Microfinance and Financial Development

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Abstract:
The microfinance has many socio-economic implications as it reduces poverty, improves the standard of living, per capita income, women empowerment and education. The study is organized near the comprehensive process model consisting of three propositions which are derived from the literature review. The small medium enterprises (SMEs) in a social manner and presents income, women empowerment and education. The study is organized near the comprehensive process model consisting of three propositions which are derived from the literature review. The small medium enterprises (SMEs) in a social manner and presents income, women empowerment and education.

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III. OBJECTIVE/PURPOSE OF RESEARCH

To understand the basic concept and deliver models of microfinance and financial development in India.
To examine the current status of poverty line in country and attempts of micro finance institutions to reduce that line.
To study the impact of micro finance in endorsement in social economic status of women by providing micro credits and micro loans.
Development of social entrepreneurship.
To know about connection between SHG members, micro finance banks, micro financing institutions and entrepreneur’s women.
To clarify the drawback of microfinance programmes.
To study various kind of support service necessary to maximize the contribution of microfinance services.

Keywords: Microfinance, entrepreneurship development, small medium enterprises (SMEs), micro finance institutions (MFIs), poverty reduction, woman empowerment.

I. INTRODUCTION

Microfinance is a kind of financial service mark group of people which is excluding from regular banking and related services, microfinance was born from the Franciscan monks who founded community oriented pawnshops in 15th century for ECUM and Muhammad Yunus started in Bangladesh in 1976 to strengthen the working capital in the entrepreneurial activities of 42 women in the village of Jobra district. Microfinance is about giving poor people, especially women, individuals having low income or people who are unable to avail the service of banking and related services around the country, so that to enhance their business from micro loans and micro credit. Microfinance is an old theory as it was started back in 19th century to initially help women having lack of financial capacity, when money lenders were informally performing the role of now formal financial institutions around different areas in nation. Over the past two decades, various development approaches have been hitch by policymakers, international development agencies, NGOs, and others aimed at poverty reduction in developing countries as well as under developed countries. Among these some have become increasingly popular since the early 1990s, involves microfinance schemes, which provide financial services in the form of savings and credit opportunities to the working poor. According to the records of World Bank as India is the second most populated country in the world, it falls under low income class,70% of its present population lives in rural area. More than 60% of people depend on agriculture; as a result, rate of unemployment is high. Rural people have very low access to institutionalized credit (from commercial bank) and financial inclusion. From the origin of micro-financing concept, main focus of the any country whether at national as well as international level to rebate poverty. Within this structure, various steps have been taken by government to provide various competence among people of the country through different platforms. Microfinance has caught the attention as an effective tool for poverty minimization and socio-economic development like:

- Improving per capita income,
- Level of Agricultural income by providing micro financing,
- Increasing Industrial development by supporting individual or groups
- Occupational structure
- Level of Educational Development
- Health status

Hence Microfinance can play a vital role for improving the standard of living of poor by enhancing above factors in the country and around the world. In India, the beginning of microfinance movement could be drawn to Self Help Group (SHG) – Bank Linkage Programme (SBLP) started as a pilot project in 1992 by NABARD for development of India as microfinance. NABARD proved to be very successful and has also developed as the most popular model of microfinance in India not only development but also women empowerment. The regulatory framework for microfinance in India is not equal as microfinance is now provided by commercial bank, regional rural banks, the SHG’s, cooperative societies and institutions that take various forms, including those of NGO’s and non-bank financial institutions and other.
To study potential hindrance in the development of woman entrepreneurship.

III. LITERATURE REVIEW

Kumar Vidin ET. al. (2015) study bring down curtains that the Self-help group and micro-financing institution are playing a huge role in delivering microfinance services which leads to constant development of poor and low income people in country. However, slow progress of Self-help members, poor quality of group functioning, dropout of members from groups etc., have also been reported. While studying various finding from different parts of the country which need to be taken into account while designing the road map for the next phase of the Self-help group programme.

Nikita (2014) study consummate that first time in the year 2012-13 after the launch of self-help group, there is a growth in the loan outstanding of self-help group and which was responsible for increases in non-performing assets. At the end it was discovered that when the agency wise loan issued to micro-financing institutions, the major share belongs to commercial banks. She also suggested that corrective steps should be taken to improve the performances of programs launched under Microfinance on timely bases.

