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ROLE OF MICRO-FINANCE IN THE DEVELOPMENT OF BACKWARD CLASSES

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Abstract:-The purpose of this paper is to examine the role of micro finance in the empowerment of people and the realisation of financial inclusion in India. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India. However, in the light of recent experiences and the need for qualitative growth, we suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as social responsibility. This is of utmost importance in order to upgrade MFIs from thrift and credit institutions to capacity-building and livelihood- sustaining associations of people. The paper examines the promise of microfinance (credit plus services) in the inclusion (access) of excluded and to analyse the impact of the microfinance on the social and economic welfare of the poor households.

Keywords: Micro-Finance , Backward Classes , Caste-based exclusion and discrimination .

INTRODUCTION :-

Caste-based exclusion and discrimination are essentially “structural in nature” and comprehensive and multiple in coverage, involving as their very basis the denial of equal opportunities. The practice of caste-based exclusion and discrimination is defined as “livingmode exclusion” or exclusion from political participation, alongside exclusion from and disadvantages in accessing social and economic opportunities. Although plenty of work has already highlighted the processes of marginalization of Dalits and other minorities there remains a need to both further this understanding and use it to establish more systems to halt and indeed reverse the process of exclusion. It is indisputably true that economic deprivation creates the basic condition for all other forms of exclusion. Indeed, financial inclusion is the key to social and political inclusion. It is imperative to address the immediate financial needs of Dalits and other marginalized communities in order for them to focus on other structural changes and to enable changes in the mindset of the dominant community and polity. It is also accepted that microfinance creates access to productive capital along with human capital (education, training, nutritional status, etc) and social capital (through local organizationbuilding, women’s empowerment, etc), and enables the marginalized poor to escape poverty. Further, the credit and services of microfinance not only uplift the poor from income poverty but also from knowledge poverty. Further efforts in this direction are impossible without inter-disciplinary understanding and interdepartmental cooperation and coordination.

It has been observed that the majority of India’s financially-excluded sector consists of marginalized farmers, landless laborers, self-employed small vendors (hawkers), entrepreneurs in the unorganized sector, urban slum dwellers, migrants, ethnic and religious minorities, senior citizens and women. Dalits comprise a vast proportion of this segment. These groups do not have access to bank accounts and formal credit markets so they fall prey to the informal and often exploitative market. The poor needs money and the notorious ‘moneylender’ exploits them, creating both a vicious cycle and a downward spiral for the poor, who are even further economically stunted as a result. A recent study by CGAP2 states that India has only 680 bank accounts per 1,000 adults, 124 bank loan accounts per 1,000 adults and an average of only 9.3 bank branches per 100,000 population3. 10% has Life Insurance; 0.6% has Non-Life Insurance; and only 5.2% villages have a bank branch. With specific reference to the financial exclusion of Dalits, the Dr Rangarajan Committee report states that 49.77% of Scheduled Caste households, 63.68% of Scheduled Tribe households and 48.58% of Other Backward Class households are financially excluded. Clearly, those worst affected by financial exclusion are the most marginalized sections of society: Dalits (SC/ST) and others. S Singh5 assesses the situation thus: “[T]here is a denial from the government machineries to extend the credit to the Scheduled Castes because direct funding from banks is a problem. It is linked to lack of education, attitude of bankers and policy directions to the banking sector. At the scheme level access is denied because of non-inclusion in lists like Below Poverty Line (BPL)… and [because of] social exclusion itself. Most schemes require paper work, recommendations, forwarding of applications, and other processes. Scheduled castes lack or cannot facilitate most of these formalities."

The 2002 Bhopal Declaration6 – intended to widen the scope of Dalit inclusion – put forward a 21-Point Action Agenda, which also highlighted the plight of SCs, STs and other minorities. Significant issues raised in the agenda included:

- Acknowledging the need to ensure that SCs and STs are given representation in all decision-making bodies.
- Acknowledging the fact that Dalits are still denied basic human rights and suffer the most brutal and oppressive forms of discrimination and exclusion.
- Acknowledging that most political organizations are reluctant to pursue any policy favorable to Dalits.
- Regretting the fact that post Ambedkar, the Dalit intelligentsia has failed both in carrying forward his emancipating movement and in making a dent in the country's intellectual life.
- Being conscious of the hurdles that caste-Hindu society – and its tentacles in the government, media, voluntary sector, etc – is likely to hurl at any movement that seriously challenges the entrenched system of discrimination and exclusion.
- Welcoming the winds of change across the world that are conducive to inclusion, equal opportunity, diversity, democratization and civil society, and are against discrimination, stereotype, stigma, exclusion and caste society.

