INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	**SMART SKILLS: BRIDGING THE SKILL GAP FOR YOUTH EMPLOYMENT** *DR. MANJARI AGARWAL & K. K. PANDE*	1
2.	**THE NEED TO FOCUS ON HRD CLIMATE IN HIGHER EDUCATIONAL INSTITUTIONS: AN EMPIRICAL ASSESSMENT** *DR. PRAVEEN CHOUGALE & DR. GURUNATH J. FAGARE*	8
3.	**PERFORMANCE OF INDO-RUSSIAN TRADE DYNAMICS: AN APPRAISAL FOR THE YEAR 2003-2006** *MANMOHAN SINGH & S. P. KAUSHIK*	13
4.	**KNOWLEDGE AND PRACTICE OF GENERAL PRACTITIONERS REGARDING PSYCHIATRIC DISORDERS IN VADODARA CITY** *GAURAV JD & NIRAJ P*	16
5.	**EDUCATIONAL STATUS OF SCHEDULED TRIBES IN COIMBATORE DISTRICT** *DR. R. ANNAPOORANI & M.SHANTHI*	19
6.	**REVEALED COMPARATIVE ADVANTAGE AND TRADE FLOWS AMONG SAARC COUNTRIES: AN ANALYSIS** *DR. B. P. SARATH CHANDRAN*	24
7.	**FINANCIAL INSTITUTIONS AND WOMEN ENTREPRENEURSHIP IN KERALA AND TAMIL NADU** *DR. SANTHA S.*	31
8.	**CORPORATE GOVERNANCE AND BUSINESS ETHICS IN IT SECTOR: SOME REFLECTIONS** *DR. BADIUDDIN AHMED, SYED HAMID MOHIUDDIN QUADRI & MOHAMMED ABDUL LATEEF*	38
9.	**WORK-LIFE BALANCE (WLB): A CAUSE OF CONCERN IN BANKING SECTOR** *RITU ATHEYA & DR. RENU ARORA*	42
10.	**PRIVATIZATION – IS IT A SOLUTION TO PRIORITIZATION?** *DR. JEEMON JOSEPH & SHIBU ITTY MATHEW*	46
11.	**A STUDY OF STRESS AMONG FACULTY MEMBERS IN COLLEGES OF JALANDHAR** *MEGHA JAIN & DR. INDERPAL SINGH*	49
12.	**HRM PRACTICES IN THE NEW ECONOMY** *THOTA AMRUTHA VALLI & DR. P. ARUNKUMAR*	55
13.	**THE IMPACT OF TOURISM DEVELOPMENT ON THE ECONOMIC, CULTURAL, ENVIRONMENTAL AND SOCIAL DIMENSIONS: PERCEPTION OF RESIDENTS' OF GONDER AND ITS NEARBY RURAL COMMUNITIES IN ETHIOPIA** *DR. GETIE ANDUALEM IMIRU*	57
14.	**THE NATIONAL CHALLENGES AND POLICY OPTIONS OF ETHIOPIAN EDUCATIONAL SYSTEM TOWARDS THE ACHIEVEMENT OF EFA GOALS: A FOCUS ON PRIMARY AND SECONDARY SCHOOL** *DR. BIRHANU MOGES ALEMU*	63
15.	**ROLE AND CHARACTERISTICS OF THE URBAN INFORMAL SECTOR IN ETHIOPIA: A STUDY BASED ON NATIONAL HOUSEHOLD SURVEY** *CHALACHEW GETAHUN DESTA*	73
16.	**GROWTH AND PERFORMANCE OF AREA, PRODUCTION AND PRODUCTIVITY OF NATURAL RUBBER IN INDIA** *M. KANNAN*	80
17.	**EMPLOYMENT GENERATION AND COMMON PROPERTY RESOURCES IN EAST SIANG DISTRICT OF ARUNACHAL PRADESH, INDIA** *TOKU CHOKIO*	85
18.	**LOVE, COMPASSION AND SPIRITUALITY: A TRULY RELEVANT ETHOS IN MANAGEMENT AND BUSINESS ORGANISATIONS** *GEETU SHARMA*	90
19.	**CLAUSE 49: AN ATTEMPT TO DISCIPLINE CORPORATE** *SUVIT DAS*	92
20.	**SOCIO-ECONOMIC STATUS OF STUDENTS STUDYING IN GOVERNMENT EDUCATIONAL INSTITUTIONS - WITH SPECIAL REFERENCE TO BELLARY DISTRICT** *KOKILA H S & PRASHANTHA RAMACHANDRA HEGDE*	98
21.	**THE CLIMATE OF COOPERATION IN SWEDEN** *VINCENT DODOO*	101
22.	**GREEN FINANCE IS ESSENTIAL FOR ECONOMIC DEVELOPMENT AND SUSTAINABILITY** *TASNIM UDDIN CHOWDHURY, RAJIB DATTA & HARADHAN KUMAR MOHAJAN*	104
23.	**INSTITUTIONAL CREDIT AND AGRICULTURAL DEVELOPMENT** *DR. R. GOVINDASAMY*	109
24.	**A COMPARATIVE STUDY OF PRIMARY HEALTH CENTRES IN INDIA AND HARYANA** *ANNU*	112
25.	**IMPACT OF MICRO FINANCE IN POVERTY ALLEVIATION AND ECONOMIC DEVELOPMENT OF SHGS** *M. ANNAM*	115
26.	**FACTORS INFLUENCING THE PROGRESSIVE USE OF PUBLIC LIBRARIES BY ITS PATRONS** *BIMAL CHANDRA NAIR*	120
27.	**QUALITY EDUCATION: ISSUES, CONCERNS AND CHALLENGES** *BHAVNA JOSHI*	123
28.	**THE INTERNATIONALIZATION OF HIGHER EDUCATION AND ITS EFFECT ON STUDENT MOBILITY** *MUNEEB HUSSAIN GATTOO & MUJEEB HUSSAIN GATTOO*	126
29.	**CONTRIBUTION OF COMMERCIAL BANKS IN HOUSING FINANCE IN HARYANA: A COMPARATIVE STUDY** *HARDEEP & SATISH KUMAR*	132
30.	**REGULATION OF INDIAN MUTUAL INDUSTRY** *MONIKA SAINI*	135
	REQUEST FOR FEEDBACK	145

