



Micro-Finance and Poverty Lessening- A Study on Projects And Activities of the Anantapuramu District Central Co-Operative Bank

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ABSTRACT:- More than subsidies poor need access to credit. Absence of formal employment makes them 'non-bankable'. This forces them to borrow loan-from local money-lenders at exorbitant interest rates. Many innovative institutional mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. The present paper discusses conceptual framework of a microfinance institution in India. The successes and failures of various microfinance institutions around the world have been evaluated and lessons learnt have been incorporated in a model microfinance institutional mechanism for India. A nation can be socially and economically strong only if none of their citizens are without work and basic necessities. Ideal position is practically impossible to derive for even the wealthiest country like USA. But any society itself should think and work that least of their citizens faces similar situation. In the recent years, apart from the unorganized financial sector, the organized financial sector has been emerging in a big way to participate in the micro finance movement, specifically in the rural areas. As a part of social policy and support to micro enterprises, micro finance is a way to help out poor lot by bringing them in general lot. Micro financing has been recognized as a biggest intervention in the financial world to overcome the problem of poverty. It is providing a hope to the poor who have the ability to manage their financial resource but in the lack of finance they fail to improve their livelihoods.

Keywords:- ADCC, Cooperative banks, economic growth, income, and microfinance strategies

I. INTRODUCTION

In the developing country like India, where majority of the population resides in rural areas, rural development becomes imperative for the economic development of that nation and for the rural development, poverty reduction needs to be the focus of all development programs. Though, the Government of India has been initiating various poverty alleviation programs since Independence but not much progress has been marked. The root cause of the problem of poverty has been found to be the economic dependence and lack of access to the credit. The interest in microfinance has increased during the last two decades; multilateral lending agencies, bilateral donor agencies, developing and developed country governments, and non-government organizations (NGOs) all support the development of microfinance. A variety of private banking institutions has also joined this group in recent years. As a result, microfinance services have grown rapidly during the last decade. About 95 percent poor households in the India still have little access to institutional financial services. Development practitioners, policy makers, and multilateral and bilateral lenders, however, recognize that providing efficient microfinance services for this segment of the population.

II. REVIEW OF LITERATURE

Suggests that a better understanding of the diversity of women's livelihood and a better understanding of the range of constraints, motivations, skills and capabilities of women through the livelihood framework might help to understand the impact of microfinance.

Reviews the achievements of the 'microfinance revolution', through reference to the now extensive literature. It finds that, there are many opportunities to improve and innovate. To illustrate these findings, the paper concentrates on examining what we need to know to design and deliver better financial products to the poor, especially the poorest. It argues that financial services for the poor are essentially a matter of helping the poor turn their savings into sums large enough to satisfy a wide range of business, consumption, personal, social and asset-building needs

This paper proposes five lessons from Bangladesh that are relevant to micro finance growth and impact in other countries. First, an "enabling environment" for microfinance is critical, especially maintaining a stable macro-environment where both interest rates and inflation are kept at reasonable levels. Government regulations and policies are needed to create an appropriate environment for the growth of the sector, where regulatory policies strike a balance among protecting the interests of depositors, supervising microfinance institutions that collect savings.

- Describes how analysis can be carried out to determine the current poverty levels of clients presently being served.

III. OBJECTIVES OF STUDY

- To study the improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smoothen their consumption, manage their risks better, build their assets gradually,
- To enhance their income earning capacity, and enjoy an improved quality of life and promote economic growth and development.
- To make an effective strategies to lessen poverty.

Definition of Microfinance

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households And, their micro enterprises.

Microfinance services are provided by three types of sources:

Formal institutions, such as rural banks and cooperatives;
Semiformal institutions, such as non-government organizations; and
Informal sources such as money lenders and shopkeepers.

IV. NEED OF THE STUDY

Anantapuramu District is a low rainfall in resent years and also in resent summer (02-05-2016) there is 46c heat were raised, this is highest temperature in India. This situation is symptoms of drought will arise in resent year, So in this contest it is better testing tool for assessing utilization of Central Co-Operative Banks and its Programmes, During 2004-2014, Anantapuramu District Central Co-Operative Bank (ADCC Bank) in Rayalaseema Regain A.P, and approved 15 microfinance projects totaling about Rs 8000000, 6 projects with microfinance components valued at about Rs 1500000, 34 technical assistance activities for about Rs 800000 to support microfinance operations. ADCC Bank has, however, provided this assistance without a well-defined strategy and, as a result, has not been able to fully harness the potential of microfinance for poor. A strategy is necessary to ensure that ADCC bank addresses these concerns effectively and consistently within its objective of poverty reduction. Strategy for reduction of poverty. can also provide a clear and consistent link between ADCC Bank MF operations and its overarching objective of poverty reduction; facilitate promotion of a common approach to microfinance operations throughout ADCC, which will also contribute to better coordination with other funding agencies.

