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A STUDY ON STEPS TAKEN TO INPROVE CREDIT AND SAVINGS IN RURAL INDIA

DR. P. UMA RANI
PROFESSOR (MANAGEMENT)
SAVEETHA ENGINEERING COLLEGE
THANDALAM
CHENNAI - 602 105

ABSTRACT

This article deals with credit and savings in rural India. The article examines access to credit in rural India and how responses to risk are affected by a household's access to credit. I consider all sources of credit within a rural community and include production as well as non-production credit such as medical and consumption loans. The early results reveal that traditional approach would lead to biased estimates of access to credit because the predominant sources of credit are community level mechanisms of cooperation, despite the presence of specialized rural banks and local moneylenders. This mechanism of mutual cooperation takes two forms, informal cooperation between family and friends in the community and institutional cooperation where community members form a cooperative society. It is a known fact that households with access to institutionalized cooperation are better able to deal with income shocks than households that rely on informal cooperation. The results indicate that households that have access to institutionalized cooperation within the community are significantly less likely to cut consumption and production expenditure when they are faced with an income shock. When there is better ways to save this can lead to better ways to borrow. In a typical framework, households borrow, invest and then repay the loan with interest. If households can save without difficulty, they should be able to follow any repayment frequency. In a standard economic model, there is no room for immediate pressures. However, in reality, it is likely that income gets diverted into miscellaneous expenses. It is found that a household which faces savings constraint is 32 percent more likely to tie a loan repayment schedule with its income schedule and pays 3.6 percent higher annual interest rate to do so. The effects of income shock on savings decision of a household are examined. In particular, it analyzes how an idiosyncratic income shock affects the composition of asset portfolios held by a household. It shows that income volatility contributes to poverty of rural households by leading them to reduce stocks of productive assets in order to accumulate liquid assets. Health related income shocks are significantly likely to do so, in addition to the weather related income shocks. People who start investing for the marriage of the son/ daughter or retirement planning, etc can remain invested for a longer period of time. We can make this instrument a unique one where the investor can see his money grow and be encouraged to invest more money. People in rural areas should be educated about such instruments with the help of Gram Panchayats and other influential people in rural areas.

KEYWORDS
Untapped Potential, Income shock, Informal market, Covenant Centre, Self Help Group.

INTRODUCTION
The profile of livelihoods in India, especially in these states shows that agriculture and animal husbandry still remain the main sources of livelihood for rural communities, though there is a significant shift to non-farm sectors such as mining and quarrying, construction and manufacturing during periods of drought. The ultimate goal is for communities to have the confidence to make informed choices from a range of appropriate options that leads to sustainable and equitable development.

In rural area there is a lot of untapped potential which can be grabbed by putting them into practice. The rural poverty declined slowly from 32.9 to 22.2 and the number of people lying in below poverty is 76.50 lakhs. Data on house hold consumption expenses and the size of landholdings in rural shows two aspects of rural poverty – increase in percapita consumption expenses and lack of financial support for the rural economy. An ounce of practice is better than tons of tall talks" says- Vivekananda. Instead of the Politicians giving too many Promises for the welfare of rural population, it will be better they do something in practice. Rural banking must also be developed to practice the habit of saving among the rural folk. Agriculture production has to be increased not only through increase in yield but through increase in area under cultivation. Before investing the money every one need to analyze the portfolio of investment. Reliance and ICICI Mutual funds have launched MICRO-SIP plans to tap the rural investors savings. In rural India the Post offices and NGO's are attracting the savings. There are a lot of opportunities available for the growth of mutual fund companies through rural investors.

ACCESS TO CREDIT
One of the most pressing issues that hinder India's rural population from progress is the lack of access to credit. Farmer's suicide within the agricultural sector does not occur as a shocking matter as these poor citizens are deprived of monetary assistance when they are most in need. Survival is at stake here. The farmers' cries for help have been ignored as the damaging effects from the absence of credit loans tickles down the population. Apart from the healthcare of a farmer, the lack of access to credit also highly important as almost 80% the farmers own less than a hectare of land. The availability of credit allows farmers to be protected from the inflated costs faced in agriculture and also, improve the quality of fertilizers and hence the output. Indian government is trying to meet production targets and have a better control over prices of grains. Due to the critical shortage of agricultural output, India has to resort to banning grain exports and instead, drive up its import bills from wheat coming into the country. There has been so much attention focused on the industrial and services sector that the agricultural side has been largely neglected.

