MICROFINANCE AMONG FINANCIALLY WEAKER SECTIONS OF SOCIETY

Bala Singh
Research Scholar, Department of Management
Sunrise University, Alwar, Rajasthan, India
E-mail: realsagi@yahoo.com

Dr. Pramod Gupta
Research Supervisor, Department of Management
Sunrise University,
Alwar, Rajasthan, India
E-mail: pramodietdms@gmail.com

ABSTRACT

Over 33% of Indian populace lives under poverty. Being one among the BRIC nations, India has over 1.2 billion population and it is a growing economy; as observed by many. The monetary development of India has neglected to create a massive change in the poverty figures that it has which is much more in comparison to the African nations that are poorest at 400 million populace. The Indian Administration began the various poverty easing plannings, but still they neglected to address the root cause of the problems at its necessary level. There could be numerous reasons for this; for example, the inefficiency in achieving the gathering of objective, escapeful framework clauses, building up strong component could be counted as few elements. The NPAs increased because of the various things that were tried with credit which was financed when India incorporated by numerous nations did it. The crevice has been topped off by an approach of microfinance. Under any circumstance, all the efforts have proven to be too little in contrast to the potential and necessities. Though there is a bit of development when NABARD and SHGs gatherings has been arranged for the essential. Furthermore, numerous MFIs and NGOs have chosen to dive into the proceedings as well. Few of them initiated big activities and they are receiving major profits from their Initial Public Offers (IPOs). Even if that is left as it may be, certain improvements have been expedited a fresh focus on the concerns of directions onto the microfinance field. Three error free parts of microfinance are outlined in this paper, first is the microfinance development in India as well as other countries; while it tends to examine the NABARD and numerous national Banks pretended in Grameen Bank and SHGs development. The third is how it tackles the government area of enactments in rights assurance of borrowers who do so at small scale. This observation likewise tends to manage the need for a body of administration to control, make and render directions to numerous NGOs and MFIs who are working in the microcredit field. Various hypothetical positions and elements are examined by the papers which are related with microfinance advancement and its numerous parts in a situation that is global.

Keywords: Microfinance, poverty, self-help groups (SHGs).

INTRODUCTION

As depicted by few, poverty can be defined as a situation of “coherent hardship in affluence” while being poor can be considered as “to be ambitious, to require apparel and safe house, to be not educated and unskilled” [1]. As defined by Berhane (2009), poverty in its entirety is a variable variety that has
Individuals in need are powerless against the unfriendly occasions which are beyond their control capacity. Thus, it is observed additionally that poor don’t tend to have any voice in various organizations of society and state. As characterized by World Bank, poverty is the survival of any individual with or below $1.25 on a daily basis. Poverty line as measured in India is the consumption of fundamental or necessary calories. Thus, it doesn’t record nourishments but the craving being satiated. For the country zone it remains at Rs. 28/- and for urban zones it remains at Rs. 32/-. At 32% of the national population is what Indian administration’s official line conveys the poverty rate against the 42% that World Bank indicates. However, still India records for the 33% of needy individuals of the globe’s 1.4 billion populace. Thus, it becomes apparent from such an insight that it’s more about drawing the line which can be loosened to fix this line for incorporating individuals or barring them.

Copestake (2007) indicates that over 20 million young people are not going to school, 35% Indians are not skilled and 43% Indian children are malnourished [3]. Majority of Indian destitute individuals are engaged in subsistence kind of work at a massive extent. The profits that they make are so meager that their usage and survival-needs surpass their income. They always tackle their daily prerequisite with a profit which is pitiful. When it is an exigency season, they are always compelled to take cash from moneylenders who are nearby. Such a situation makes them sought little amount of cash that comes as a high interest rate which can go as high as 120% per year, but they take it because it is to tackle critical issues such as medical necessities, returning past advances and more. Under such circumstances the need for an institutional apparatus is perceived. Some people aspired to address this problem by credit at small scale. Though, this idea did not come up fresh. However, credit has always been within limit to the poor for a long period of time, under a particular frame or different one. But they are seldom organized and sorted. The local moneylenders lending cash in China (Chettiars) and specialists of cash loans have existed from a long time now in both China and India, to lend credit at a much higher cost of finance. The specialists of cash loans were rendering credit by selling the records of land and different vital resources such as silver and gold trimmings as well as household creatures under the local resources. In case of credit non-recuperation, these home loan commodities were usually being seized, consequently tossing the cash borrower in a pitiful and desperate state. In a provincial zone, poverty is a mix of different things such as social shame generated out of fizzled endeavor in one’s business enterprise, absence of credit at small scale, institutional needs on seeking loan and being powerless to recover quickly from problems, for example, destructive events and demise of acquiring personage. Such acknowledgment has incited present day practices of microcredit to render the political and social impediments to business undertakings as long as they would make efforts to look after the problems of good peril, unfavorable choice and credit accessibility [4].

