

Microfinance and its Roles in Dairy Sector of Kerala

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Abstract

Micro finance as a powerful tool and a novel concept emerged for eradication poverty at the grass roots through financial inclusion, economic and social development and attaining self-sufficiency. Micro finance enters in all areas as and sectors including the dairy sector in Kerala. Most of the farmers in the dairy sector are poor and difficulty to find capital of their own. Micro finance is one of the sources of capital for the farmers. Microfinance is a type of banking service that is provided to low-income or unemployed individuals who do not have access to typical banking services. Ultimately, the goal of the field is to give these individuals the opportunity to become self-sufficient and sustainably lift themselves out of poverty. Microfinance is a general term used to encompass a vast variety of financial services to serve the poor, such as microcredit, micro savings, micro insurance, and fund transfers. Sustainable growth and food security are the world biggest challenges, as the population is now over 7 billion people. Small enterprise producing traditional foods have a high social, economic and even ecological role as they usually are based on sustainable technology, their products are unique and thus competitive and are the source of jobs and income for many rural families acting as true guardians of the land. India remains the world's largest producer and consumer of milk

Keywords: Dairy Sector; Micro Finance; Poverty.

Introduction

Micro finance is one of the ways of building the capacities of the poor who are largely ignored by commercial banks and other lending institution and graduating them to sustainable self employment activities by providing them financial services like credit, savings and insurances [1]. To provide micro finance and other support services, Micro Finance Institutions should be able to sustain themselves for a long period. These credits can be sufficient to promote autonomous and profitable economic projects, expand the opportunity set faced by poor individuals and thereby alleviate poverty.

Inadequate access to credit by poor has been identified as one of the contributing factors to poverty. It is estimated that at least 400 million poor and low income people are not being served by microfinance program² Micro finance is not new. The concept and practice of credit groups and small savings have been operating across poor communities for centuries. The contemporary understanding of micro finance emerged in 1970s when Micro finances Institutions or organizations like Mohammad Yunus Grameen Bank began offering small credit solutions to unbankable poor people. Proliferation of Micro finance Institutions in India started after 1995 when the National Bank for Agricultural and Rural Development (NABARD) sponsored Self Help Group (SHG)- Bank Linkage Program (SLBP) became a successful poverty alleviation intervention tool.

Between the 1950s and 1980s Governments and donors focused on providing agricultural credit to small and marginal farmers in order to raise productivity and income. This kind of policy was given new shape by Dr. Muhammad Yunus who

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designed a credit program to serve the poor with his graduate students in Chittagong University in 1972. This piloted program later in 1983 named Grameen Bank in 2006 Nobel Foundation awarded Nobel prize to Dr Muhammad Yunus and his Grameen Bank. In this regard country like India has been seriously pursuing this new model of microfinance over the last couple of years to eradicate poverty with the help of NABARD.

Dairy Farming

India remains the world's largest producer and consumer of milk. The wilful efforts of people and the government reflected through successful implementation of programmes like Operation Flood, transformed India from its defect state in milk production to the world's milk producing country. India has the largest cattle and buffalo population in the world. Cows and buffaloes are the mail match animals, contribution 96 per cent of the total milk production of the country. The average milk yield of buffaloes and cows put together is much less than the global average. There are significant regional variations in the structure of dairying in the country. There are different issues faced by dairy industry in India.

In the agriculture and allied sectors of the economy Dairying play a very significant role? Dairying is treated as an important occupation especially women in rural areas in almost all countries across the world. Nearly one billion people live on dairying as important job and are operated through dairy farms and family type. Milk is treated as an important nutrient and is a vital part of the global food system for the sustainability of people in rural areas.

Loan from banks with refinance facility from NABARD is available for starting dairy farming. For obtaining bank loan, the farmers should apply to the nearest branch of a commercial or co-operative Bank in their area in the prescribed application form which is available in the branches of financing banks. The Technical Officer attached to or the Manager of the bank can help/give guidance to the farmers in preparing the project report to obtain bank loan.

Dairy Co-Operatives in Kerala

Considering that co-operative enterprises definitely build a better world and act as an important factor for development of the economy, the United Nation declared 2012 as the International Year of

Co-operatives (IYC). The UN's goals for this are to:

- a. Increase public awareness about co-operatives and their contributions to socio-economic development and the achievement of the Millennium Development Goals;
- b. Promote the formation and growth of co-operatives, and Encourage governments to establish policies, laws and regulations conducive to the formation, growth and stability of co-operatives;
- c. As a self-help group, a co-operative organization is widely accessible, especially for the impoverished and the marginalised;
- d. Co-operatives promote and support entrepreneurial development, creating productive employment and raising incomes; and
- e. Helping to reduce poverty while enhancing social inclusion, social protection and community building.