As commercial banks are not present in remote locations of India, where agriculture is supposed to thrive, it becomes an important limitation as the rural population has a strong dependence on it. Co-operative banks which have been set up previously were also doomed to fail as a result of bad loans and a lack of funds. These commercial banks have their own set of worries, as defaults and crop failures are common in the sector. As such, they prefer lending out to areas where each farmer owns a much larger proportion of land and also, have better irrigation systems. However, that does not solve the problem as the smaller farmers' (which forms a majority) issues remains unaddressed. There should be better banking systems established that is accessible and affordable to every person. It is obvious that the benefits of economic growth have not been equally shared among all as the access to credit is not granted to all. Economic opportunities ought to be created for the marginalized groups to help in poverty reduction and inequality problems. Further attempts made by the government to expand credit loans have ironically resulted in more cases of poverty than ever. The lack of access to formal credit thus places many constraints on agricultural output and also, the standards of living for the rural population thereby hindering their path to further economic and social development. It is clear from the above that "the Indian farmer is born in debt, lives in debt and dies in debt".

ISSUES AND CHALLENGES
There is slow down in agricultural and rural non-farm growth due to the following factors that is hampering the revival of growth:

- **Poor composition of public expenditures**: Public spending on agricultural subsidies is crowding out productivity-enhancing investments such as agricultural research and extension, as well as investments in rural infrastructure, and the health and education of the rural people. In 1999/2000, agricultural subsidies amounted to 3 percent of GDP and were over 7 times the public investments in the sector.

- **Over-regulation of domestic agricultural trade**: While economic and trade reforms in the 1990s helped to improve the incentive framework, over-regulation of domestic trade has increased costs, price risks and uncertainty, undermining the sector's competitiveness.
- **Government interventions in labor, land, and credit markets**: More rapid growth of the rural non-farm sector is constrained by government interventions in factor markets -- labor, land, and credit -- and in output markets, such as the small-scale reservation of enterprises.
- Inadequate infrastructure and services in rural areas.

PROBLEMS FACED CONCERNING RURAL CREDIT ARE:

- Inadequacy of credit
- High interest rates
- Constraints on timely availability of credit
- Neglect the small and marginal farmers
- Low deposit credit deposit ratios in several states
- Continued presence of informal markets

The group to submit its report on agricultural credit is the Task Force on Co-operative Credit System headed by Dr A. Vaidyanathan. It has come out with detailed recommendations for recapitalizing the credit system, subject to actions by the co-operative credit system and the Government itself formulating a new Co-operative Act. Importantly, it demands that Governments foreswear intervention in the functioning of co-operative societies. The cost for the total rehabilitation is estimated at roughly Rs 10,000 crore, which is relatively small compared to the magnitude of the task and the large number of co-operative institutions under revitalization. The Task Force must be complimented for attempting a clear, detailed and definitive package of rehabilitation for the co-operative credit system.

APPROACH TO RURAL BANKING

The Reserve Bank of India has a mandate relating to rural credit and banking by virtue of the provisions of Section 54 of the RBI Act. The major initiative in pursuance of this mandate was taken with sponsoring of All-India Rural Credit Survey in 1951-52. This study made agency-wise estimates of rural indebtedness and observed that cooperation has failed but it must succeed. This is the origin of the policy of extending formal credit through institutions. In the first stage, therefore, efforts were concentrated on developing and strengthening cooperative credit structures. The Reserve Bank of India has also been making financial contributions to the cooperative institutions through evolving institutional arrangements, especially for refinancing of credit to agriculture.

FINANCIAL RESULTS OF COOPERATIVE CREDIT SYSTEM 2005

State cooperative Banks	No: in Profits	30
	No: in Losses	25
	Accumulated losses (in crores)	281
District central cooperative Banks	No: in Profits	237
	No: in Losses	130
	Accumulated losses (in crores)	4401
Primary Agricultural cooperative banks	No: in Profits	58000
	No: in Losses	54000
	Accumulated losses (in crores)	4595

Sources: RBI Bulletin

THE COVENANT CENTRE FOR DEVELOPMENT (CCD)

It is clear from the above table that many of the cooperative Banks run by the government are not profitable. Hence steps were taken by NGO's to strengthen the position of rural community by forming some Organisations. CCD is a developmental organisation based in Madurai, Tamilnadu, India and working with rural communities of seven states in India. As a strong believer in the promotion of people's organisations, it strives to build the capacity of community based organisations to initiate and sustain need based development initiatives. Now CCD is working with other NGO's, mainstream service providers, resource organisations to contribute towards promoting secured livelihoods for the people. It's working with more than 20,000 families directly and other 30,000 families indirectly. The major areas of work are microfinance, promotion of community enterprises, conservation, and health and disaster rehabilitation.

