

ROLE OF MICRO FINANCE IN ACCELERATING GROWTH RATE OF INDIA

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Abstract:-This study states impact of microfinance in India. Microfinance has been eradicating poverty and empowering women from the very beginning. Microfinance reached up to the level where Institutional finance could not reach. There is a need for an all-around effort to develop the microfinance industry. Money is the reason for all financial activities like education, marriage, and construction of buildings, etc. it is needed at each and every step of life, like in old age or in case of emergencies like sickness and injury. It is also needed in case of natural disasters like cyclones, floods, withered, fires, and earthquakes. Micro finance programs include various financial services such as health insurance to borrowers and their spouses. Further, a man is more likely to use health insurance. The Indian economy has adverse features example (1) low per capita income (2) Heavy population pressure (3) Dependence of population on agriculture and poverty and unequal distribution of income .To solve this problem microfinance is assuming an essential role.

Microfinance is being used for eradication of poverty through use of essential financial services. This includes reserve funds credit and transfer of funds. Poor people are using micro-credit for their financial requirements. Formal financial institutions are unable to provide funds to the poor due to lack of collateral assets. The objective of Microfinance is to serve each and every individual so that they can eradicate poverty.

Keywords: Microcredit, Micro-Finance, Micro-Credit and SHGs.

1. Introduction:

The growth rate of the country directly depends upon the formal financial system. Too many financial institutions are working for the upliftment of poor people. It is also breaking the vicious circle of poverty. We believe that micro-finance will help poor sections eliminate poverty. There are various types of micro-finance used by poor people.

1. Various insurance plans 2. Pension Plan or Long term deposit 3. Medium time /term deposit 4. Demand or short time /term deposit 5. Fund transfer through cheque or e-

transactions 6. Emergency loans 7. Short-term and long-term loans and advances. When the demand for goods and services decreases it affects business profit or loss, adversely, eco-disaster both natural and man-made causes huge economic loss. It destroys the basic infrastructure of the society such as roads, buildings, canals, and transport systems [1-5]. In this case, micro-finance helps poor sections of society to manage their lifestyle. As they manage and uplift poor society they directly or indirectly affect the economic growth of the country.

Various diseases negatively impact the Indian growth rate, or we may say that it even caused a negative growth rate. In this situation, the Agriculture sector and microfinance helped economic growth to recover quickly. United Nations declared the year 2005 as the international year of micro-credit. The poor section of society remains poor not because they are not working but because they have no access to capital. In fact, micro-finance is an essential part of rural finance. It is delivered through NGOs (Non-Government Organizations) and SHGs (Self Help Groups). Work done by NGOs and SHGs is more service Oriented and less profit-oriented. Microfinance allows the poor section of society to get loans at cheaper rates. India is a country where we found both enormous richness and neediness [6].

The apex formal financial institutions (RBI, NABARD, SEBI and SIDBI) are required to intervene effectively in informing policies related to microfinance. Almost 75% of the poor live in rural areas. They find difficulties in getting loans from the banks due to their absence of insurance and inexperience informal finance [7]. That's why they approach money lenders and retailers for cash. We can say where institutional finance failed, micro-finance delivered [8-9].

2. Literature Reviews

Alliance financial inclusion states that financial inclusion is provided through various government schemes such as NREGA, MNREGA, SGSY (Swarna Jayanti Gram Swarozgar Yojana), relaxation of KYC norms, and facilitation of credit through various other government schemes.

It also includes bank cards, ATM cards, no-frill accounts, and cooperative banks.

Risk- management of micro finance

- 1 Separation of business function:-There should be a separation between business function and microfinance activities. They should not create confusion with each other.
- 2 MIS- Management information system collects data, and transforms it into information. Thus it should be updated regularly [10].

Discussion and Analysis:- Impact of micro-finance on different sectors of the country and ultimately on the growth rate.

1. Political Sector
 2. Technological Sector
 3. Social Justice
 4. Social harmony
 5. Community
 6. Live hood
1. Political Sector –It basically includes Lok sabha, Rajya sabha, Panchayati Raj, and municipal corporation development, etc. Due to micro-finance, the involvement of women has increased a lot in government regulatory bodies. Now women are actively participating in Lok Sabha Rajya Sabha and Panchayat elections. Their status has upgraded in comparison with previous records.
 2. Technological Sector – The use of technology determines the success of the business enterprise. In this era, technology is playing a major role in competing with other business enterprises. Due to the use of micro Finance availability of technology is growing day by day. Ultimately business firms are growing and this process is directly affecting the growth rate of the country.
 3. Social Justice – In rural areas, a major portion of credit requirements is fulfilled by microfinance which includes cooperative organizations, SHGs (Self Help groups), etc. SHGs are providing legal solutions like arbitration, divorce, and others. In this way, they are helping to build a society which is the need of the country. It is also affecting the growth rate of the country [11].
 4. Social harmony- Micro Finance is also, directly and indirectly, providing social harmony as it is uplifting poor people such as Schedule castes (SC) Schedule Tribe (ST) Minorities (MN), backward castes (BC), and other castes. (OC). Microfinance

through SHGs provides funds to these groups also. In this way, they are positively affecting the growth rate of the country [12-14].

5. Community- Micro-finance through self-help groups has made significant contributions to education, family planning, and eradication of child labour and poverty.
6. Livelihood-It includes each and every type of economic activity of an individual. Economic activity is used in a very wider term. It covers the extraction of raw materials (primary), Manufacturing (secondary), and services (tertiary).Micro-finance activities enable the growth of poor persons and there by promote the growth rate of the country [15].

3. Conclusion

Microfinance has been active in India for a longer period of time. Most of the rural credit demand was met by cooperative institutions.

The nationalization of banks has also objective to increase the credit flow towards the rural areas. Thus summarizing the above discussion we may conclude that micro-finance directly affects the political sector, the technological sector, promotes social harmony, and builds community and livelihoods. In this way it is directly accelerating the growth rate of India .hence, a formal financial institution should participate effectively in dealing with microfinance activities. They should take the necessary step to properly regulate micro-finance in the country.

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