An exceptionally credible definition of microfinance is given by Fernando (2006) He indicated that “Microfinance implies to small scale monetary administrations for the store and credit that are bestowed to individuals who crowd or fish or ranch; work small or microenterprises that is involved in product manufacturing, exchange or repairing, reusing; render administrations; working for commissions or wages; earning income from leasing small portion of land, draft creatures, vehicle, or instruments and apparatus; as well as to contrasting people and community bunches in making countries in twain urban and provincial domains” [5].

**CONCEPT OF MICROFINANCE**

History of micro financing in India goes back to 1921 when Syndicate Bank’s foundation was laid, in the private sector. In its early years, the focus of Syndicate Bank was on bringing the stores operating at small scale up in the kind of everyday/weekly premise as well as endorses credits at miniaturized scale to its consumers for a timeframe that is short. Dr. Yunus brought the much needed spotlight on microfinance when he gave it the mass development that was explored by Grameen Bank.
The Microfinance is known to be a novel way of dealing with rendering sparing and also the venture office to every needy or poor across the globe. Thus, it is meant to enhance the receiving as well as effective management of the reserve funds and credit, as well as protection offices particularly the one that may empower poot to equalize their usage, tackle their dangers in a better manner, gradually fabricate their base of benefit, construct their business, improve their pay acquiring limits, as well as appreciate the personal satisfaction which has been enhanced. Across India, SHGs or Self Help Group, Credit Agencies, NGOs or Non-Government Organizations work for the smooth operations of microfinance. This way, it renders destitute individuals their way to find out their own particular manner out from poverty quickly. Thus, it puts the authority firmly in their hand, rendering them a larger portion in their specific accomplishment in comparison to one-time gift of money, merchandise, or sustenance. Government activities towards poverty mitigation could not prevail at a coveted level, which could be because of the various manner that the Government do not take in account the energy that the poor have to tackle their own specific problems. The Government attempts to assist them by manners for appropriations as well as other assistance but such activities scarcely lessen the levels of poverty they are already in and do not prove to be an appropriate arrangement for long run. It is assumed that this particular social area if rendered with apt capital energy, beneficial resources and direction; could develop as an efficient business visionary in the time to come. Such an objective could be accomplished with much effort by bestowing them with microcredit. It is to be noted that the poor do not possess any reliable resource base to bank upon. Hence, they should be granted free advance home loan [6]. This has been displayed certain by the analysis of Grameen Bank. Microfinance as an arrangement was offered nearly 28 years ago in Bangladesh in an association with Grameen Bank by Prof. Mohammed Yunus; a renowned financial analyst. It was his observation that majority of villagers were never able to receive credit at a sensible rate of interest. Thus he commenced to give cash loans to them from his personal funds, which enabled the villagers to buy materials for small ventures such as making pots and weaving instruments from bamboo [7]. In 1976, which was ten years later that he commenced his noble work, Dr. Yunus initiated Grameen Bank to be a project in a Bangladesh town so to aid poor families by bestowing them the credit that they needed. At present, funds at small scale has been spread broadly everywhere across the globe as an instrument which is successful in destructing poverty. The discovery has been made that microfinance has reached to nearly 80 million households and close to 20000 miniaturized sized fund enterprises are working towards creating nations of Latin America, Europe, Africa and Asia [8].