The International Labor Organization (ILO) has recognized the importance of Co-operatives as an instrument of development and stated that the establishment and growth of co-operatives should be regarded as one of the important instruments for economic, social and cultural development and human advancement.

The European Union (EU) affirmed that co-operative enterprises are key actors in the agenda for change of European Union Development Policy. According to them economic growth needs a favourable business environment and it is provided by the Co-operatives.

The International Co-operative Alliance (ICA) also supported United Nations proclamation of 2012 as International Year of Co-operatives highlighted that the United Nation considered co-operative business model and a major factor of economic and social development, promoting the fullest possible participation in the economic and social development of people in both the developed and developing countries of the world.

Co-operative enterprise remains strong in times of crisis, is a strong and unambiguous message to the world on the relevance of co-operative organisations' competency to withstand the onslaught of the present economic crisis experienced in the world over as the theme for the International Co-operative Day for the year 2013 by the International Co-operative Alliance.

The Co-operative model is a better choice and offers the basis for a more sustainable way to do

business when compared to traditional capitalist models now under scrutiny. All co-operatives share the values of democracy, solidarity, equality, self-help and self responsibility, creating businesses that serve the greater good as opposed to maximising profit for the very few is the special apart from others.

Total Milk Production in India

Due to the increased market for the product, they decided to start milk products factory. They were inspired by the experience in the field of production. Their major products are ice cream, halva and chocolates. The main raw material for the production of these products is milk. Therefore, they took a portion of collected milk remaining to Milma.

Table 1: Total Milk Production in India

Serial No	Year	Milk Production in lakh tonnes
1	2010-2011	1009
2	2011-2012	1045
3	2012-2013	1623
4	2014-2015	2020
5	2015-2016	2430

Milk Production in lakh tonnes

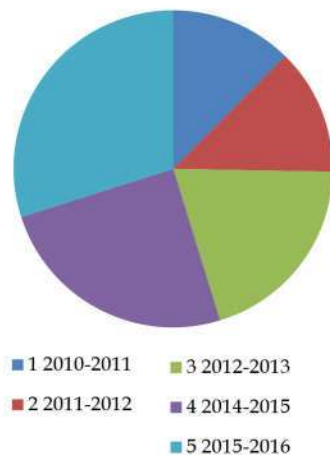


Fig. 1: Total Milk Production in India

Review of Literature

Bhasin (2014) [1] in an article pointed out that India has 210.82 million cows and 112.42 million buffaloes as per FAO Statistics 2012. India's cow milk contribution to the worldwide milk production is 9% while that of buffalo milk is 67% according to the Bulletin of World Dairy Situation 2013 and about 70% of milk production in India is

used in its raw form whereas the rest is processed into curd, ghee, milk powder and other dairy products.

Rahman (2015) [2] in an article on Project for Ensuring year Round Fodder Grass Supply to Milk Producers stated that the Malabar Union is going to implement a project to supply silage to dairy farmers with a view to curb the cost of production and to ensure quality fodder to the cattle. The Union also proposes to supply specially designed silage bags to the farmers to equip them to preserve fodder grass.

Bhagyashree S. Kunte and Sanjay Patankar (2015) [3] in a study on A Literature Review of Indian Dairy Industry concluded from the review of studies that the major issues revealed were related to lack of fodder and concentrates, scarcity of veterinary and diagnostic services, lack of information and technological awareness. These were common issues faced by dairy farmers in most of the regions of India

Ramphul Ohlan in an article on Dairy Economy of India: Structural Changes in Consumption and Production (2016) [4] evaluated the transformations in demand and supply of dairy products in India, identifying that the share of dairy products in the food basket has significantly increased among both rural and urban consumers. While demand for dairy products is highly elastic and related to income and regional disparities in production and per capital availability of milk in India.

Bommali (2017) [5] conducted a study on the impact of Micro Finance in Empowerment of Self- Help Groups' of women. The objective of the study is to evaluate the role of micro finance in the empowerment of women and to analysis the problems faced by them in availing financial support. The study concluded that microfinance has a profound influence on the economic status, decision making power, knowledge and self worthiness of women participants of self help group linkage program in Visakhapatnam.

Research Gap

From the review it can be seen that most of the studies are too aggressive or wherever disaggregation has been done. Most of the studies have been done covering the impact of micro finance for the micro financial institutions and SHGs, so there is enough scope of research in this area. Keeping this in view this study has been undertaken to cover the effect of micro finance on dairy sector, for poverty alleviation and whether micro finance has made any change for their life.

Has it improved their standard of living? This study tries to be covered in state of Kerala.

