

Micro Finance: A Way Out For The Poor

Sonnayi Latha, C. H. Deepthi

Student

Assistant professor Department of Management studies Sridevi Women's Engineering College.

Submitted: 25-06-2021

Revised: 04-07-2021

Accepted: 07-07-2021

ABSTRACT: Now a days The former banks are dominated due Financial institutions as they provide the services which are widely accepted by the poor due to easy procedures. These institutions can be governmental, none governmental based. There is common problem with these finances that is interest rate being so high Which is faced by all the poor people as they approach the micro finance institutions (MFIs) For the easy process of taking microloan but they end having more money for repayment due to high interest rates. The purpose of This study is to analyse the performance of microfinance provided service to people, organization. This study reveal the performance of microfinance in previous years and at present. Micro- finance is an individual focused financial services provided to the poor and small scale business. Who lack access to main stream finances.

KEY WORDS:

Micro finance, interest, Securities, Debt, self help group (SHG), Nongovernmental organizations (NGO)

I. INTRODUCTION:

Micro finance refers to small scale financial service including both credits and deposits provided People who can't access the capital.

Microfinance: Is not only include loan but also savings, insurance, fund transfers. The lender here is concerned With borrower having enough collateral to cover the loan. In 1970s Muhammad Yunus Is the pioneer of the modern version of microfinance by introducing a bank for micro finance called as Grameen bank in Bangladesh which now serves over 7,000,000 poor Bangladeshi woman and this idea inspired the world. The highest percentage of This account where in India like 188 million account's representing 18% of the Total population. The poor several needs live cycle needs, personal emergencies, disasters, investment opportunities.

Hypothesis

Ho: Interest is the only reason for bad debts of poor

2. Materials and methods

The methods used in Research study is doctrinal type which involves descriptive and analytical study. The research studied by using secondary sources of information and data and related articles and books.

3. Role of Micro Finance Institutions

Poverty reduction tool microfinance can be an effective element for the reduction of poverty. Improved access to poor facilities like savings, credit, insurance help them in easy consumption of service Provided by MFIs And help them to balance their risk, gradually assets increase thus, Help them establish small scale business. The ultimate goal of mfis is to reduce poverty. Various welfare and activities are introduced by government, NGOs to serve the poor Microfinance, by providing small loans and savings facilities to those excluded from commercial financial services has been developed as a key strategy for reducing poverty throughout the world.

2. Women empowerment microfinance currently focusing on both poverty and women empowerment. Women are living below poverty line in rural areas not able to know their potential As now able to develop themselves with the help of self help groups (SHG) The participation make huge impact in both social and economic aspects. Now even the poor below poverty line are having their basic amenities and opportunities for participation in different aspects and empower themselves and their families fill stock various programs were introduced by both governmental and non governmental organization to develop them socially and economically. As known that women are not given opportunities in taking decision of family. Micro finance can provide an way to empower poor woman, who are the part of the poor and suffer partially from poverty.

3. Development of the overall financial system without changeless access to institutional micro finance, most poor family units keeping relying on small self fund of micro finance, which constraints their capacity to effectively take an interest in an advantage from the development opportunities. Micro finance can add to the improvement of the general budgetary organization (MFIs) Can we little and medium enterprise are at the core of Country practical improvement. Their improvement emphatically associates with rural business advancement.

Role of microfinance in poverty reduction

Micro finance work is giving financial services to poor people who are not served by the customary Formal money related foundations formal money related organizations have little motivators to loan to the rural poor for the following reasons:

Administrative Difficulties

the farmer who belong to hey small rural areas live often scattered like areas having poor communication facilities does the administration to of loan to them becomes difficult

Systematic risks:

Agricultural production is associated with some systematic risks, such as drought and floods, which is reflected In a high co variance of local incomes.

Lack of information:

The absence of standardised information, standard lending tools, such as financial statements or credit histories, do not exist in this areas

Repayment problems:

The repayment of working capital may be required only once a year for example during the harvest season. On the other hand, access to informal loans is relatively easy, convenient, and available locally to low income households.

Opportunities in microfinance

- Microfinance as development tool
- Woman oriented financing
- Microfinance tool for rehabilitation
- Commercialization of MFI
- Automation of micro finance system

Challenges in microfinance

- High interest rate and high transaction cost
- Barriers for conventional banking
- adequate investment in agricultural and rural development of banking and finance

II. SUGGESTIONS:

Micro finance institutions can reduce the interest rate because the poor are more favorable to micro financing due to they can't get the amount Minimum range of 25,000 banks and the process of bank system take much longer to provide them loan after they fill all formalities, Yes they will not be proper security's to presented bank so they approach micro finance institution to get loan for fulfilling their need but again due to interest they are facing the same poverty and falling into debt

III. CONCLUSION:

Although they are the benefits and disadvantages of the finances. I think the microfinance is more helpful in reducing poverty in country though the interest rate is high due to this many women are getting empowered Setting up their own business and process getting loans without individual securities. There's a risk even the borrowers might escape From paying the loan bank as this process doesn't Take any security's from clients but recently the NABARD started digistation portal For micro finance called eshakti Which is registered under aadhar card which the banker knowing the information about client. so the Micro finance have its own merits and demerits dealing with different organizations. Does if interest are high and borrowers escape in order to not to pay, it results in loss of both the borrowers and financial lenders.

REFERENCES:

- [1]. (warby 2015) Brian warby. (2015). Politics, poverty and microfinance: How government get in the way of helping the poor. (3rd Ed). Lexington book.
- [2]. (warby 2015; Fikkert and mask 2015) Brain fikkert.,.. Russell mask. (2015). From dependence to dignity: How to alleviate poverty through church centered microfinance. Zonderian
- [3]. (Henry 2003) carla Henry. (2003). Microfinance poverty assessment tool. World Bank publications
- [4]. (sethiya 2011) Dushyant sethiya. (2011). Microfinance: A helping hand. Zingoor books.
- [5]. Microfinance and poverty alleviation: case studies in Asia and pacific. Roulledge.