GROWTH OF MICROFINANCE IN INDIA

One among the prominent controlling standards of arrangement process in India is poverty mitigation. The Government has widely improved distribution to arrange the training, sanitation, wellbeing and various offices that advance prosperity and limit building of poor individuals. Indian government emphasizes on rendering budgetary administrations to the individuals who are poor as well as since autonomy; under-favored. Most of the business banks were converted to nationalize banks in the year 1969 and instructed to bestow 40% of their loan to the need area at a concessional rate of interest. These need areas included horticulture, society’s weaker segment, and rustic exercises of other nature. Objective of such coordination was to bestow assets to assist poor individuals to start their endeavor of miniaturized scale so to achieve independence financially. Indian administration propelled various programs for poverty lightening such as Twenty Point Programme (TPP) 1975, Swarna Jayanti Gram Swarojgar Yojana (SGSY) 1999, Small Farmers Development Scheme (SFDS) 1974-75, Jawhar Rozgar Yojna (JRY) 1989, National Rural Development Program (NRDP) 1980, Rural Landless Employment Guarantee Programme (RLEGP) 1983 and Integrated Rural Development Programmed (IRDP) 1980 along with numerous varieties of programmes. However, none of the above projects achieved their objective since they were executed in a poor manner while mal rehearses in regard to government offices was also a cause. The open assets were implied for easing poverty was misused or were redirected by the unfavorable locally degenerate or effective [7]. For supplementing the objective of achieving miniaturized sized Indian credit administration, a decent plan was initiated in 1980 through Incorporated Rural Development Program (IRDP). Under any circumstance, such delivery
side plans (disregarding the economy’s request side) achieve nothing at all. These programs had business banks lend only up to Rs. 15000/- to the weaker segment of the society. This way, in next 20 years Rs. 250 billion would be distributed to nearly 55 million households as per an aggregated speculation. In such a manner, it would be a far off point to comprehend the coveted objective it has achieved. IRDP has an issue that the plan it brought forth has fused much components of various sponsorships wherein 25-half of every household’s extended cost as well as this brought forth further misuse and misuse of assets at a broad scale. Such a situation drove the financiers to view the credit of IRDP as stirring the present as well as they do neglect catching up with the borrowers at a great extent. Thus, the result shows that reimbursement rate evaluation in IRDP had a run from 25% to 33% to be precise. Two years of the involvement in 1990s of IRDP influenced the faith of micro scale borrowers in financier’s perspective and towards an end, impeded the access to administrations for saving money by poor individuals who are less educated. Government demonstrated a genuine long-term effect on improving the miniaturized sized business institutions among the general public’s underprivileged class. This way the potential and decent program that once deemed to be “Globe’s largest microfinance plan” busted due to political impedence and poor execution. When the 9th arrangement had a mid-term evaluation, it showed that such projects exhibited big grid of multiple projects without linkages that was wanted. Such projects experienced fundamental ventures, lacking bank credit, filed particular activities as well as having market linkages absence. It is noticed that all the programs were essentially driven by endowment while having a disregarding for the social intermediation procedure which is important for achieving the programs for independent work opportunities. The one-time arrangement made for credit without a proper follow up with lack of proceeding in regards to connection amongst the loan specialists and borrowers likewise further added to the project’s disappointment. A Trustee board was constituted in 1997 by arranging commission to analyse the possibility of wage business plans and independent work. Trustee board advised that all the independent work plans be merged. This had a likewise suggestion for a significant step from a singular recipient path to tackle with an approach that was gathering based. Underscored with distinguishing evidence of groups in action across the particular areas and advertising linkages, and solid preparing. Indian administration acknowledged the board’s proposals. Swarnjayanti Gram Swarojgar Yojana (SGSY) program was propelled on 1st April 1999 by amalgamating plans such as IRDP (Integrated Rural Development Program), MWS (Million Wells Schemes), TRYSEM (Training of Rural Youth for Self-Employment), GKY (Ganga Kalyan Yojana), SITRA (Supply of Improved Toolkits to Rural Artisans) and DWCRA (Development of Women and Children in Rural Areas) among many united projects. With this comprehensive program all areas of independent work were covered, to be specific, arranging SHGs or Self Help Groups, credit, training, showcasing and framework, and innovation. Objective of such program is to build up a wide number of micro scale enterprises in country zones. Here SGSY has been identified as credit-cum-endowment plan. SGSY emphasizes on activity array. A colossal reaction has been received from recipients of this program. 2.25 million is the volume of SHGs that come under this project with Rs. 1,4403 Crore speculated to be benefitting over 6,697 million people as per Wikipedia states. Likewise, the entire system of RRBs and essential cooperatives, established to address the provincial segment problem, when everything is paid-in-done as well as poor particularly, has displayed disappointment at a giant scale. Equipped with coordinated credit weight and an administration that is prohibitive intrigued, RRBs position has crumbled swiftly while the cooperatives have experienced a discomfort of advantaged initiative, bungle as well as debasement conceived of the state support at an exorbitant level [5].