Kazhi Kadaimadai Farmers Federation (KKFF) was founded as a formally registered not for profit trust in 2006, as an outcome of post tsunami response programme, implemented by Covenant Centre for Development, a non-governmental organization of Tamilnadu, India for the rehabilitation of the affected coastal farming communities in the Nagapattinam district of Tamilnadu. The major areas of work include institution building, risk reduction through appropriate technologies, microfinance, infrastructure development and developing agricultural entrepreneurs.

KKFF has existed as a rotating savings and credit institution based on principles of SHG micro-credit organization since inception (2006). The institution received a rotating credit fund as part of relief support to reclaim salinated agriculture land. KKFF raised bank loan and circulated
credit amongst members to reclaim salinated land as well as re-start agriculture production. KKFF is a farming community owned "Agriculture Finance" institution. The credits provided by KKFF could be used only for the purpose of agriculture production and value addition. Over last three years KKFF has built its portfolio of investment from 18, 31,292 INR to 75, 00,000 INR, its members have increased from 203 to 586 across 36 groups in 12 villages. KKFF has institutional financing partnership with the Grameen Foundation, Concern Worldwide and Canara Bank.

The financial sector reforms, which were introduced from 1991 onwards, were aimed at transforming the credit institutions into organizationally strong, financially viable and operationally efficient units. The measures introduced include reduction in budgetary support and concessionality of resources, preparation of Development Action Plans and signing of Memoranda of Understanding with the major controllers, and introduction of prudential norms relating to income recognition and asset classification for RRBs and cooperative banks. The lending rates for these institutions have also been deregulated. Other measures of liberalization include allowing non-target group financing for RRBs, direct financing for SCBs and CCBs, and liberalization in investment policies and non-fund business. These measures have contributed to many RRBs turning around and becoming more vibrant institutions. In the case of cooperative banks, there is greater awareness of the problems of officialisation and politicisation and initiatives in this regard include legislative actions on cooperative banks in Andhra Pradesh.

Recently, several policy initiatives have been taken to advance rural banking. These include additional capital contribution to NABARD by the RBI and the Government of India, recapitalisation and restructuring of RRBs, simplification of lending procedures as per the Gupta Committee recommendations, preparation of a special credit plans by public sector banks and launching of Kisan Credit Cards. Finally, a scheme linking self-help groups with banks has been launched under the aegis of NABARD to augment the resources of micro credit institutions. A Committee has gone into various measures for developing micro credit, and has submitted its report, which is under the consideration of the RBI. In respect of cooperatives, a Task Force under the chairmanship of my esteemed and affectionate colleague Shri Jagdish Capoor, Deputy Governor has been constituted to review the status and make recommendations for improvement. Undeniably, these initiatives have enabled a very wide network of rural financial institutions, development of banking culture, penetration of formal credit to rural areas and a counter to the dominance of moneylenders. These initiatives have also financed modernization of rural economies and implementation of anti-poverty and self-employment programmes.

CURRENT APPROACH TO RURAL CREDIT

- The cooperative banks have different layers and many of them have large non-performing assets (NPAs).and are undercapitalised. The public sector banking system also exhibits NPAs, and some of them have so far been provided with recapitalized funds.
- As per the All-India Debt and Investment Survey, 1991-92, the share of debt to institutional agencies in the case of rural households has increased marginally from 61.2 per cent to 64 per cent between 1981 and 1991
- The cost of financial intermediation by the various rural financial institutions is considered to be on the high side. The difference between the cost of resources made available to NABARD by Reserve Bank of India and the commercial rates of interest at which the cooperative banks lend for agriculture in the deregulated interest rate regime is also considered to be on the high side.
- Empirical studies indicate that institutional credit is more likely to be available for well to do among the rural community.
- It also indicates that relatively backward regions have less access to institutional credit.
- The non-availability of timely credit and the cumbersome procedures for obtaining credit are also attributed to the functioning of the financial institutions, though this is equally valid for rural and urban banking.
- Regarding Government sponsored schemes; there has been overlap in accountability in as much as the beneficiaries are identified on a joint basis. Banks have been indicating that NPAs are proportionately more due to this overlapping.

