



A STUDY ON ROLE OF MICRO FINANCE IN FINANCIAL INCLUSION IN INDIA;

BY;

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Abstract;

Micro finance has grown over the last two decades into an important sub-field of development studies. This special issue of Oxford Development Studies explores the contributions of MF, drawing particularly on research conducted in India. After a brief overview of the emergence of MF as a research field, this introduction develops three themes. First, MF interventions generally involve, and assume a process of transformation of, financially excluded people and groups who are not fully dominated by the logic of market exchange but have histories, culture, social relationships and politics structured by other kinds of authority and dynamics. Second, understanding MF interventions at the local level requires the social and political analysis of global development architecture, while MF may also play a role in consolidating or cementing global political economy at its base. Third, MF interventions have provided fertile ground for research into the causes and consequences of poverty.

Keywords; microfinance, financial inclusion, interventions, banking, movements.

Introduction;

Micro finance, also called microcredit, is a type of banking service that is provided to unemployed or low income. Individuals or groups who otherwise would have no other access to financial services.

Microfinance initially had a limited definition - the provision of microloans to poor entrepreneurs and small businesses lacking access to [banking](#) and related services. The two main mechanisms for the delivery of financial services to such clients were:

(1) relationship-based banking for individual entrepreneurs and small businesses (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

Over time, microfinance has emerged as a larger [movement](#) whose object is "a world in which as everyone, especially the poor and socially marginalized people and households have access to a wide range of affordable, high quality financial products and services, including not just credit but also [savings](#), [insurance](#), payment services, and [fund transfers](#)." Many of those who promote microfinance generally believe that such access will help poor people out of [poverty](#), including participants in the [Microcredit Summit Campaign](#). For many, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses; for others it is a way for poor to manage their finances more effectively and take advantage of economic opportunities while managing the risks. The terms have evolved - from micro-credit to micro-finance, and now 'financial inclusion'.

Microfinance is a broad category of services, which includes [microcredit](#). Microcredit is only about provision of credit services to poor clients; only one of the aspects of microfinance, and the two are often confused. Critics often point to some of the ills of micro-credit that can create indebtedness. Due to diverse contexts in which microfinance operates, and the broad range of microfinance services, it is neither possible nor wise to have a generalized view of impacts microfinance may create. Many studies have tried to assess its impacts.¹ Proponents often claim that microfinance lifts people out of poverty, but the evidence is mixed. What it does do, however, is to enhance [financial inclusion](#).

Microcredit organizations were initially created as alternatives to the "loan-sharks" known to take advantage of clients. Indeed, many microlenders began as non-profit organizations and operated with government funds or private subsidies. .

Many microcredit organizations now function as independent banks. This has led to their charging higher interest rates on loans and placing more emphasis on savings programs.

Even so, the numbers indicate that ethical microlending and investor profit can go hand-in-hand. In the 1990s a rural finance minister in Indonesia showed how Unit Desha could lower its rates by about 8% while still bringing attractive returns to investors.

In addition to traditional operators, such as microfinance institutions, credit co-operatives and banks, other entities, including mobile network operators are using technology to develop new delivery methods to bring these services to the poor, sometimes in partnership with existing financial institutions.

Access to financial services is a key element in the process of socio-economic empowerment of the financially under-served section of society.

Existing financial intermediaries like micro finance institution(MFIs) can play a significant role in enhancing the levels of financial inclusion in the country by reaching out to the 'last mile' and thereby sharing the responsibilities of the government.

ICICI bank provides financial assistance to select MFIs in the form of term loans. The bank also invests in pass through certificates where the underlying components of loans organized by MFIs. Besides, the bank also provides other value added services to MFIs like cash management services, savings/salary for their staff and treasury products which enable them to invest their liquid funds.

OBJECTS OF THE STUDY:

- Is there is a need of micro finance in financial inclusion.
- To know how micro finance is helpful to the people.
- To know tools of financial inclusion.

Advantages of microfinance:

1. It allows people to better provide for their families.
2. It gives people access to credit.
3. It serves those who are often overlooked in society.
4. It offers a better overall loan repayment rate than traditional banking products.
5. It provides families with an opportunity to provide an education to their children.
6. It creates the possibility of future investments.
7. It is a sustainable process.
8. It can create real jobs to the people.

Limitations of microfinance:

1. they deal with low volume of money ; there is a limitation on the amount that they can deal with ;
2. they provide loans against no collateral and at any times , the risk of non payment can arise ;
3. their bad debts are quite high ;
4. they ca n't service more than a certain number of customers .

Microfinance Institution should provide multiple purpose loans or composite Microfinance Institution should provide multiple purpose loans or composite credit for income generating activities and consumption purposes and it is important for commencing new economic activity and deriving affirmative income.

Therefore, taking adequate steps to bridge the gap between exclusion and inclusion in accessing and usage is necessary through microfinance institutions for financial inclusion.

The Government has considered that financial inclusion programs are an important measure to bring financially excluded people within the fold of the formal financial sectors.

ANALYSIS and FINDINGS

- All category of people are taking loans for different purpose are;
For agricultural activities
For constructing home
For purchasing the needy things
- Most of the time they are taking the loan from money lenders at high rate of interest because of easy availability
- Self help group also playing major role

Hypothesis

For the study I had hypothesis that all people are stood by using credit facility

But it's not true. After taking loan from different sources also they are facing many problems.

Suggestions

- Banks should provide the loans at the needy time
- Purpose of the credit should be analysed properly
- There is necessary of avoiding that taking loan from money lenders
- Labour class should be educated properly .

CONCLUSIONS ;

Microfinance Institution fulfills the diverse needs of poor group of people in terms of offering different products like micro credit, micro saving, micro insurance and micro finance training both for personal and business loans. Micro credit will enable expansion of microenterprises and reduce reliance on expensive informal sources. Micro saving enables to purchase of productive assets and confidentiality. Micro insurance reduces impact of external shocks and life protection. Training for development of business and proper utilization of funds.

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