India’s microfinance activity particularly in private sector can be observed back in 1974 when Shri Mahila SEWA (Self Employed Women’s Association) Sahakari Bank attempted to give administrations of saving money to ladies who were poor in Gujarat’s Ahmedabad area which was in utter chaos those days. Shri Mahila SEWA Sahakari Bank was established with the 4000 ladies laborers who were independently employed, while they contributed Rs 10/- as an offer with a specific aim of rendering credit to the ladies member so to have them engaged as well as set them free from the obligation’s endless loop. As on March 2009, with 318594 record accounts that SEWA Bank had, the
working capital sums up to Rs. 1291.89 million. In 1968 Mysore Rehabilitation and Development Agency or MYRADA happened to be another NGO in Karnataka to cultivate the process of bringing a progressing change to the rustic poor who needed support. Since the aim is to assist the poor to be of aid to them, MYRADA has achieved the same by creating SHGs or Self Help Affinity Groups as well as through linking with the NGOs and various associations from 1984 to 1985 across its respective region. Present situation is very strong for it, where it oversees 18 extends in reverse regions of 20 across Andhra Pradesh, Tamil Nadu and Karnataka. Such underlying activities proved to have a confined operational area as well as constrained with their individual members as it was before. Hence, it has neglected to look into the mass development state. Multiple MFIs or microfinance establishments of NGOs were subsidized through granting them bolster by rotating workings gifts and stores; in India. It may remain as it has been, but it all took place in 1992 after the intercession of NABARD (National Bank for Agriculture and Rural Development) in the area of microcredit, the progress of microfinance received a swift lift in the Indian sub-continent. Nearly 70% of the landless as well as peripheral ranchers were not equipped with a ledger while 87% of the poor clearly had no entry to credit by a conventional source of banking [6]. As per the RBI Report of 1992, the division of formal monetary activities along with provincial credit was set at 56.6% as an offer with 39.6% as casual back while 3.8% from unspecified source. It is evident that there is massive potential of microcredit in the provincial Indian sub-continent. As RBI has upheld towards the monetary incorporation of larger portion of population for financial progress of India. The access to administration connected with reasonable money through not so common credit as well as protection widens a poor individual’s chances for business. Other than political and social strengthening, incorporations related to money render formal character and bestow access to framework of installment as well as to sparing protective web such as store safety. Lattery, the budgetary considerations has to be fundamental for achieving comprehensive progress [2]. Fernando (2006), the Governor of RBI gave a plain meaning for budgetary consideration that goes like, “Guaranteeing ledger for every families which may require the same”. Furthermore, he added that it should be the initial steps for accomplishing the aim of credit by bank as a human-being all right as Prof, Mohammed Yunus the Nobel laureate desired [5].

At the moment, the cooperatives specializing in microfinance incorporate the pinnacle institutions such as Rashtriya Mahila Kosh (RMK), Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD). To grant microfinance administrations we have Cooperatives, Regional Rural Banks and Business Banks. The Micro Back Institutions or MFIs are the one alluded in the Indian setting for microfinance benefits through the efforts of private foundations as a fundamental movement. SHGs or Self Help Groups receive loan credits from few NGOs that are involved in such lending activities. Such NGOs that assists the SHGs are SPARC in Mumbai, MYRADA in Bangalore, ADITHI in Patna, PRADAN IN Tamil Nadu and Bihar, Self Help Women’s Association (SEWA) in Ahmedabad. RDO LOYALAM Bank in Manipur, ASA in Trichy, and SHARE in Hyderabad are few NGOs that straight away render credit to borrowers [3].