Significance of the Study

Poverty is one of the widespread hurdle in achieving higher escalation and attractive standard of living of the people in the majority of the low income countries. One of the major sources of livelihood for the world's poor is the livestock. It is an integral part of India's agricultural economy and plays a multifaceted role in providing livelihood support to the rural population. Livestock or dairy sector apart from contributing to national economy in general and to agricultural economy in particular, provides employment opportunities, asset creation, coping mechanism against crop failure and social and financial security. Dairying is the main source of animal protein for the population. Small and marginal farmers and landless laborers own majority of the livestock resources. The sustainable development of the dairy sector would lead to more inclusive development and empowerment of women. Dairy sector contributes 3.03% of the Gross State Value Added (GSVA) and 29.18% of the GSVA in agriculture and allied sectors during 2015-16.

Need for the Study

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India ranks first among the world's milk producing nations and the milk production during 2014-15 and 2015-16 was 1,463.10 lakh MT and 1,554.9 lakh MT respectively registering an annual growth rate of 6.27 per cent.

Among the major milk producing states in India, Kerala ranks 14th position with a production of 26.50 lakh MT in 2015-16 with an annual growth rate of 2.11 per cent, the first being Uttar Pradesh

followed by Rajasthan, Gujarat and Madhya Pradesh. During 2015-16 a total of 5929 lakh litres of milk was procured by the dairy co-operative societies in the State

Objectives

- To study the micro finance practices of dairy farmers.
- To study the role of microfinance in Kerala dairy sector upliftment.
- To identify the effect of microfinance for poverty reduction.
- To analyse the effect of micro finance for satisfying their basic needs of dairy sector beneficiaries.

Limitations of the Study

The present study examined the various dynamics of production and marketing of milk in Kerala from the perspective of the ultimate stakeholders, the producer farmers, as such the role and dynamics of the organisational network of cooperatives were not included in the purview of the study. The scope of the study was limited to the pre-production and production activities undertaken by the farmers at household level till the disposal of milk to the primary dairy cooperative society.

Data Analysis and Methodology

The study is exploratory and analytical in nature as very few studies have been conducted in the present context. Primary data for the study was collected from the members of the various SHGs in the study area. 120 SHGs were identified covering all the villages in of Kerala, and one member from each group was selected as the respondent on a simple random sampling basis. A structured interview schedule was administered personally for each member. Secondary data was collected from articles published in journals, financial institutions, reports, newspapers, websites, research abstracts, books, e-books, and theses submitted to various universities. The gathered data was analysed using Statistical Package for Social Sciences (SPSS) package.

Data Collection Tool

A questionnaire was designed to collect data from the sample with regard to the following: income, assets, debts, savings and expenditure

patterns (before and after they ventured into Micro Finance).

Results and Discussion

The results of the study demonstrated that the role of microfinance has a strong relationship with income, education, and business progress on dairy sector. However, the role of microfinance shows no significant effect on health care. The result suggested that the microfinance plays an important role on reducing poverty, improving income of household, improves access to children's education and also supports improving business for poor people. They found that interest free loans could be used as a powerful tool against poverty.

We make the following recommendations to sustain microfinance and make it effective and fulfilling.

Education and training should be provided for microfinance beneficiaries on how to efficiently utilize the funds. Interest charged on microfinance products should be reduced. Further, management and staff of microfinance institutions must be given the needed training and education to help build and strengthen the skill, competencies and abilities for effective service delivery. Efforts should also be made to reach the poor who are the target of microfinance policies and programs.

Furthermore, since the poor do not have collateral, management and staff should make available to them tailor-made unsecured products. Loan products should be of a longer duration to give beneficiaries opportunities to generate future income out of the borrowed money. Loans should not be callable by the financial institution prior to maturity.

Lastly, the Government should create sound political and economic environments for smooth operations and performance. Without such an environment, no business will thrive. Borrowers need sound economic environments to make a return on their borrowed funds.

Monthly Income

Income measures the financial stability of a family. It measures the purchasing power of the respondents to take care of basic household expenses, education of children and the like. It was found that starting a business had an impact on the monthly income of the respondents.

Conclusion

As the microfinance industry is developing very rapidly, institutions are increasingly concerned with developing new products and services. The microfinance industry has experienced dramatic growth during the last two decades, in general and the last decade, in particular.

This study indicates that micro finance has made rapid changes for the beneficiaries of dairy sector and it has improved their standard of living. Although the dynamics underlying the micro finance industry have shifted to a new phenomenon that many decision makers still do not fully understand, the risks need to be managed efficiently in the industry of micro finance. The members working under micro finance are able to lead a better life compared to when they were before. They are able to provide better facilities for their family and also provide better education to their children. The next decade will most probably see a continuation of this growth. Such growth is not only sought by many MFIs but also needed in most countries because the unnerved and underserved markets continue to remain large. There should be also good support from government side.

Further schemes should be introduced to support the dairy farmers, proper market and training programmes should be given for them. Proper awareness also should be given for dairy farmers to increase production and improve the productivity of milk.

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