Trainers Training programme for NGOs for facilitating/upscaling start-ups among the members of SHGs/JLGs.

Thus, this paper presented the impact of NABARD's Microfinancing programs with a focus on Haryana.

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