**MODES OF DELIVERY OF MICROFINANCE**

There are many strategies across the world that MFIs or Miniaturized scale Finance Institutions apply. Such administration has concentration of ladies more than men because the former tend to be more sparing and sensible in comparison to the latter. MFIs use some practical philosophies for the movement of the money that is connected with the low-income family’s administration [4].

**Self Help Groups (SHGS)**

The Self Help Groups (SHGs) is the latest microfinance philosophy in the world, especially in India. People who are a part of Self Help Group come together to put a small month either every day or in a week and after collecting a certain amount, these people will credit the amount to the borrowers by giving a certain period of time to repay. Ideally, this SHGs group is formed with the people of around 15 to 20 members to attain a normal destination. Individuals who are like-minded and who are from
the same occupation or social background will come together to fund amount that is beneficial for the individual in the entire group. Though, you get the monetary help from the banks or MFIs, but the accessibility to the assets will be in the rotational manner. NABARD has come up with a program to grant business loans to the SHGs instead of taking through MFIs. Ideally, SHGs are considered to be more beneficial in half a year, since they are able to earn 4 times more than from the investment funds.

**Singular Banking Programs (IBPS)**

In Individual Banking Programs (IBPs), there is a provision that is given by the microfinance organization to approve loans to singular customers. However, this granting of loans to singular customers are sometimes divided into joint obligation gathering, credit cooperatives, and sparing cooperatives. This is the model that is popular among cooperatives. Basically, in cooperatives, all the individuals will be either part of the association or an individual from an agreeable society. Credit value and advance security are the two crucial factors that helps in enrollment. And, also member’s reserve funds and associate weight are also considered to be integral components. BAXIS, an MFI located in Ahmadabad is offering joint risk gathering and loans to individuals without giving any kind of credit to the person involved amid. Bank of Rakyat, located in Indonesia is one of the top microfinance foundations across the globe that is embracing this kind of model [5].

**Grameen Model**

Grameen Model was developed by DR Mohammed Yunus of Grameen Bank who hails from Bangladesh. This is the extensively comprehended and accepted model in the business world. In this model, there are five borrowers in each group, where the loan is granted to the first two members in the group and then to the other two members and then to the fifth member in the group. Total of five members are gathering every week and likewise, there would be seven gatherings where the bank authorities get to meet 40 customers in these entire weeks. The advance amount is given to the people during these gatherings and the amount that is given to them is considered as credit reimbursement. As per the belief, all the people in the gatherings are given advances.

**Mixed Model**

Few MFIs initially starts as Grameen model, but eventually gets turned into an SHG show. Ideally, this happens because people do not want to completely get rid of Grameen model and gatherings. They want to blend both Grameen and SHG together. Ideally, there is a minuscule line to differentiate between both these projects. Grameen programs do not play a crucial role in reserving funds as a wellspring of assets whereas SHG will emphasize more on the wellspring of assets. In SHG program, the individuals in the gathering will decide the sum amount. Basically, this SHG model is mostly used in India.

According to Srinivasan (2008) who is the Managing Director of BASIX, both the SHGs and Grameen model will offer exchange of cost to MFIs [9]. This considers the amount of time an individual has investment in the gathering. On the other hand, MFIs offer singular credits and gather high exchange cost to lend to the borrowers. However, each of the models that are discussed are explained in the below diagram very clearly.

Out of all the other models, SHGs also known as Self Help Groups is quite familiar in India. These SHGs are divided into three models and each of the models is discussed below:

**SHGs-Bank Linkage show**: - In this model, SHGs are financed by both the private and public sector banks, RRBs and cooperative banks.

**MFI-Bank Linkage show**: - This model will finance to the SHGs borrowers through institutions besides managing their account. Example of institutions includes miniaturized scale finance.

