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## MICROFINANCE: A SOCIAL INNOVATOR



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### ABSTRACT

The facility of micro-finance plays an important role in developing and under-developed countries. The concept of micro-finance has been developed by Mohhamad Yusuf in Bangladesh. It is generally considered as a specialized financial tool-such as small loans, savings accounts and insurance policies available to poverty stricken and small businesses that do not typically have access to financial services. These services are recognized as one best way to empower individuals and an effective social innovator, especially for those who fall in the low income trap, to lift themselves out of poverty.

**KEYWORDS :** Types, Schemes, Poor.

### INTRODUCTION :

A number of anti-poverty policies and programmes have been launched in India during the 1970s and 1980s, including those of credit delivery programmes, targeting the poor. Various methodologies have been devised and nationwide surveys have been conducted in identifying the poor for the successful delivery of the programmes. The facility of micro-finance plays an important role in developing and under-developed countries. The concept of micro-finance has been developed by Mohhamad Yusuf in Bangladesh. It is generally considered as a specialized financial tool-such as small loans, savings accounts and insurance policies available to poverty stricken and small businesses that do not typically have access to financial services. These services are recognized as one best way to empower individuals and an effective social innovator, especially for those who fall in the low income trap, to lift themselves out of poverty.

In India, the Task Force on Supportive Policy and Regulatory Framework for Microfinance has defined it as the “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.” The task force has not chosen any specific limit for ‘small amount’. However, the report on micro-credit of the Reserve Bank of India’s (RBI) Micro-Credit Special Cell has proposed a ceiling on Microfinance of Rs. 25,000 as constituting the limit per borrower outstanding at any time. It suggests that the ceiling may be suitably hiked to Rs. 40,000 in case of graduated

borrowers after a successful track record of two-three years. It is reinforced that it is not the amount, but the beneficiary, which identifies micro-credit.

Presently, microfinance services are provided by Microfinance Institutions (MFIs) working as regulated Microfinance Development Banks (MFDBs), Financial Intermediary NGOs (FINGOs), Savings and Credit Cooperatives (SACCOs) and Small Farmer Co-operatives Ltd. (SFCL). While the first two are regulated by NRB, SACCOs and SFCL are governed by co-operative laws.

### **Types of Micro-Finance Institutions:**

Three main microfinance providers can be classified as follows:

- Microfinance Development Banks (MFDBs): Among these, there are five Grameen Vikas Banks and eight private sector Grameen bank replicas.
- Grameen Bikas Bank (GBBs): They provide micro-finance services to rural poor women under group guarantee without collateral. The government owned but recently four out of five GBBs are privatized.
- Private Microfinance Development Bank (PMFDBs): Eight of the Grameen Bank replicas established by the private sector include Nirdhan Uttan Bank Limited, Chhimek Bikas Bank Limited, Swabalamban Bikas Bank Ltd, Deprosc Bikas Bank Ltd, Nerude Bittiya Sanstha Ltd, Naya Nepal Laghu Bitta Bikas Bank Ltd, Mithila Laghu Bitta Bikas Bank Ltd and Summit Micro Finance Development Bank Limited.

Micro finance services offered by MFIs, helps in developing “Entrepreneurship Culture”. It has proved as a panacea for eradication of poverty in the nation. It encourages the economically challenged people to engage themselves in performing meaningful activities and all these leads to social change. It also helps individuals in recognizing the hidden potentials of individuals and also helps in creating employment opportunities.

### **Financial Needs of Poor People**

Stuart Rutherford has explained various types of needs in his book entitled, The Poor and Their Money.

- ✦ Personal Emergencies: Such as sickness, injury, unemployment, theft harassment or death.
- ✦ Life Cycle Needs: Such as weddings, funerals, child birth, education, old age etc.
- ✦ Disasters: Such as fires, floods, cyclones etc.
- ✦ Investment Opportunities: Such as expanding business, buying land, improving housing etc.

### **Few Recent Schemes of Government of India and their salient features-**

The Government of India (GoI) has initiated many schemes for nurturing the life of poor in India. One among them is Micro Credit Programmes run primarily by NABARD in the field of agriculture and SIDBI in the field of industry, service and business. The salient features of micro finance programme of Government of India are:

- ✦ Arranging Fixed Deposits for MFIs/ NGOs: Under this scheme, the Government of India arranges money for MFIs/ NGOs like SIDBI for micro credit to poor.
- ✦ Training and Studies on Micro Finance Programme: GoI would help SIDBI in meeting the training needs of NGOs, Self Help Groups (SHGs), intermediaries and entrepreneurs and also in enhancing awareness about the programme.
- ✦ Institution Building for ‘Intermediaries’ for Identification Viable Projects: GoI would help in

institution building through identification and development of 'intermediary organizations', which would help the NGOs/SHGs in identification of viable projects.

- ▲ Budgetary Provision for the scheme during the 10th Plan: There was a budgetary provision in 10th five year plan.
- ▲ Administrative Arrangement: A committee has been formed to control and monitor the administrative arrangement of MFIs/NGOs.

### CONCLUSION

Thus, Microfinance is an innovative attempt of the banking sector to provide financial products and services, primarily credit, to the poor. The main principal behind this approach has been to meet the special aim of bringing innovation in the society by channelizing the potential, skill and talent of under-privileged, women and economically challenged people by empowering and engaging them in commercial and purposeful activities. Hence, in today's time, it has become a global growth industry. In order to further broaden its horizons and bring maximum benefits to people in general and country in particular, there is still need to have more drainage of funds to the dry destination of the society. No country can afford to ignore substantial population suffering from poverty as it can be costly for growth of any economy. Therefore, rational approach in this regard is to identify the strengths vested in such poor lot and attempts should be made to channelize their energy for productive purposes.

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