An important development in the formal segment of the rural financial markets is the growing Significance of non-banking financial companies, in particular, in hire purchase and leasing operations. They also finance traders of agricultural inputs and output. The NBFCs are recently brought under the regulatory regime of RBI. While their importance is recognized in financing diversified rural agriculture, its extent and scope of operations has not been adequately researched.

The Vaidyanathan Task Force has laid particular emphasis on eliminating State interference in the functioning of the co-operative system. With this end in view, it goes to the extent of making arrangements for retiring the share capital contributed to co-operative societies by State Governments. This contribution had been made in pursuance of the Rural Credit Review Committee's recommendations in the 1950s. While the participation by the State in the share capital of co-operatives was intended to strengthen the viability of the system, the Task Force feels that it has had the incidental and unintended consequence of legitimizing the interference of State Governments, mainly through representatives on the Boards of the co-operative institutions and detailed guidance and supervision. The Task Force recognizes that the co-operatives may not all be in a position to "fund" such returns of capital. As part of the recapitalization package, State Governments will be assisted to make a soft loan to the co-operatives.

REALITIES IN RURAL CREDIT MARKET

Promotion of Self-Help Groups and micro financing is an indirect admission of necessity of informal finance. The informal financial market is legal but officially unrecorded and they account for 70 to 80 per cent of debt transactions. Studies have also shown that many poor people have no access to formal and informal markets institutional credit.

In brief, the linkages between formal and informal markets are complex, contextual and dynamic. Like banks in other parts of the world, Indian banks will have to get interested in providing diversified range of financial products and services along with those that they are already providing, by using technological advances. A small beginning has been made in this direction, through initiatives on micro finance. Enhancing effective supply of credit in such rural financial markets would be a logical objective of policy, thus enlarging the current attention to include both directly disbursed credit by the banking or cooperative sectors and indirect supply.

FACTORS DETERMINING GROWTH OF MUTUAL FUND

The growth of the mutual fund sector, like any other sector of economic activity, is the result of the interaction of demand and supply. The value of traded shares is a better indicator of market liquidity, although it is also not free from weaknesses. It tends to be higher when equity prices are rising and lower when prices are falling, even though market liquidity and efficiency may not change. A more relevant measure of market efficiency and liquidity would be provided -by data on trading costs and price impact.

Many unexpected income shocks occur among rural community. It may be unexpected health related income shocks, death of the bread earner and fire accidents etc. health related income shocks are significantly likely to do so, in addition to the weather related income shocks. Joint families tackle the income shocks due to poor health by reducing liquid assets; nuclear families reduce it by stock of productive assets.

Poor rural and urban households in developing countries face substantial risks, which they handle with risk-management and risk-coping strategies, including self-insurance through savings and informal insurance mechanisms. Despite these mechanisms, however, vulnerability poverty linked to risk remains high. This article reviews the literature on poor households' use of risk-management and risk-coping strategies. It identifies the constraints on their effectiveness and discusses policy options. It shows that risk and lumpiness limit the opportunities to use assets as insurance, that entry constraints limit the usefulness of income diversification, and that informal risk-sharing provides only limited protection, leaving some of the poor exposed to very severe negative shocks. Public safety nets are likely to be beneficial, but their impact is sometimes limited, and they may have negative externalities on households that are not covered. Collecting more information on households' vulnerability to poverty—through both quantitative and qualitative methods—could help inform policy.

People who live in low income economies often have to cope, not only with severe poverty, but also with extremely variable income. The high prevalence of risk in low economies implies that people's ability to manage uncertainty is critical for both productivity and their mere survival. This paper examines the effects of income shocks on the saving decision of rural households i.e. how an unpredictable peculiar income shock affects the composition of asset portfolio of rural households. A sincere attempt is made to gauge the effects of unanticipated health and weather related income shocks on the saving decision of a rural household. This study uses an "Ordinary Least Squares Regression" to analyze the saving behavior of households in response to health and weather shocks. The significant finding of this study is that the volatility of income adds to poverty of rural households by forcing them to reduce stocks of productive assets in order to accumulate liquid assets. Results show that income shocks related to health are more significant to lead them to this than weather related income shocks. In view of the diversity of the structure of rural Indian households (like joint, nuclear and stem households); impact of income shocks has been studied for all categories of rural households. It reveals significant differences in savings behavior between nuclear and joint households. Since, the study has found very strong link between health and income (for low income level), poor are more susceptible to an unpredictable health shock. Hence, the policy implication of the present paper is that the income of rural households can be raised considerably if government tends to design and introduce the appropriate micro health insurance schemes keeping in view the different behavior of joint and nuclear households.