CHALLENGES TO FINANCIAL INCLUSION-

Existing societal mechanisms continue to regulate and enforce the customary norms and rules of the caste system. Dalits, Scheduled tribes and religious minorities who challenge the system face opposition in the form of social and economic boycott, violence, etc, which negate their right to development.According to Sukhdeo Thorat, caste-based exclusion and discrimination is located in the economic, civil, cultural, and political spheres. In administrative parlance, the term 'Dalit' includes Scheduled Castes, Scheduled Tribes and Other Backward Castes (SCs, STs and OBCs). However, in common political discourse, Dalit refers to Scheduled Castes alone. B R Ambedkar was the first person to use the term Dalit to connote those groups of people who are systemically oppressed through cultural and political customs and mores. Thus, 'Dalit' indicates a struggle for an egalitarian order. Ambedkar argued that a transformation was required in the socio-religious and politico-economic structures of Indian society through relentless struggle against the exploitative system wherein lay the roots of untouchability. Though Ambedkar suggested the subaltern approach to fight for Dalit causes, he also made constitutional provisions for Dalits at the macro level. Thus, Article 17 of the Indian Constitution states: 'Untouchability is abolished and its practice in any form is forbidden. The enforcement of any disability arising out of 'untouchability' shall be an offense punishable in accordance with the law'. Later academics have expanded the scope of studying the macrological distribution of money and therefore power, even further: to the relations between global capitalism and alliances of nation states. However, even within a nation state, macro-level policy generation often homogenizes the economically dispossessed. The scale is so big that it cannot account for the micrological understanding of money and therefore power, for the subaltern.

The Interface was attended by a wide range of practitioners from fields as diverse as the government, banking, insurance and community service sectors. All the participants brought their conceptual frameworks, experiences from the ground and ideas for the future to the table, making it possible to create an initial matrix through which the issue of financial exclusionmay be approached in the future. Firstly, it is critical to note that not all marginalized sectors are homogenous. There is a remarkable diversity between the many communities of Dalits, Tribals and religious minorities spread across the vast Indian landscape, and each community's concerns must be addressed within the specific context of their livelihood and not through broad conceptual grids. Secondly, the range of financial products offered in both the formal and informal markets is almost as wide as the range of clients. Traditional financial institutions must be encouraged to create increasingly innovative products to best serve the needs at the grassroots, while communities themselves can be encouraged to become independent of financial institutions and use the resources available to them collectively in a more financially astute manner. Specifically there is a need to focus on products such as insurance, non-formal savings and remittances. Thirdly, the 'face' of financial institutions amongst the marginalized needs a radical transformation. The crisis in human resources is such that well-thought-out schemes conceptualized at a senior level fail to take root in the ground because of incompetence, inefficiency, corruption or merely indifference. That vast funds allocated to the marginalized are regularly returned unused is a tragedy that must be reversed. Fourthly, exclusion must be understood as a product of not just financial deprivation but also social and cultural traditions and practices. Inclusion should mean not only empowering the dispossessed financially, but bringing them into the larger fold of society, emotionally and psychologically. MFIs, SHGs and NGOs must re-evaluate their roles in creating financial inclusion. There is a need to create interdisciplinary forums together with government, academic and financial bodies to access the best ideas and create the most viable solutions to the complex and widespread problem of financial exclusion. Small organizations working in isolation – no matter how dedicated – will not be able to bring about adequate change.

CONCLUSION-

The key to this success is the collaboration of the bank with a local NGO - Peoples Education and Development Organisation (PEDO) in Dungarpur and Centre for microFinance (CmF) which has put a spearhead team in Dungarpur to assist the project. PEDO has formed good quality groups, facilitated the groups to link with banks and the CmF team oriented bank managers on microFinance and facilitated this collaboration. The commercial banks cannot reach out to the poor in their present form. The only way out is, that they can increase their credit portfolio to SHGs. Dungarpur project demonstrates the scale and profitability of SHG credit for a bank. Secondly banks should invest in creation of new SHGs and link it with credit targets. A unit of 300 SHGs in two years will cost them Rs. 15 lakhs and generate a credit portfolio of Rs. 150 lakhs per year, earning a gross annual revenue of Rs. 15 lakhs. Going by indicators of financial inclusion a lot to be concerned about. Although we have made remarkable progress in terms of extension of banking services since nationalization of banks in 1969, the position regarding access to formal banking systems is far inadequate in terms of scales of extension required. Only 5% of around 6,00,000 habitations in the country have a bank branch. Just about 40% of the population across the country has bank accounts. The average population per bank ratio is around 13500, which is the same as in 1991. The average of course masks large variations across the country especially in the North East Region and this is a matter of even greater concern.

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