Volume : 2 | Issue : 4 | Apr 2013 • ISSN No 2277 - 8179

Research Paper

The Scope of Micro Finance in Promotion of Liveli Hoods in India

Social Science

KEYWORDS : Micro finance, Livelihood, Families, Poverty, Income, Expenditure, Employment, Risk, Promotion, Mechanism.

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ABSTRACT

Poverty or well-being is a function of interplay, availability of and access to various resources/ capitals influencing livelihoods. Microfinance provided the opportunity for the unreached segment of the mass to realize their own capabilities in terms of building their resource base what so ever be the volume which in turn capable of attracting institutional support for their livelihood enhancement. The purpose of the present paper is to examine the role of micro finance in promotion of livelihoods.

Introduction

The micro credit/finance and lending had been in practice since man started trade. Recent research of the world shows that well developed financial systems are associated with faster growth and better income distribution because, finance helps the poor to catch up with the rest of the economy as it grows. Hence, realizing the needs, government of India has implemented several schemes of assistance since the1970s in the name of development and micro credit programmes, which were able to provide small credit to the rural poor in order to alleviate poverty. It could also help in strengthening poor families' resistance to external shocks and reducing dependence on money-lenders.

The concept of livelihoods and livelihoods analysis is closely associated with poverty reduction strategies. People's life is totally based on preparing for and practicing livelihoods. Livelihoods choices are influenced by a variety of factors, including geographic, cultural, caste and family origins, education, exposure, knowledge, skills and resources at hand, experience and socio-economic and ecological setting of the individual/ household. While some are still continuing in traditional livelihoods or family occupations, some have moved/moving to newer livelihoods. As such, livelihoods are undergoing rapid changes in the context of liberalization, privatization, globalization and climate change. Poverty or well-being is a function of interplay, availability of and access to various resources/ capitals influencing livelihoods. Every family, by engaging in a set of activities essential to meet the requirements of life, acquires four characteristics viz., income, expenditure, employment and risk. Thus, livelihood activities are economic activities that people know, own and undertake to earn income today and into the future. A livelihood is said to be sustainable, when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.

The experience of poverty is often felt in the presence or absence of cash in the lives of a household. Some basic needs can be met by direct production, fishing or gathering usable products (fruit, fodder, fuel wood, building material, dung) but many needs require cash to facilitate the payments and transactions involved. Thus all households have the problem of managing variable cash flows - matching income and expenditure requirements by saving and borrowing and it will affect their livelihoods. In that situation, microfinance provided the opportunity for the unreached segment of the mass to realize their own capabilities in terms of building their resource base what so ever be the volume which in turn capable of attracting institutional support for their livelihood enhancement. However, in India microfinance has played a limited role in this direction.

Concept of Micro finance:-

The concept of micro finance is to provide very small loans to poor families to help them engage in productive activities or grow their tiny businesses.

Definition of Micro finance:-

Micro finance can be defined as provision of various financial services like savings, credit, money transfers, insurance etc in small doses for the poor to enable them to raise their income levels and improve living standards. According to NABARD, micro finance as, provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban and urban areas enabling them to raise their income levels and improve living standards.

Definition of Livelihood:-

A livelihood is defined as comprising the capabilities, assets and activities required for a means of living. Hence, a livelihood is a means of support, something that provides income to live on, especially paid work to secure the necessities of life.

In India the livelihoods of the poor can be characterized as follows:

1.in the agriculture and allied sectors

Small and marginal farmers, landless labourers, livestock-rearers and fishermen.

2. Rural non-farm sector

Artisans, e.g. weaving, pottery, bamboo basket work, and those running household industry or service sector micro-enterprises, e.g. wood workshop, metal workshop; brick kilns, construction material; cycle/ motorcycle repair, rental, spare parts; video rental, repair, TV servicing; small tea stall, hotels and cold drink shops.

3. in the urban informal sector

Those running household industry or service sector micro-enterprises.

Livelihood Principles

The following livelihood principles help us in unraveling the complexity and understanding the nuances involved in livelihoods of the poor better.

1. Poor have multiple livelihoods
2. The Poor are both producers and consumers
3. Local best practices exist and can be replicated
4. Knowledge, skills and resources need to be integrated
5. Micro-Macro could play differently
6. Livelihoods of the poor are risky
7. 'Meta Fish/ Skill' is more important
8. Entire Value Chain needs to be addressed
9. Interventions need to aim at both collective as well as individual levels
10. The Poor need the support of service providers
11. Ideas and finance are more important

Characteristics of Livelihood:-

There are four characteristics viz., income, expenditure, employment and risk.

(1).Income:-Income comes into a household through various activities. The variability in income could depend on the person or circumstances beyond the control of a person. A person has to invest (money, idea or energy) to realize income.

