

MICROFINANCE IN INDIA: ISSUES AND CHALLENGES

Prakash Gangadharrao Kadrekar

Associate Professor , H.O.D & Vice Principal , Degloor College , Degloor ,
Dist - Nanded (MS)

Abstract:

Indian Government has made diverse strides for mitigating destitution since Independence. In any case, regardless of the different endeavors, just about 33% of aggregate populace in India is still beneath the destitution line. It has been watched that most of the poor are in the rustic territories. Advance, alongside this neediness situation, no satisfactory work has been produced in the work advertise in India. Credit can help the poor in taking up wage era exercises which will thusly enhance their way of life. "Microfinance is the arrangement of budgetary administrations to low-wage customers or solidarity loaning bunches including purchasers and the independently employed, who customarily need access to managing an account and related administrations." Microfinance is thought to be progressive since it goes for overhauling the poorest of poor people, who were up till now viewed as unfit for financing of any sort with the exception of philanthropy. It goes about as an impetus to sort out the sloppy for social change. In any case, the effort is too little when contrasted with the necessity and potential. Right now India is thought to be the biggest developing business sector for microfinance. It has been developing in India at an enduring pace over the previous decade. Aside from this development there are a few issues and difficulties worried with it. This lays accentuation on the issues, issues and difficulties winning in India with respect to the Microfinance. An endeavor is made through the paper to develop procedures to take care of these issues and issues.

KEYWORD:

Microfinance, Self Help Groups, MFIs, Poverty Alleviation.

INTRODUCTION :

Legislature of India has made different strides for lightening destitution since Independence. In any case, regardless of the different endeavors, very nearly 27 percent of aggregate populace in India still keeps on being beneath the destitution line. It is recognized that the vast majority of the poor are in the rustic territories. Assist, alongside this destitution situation, no satisfactory work has been produced in the work showcase in India. This might be one reason for the diligence of destitution. Poor embrace different adapting systems to surmount their destitution circumstance. Credit, Asset Selling and Migration are a portion of the famous adapting techniques received by the poor in India. Improvement Economists have throughout the years suggested that

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credit is one of the best methodologies to beat the issue of destitution. Credit can help the poor in taking up pay era exercises which will thusly enhance their way of life. Microfinance is thought to be progressive since it goes for overhauling the poorest of poor people, who were up till now viewed as unfit for financing of any sort aside from philanthropy Microfinance is one of the results of new formative deduction and approach making. It is a one of a kind amalgamation of modern (counting money related) and institutional changes in the present situation of advancement financial matters.

MICROFINANCE AND MICROFINANCE INSTITUTIONS

Miniaturized scale Finance is an inventive word and is especially some portion of the vocabulary today. It constitutes two words: Micro and fund, which could mean little credit or "microcredit". In any case, the idea of smaller scale fund goes a long ways past little credit and it is to be noticed that not all little credit is Microfinance. Microfinance is a developing marvel that opens access to capital for people already close out from budgetary administrations. Microfinance constitutes different monetary administrations, which for the most part incorporates investment funds and credit. It additionally incorporates different administrations like protection, coordinated to at last advantage poor people or burdened area of the populace, particularly the individuals who are financially poor. This is regularly went down with an assortment of bolster administrations, for example, empowering and arranging poor people and helping them construct in reverse and forward linkages with other supporting establishments. The design is to give funding to help the poor to accomplish independence.

Microfinance organizations are not a particular lawful institutional shape - commonly, microfinance is viewed as a line of business. Among the Indian establishments offering microfinance administrations, there are Non-Government Organizations (NGOs), Private Foundations/Trusts, Cooperatives, Commercial Banks, Regional Rural Banks (RRBs), Local Area Banks (LABS) and in addition specific Non-Banking Financial Institutions (NBFCs). As of now India is thought to be the biggest developing business sector for microfinance. It has been developing in India at a consistent pace over the previous decade. At present Reserve Bank of India is concentrating on need area loaning and subsequently banks have turned out to be more forceful in loaning to country customers.

REVIEW OF LITERATURE

As indicated by Dr. Siddharth G. Das et al.(2013) have concentrated on Strategies to Counter Microfinance Delivery Challenges. The significant obstacles in fruitful conveyance of microfinance can be overcome through advancement in operational methodologies to deal with these large scale and smaller scale challenges. As per Report of India Brand Equity establishment (2013) by the Use of IT for checking, expanding profitability and effectiveness, Internet-based financing model Microfinance difficulties can be overcome. As attested by Medatwal Chandan(2013) advance of SHGs is not up to the stamp. It ought to be enhanced through different plans and programs and there is

have to discover the components in SHGs programs, which have more prominent effect on the strengthening of ladies. Sibhatullah Nasir (2013) found the contemporary issues and difficulties in microfinance. Padamcholans Mahanta et al. (2012) has depicted the present status of Microfinance in India.