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

IMPACT OF MICRO FINANCE IN POVERTY ALLEVIATION AND ECONOMIC DEVELOPMENT OF SHGS

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ABSTRACT

Micro credit often provides means for people to move towards independent economic livelihood, leaving extreme poverty behind .Microfinance policy may be milestone in direction, which may ensure participation of all classes of people even belonging to the lowest stratum in the process of the economic growth and help the economy to move sustainable path .In India the focus of microfinance was on a group approach and organizing the poor into Self-Help Groups .SHGs are considered as the best way to provide the credit to the poor who require it the most whereby advantage percolates exactly to the needy. Microfinance as a poverty alleviation tool started by NABARD, The fact that financing under this program has grown multifold over the period of time , a high degree of organizational diversity exit and a couple of trends are worth noticing .Microfinance institution should monitor financial activities professionally to optimized the funding economic and social benefits for the long run ,idea behind microfinance is to lift the people below poverty line make their life sustainable , help them to educate their children, and help them make overall process .Impact of microfinance leads to overall strategies of employment generation and poverty alleviations helping to improve the stability of consumption level and income flow of poor household

KEYWORDS

Micorfinance, ,Self Help Groups.

I INTRODUCTION

Microfinance not only helps to prevent the poverty but also bring in individual development in poor as well as it encourages small entrepreneurial activities in economically week societies and regions .Since the microfinance justifies it as a system that provides small loans to poor self employed cottage and home based business it becomes the "newest silver bullets for alleviating poverty"

According to Kofi Annan, United Nations Secretary General Micro credit and other financial services for poor people are important instrument for poverty reduction and for empowerment especially for women .Recently the attention for microfinance and its role in reducing poverty was further increased When Muhammad Yunus of Bangladesh received the noble committee ,Microfinance can help people break out poverty ,which in turn is seen as an important prerequisite to establish long lasting peace .The state and its poverty alleviation programmers have unto now , fallen short of expectations to achieve this objectives because of several reasons such as lack of adequate fund failure to mobilize fund locally, problems in targeting high cost of implementation ,buraucrazy ,rent ,seeking behavior and non provision of complementary services ,necessary to sustain the program.

Alleviation of poverty has been an important issue before the developing nations of the world .This is a big challenge for South Asian countries, as about half of the world's poor live in this region .Again ,the intensity of poverty is high in India .One of every three persons in India is officially poor, and two of every three are either under-nourished or malnourished . Microfinance sector has covered a long journey from micro savings to micro credit and then to micro enterprises and now entered the fi ld of micro insurance, micro remittance, micro pension and micro livelihood. This gradual and evolutionary growth process has given a great boost to the rural poor in India to reach reasonable economic, social and cultural empowerment, leading to better life of participating households. Financial institutions in the country have been playing a leading role in the microfinance programme for nearly two decades now. They have joined hands proactively with informal delivery channels to give microfinance sector the necessary momentum.