V. MICROFINANCE IN ADCC BANK

According to a recent Indian government committee constituted to estimate poverty, nearly 38% of India's population (380 million) is poor. This report is based on new methodology and the figure is 10% higher than the present poverty estimate of 28.5%. Poverty has many dimensions changing from place to place and across time. There are two inter-related aspects of poverty - Urban and rural poverty. The main causes of urban poverty are predominantly due to impoverishment of rural peasantry that forces them to move out of villages to seek some subsistence living in the towns and cities. Rural poverty is largely a result of low productivity and

unemployment. The Jawahar Rozgar Yojana, a national public works scheme launched in 1989 with financing from the central and state governments, provides more than 700 million person days of work a year about 1% of total employment for people with few opportunities for employment. Over 1.2 lack people in about 0.34 lack households in the region live in poverty. In many countries, women, who are a significant proportion of the poor and suffer disproportionately from poverty, operate many of these micro enterprises. Most formal financial institutions do not serve the poor because of perceived high risks, high costs involved in small transactions.

TABLE 1: MICROFINANCE POVERTY REDUCTION EFFECT

Financial Service	Results	Impact on poverty
(1) Savings Facilities of microfinance institutions (MFIs)	<ul style="list-style-type: none"> • More financial Savings • Income from savings • Greater capacity for self-investments • Capacity to invest in better technology • Enable consumption smoothing • Enhance ability to face external shocks • Enable purchase of production assets • Reduce distress selling of assets • Improve allocation of resources • Increase economic growth 	<ul style="list-style-type: none"> • Reduce household vulnerability to risks/external shocks. • Less volatility in household consumption Greater income • Severity of poverty is reduced empowerment • Reduce social exclusion

Table 1: Micro Finance Poverty Reduction Nexus (Continued)

Financial Service	Results	Impact on poverty
(3) Insurance Service	<ul style="list-style-type: none"> • More savings in financial assets • Reduce risks and potential losses • Reduce distress selling of assets • Reduce impact of external shocks • Increase investments 	<ul style="list-style-type: none"> • Greater income • Less volatility in consumption • Greater security
(4) Payments/Money Transfer Services	Facilitate trade and investments	Greater income Higher consumption

Source: Anantapuramu District Cooperative Bank (ADCC).

Demand for Microfinance Services

The poor and low-income households and their microenterprises in the Region are a diverse group. Their demand for microfinance services also reflects this diversity. The collective demand of these groups for financial services is large and the types of services they demand vary across households and microenterprises and over time. This large demand and the heterogeneity of services needed across households and micro enterprises and over time have created scope for commercial financial intermediation.

Supply of Microfinance Services

The market structure in microfinance varies significantly across countries in the Region depending on their stage of financial development, level of economic development, policy environment, and other factors. However, aspects of the supply, particularly about different types of suppliers, may be usefully discussed.

Challenges & Policy Environment

There is a need for the state to move out of many areas and the process has been started with economic liberalization. The process of decentralization should devolve lot more powers, both functional and financial, to

panchayats. The lack of transparency and accountability has hampered our economic development at all levels. The problem of poverty persists because of a number of leakages in the system. New laws have to be evolved to ensure more accountability.

TABLE 2: Application of microfinance model to research

Principle	Issue concern	Application
Prioritize local knowledge and participatory planning	<ul style="list-style-type: none"> Recognize and build upon what people know Identify an indigenous institution, based on traditional knowledge and value Traditional methods should adopt to modern context 	Existence of pooling resources for common good in the savings Traditional paternalistic borrowing by the informal money lender. No evidence of participatory planning by the micro and money lending
Prioritize group formation and networking	<ul style="list-style-type: none"> Identify any group formation of institution utilizing collective and cooperative support. To what extent is support groups utilized? Identify all stakeholders. How is group information disseminated? Size of group? 	Only the savings society utilize the group formation
Prioritize operational efficiency	<ul style="list-style-type: none"> Target the poorest Mobilize savings Charge interest rate that cover operational costs Market research Utilize volunteer staff Streamline and decentralize operations Target women Develop monitoring and assessment tools Avoid external dependency 	Poorest of the poor not explicitly targeted. Lenders not mobilize the savings. Interest rates do not cover operational costs. Market research only undertaken by semi formal lenders.

ADCC Bank Microfinance Development Strategy; Goal and Purpose

The goal of AOCC proposed Microfinance Development Strategy is to ensure permanent access to institutional financial services for a majority of poor and low-income households and their micro enterprises. The purpose is to support the development of sustainable microfinance systems that can provide diverse services of high quality. Therefore, the strategy focuses on (i) creating a policy environment conducive to microfinance, (ii) developing financial infrastructure, (iii) building viable institutions, (iv) supporting pro-poor innovations.