MICROFINANCE ISSUES AND CHALLENGES

Microfinance foundations are not perfect, they do have a few downsides. Notwithstanding critical advance of different microfinance projects and improvement plots there are a few issues:

1. Danger of inability to pay

There is vulnerability in regards to the loaning to monetarily weaker segment of society. The rustic poor have anomaly/unpredictability in pay streams and consumption designs, and there is probability of systemic dangers, for example, trim disappointments or a fall in item costs, and in this way, may confront genuine challenges adjusting advances. So banks have bona fide concerns while managing the rustic poor, and have a tendency to recognize such credits as unsafe.

2. Absence of data

There are different wellsprings of credit data in India, yet none of these spotlights on little, country borrowers. Credit data on such borrowers is hard to acquire on the grounds that most of the rustic poor depend on moneylenders and other casual loan specialists, and it is not in light of a legitimate concern for such banks to pass on a borrower's decent credit reimbursement record to different suppliers of fund.

3. Feeble administrative structure

Government has not possessed the capacity to create and uphold a lawful and administrative system helpful for rustic back, so contract configuration, contract renegotiation, and contract authorization stay powerless, making it significantly more troublesome for lenders to give borrowers the correct motivations for reimbursement.

STRATEGIES TO FACE ISSUES AND CHALLENGES

Microfinance gives the best stage to the weaker segments of society. Thinking about the issues and difficulties, we can make a few proposals.

1. Microfinance projects and gathering development ought to be taken care of via prepared faculty in an expert way.
2. Driving banks and industry advancements must be contemplated for area astute and square insightful financial open doors and asset mapping.
3. The aptitudes ought to be bestowed through different preparing projects to provincial poor for limit building.
4. New help gatherings ought to be framed and quality standard ought to be engaged for new and revamped bunches.
5. Co-appointment advisory groups ought to be framed for better linkage/relationship among various SHGs working in various ranges.
6. The microfinance projects ought not be confined just to meet the budgetary needs of ladies additionally incorporate privileges and status of ladies.

7. Significant money related speculations are required for the advancement of various self improvement gatherings. These money related assets must be arranged according to a solid, long haul activity arrange.
8. For control of loan costs of microcredit foundations, administrative structure ought to be set up, in view of straightforwardness and keeping away from shrouded cost.
9. Extraordinary leagues must be built up to provide food the value needs of MFIs.
10. There ought to be mindfulness working among poor through different media programs.
11. Guarantee the uniform dissemination of miniaturized scale financing in both provincial and urban zones of each conditions of India.
12. Including Microfinance into sectorwide approaches (SWAPs) to improve the commitment of Microfinance to more extensive financial development and destitution lessening.
13. Overviews ought to be led by NSSO and State govt. to gather data and measurements about advance of Microfinance projects.
14. Small scale protection administrations ought to be given to shield the poor from money related stuns.
15. Data and Communication Technology ought to be received for execution of different credit programs.

CONCLUSION

Microfinance is exceptionally essential in India to accomplish money related consideration of the poor in the country and urban regions. Lending to the poor populace if taken care of in a powerful way it can be a marvel for the advancement of the nation and easing of Poverty. On the off chance that administration and MFIs act together then microcredit can assume an extraordinary part in neediness lightening. MFIs are the establishment foundations offering money related administrations to low wage individuals. They have been proactive during the time spent far reaching development in India by their novel methodologies. They have enthused with the progression of time. They are fluctuating to improve things. With the arrangement of money related and social administrations and helping the individuals set in motion reimbursement morals and social solidarity they can be answer for country neediness and backwardness. They have enormous potential not just as an arrangement of shared (p2p) lending additionally as a chance of social holding. The Micro Finance Institutions will from this time forward need to hold up under as a top priority that they won't simply contend with themselves additionally with other critical performing artists in the entire business. Their genuine achievement will rely on upon the potential, reach and straightforwardness, both from the money related side and from the social side. Openness, responsibility and supportability in every one of their operations will cause the MFIs to lift themselves as social architects, adequately.

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