Farmers in India became the centre of considerable concern in the 1990s when the journalist P Sainath highlighted the large number of suicides among them. Official reports initially denied the farmer suicides but as more and more information came to light the government began to accept that farmers in India were under considerable stress. On figures there was much debate since the issue was so emotive. The government tried to underplay the cases of farmer deaths, intellectual supporters of the farmers preferred to inflate them. More than 17,500 farmers a year killed themselves between 2002 and 2006, according to experts who have analyzed government statistics. Others traced the increase in farmer suicides to the early 1990s.It was said, a comprehensive all-India study is still awaited, that most suicides occurred in states of Andhra Pradesh, Maharashtra, Karnataka, Kerala and Punjab. The situation was grim enough to force at least the Maharashtra government to set up a dedicated office to deal with farmer's distress.

In 2006, the state of Maharashtra, with 4,453 farmers' suicides accounted for over a quarter of the all-India total of 17,060, according to the National Crime Records Bureau (NCRB). NCRB also stated that there were at least 16,196 farmers' suicides in India in 2008, bringing the total since 1997 to 199,132. According to another study by the Bureau, while the number of farm suicides increased since 2001, the number of farmers has fallen, as thousands abandoning agriculture in distress. According to government data, over 5,000 farmers committed suicide in 2005-2009 in Maharashtra, while 1,313 cases reported by Andhra Pradesh between 2005 and 2007. In Karnataka the number stood at 1,003, since 2005-06 till August 2009. In the last four years, cases in Kerala were about 905, Gujarat 387, Punjab 75 and Tamil Nadu 26. In April 2009, the state of Chhattisgarh reported 1,500 farmers committed suicide due to debt and crop failure. At least 17,368 Indian farmers killed themselves in 2009, the worst figure for farm suicides in six years, according to data of the National Crime Records Bureau (NCRB).

HYPOTHESIS
H0: There is no relationship between income shock and death in rural India
H1: There is relationship between income shock and death in rural India

RELATIONSHIP BETWEEN INCOME SHOCK AND DEATH IN RURAL INDIA			
1000	2000	3000	5000
15	90	15	30
20	120	20	40
25	150	25	50
30	180	30	60
10	60	10	20

Calculated value of sum, mean, sum of square, variance and standard deviation.

Data summary			
Summary	Xa	Xb	d
N	5	5	5
Sum	561	985	76
Mean	112.2	97	15.2
Sumof square	67401	52263	2130
Ss	4456.8	5218	974.8
Variance	1114.2	1304.5	243.7
Sd	33.3796	36.1179	15.6109

T test			probability	
Mean a-mean b	T	D	One tailed	Two tailed
15.2	2.18	4	0.04752	0.095040

INFERENCE
There is a significant relationship between income shock and death in rural India.

FINDINGS OF THE STUDY
With World Bank support:

- Farmers' incomes have increased substantially
- The poorest farm families have benefited most
- An additional spring crop is being grown
- Paddy yields per hectare have tripled
- Farmers have diversified into higher value crops: vegetables, fruits, and oilseeds
- Output of milk and fish has risen
- Over 500 villages with almost 850,000 people are now connected with all weather roads
- Assam has become self-sufficient in rice production -- the staple food grain -- for the first time in decades.
- Mutual fund helps the rural population to increase their financial position. It is designed in such a way so that even a layman or an illiterate can understand the way it will function and will have no complex terms and conditions.
- The Mutual Fund is but one institutional mechanism to link the rural population to the corporate sector. The underlying premise of the Mutual Fund is the notion of creating possibilities for the poor to own corporate assets. Here monetary and fiscal policy can provide incentives to encourage the corporatisation of private wealth along with the reservation of space for equity ownership of this wealth by the rural public .M.F has the potential to become a big threat to low interest yielding insurance or post office products.
- The service sector is getting increasing importance in the rural areas also -from coffee shops to cable television operators. Assessing and meeting of credit needs of this sector is important.
- The integration between rural and urban areas has increased significantly, with the result, mobility of labour, capital, products and even credit between the two is increasing.
- Commercialization of agriculture, particularly the increasing role of cash crops like cotton has resulted in substantial role for suppliers' and buyers' credit. Thus, fertilizer and pesticide are supplied to farmers on credit, often on deferred payment basis. Only a few non-banking financial companies do provide indirect finance for such purpose.
- Rural agriculture is getting increasingly diversified in terms of products and processes.
- In areas where commercialization of agriculture has reached significant levels, the traditional landlord-based tenancy is replaced with commercial-based tenancy. Where intensive cultivation of cash crops such as cotton is called for, this has become quite common.
- With large work force in rural areas, there is increasing recourse to multiple occupations to earn a decent livelihood. For example, a small farmer is also a petty trader and may also be a satellite based cable television operator in the village.
- There is reason to seek and obtain consumption loans. Present arrangements in formal credit markets are inadequate to meet such requirements.
- While there is significant commercialization and diversification of rural economies, progress is very uneven in different parts of the country. So, there are still many areas, where exploitation of tribal's by money lenders or of agricultural laborers by landlord-money lenders still persists.
- Major part of informal markets would be local and hence savings would be locally deployed, within the rural areas.