II OBJECTIVE

The main objectives of this paper are as follows:

1. Primary objective is to study the role of Microfinance and its effectives for reduction of poverty.
2. To study how the Microfinance is providing high quality of financial services to poor.

III METHODOLOGY

For this study a specific framework has been used for collection of data from the secondary source. The Secondary data has been collected from the various publications and from the various book and journals.

IV NEED FOR MICRO-FINANCE

The appropriateness of Microfinance as a tool for reducing the poverty depend on local circumstances .poverty is often the result of low economic growth , high population growth and extremely unequal distribution of resources and reducing poverty requires creating jobs .Providing credit seems to be a way to generate self –employment opportunity for the poor particularly women

Microfinance schemes are able to reach the poor at affordable cost and can thus help the poor become self –employed .Many countries have introduce Microfinance schemes with important objective to alleviating poverty by facilitating small amount s of credit to the poor to create employment generating activity .

V SWOT ANALYSIS OF MICROFINANCE

- **STRENGTH**

1. Helped in reducing the poverty.
2. Huge networking available.

- **WEAKNESS**

1. Not properly regulated.
2. High number of people access to informal sources of finance.
3. Concentrating on few people only and mainly in urban area

- **OPPORTUNITY**

1. Huge demand and supply gap.
2. Employment Opportunity.
3. Huge Untapped Market.
4. Opportunity for Pvt. Banks, NBFCs, Foreign Banks to enter this business segment.

- **THREAT**

1. High Competition

2. Neophyte Industry
3. Over involvement of Government

VI MICRO-FINANCE - INSTRUMENT FOR POVERTY ALLEVIATION

- Equitable gains from development on a sustainable basis and ensuring viability of financial services are key elements in a strategy of poverty reduction by means of credit support to the poor. As micro-finance is seen to be an approach addressing these concerns effectively, it has assumed significance in all the developing countries as an effective tool in fighting poverty.
- The micro-finance scene in India is dominated by Self Help Groups (SHGs) - Banks linkage program for over a decade now. As the formal banking system already has a vast branch network in rural areas, it was perhaps wise to find ways and means to improve the access of rural poor to the existing banking network. This was tried by routing financial services through Self-Help Groups, formed as grass roots level institutions developed for social/economic and financial intermediation for focusing on the poor. Drawing lessons from experiments carried out in various parts of the world, particularly Asia - Pacific, an attempt was made to build financial relationship between informal groups of people and formal agencies like banks for catering to the financial service requirements of the poor, especially women. Over the years, SHG-Bank linkage model has emerged in India as a core strategy for the banking system to extend their outreach to the poorest among poor. Though SHGs existed even before the linkage program, the banks could not recognize their potential as business clients and both operated independently, without knowing the strength of the other. Intervening to forge a linkage, NABARD was instrumental in the emergence of a very strong micro-Finance movement in the country.
- The SHG - Banks linkage program was conceived with the objectives of developing supplementary credit delivery services for the unreached poor, building mutual trust & confidence between the bankers and the poor and encouraging banking activity both on thrift as well as credit and sustaining a simple and formal mechanism of banking with the poor. The linkage program combines the flexibility, sensitivity and responsiveness of the informal credit system with the technical, administrative capabilities and financial resources of the formal financial sector. It is a design relying heavily on collective strength of the poor, closeness of NGOs to people and large financial resources of banks. Further, the SHGs have also undertaken effective social mobilization functions contributing to an overall empowerment process. The banks have externalized what would otherwise have been high transaction costs for mobilizing savings of the poor, appraisal and sanction of loans and improved loan recovery through the financial intermediative role played by SHGs.

VII UTURE OF MICRO FINANCE

- Microfinance expansion over the next decade can be expected to be an extension of what has been achieved so far while overcoming the hurdles that have been posing difficulty in effective microfinance operation and its expansion. There may be several participants in this process and their participation may be seen in the following forms.

