

ROLE OF MICRO FINANCE IN ECONOMIC GROWTH

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Abstract:

The starting point of Micro bank or miniaturized scale credit can be followed to the 1976 when Mohammed Yunus set up the Grameen Bank investigate the edges of Chittagong University grounds as a trial Grameen we mean country or town in Bangladesh dialect These Grameen banks give advances to the poor who don't have anything to set up for guarantee Grameen banks are the biggest rustic money related establishment in Bangladesh Their loaning rules and strategies are predominantly for ladies, 97% are ladies as far as customers, Grameen Bank is doing To most, Miorofinance means furnishing extremely poor families with little advances to help them take part in beneficial exercises or develop their independent ventures.

KEYWORD:

Micro finance, micro credit, small businesses, economic growth.

INTRODUCTION :

Like us, many poor people need and use financial services all the time They save and borrow, invest in home repairs and improvements and meet occasional and domestic expenses such as food and training fees However, there are some 500 million low income entrepreneurs in the world and about 5% have access to financial services Indeed, the financial services available to the poor often have serious limitations in terms of cost, risk and convenience. As a result, over time, Microfinance has come to include a broader range of services as the industry has come to realize that the poor and the very poor who lack access to traditional formal financial institutions require a variety of financial products.

A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining

financial services Ultimately, the goal of Micro finance to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

Micro financing is not a new concept Small microcredit operations have existed since the mid 1700s. Although most modern Microfinance institutions operate in developing countries, the rate of payment default for loans is surprisingly low-more than 90% of loans are repaid.

- Like customary keeping money operations, Microfinance organizations must charge their moneylenders advantages on advances While these loan fees are by and large lower than those offered by typical banks, a few rivals of this idea denounce Microfinance operations for making benefits off of poor people, It is a device for strengthening of the poorest; the higher the pay and better the advantage position of the borrower, the lower the incremental advantage from further equivalent dosages of smaller scale credit is probably going to be.

- Delivery is regularly through Self Help Groups (SHGs).

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- It is basically to promote independent work; the chances of wage business are constrained in creating nations miniaturized scale fund builds the profitability of independent work in the casual area of the economy - for the most part utilized for (a) immediate pay era (b) reworking of advantages and liabilities for the family unit to partake in future open doors and (c) utilization smoothing.
- It is not only a financing framework, but rather an apparatus for social change, particularly for ladies it doesn't spring from market drives alone it is possibly welfare improving there is an open enthusiasm for advancing the development of miniaturized scale back this is the thing that makes it worthy as a legitimate objective for open strategy.
- Because miniaturized scale credit is gone for the poorest, smaller scale back loaning innovation needs to emulate the casual moneylenders as opposed to the formal area loaning It has to a) accommodate regularity (b) permit reimbursement adaptability (c) shun bureaucratic and legitimate customs (d) settle a roof on advance sizes.

COMPONENTS OF MICRO FINANCE

Some essential components of miniaturized scale back are as per the following:

- a) Micro back is an apparatus for strengthening of the poorest ladies.
- b) Micro fund is basically to promote independent work the chance of wage business is restricted in creating nations not builds the profitability of work in the casual area of the economy.
- c) Micro back is not only a financing framework, but rather an apparatus for social change, particularly for ladies.
- d) Micro credit is gone for the poorest, smaller scale back loaning innovation needs to imitate the casual moneylenders instead of formal division loaning.

Profile of Micro Finance In India

The profile of small scale fund in India at present can be followed out as far as neediness it is evaluated that 350 million individuals live Below Poverty Line The accompanying are a few parts of smaller scale back:

- a) This means around 75 million family units
- b) Annual credit request by the poor in the nation is assessed to be about Rs 60,000 crores.
- c) A total payment under all smaller scale fund projects is just about Rs 5000 crores.
- d) Total extraordinary of all small scale back activity in India evaluated to be Rs 1600 crores.
- e) Only around 5% of rustic poor have entry to small scale back.
- f) Though an aggregate of around 20 million families have acknowledged gotten to.
- g) While 10% loaning to weaker segments is required for business banks, they neither have the system for loaning and supervision on a bigger scale or the certainty to offer term advance to enormous small scale fund foundations.
- h) The non poor include 29% of the effort.

The idea of the credit union was produced by Friedrich Wilhelm Raiffeisen and his supporters. Their unselfish activity was persuaded by worry to help the provincial populace to break out of their reliance on moneylenders and to enhance their welfare. From 1870, the unions extended quickly over substantial part of the Rhine Province and different locales of the German states

WOMEN'S MICRO-ENTERPRISES

Considering the entrepreneurial environment, women's activities are very interesting as they offer a great source of knowledge and innovation. For example there is no single type of female micro-entrepreneur, they differ in social background, educational level, experience and age. Another interesting factor is their strong social coherence that allows them to maintain strong communications channels at all levels.

In general terms, female-led microenterprises tend to be associated with activities that provide part-time employment. They are small in size and have loose, informal structures, require very little start-up capital, and little or no formal education on the other hand, many women entrepreneurs in the developing world remain illiterate and live in poor rural communities.

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WOMEN AND MICRO FINANCE

Although men, as well as women, face difficulties in establishing an additional enterprise, women have barriers to overcome. Among them are negative socio-cultural attitudes, legal barriers, practical external barriers, lack of education and personal difficulties.

In spite of this, for women and especially for poor women, micro enterprise ownership has emerged as a strategy for economical survival, one of the most essential factors contributing to success in micro entrepreneurship is access to capital and financial services. For various reasons women have headless access to these services than men.

CHALLENGES BEFORE MICROFINANCE

Just like any other new venture, Microfinance too faces obstacles that will eventually be ironed out as governments alter their priorities, and as the commercial sector understands the economic viability of the development sector, considering the relative immunity of the Microfinance sector to the global financial meltdown. Already, a few encouraging trends have emerged in the Microfinance sector.

The situation on the ground seems to have remained largely unchanged since we covered the story here: collections in Andhra Pradesh are still on hold, the MFIs remain on the defensive (it seems that sks's "voluntary" interest rate cap approach is now being more widely adopted), and the scope and nature of regulation in the Indian market remains vague. This is so far an Indian story(though there are also unrelated worries in Bangladesh) but it raises a lot of questions about what we can or should expect from Microfinance and what the right way to regulate what is now a pretty big market.

CONCLUSION

Microfinance programme has evolved as a development tool over the last three decades. As far as methodologies is concerned, there are various different models to deliver microfinance services and schemes to the rural ad poor members. In last ten years, this sector has achieved a great success in outreach of financial services to the participants. However, the impact of microfinance on poverty and income level is not successful all over the nation. In northern, eastern and central region, it has experienced low growth. The literature available on microfinance programme claimed that it enabled people to earn their livelihood, to generate self employment and to improve their socio-economic conditions.

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