MA hanta ET. al. (2012) Study acknowledged that lending small finance to the poor through microcredit is not the end of the problem but beginning of a new era. If efficaciously handle, it can create miracle in the field of poverty alleviation. Government cannot forgo its responsibility of social and economic development of poor and distressed. The absence of any special skills with the clients of microcredit and microloan, the fund is being used in consumption and procurement of non-performing assets and fixed assets. However, it is necessary to provide skill development training programs like handicraft, weaving, carpentry, poultry, goat rearing, masonry, bees farming, vegetable farming and many other agricultural as well as non-agricultural training. Government has to play proactive role in this case for earning purpose of woman side. People with some special skills shall be priorities to lend microcredit. These clients should also be provided with post loan technical and professional aid for success of their post loan technical and professional aid for success of their microenterprises. If government and Micro-financing institution act together then microcredit can play a great role in poverty alleviation.

Marathi Ram Prasad, Suita and Lama Suita (2011) oversight study on Emergency and Impact of Micro-Finance on Indian Scenario. India has reached in take off stage in microfinance after pioneering efforts of Banks, Government, NGOs, etc. An attempt could be initiated to promote a force of new generation micro-credit leaders in order to strengthen the development of Micro-Finance Institution (MFIs), so as to optimize their contribution towards the growth of the sector and poverty alleviation for women development. Each Indian state could consider forming multi-party working group and individual to meet with microfinance leaders and have a dialogue with them about how the policy environment and how to give benefit to entrepreneur could be made more supportive and to clear up misperceptions for development of not only economy but also development of women start their own business and create large profit at minimum time period. By discharging the entrepreneurial talent of the poor, we will slowly but gradually transform India in ways we can only begin.

Iowa Friday Christopher (2010) conducted a study to find the Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria. The fundamental objective of this study is to assess the impact of Microfinance and microcredit and microloan on small and medium enterprise in Nigeria for development of women earning purpose. Simple random sampling technique was employed in selecting the 100 small and medium enterprises that constituted the sample size of the research. The findings of the study reveal that significant number of the small and medium enterprise benefitted from the Micro-financing institutions loans even though only few of them were capable enough to secure the required amount needed. Interestingly, majority of the small and medium enterprise acknowledge positive contributions of micro-financing institution loans towards promoting their market share, product innovation achieving market excellence and the overall economic company competitive advantage.

Number of S HGs who’s saving linked with banks. The study also finds out there was

Mohammed anise rah man (2007) has investigated about microfinance and to investigate the impact of microfinance on the poor people of the society with the main focus on Bangladesh. They mainly concise our thesis through the poor people as women, who borrowed loan from microfinance institutions, banks and microcredit institutes and their perspective and build up our research based on it.

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IV. MICROFINANCE AND FINANCIAL DEVELOPMENT

Microfinance is an extending formal financial service targeting individuals and small businesses that lack access to conventional banking and related services in the country. Microfinance includes microcredit, micro-insurance and other payment system among the country. It is mainly designed for the customers who are usually poorer population segments but start own business, possibly socially marginalised or geographically more isolated and help them to become self-sufficient and earn profit by own and give contributions to country. Microfinance is also broader, including insurance, transactional services and importantly, saving. There is now a reasonably large body of literature explaining why and under what conditions microfinance work for support economy development. Recent debates focus on self-sustaining by charging higher interest rates and becoming more efficient or whether it can and should reach deeper into the ranks of the poor and make reach and development economy purpose and create profit by own and minimize the risk and create more return.

To what extent can a focus on microfinance make it more likely that financial development lends to poverty alleviation? What I do mean by focusing on microfinance? I do not mean simply focusing on microfinance institution and learning about their techniques for risk mitigation, although these topics are quite interesting in their own right. I do not mean simply focusing on microfinance as microloans and
microcredit borrowers—that is, the unique nature and needs of the poor and near poor, their assets, and their human capital, although I also think this topic is quite important in small time period. What I do mean is thinking about financial development as a whole from the vantage point go facilitating a microfinance system.

1. Sustainable Microfinance
Microfinance institutions themselves might increasingly reach financial self-sustainability, increase profitability and minimise the poverty and attract private capital flows to their mission of poverty alleviation.

2. Microfinance as a Strategy In The Face Of Poor Governance
Microfinance institutions might grow up in the cracks between the cement blocks of bed governments. Microfinance institutions would help alleviate poverty and over time, grow domestic credit demand slowly despite weak formal institutions, legal and other vies.