Average loan purpose

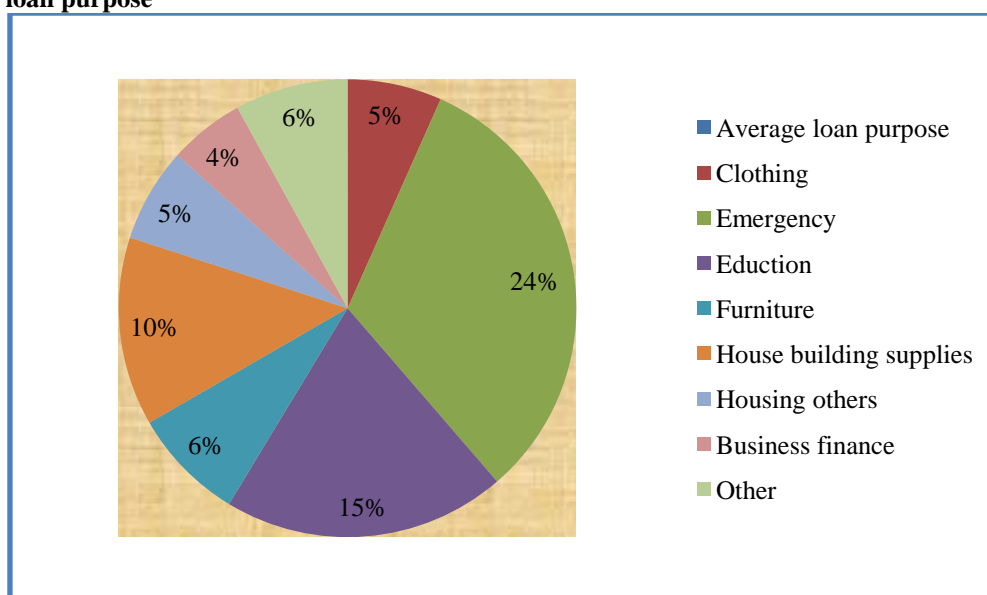


Fig. 1: Average loan purpose in BCDD Bank

VI. STRATEGY

A large amount of financial resources is required to provide institutional microfinance services to over 95 percent of the potential clients who are currently outside of formal finance in the Region. Given the amount of resources needed, ADB and other agencies cannot meet the demand individually or as a group. However, without reaching a large number of the poor households on a permanent basis, microfinance is not likely to generate a significant overall development impact. Hence, ADB will catalyze expanding the supply of microfinance and strengthen the capacity of the potential clients to access the services.

STRATEGIC Focus on Policy Environment:

Financial sector reform programs have resulted in a general improvement of the policy environment in the Region. However, in many countries, lack of an enabling policy environment for microfinance continues to be a major constraint. Hence, this issue must be addressed effectively. The policy reforms will focus on interest rate reforms relevant for micro credit and savings within the broader financial sector reforms.

Financial Infrastructure:

Underdeveloped financial infrastructure continues to constrain the deepening and broadening of microfinance services and participation of private institutions as service providers. MFIs can develop sustainable commercial services on a permanent basis, and expand their scope of operations and outreach, only if they operate within an appropriate financial infrastructure. The improved financial infrastructure contributes to the development of the entire microfinance sub sector, not just one specific institution.

Implementation of the Strategy:

To achieve the objectives of the strategy effectively and efficiently, ADCC will integrate microfinance into its operations, make better use of current modalities, enhance the involvement of its private sector operations in microfinance, build its internal capacity for microfinance activities, and coordinate with other agencies involved in microfinance, monitor the progress of micro finance activities.

Mainstreaming Microfinance:

The effective implementation of the strategy requires integrating microfinance assistance into ADCC overall operations aimed at poverty reduction, as follows: (i) Microfinance assistance will be an important tool in achieving cooperative bank overarching objective of poverty reduction. Therefore, microfinance sub sector analysis will be an integral part of the poverty analysis. Microfinance system development will be an integral part of operations for countries selected for such assistance.

Better Use of Existing Modalities

A major effort is needed to improve the effectiveness and efficiency with which ADCC uses its modalities of assistance-policy dialogue including sector work, loans, TA, and equity investments. These modalities provide significant potential capacity and a sufficiently broad framework and flexibility for ADCC to assist microfinance development.

Monitoring Implementation:

ADCC should develop a set of indicators to monitor implementation of this strategy. The indicators will focus mainly on improvements in the (i) environment for microfinance at the country level, (ii) breadth and depth of outreach of ADCC supported MFIs, (iii) financial viability of MFIs, (iv) extent of commercialization of the industry, and (v) development impact of assistance. At the end ADCC will report the progress of its microfinance operations to its Board of Directors annually through its report on poverty reduction efforts.

VII. CONCLUSION

The last fifteen years have seen significant advances in both the understanding of the needs of the poor for financial services and of the provision of financial services for them. We now understand that:

The poor need financial services that help them maintain and improve livelihoods. Innovations that address the constraints faced by the poor due to an imperfect financial market can allow them to take up direct income generation, increase productivity of existing enterprises, and also help smoothen consumption, invest in longer term human capital formation and cope with contingencies and life cycle needs.

Both informal (including self-provision) and formal providers can help meet these needs. Many poor people strive to develop a complex portfolio of microfinance assets and liabilities.

Understanding the existing financial service behavior and preferences of the poor can be a good guide to product design and development by MFIs and formal banks.

Financial service innovations for the poor need to be dynamic, context-specific and adapt to the changing needs. However, as we have shown in this paper, provision still lags behind the knowledge that has been generated- there remains a great need to narrow this gap and deepen understanding. Provision has advanced in terms of recognizing the need for products that meet the preferences and circumstances of poor people.

FURTHER REDDING

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