SUGGESTIONS
- This suggests that policy interventions in health infrastructure might have a substantial impact on rural income and wellbeing.
- How can ordinary low-income earners, from rural background become rich? Start by saving and investing something regularly, even modest amounts, in anticipation of big returns in the future. The most feasible tool seems to be "Mutual Fund" specially designed to address the unique needs of the rural world.
- The only viable option is regular investment through a scheme similar to Systematic Investment Plan (SIP), a scheme where they can periodically invest a fixed sum, which could be as low as INR 500 per month. SIP works as a disciplined investment method as it forces you to buy even when the markets are low, which is actually the best time to buy. There will be no risk to the capital invested.

- The device needs to be backed up by some assurance from a trustworthy sponsor like the government or reputed business houses like Birla or, the mutual fund needs to bring in the option of adding to their investment in increments as small as Rs. 20 and as frequently as daily or weekly.
- So their challenge is to invent a new business model where they can create a distribution base effectively in all the villages in the world, and to learn to do that at one-tenth the cost of implementing it in the urban world. The Mutual fund might even partner with someone who is selling fertilizers or seeds or tractors.
- A classic case in point for the overall setup is Grameen Bank, Bangladesh. It has taken the initiative in launching the first Mutual Fund of the poor, where it is providing opportunities for investing a small fraction (15 Crore taka) of the savings of its members, in a managed, close-end, Mutual Fund which would invest its portfolio in the corporate sector. Many clues can be taken from this model to develop a similar instrument in other parts of the world.
- The farmers can be encouraged to form clusters to derive benefit in agricultural production. They can pool their lands provided they are not having irrigation source and are cultivating rain fed crops. If the Banks offer them lending hand there are chances of promoting agriculture.
- The biggest risk is the failure of the monsoon. What they have to do, is to ask if this is an insurable risk. Can they then sell this insurance to the farmers? Can this insurance be further reinsured outside the home country so that the risk was shared even more widely? This will create a win-win situation for all. The farmers will be liberated of the jeopardy of tribulations of monsoons. The same distribution channel will be used to sale insurance products. This protection provided to farmers will ensure a continuous flow.
- The next point of concern lies in redistribution of the retur**ns** as they understand simple things like the value of their money doubling in 5 years. This is possible considering a modest return of 14-15 % compounded annually over a horizon of 5 years. The money can be tripled in less than 9 years at the same interest rate. They can understand this concept better than the complicated NAV for MF.
- Large corporate houses must come forward so that the people at the bottom of the pyramid can have something to cheer about and lead a better life altogether. They should take up the responsibility of first creating awareness about such a thing by educating the masses about it and then taking up the cause of these people by developing a simple instrument of this kind.
- Presently the underdeveloped world is facing a crisis in the infrastructure sector. Once the growth story embraces this sector, the biggest gainer will be the villages. Government policies and employment generation programs will also improve the standard of living of rural masses by enhancing their per capita income.

CONCLUSION

Financial services, information technology will play the most vital part. Instead of making it too complicated by involving paper work, chip embedded cards can be issued to all the investors. The rural population is familiar with such cards like Kisan credit card, etc. These cards will store all the information regarding the investor and all the addition to the fund can be easily made without any paper work. The people who start investing for the marriage of the son/ daughter or retirement planning, etc can remain invested for a longer period of time. We can make this instrument a unique one where the investor can see his money grow and be encouraged to invest more money. People in rural areas should be educated about such instruments with the help of Gram Panchayats and other influential people in rural areas.

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