(2).Expenditure:-Expenditure has to be made by the households to invest in the livelihood activity that gives them income. Expenditure is to be looked in terms of money, time and energy.

(3).Employment:-Employment means spending time for generating income or obtaining goods. It includes time spent in growing or procuring items for self consumption. It depends on the skill of the persons seeking employment, resources available in that particular area and the environment/ecological conditions etc. .

(4).Risk:-Risk exists in any livelihood; even small illness is a great risk to many poor households who depend on physical labour for work. Risk also can come in the form of natural disasters like cyclones, earthquakes and drought and floods etc.

MICRO FINANCE IN PROMOTION OF LIVELI HOODS:-
Microfinance can promote the livelihoods of the poor families out of poverty and this is more prominent for those socially vulnerable segment specially the primitives and tribal. Thus microfinance itself is considered appropriate mechanism which prefers to assist communities of economically excluded to achieve greater levels of livelihoods and income security at the household and community level. Micro finance attempts to achieve this through a range of financial services that go beyond credit and savings. It can include enterprise development, opportunity for education, skill development, marketing strategies, community based investments and financial management schemes. So the integrated approach of microfinance can capable of solving most of such difficulties which can ensure systemic strategy to ensure livelihood security of the poor in a gradual sequence. Usually, livelihood activities undertaken by people are shaped by their knowledge, inherent capabilities, and assets. These activities are enhanced by five basic assets with linkages to each other: natural, social, human, physical and financial capital.

In the rural segment, the poor tend to operate not just with one but with several livelihood activities, often switching from one to the other within the same day and also by seasons. Thus they maintain a diversified portfolio of subsistence activities. For example a marginal farmer may also rear livestock, gather forest produce, twist rope, and work as a mason and so on. Their lives are also hedged around by their personal circumstances - their family situation, their health, their social status, their inheritance, their strengths and their weaknesses. Their options are governed by the natural environment in which they live and the developments which have occurred - some negative like land degradation, some positive like new roads and market outlets. Thus improving or changing a livelihood means taking all these factors into account and determining where something can be improved and how it can be done. Micro finance, of course, will be a suitable mechanism both at household and the wider community level to provide livelihood activities. Usually, the poor households cannot solve problems of water supply, soil erosion, electricity supply, marketing and so on individually. However, by working together they may be able to address some of these problems. So to change lives, individuals and groups will need to organize themselves and as always, finance/ money will be required to pay for things. People will need the skills to plan and work out how things can be financed, e.g. by saving or pooling savings or borrowing, and how cash flows can be managed in the longer term, especially according to the livelihood related cash flows. Hence, in bringing substantive change in the lives of the poor it is pertinent that increased access to microfinance services which contributes in creating sustainable livelihoods for the poor. This will lead to increased income and improvement in living standards of the poor and many of them can manage to start new livelihood activities using the resources available through the micro finance. So, this will helps to change the status, confidence and position in the household and local community.

The following strategies need more intensive attention to effectively build on the perspective of microfinance in promotion of livelihoods for the disadvantage segment of the population. They are:

1. Microfinance as the entry point to realize the internal capability of the poor to build on resources and collectiveness with appropriate grooming, orientation and hand holding support.
2. Freeing poor from the exploitative vicious trap of informal money lending practice to ensure safety of their asset holdings.
3. Designing of appropriate microfinance delivery methodology to suit the need and expectation of the community based on continuality, seasonality and other concurrent factors which deem fit for the situation prevailing.
4. Appropriate microfinance product development based on need assessment and realization of purpose.
5. In order to sharpen and bring focus on its interventions on microfinance livelihoods linkage it was important to start with a mapping of livelihood profile of clients of microfinance.
6. Skill augmentation of the microfinance clients based on existing potential and comfort ability.
7. Evolving skill based financial service delivery system (SBFDS)
8. Provisioning of suitable support services.
9. Developing institutions, alliances and networks to advance economic interests.

At present there is a growing realization to look beyond the delivery of financial services to offering services for livelihood security, promotion of rural entrepreneurship, technology infusion and market linkage. There is also a need to innovate and engineer micro financial products to cater to the need of the poor in terms of strengthening their livelihood in general and addressing their vulnerability affecting livelihood in particular.

Summary:-
The term livelihood can be broadly defined as the capabilities, assets and activities required for living. To make poor people capable there is a need to create and strengthen sustainable livelihood opportunities. Over the years, the need was felt to work for the people, who are marginalized, excluded from the economic, social, and political mainstream and unable to participate in sustainable livelihood activities. To enhance their livelihoods and make them empower there is a need to ensure food security, decreased economic vulnerability, enhanced incomes, and increased access to basic entitlements. For this people need micro finance and ways to move ahead.

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