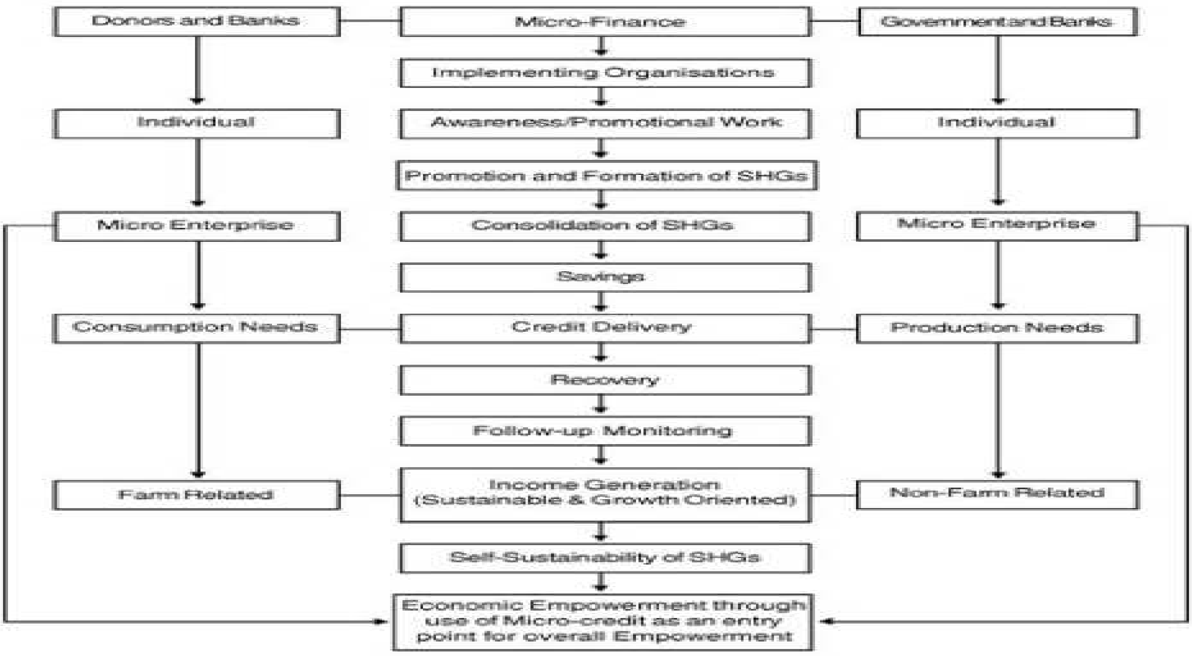
a) Existing microfinance institutions can expand their operations to areas where there are no microfinance programs.
b) More NGOs can incorporate microfinance as one of their programs.
c) In places where there are less micro finance institutions, the government channels at the grassroots level may be used to serve the poor with microfinance.
d) Postal savings banks may participate more not only in mobilizing deposits but also in providing loans to the poor and on lending funds to the MFIs.
e) More commercial banks may participate both in microfinance wholesale and retailing. They many have separate staff and windows to serve the poor without collateral.
f) International NGOs and agencies may develop or may help develop microfinance programs in areas or countries where micro financing is not a very familiar concept in reducing poverty
g) Development of Small-Scale Enterprises through microfinance will not only increase the outreach but will also help the generation of more employment and income for the poor. It is expected that in the following years there will be considerable deepening of microfinance in this direction along with simultaneous drives to reach and serve the poorest. of the poor. But the crux of the discussion is that, if the over excess involvement of the government would be there in the Micro Finance sector, than the growth of the Micro Finance won't much possible. The Govt. involvement should limited to the important decisions only, but not to interfere in each and every matter of the management

