

Shortcomings of Microfinance Schemes in Haryana: An Interpretive Structural Modelling Approach

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Abstract

Microfinance has emerged as a world-wide tool for poverty alleviation. Haryana has been chosen as the sample state for this study as a number of microfinance projects and schemes have been initiated by both government and non government organizations for the promotion of microfinance. The programmes have not gained the desired momentum and results are far below desirable levels and Haryana is still grappling with the development of backward districts like Mewat. This is therefore the right time to investigate the reasons for the underachievement of targets of various schemes under microfinance. The purpose of this paper is to identify the variables and their interrelationships causing shortfalls in the desired impact of microfinance schemes or leading to underachievement of targets. The interrelationships of the variables have been derived using interpretive structural modelling.

I. Introduction

ONE OF THE major objectives of any government is the economic development of the country, which is inextricably linked both with poverty alleviation and financial inclusion. Microfinance's ability as a tool for both has gained much praise and acceptance and as such microfinance has been employed in most countries both developed and developing alike. The recognition gained by Muhammad Yunus, one of the main pioneers of microfinance, further thrust microfinance into the limelight. The field of microfinance, hence, became the favourite of public policy makers. However, in many cases, the next stage after limelight is the backlash as critics point to flaws in the idea and new evidence raises questions about policy or program effectiveness.

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of the microfinance projects were not able to benefit the recipients because the program was neither well equipped nor knowledgeable about the environment they were working in. The administration of microfinance organizations need to educate themselves about their clients and the environment before lending out loans. If applied correctly, microfinance can truly be the harbinger of change in society.

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