**NGOs-Bank Linkage Model**: - In this model, NGOs have link with the banks and SHGs amongst to give investment funds and credits.
PRESENT STATUS OF MICROFINANCE IN INDIA

Microfinance has evolved over the years from the small scale reserve funds; it slowly moved to microcredit and then to microenterprises and now it is entered into miniaturized scale protection to produce umpteen benefits to the consumers. With the change in the budget of the country very often, the microfinance program in the country is playing a crucial role for around two decades. The finance department is putting the efforts to give a prime place for Microfinance. There are two models of microfinance, including SHG – Bank Linkage demonstrates and MFI- Bank Linkage display is being evaluated for the year 2010-2011 and a couple of years back [8].

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of SHGs</td>
<td>Amount</td>
<td>No of SHGs</td>
</tr>
<tr>
<td>SHG Savings with Banks as on 31st March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total SHGs No</td>
<td>61.21</td>
<td>1553.62</td>
<td>69.33</td>
</tr>
<tr>
<td>Of which SGSY groups</td>
<td>15.06</td>
<td>1563.38</td>
<td>16.94</td>
</tr>
<tr>
<td>All women SHGs</td>
<td>48.64</td>
<td>4434.03</td>
<td>53.10</td>
</tr>
<tr>
<td>Loan Disbursed to SHGs during the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No of SHGs extending Loans</td>
<td>16.10</td>
<td>12253.51</td>
<td>15.87</td>
</tr>
<tr>
<td>Of which SGSY Groups</td>
<td>2.65</td>
<td>2015.22</td>
<td>2.67</td>
</tr>
<tr>
<td>All women SHGs</td>
<td>13.75</td>
<td>10527.38</td>
<td>12.92</td>
</tr>
<tr>
<td>Loan outstanding Against SHGs as on 31st March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total No SHGs linked</td>
<td>42.24</td>
<td>22579.84</td>
<td>48.51</td>
</tr>
<tr>
<td>Of which SGSY Groups</td>
<td>9.77</td>
<td>5861.72</td>
<td>12.45</td>
</tr>
<tr>
<td>All women SHGs</td>
<td>32.77</td>
<td>18538.54</td>
<td>35.86</td>
</tr>
</tbody>
</table>

Table.1. Overall Progress under Shg-Bank Linkage
The SHGs Bank Linkage program is acclaimed by many people including partners, common society associations, financiers and other groups across the globe. There are around 1.2 million of new SHGs has acknowledge banks and bank credits of around Rs 14,547 crore. Moreover, this amount has been distributed to SHGs in the year 2010 and 2011. In between this year, there are around 471 MFIs given by the banks in advance costing over Rs 8448 crore. As part of MFI-bank linkage program, the numbers of MFIs that are distributed by the banks in advance are not much higher compared to the previous years, but the measure of advance is higher over the preceding years. Moreover, the development of MFI bank linkage program is pretty higher over the SHGs Bank linkage program in the year 2010-2011. MFIs are taking an active role in smaller scale credit and expert administration of assets [7].

### IMPACT OF MICROFINANCE

There are umpteen organizations from different sectors think Microfinance to play a crucial role in financial arena of the customers. This has been examined by NABARD in 2002 and predicted that the impact of microfinance in various fields would be pretty higher. There are around 60 SHGs developed in the eastern part of India. This fact was pointed out in the paper that is published by World Bank Policy paper after extensive research by World Bank in association with NCAER and conducting Rural Finance Access Survey (RFAS). There are around 736 SHGs investigated in the areas of Andhra Pradesh and Uttar Pradesh. These fields are also examined by experts and identified many new points. They discovered in the expansion of the pay levels and family units among customers. The investigations have found that acquiring people in horticulture is a way different kind of exercise to that you do in poultry and ranch work. There are a few areas across India who has barren lands due to lack of rainfall and water have complemented the pain points over a period of time. Ideally, gathering of people do not need any kind of handiwork capabilities and also they do not get any kind of non-cultivate exercises. In most of the cases, the money is taken in advance from money relation associations to fulfill their financial crises and necessities [4].