3. Microfinance to Help Develop the Banking Sector
Microfinance institution can also be an important part of a strategy to strengthen the banking system and promote financial development broadly.

V. TYPES OF MICROFINANCE
Microfinance includes the following products:

Micro-credit- Microfinance credit are significant as these are provided to borrowers with no collateral. The end result of microloans should be to have its recipients outgrow smaller loans and be ready for traditional bank loans and other thing also and create profit as an interest and give amount.

Micro-savings – Micro-savings accounts allow entrepreneurs operate savings accounts with no minimum balance. These accounts help users inculcate financial discipline and develop an interest in saving for the future and grow the economy and make woman empowerment and create economy development

Micro-insurance– Micro-insurance is a type of coverage provided to borrowers of microloans. These insurance plans have lower premiums than traditional insurance policies for low interest rate. In some situations, recipients of microloans are expected to take some training courses for development, such as self-employment cash flow management or book-keeping.

IMPORTANCE OF MICROFINANCE
Almost half of the population of our country does not have a basic savings account so microfinance help to start small business. However, this segment requires financial services so that their aspirations such as building of assets and protection against risk can be fulfilled and establish the own business. Microfinance provides access to capital for individuals and groups also who are financially underserved. If microfinance institutions were not offering loans to this segment of the society, these groups would have resorted to borrowing money from friends or family members and other know people. Microfinance helps these groups invest wisely in their businesses and also individual, and it’s in alignment with the government’s vision and mission of financial inclusion and statement in the country and also make develop country and economy.

KEY FEATURES OF MICRO FINANCING
Some of the features of microfinance are as follows:
• The borrowers are generally from low income and poor family backgrounds.
• Loans availed under microfinance are usually of small amount like micro loan
• The loan tenure is short.
• Microfinance loans do not require any collateral and interest rate is less.
• These loans are usually repaid at higher frequencies at low interest rate for short time period.
• The purpose of most microfinance loans is income generation and woman start and earn the profit by own.

LIMITATIONS OF MICROFINANCE:
The rapid growth of the microfinance sector in the last few years has completely changed its complexion and nature high grow of microfinance sector. The growth has transformed microfinance: from being a sub-set of the development sector it has become a sub-set of the financial services industry and develop the economy. This growth has led to many issues and challenges before the sector and one of the major concerns voiced about the sector has been that of „mission drift“. Various issues and problems have been stand to highlight the problems in the microfinance sector and institutes and the main concerns are as follows:

• Borrower Unfriendly Products and Procedures.
• Inflexibility and Delay.
• Lack of Transparency.
• High Transaction Costs, both Legitimate and Illegal time period is short for microloan.
• Private Equity Push.

METHODOLOGY AND DATA
The methodology used for proposed research work is as follows LIKE
Research type: exploratory research
Data type: secondary data
Data sources: the data collected for the study is fully from secondary sources has been collected from different sources such as online data collection, based on other research paper. The basic foundation of the study is based on the secondary sources of information like research paper, conference papers, working paper, speeches, web document, books etc. primary sources of information are limited to personal observation and face to face interviews and group study.

the data collected for the purpose of the study is secondary in nature. The study covers a period from 2007-2008 to 2017-2018.

VI. CONCLUSION
The purpose of this article has been to introduce the financial academic community and slocoety to the discipline of microfinance and microfinance institutions for microcredit and microloan. It is a more promising approach than many we have had for development or growth of nation for some time, in its own right. I suggest that by thinking about financial development from a microfinance vantage point, we might increase the likelihood that financial development more broadly can contribute to poverty alleviation. This preliminary article is largely aspirational, rather than empirical and much farther research is required to test out these propositions' and create high profit and low interest rat for borrowing loan In the time the relevant of a theme like social responsibility of
microfinance cannot be overstated in the context of India. There are huge gaps between the self-perceived image of mills, managerial practices, ways of engaging with the community and the image of miff that is nurtured by the client communities. These gaps, unfortunately, are not taken seriously as the industry is performing phenomenally well in terms of outreach and repayment performance and some time loan is not complete and not full pay of loan to bank side of loan taker. Even some of the disturbing trends like the decline in the performance of SHGs and miffs are treated as ‘isolated’ cases

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