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INTERRELATIONSHIP BETWEEN MICRO FINANCE AND NGO'S PROGRAMMES

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ABSTRACT
The purpose of this paper is to examine the role and performance of various institutions that are associated with the microfinance activity in India. The institutions supporting microfinance in India can be broadly classified into two categories, i.e. formal institutions and the semi formal institutions. An attempt is made here to examine the performance of some of the major contributing agencies.

Keywords: *language, guidelines, financial*

INTRODUCTION

Non- Government Organization have been part of the historical legacy. In the context of contemporary social empowerment, self realization and self initiative it is the base for the formation of self help groups. This logic motivated NGOs to form SHGs in rural areas to empower them through developing their inherent skills. Thus, SHG movement among the rural poor in different parts of the country is emerging as a very reliable and efficient mode for technology transfer. Chanakya's philosophies statement has transformed into the SHGs with the help of NGOs and their efforts. Microfinance is the tool to empower the rural poor and also a tool against human deprivation. Microfinance is motivating sustainable development through the support of NGOs.

As a responsible welfare state in the democratic systems, it can be said that the growth of micro-finance in India has been in response to involvement of informal credit system, rural credits especially rural cooperatives. This led to the establishment of microfinance institutions under the guidelines of NABARD.

Microfinance institutions are highly encouraging. Microfinance through SHG has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally. Initially, the SHGs and microfinance, as an instrument for social and economic empowerment, are established by the nongovernmental organizations. In the era of 21st century, NGOs are transforming from non-profit to profit making business model NGOs. Especially, the success formula of microfinance non profit model is learned from the PRODEM - Bolivia and Grameen Bank - Bangladesh. It is proved that committed social development NGOs can develop the society by providing finance accessibility to the poor based on self help model. Many NGOs (non-government organizations) in India came forward to promote micro finance. At present more than 1800 NGOs are implementing micro-finance projects in India.

NGOS INVOLVEMENT IN MICRO-FINANCE & LIVELIHOOD STRATEGIES

However, there is no smooth flow of funds from any sources to provide loans to the rural poor for establishing their micro enterprises in the RNFS. "Moneylenders rarely provide credit for capital assets acquisition. They concentrate on lending for consumption needs and social/ medical contingencies while trader lenders provide working capital. Thus, venture capital for the rural non-farm sector is generally financed from own resources and supplemented by loans from friends and relatives. The time taken for getting a loan sanctioned by a bank for the rural non-farm sector can very from two months to 18 months. Some moneylenders do provide bridge loans to those rural borrowers who have been sanctioned bank loans but have yet to receive the funds."

Based on the observations of the failure of development policy and administration, with a weak role played by the State in supporting the institutions of development, the importance of developing NGOs as change agents has been greatly felt. Government of India also realized its failure in properly implementing development projects and decided to involve NGOs during the Seventh Five-Year Plan, in executing development projects.

The NGOs strength lies in target group approach, flexibility, experimentation, innovation, grassroots presence and motivation. By learning from the example of Grameen Bank, Bangladesh, many NGOs in India, came forward to provide financial services to the rural poor and RNFS enterprises. For NGOs, it is also a shift in approach from development to empowerment wherein they can plan their withdrawal strategy from service delivery projects and think of their own sustainability by providing financial services. At present there are almost 800 NGOs involved directly in micro-finance delivery systems in India. These NGOs have adopted different strategies of promoting people's livelihood through micro-finance. These strategies are based on their clientele, approach, focus area, interest rate, savings linkages, collateral, coverage and organisational/ legal structure. These strategies can be classified into four broad categories, namely, SHG promotion, MFI, microenterprise development and social development.

The SHG promotion approach is based on the premise that the NGO promotes SHGs and provides them services as financial advisor. This ultimately leads to build the capacity of SHGs in terms of savings mobilization, linking them with banks and providing technical support in starting viable micro enterprises by the members of SHGs members. In this approach NGO basically is a mediating contact between SHGs and banks. NGO also examines creditworthiness of the SHGs so that banks can lend money to the SHGs.

In all this NGO gets some financial support in terms of grant from Apex Financial Institutions (AFIs) like NABARD and RMK (Rashtriya Makila Kosh). The examples of such NGOs who are following SHG promotion approach are: MYRADA in Karnataka, SHARE in Andhra Pradesh, RDO (Rural Development Organisation) in Manipur, PREM (People's Right and Environment Movement) in Orissa & Andhra Pradesh, YCO (Youth Charitable Organisation) in Andhra Pradesh, Anarda (Acil Navsarjan Rural Development Foundation) in Gujarat, PRADAN (Professional Assistance for Development Action) & RUDSOVAT (Rural Development Society for Vocational Training) in Rajasthan and ADITHI in Bihar.

MICROFINANCE FOR WOMEN AND POVERTY ALLEVIATION

The identification of the concept of poverty is not easy, arises where a great deal of controversy and disagreement about the appropriate definition of poverty, some researchers poverty is defined according to income or rather due to the lack of income, and other researchers emphasize that poverty should be measured by the inability of the individual to obtain the necessary social requirements, and accepted that poverty, can not be reduced only in the deprivation of financial resources that this concept be expanded to include other forms of human deprivation, the concept of poverty is defined from the perspective of social exclusion.

MICROFINANCE HELP THE POOR

Microfinance brings the power of credit to the grassroots by way of loans to the poor, without requirement of collateral or previous credit record. Experience shows that Microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change.

MICRO FINANCE INSTITUTION

Quite simply, a Microfinance institution is an organization that offers financial services to the very poor.

Most MFIs are non-governmental organizations committed to assisting some sector of the low income population. It is important to note that MFIs are not the only entities serving the financial needs of micro entrepreneurs. Commercial banks, cooperatives and savings institutions all have important roles to play in serving this market

WEAKNESSES OF EXISTING MICROFINANCE MODELS

One of the most successful models discussed around the world is the Grameen type. The bank has successfully served the rural poor in Bangladesh with no physical collateral relying on group responsibility to replace the collateral requirements. This model, however, has some weaknessed. It involves too much of external subsidy which is not replicable Grameen bank has not oriented itself towards mobilising peoples' resources. The repayment system of 50 weekly equal instalments is not practical because poor do not have a stable job and have to migrate to other places for jobs. If the communities are agrarian during lean seasons it becomes impossible for them to repay the loan. Pressure for high repayment drives members to money lenders. Credit alone cannot alleviate poverty and the Grameen model is based only on credit. Micro-finance is time taking process. Haste can lead to wrong selection of activities and beneficiaries.

The international NGO Technoserve has developed an inventory credit scheme in Ghana that enables farmers' groups to obtain higher value for their crops by providing post-harvest credit through linkage with a rural financial institution. Instead of selling all of their crop at harvest - when prices are lowest - in order to meet cash needs, small-scale farmers in the scheme store their crop in a cooperatively-managed warehouse and receive a loan of about 75-80% of the value of the stored crop, which serves as collateral. This loan permits them to clear their accumulated debts and satisfy immediate cash requirements. Then, when prices have risen in the off-season, the farmers either sell the stored crop or redeem it for home consumption.

CONCLUSION

The Indian microfinance sector has grown by leaps and bounds during the first decade of the twenty first century. A lot of changes have been seen during the last ten years on how the microfinance institutions function. Many transformed to for-profit legal forms and MFIs overall continue their efforts to become more efficient and productive. SBLP has also grown exponentially and is considered as the single largest microfinance programme globally. However, in this quest for growth and expansion the essence of microfinance as a programme for reaching the poor and excluded has lost its focus.

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