When the individuals are gathered together and pool money, they do not have right to use the credit for their profitable purposes in the absence of aptitudes and chances. Basically, water system and increase in ware cost would stand as obstacles to invest in cultivating part ventures while absence of aptitudes showcased by customer merchandise organizations will reduce the undertaking of provincial miniaturized scale. Undeniably, it is impractical to portray the miniaturized scale undertaking as flourishing through microcredit.

The progressing of Microfinance association in India has major contribution in the budgetary division changes in India. Using this latest approach, institutional suitability has become a major concern and the credit and loan fee has totally wrecked and discarded. Due to this consequence, the banks are pushing them back from giving loans and putting their banking network in the provincial range. Nagayya and Roan have done thorough investigation and found that in between 1997 and 1990, many

![Image](image_url)
banks were opened in the states that are financially poor. However, after this the states have started to flourish. Moreover, the country has improved their standards of granting loans to the customers have been improved after 1990. This improvement was done through microfinance. As per the new plan that is released by NABARD, it was found that the country has been approving loans to the customers through Self Help Groups and Microfinance institutions and slowly reducing the poverty in the country. The recuperation rate has been totally declined by the start of this program. This is giving equal opportunity for the poor to avail loans despite of the poor credit score [2].

According to Fernando (2006), the business microfinance is helping the financial poor people to avail loans and start new business. In this opinion, by granting loans to the individuals who are poor is helping both the borrowers and the loan specialist to get benefited from this kind of scheme. However, he considers this program not to be the part of budgetary division, but to be a poverty and welfare program to help the needy [5].

DISCUSSION AND CONCLUSION

Microfinance is a comprehensive area that works in a closed framework. There is equal opportunity for both the partners and everyone to play their role effectively. In between them, there is a customer. There is an important level called smaller scale level, where MFIs, NGOs, SHGs and Grameen program who are working together to give financial support to the customers who are in need of money. There are many well-established organizations like NABARD, SIDIBI, and nationalized banks who are contributed their part to lay a strong foundation to help small scale level players. There are many levels, including monetary conditions, regulations, enactments and controllers are being a part of macro level.

Alongside of opening doors to many opportunities, there are equally challenges found in Microfinance field. Moreover, microfinance has become news for terrible reasons. There are many smaller scale credit customers who have availed microfinance loan have committed suicide due to overcharges and receiving annoying calls from the recuperation specialists to repay the interest for the availed loans. However, to keep the death toll of the customers at bay, the administration of India has come into picture to find out the high loan fee that is charged on miniaturized scale credit besides helping the poor from MFIs. There is a Micro Finance Institutions Bill that is passed by the legislatures of India in the year 2012 to set up a new controller under the RBI to administer the job of NGOs and MFIs. As per the bill, the government will start a Microfinance Development Council of India with officers from different departments and services. Once the bill is prepared, all the MFIs should get approval from RBI. The specialist in the RBI will set the yearly charges that are to be charged on this MFI loans with a cutoff of Edge MFIs. Edge is the contrast of both the loan rate and asset cost. This edge acts as an in charge of the grievances that are received from microfinance administrators. By doing these kind of activities, the small scale fund status in India is reinforced.

Approving loan to the poor people in India through microfinance is not the end of the issue, but is the start of another new issue. Though, this helps to fight poverty, but it has its own drawbacks. However, these drawbacks can be overcome by packaging the microfinance program properly. Undeniably, government cannot take a back step to stop the financial advancement programs created to give a helping hand to the poor. The customers do not need to have any criteria to take microcredit. However, the reserves are used as part of non-beneficial resources. There are many advancement programs that are taken up by the government and are approving funding, including weaving, carpentry, chairmanship, horticulture, cultivating vegetables, honey bee cultivation, raising goats, etc. It is the responsibility of government to presume a part of the situation. Individuals who are exceptional and capability to do small business should be given microcredit. In addition to approving the loans, banks should also give proper guidance required for the microenterprises. It is critical for both the legislature and MFIs to come together to throw some light on poverty and eradicate it totally.
REFERENCES