VIII THE NEED IN INDIA

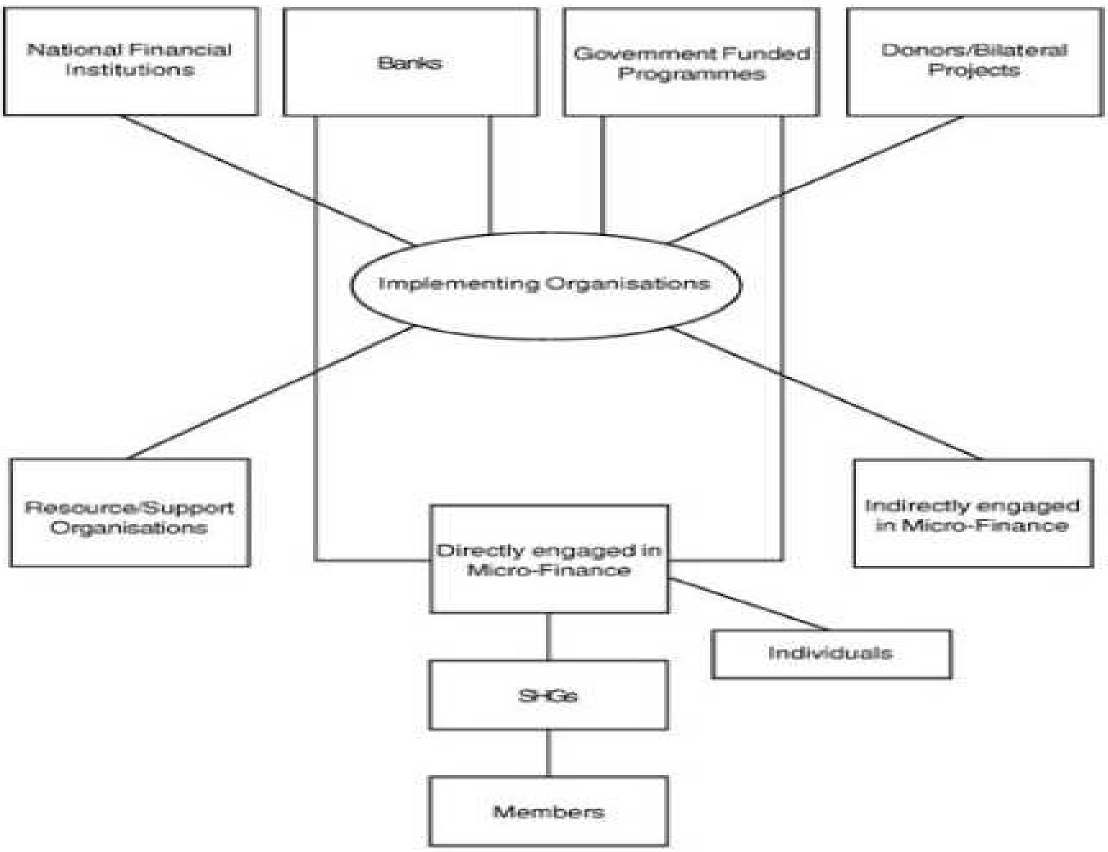
- India is said to be the home of one third of the world's poor; official estimates range from 26 to 50 percent of the more than one billion population.
- About 87 percent of the poorest households do not have access to credit.
- The demand for microcredit has been estimated at up to $30 billion; the supply is less than $2.2 billion combined by all involved in the sector.
- Poor people need not just loans but also savings, insurance and money transfer services.
- Microfinance can pay for itself." Subsidies from donors and government are scarce and uncertain, and so to reach large numbers of poor people, microfinance must pay for itself.
- Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.
- Microfinance can also be distinguished from charity. It is better to provide grants to families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan.

Due to the sheer size of the population living in poverty, India is strategically significant in the global efforts to alleviate poverty and to achieve the Millennium Development Goal of halving The world's poverty by 2015. Microfinance has been present in India in one form or another since the 1970s and is now widely accepted as an effective poverty alleviation strategy. Over the last five years, the microfinance industry has achieved significant growth in part due to the Participation of commercial banks. Despite this growth, the poverty situation in India continues.

Development Process through Micro-Finance



Micro-finance interventions through different organisations



IX MICROFINANCE CHANGING THE FACE OF POOR INDIA

Micro-Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro-Finance scene is dominated by Self Help Groups (SHGs) - Banks linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the 'unreached poor'. In the Indian context terms like "small and marginal farmers", " rural artisans" and "economically weaker sections" have been used to broadly define micro-finance customers. Research across the globe has shown that, over time, microfinance clients increase their income and assets, increase the number of years of schooling their children receive, and improve the health and nutrition of their families. A more refined model of micro-credit delivery has evolved lately, which emphasizes the combined delivery of financial services along with technical assistance, and agricultural business development services. When compared to the wider SHG bank linkage movement in India, private MFIs have had limited outreach. However, we have seen a recent trend of larger microfinance institutions transforming into

Non-Bank Financial Institutions (NBFCs). This changing face of microfinance in India appears to be positive in terms of the ability of microfinance to attract more funds and therefore increase outreach. In terms of demand for micro-credit or micro-finance, there are three segments, which demand funds. They are:

- At the very bottom in terms of income and assets, are those who are landless and engaged in agricultural work on a seasonal basis, and manual labourers in forestry, mining, household industries, construction and transport. This segment requires, first and foremost, consumption credit during those months when they do not get labour work, and for contingencies such as illness. They also need credit for acquiring small productive assets, such as livestock, using which they can generate additional income.
- The next market segment is small and marginal farmers and rural artisans, weaversand those self-employed in the urban informal sector as hawkers, vendors, and workers in household micro-enterprises**.** This segment mainly needs credit for working capital, a small part of which also serves consumption needs. This segment also need sterm credit for acquiring additional productive assets, such as irrigation pumpsets, borewells and livestock in case of farmers, and equipment (looms, machinery) and worksheds in case of non-farm workers.
- The third market segment is of small and medium farmers who have gone in for commercial crops such as surplus paddy and wheat, cotton, groundnut, and others engaged in dairying, poultry, fishery, etc. Among non-farm activities, this segment includes those in villages and slums, engaged in processing or manufacturing activity, running provision stores, repair workshops, tea shops, and various service enterprises.

These persons are not always poor, though they live barely above the poverty line andalso suffer from inadequate access to formal credit. Well these are the people who require money and with Microfinance it is possible. Right now the problem is that, it is SHGs' which are doing this and efforts should be made so that the big financial institutions also turn up and start supplying funds to these people. This will lead to a better India and will definitely fulfill the dream of our late Prime Minister, Mrs. Indira Gandhi, i.e. Poverty. One of the statement is really appropriate here, which is as:

"Money, says the proverb makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little."

Adams Smith.

Today India is facing major problem in reducing poverty. About 25 million people in India are under below poverty line. With low per capita income, heavy population pressure, prevalence of massive unemployment and underemployment , low rate of capital formation , misdistribution of wealth and assets , prevalence of low technology and poor economics organization and instability of output of agriculture production and related sectors have made India one of the poor countries of the world.

X SUCCESS FACTORS OF MICRO-FINANCE IN INDIA

Over the last ten years, successful experiences in providing finance to small entrepreneur and producers demonstrate that poor people, when given access to responsive and timely inancial services at market rates, repay their loans and use the proceeds to increase their income and assets. This is not surprising since the only realistic alternative for them is to borrow from informal market at an interest much higher than market rates. Community banks, NGOs and grass root savings and credit groups around the world have shown that these microenterprise loans can be profitable for borrowers and for the lenders, making microfinance one of the most effective poverty reducing strategies.

COMPARATIVE ANALYSIS OF MICRO-FINANCE SERVICES OFFERED TO THE POOR

Parameter	Money Lender	Commercial Banks	Govt. Sponsored Programs	Financial products of MFIs
Ease of Access	High	Low	Low	High
Transaction cost of Access	Low	Very High	Very High	Low – Medium
Lead time for Loans	Very Short	Extremely Long	Extremely long	Short
Repayment Terms	Fixed and Rigid	Fixed and Easy	Fixed and Easy	Flexible
Interest Rates	Exorbitantly High	Low and very Affordable	Low, Affordable and Subsidised	Reasonable and Affordable
Incentives	None	None	None	Repeat and larger loans, Interest Rebates
Repeat Borrowing	Possible	Possible but not likely	Possible but not likely	Stream of credit is assured
Loan Access Procedures	Very Quick	Extremely Time Consuming and complicated	Extremely Time Consuming and complicated	Simple and Quick
Loan Application Procedures	Informal but exploitative	Exhaustive and Complex	Exhaustive and Complex	Simple and Informal
Collateral and Demand Promissory Note	Mandatory	Required but hypothecation of asset may suffice	Not required although a charge on the asset becomes automatic	Not required – social collateral is used for physical collateral

Source: R. Arunachalam - Alternative Technologies in the Indian Micro- finance Industryx

XI CONCLUSION

At the end I would conclude that, Micro Finance Industry has the huge potential to grow in future, if this industry grows then one day we'll all see the new face of India, both in term of high living standard and happiness. One solution by which we all can help the poor people, i.e. in a whole year a medium and a rich class people spends more than Rs 10,000 on them without any good reason. Instead of that, by keeping just mere Rs, 3000 aside and donate that amount to the MFIs, then at the end of the year the total amount in the hands of poor would be (average 500 million people *Rs 3000)=Rs 1,500,000,000,000 . Just imagine where would be India in next 10 years. At last I am concluding by project with a very famous saying:

"Don't wait; the time will never be just right. Start where you stand and work with whatever tolls you may have at your commands and the better tolls will be found as you go a long"

William Surds

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