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MICRO FINANCE THE CATALYST FOR ECONOMIC DEVELOPMENT

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ABSTRACTS

The perspectives of developing economy which has witnessed the problems poverty unemployment illiteracy majority of people below poverty line in these circumstances the evolution of micro finance definitely helps to start the means of livelihood for the people who have earning capacity below 50,000 annually as it is recommended by the committee which is constituted for the same cause promotion of micro finance has metamorphosisingly led in emergency of paradigm shift from agrarian based economy to Industrial based economy In recent years the Reserve bank of India has come out with regulatory frame work for Micro finances in connection of interest rates for the loan amount this regulatory frame work for the purpose of bringing transparency.



KEY WORDS : *Financial Institutions Regulatory frame work financial assistance.*

INTRODUCTION

The strategic approach of finance which has redefined its nature and scope as laid down in the book titled "corporate financial policy" Authored by H. Gouthman and H. Doggal as "planning organizing directing controlling mobilizing and raising of funds used in business" the broader perspectives of above prescribed definition has taken into consideration all essential functions of financial management which provides a clear cut round map for achieving financial objectives of firm. Therefore it would be an evidentiary fact that finance is the core and life blood of business which strategically proves its significance indispensable from every activity of business discerning with every numerical judgment, the modern business era which has been commercialized with resurgence of financial activity by means of creating new opportunities for mobilizing and raising of funds among these innovative methods of financial procurement and mobilization Micro finance is the most popular one irrespective of dichotomy developed and developing economies for the regular and comprehensive analytical study has been done which represents its evolution from the decade of 80's for the purpose of eradicating poverty and women empowerment because these two aspects are the matters of paramount consideration, poverty the situation which is rightly observed by Dr. S.M. Desai in the book "Rural banking" as "common subsistence bear by the people" Whereas women empowerment defined as rising the status of women by education awareness literacy training these two holistic approaches objectively responsible for origination of Micro finances in India as well as abroad, the term Micro finance which synonymously reflects small finances limited to the extent of Rs.1,00,000/- can be defined as the provision the financial services for people who have no means for giving collateral security and belongs

to low income group, the concept of Micro Finance emerged by keeping in view the need of people these people are belongs to low Income group and unurbanized sectors felt resistance for availing credit facilities therefore Micro credit comes into the picture which is subsidiary of micro finance attributes to small credit facility for the period of short term at lower rate of Interest the aspect of micro credit facility usually taken by needy people like landless laborers marginal farmers etc and unemployed and youth who do not possess sound credit history the evolution of micro finance records in 18th century in Germany where a cooperative lending bank was established to support marginal farmers of Rural Germany but there was no term micro finance has been used as such at that particular point of time after that micro finance has been travelled long road till 1976 when the term micro finance has been used by Mohammed younus for the first time and has institutionalized a Grameen bank in Bangladesh, the concept of micro finance has assisted Rural India to greater extent it bridges the gap between rural artisans and banking sector, therefore concept of micro finance has been originated to fulfill the needs of rural women who are not Independent to avail credit facility at small perspectives the disparity of urban rural urge to provide smaller credit facility to rural people, as approach banking mechanism is the difficult task for rural India, this initiative helps small farmers to escape from clutches of debt trap imposed by merciless money lenders therefore in this regard Gujarathi has taken initiative to establish cooperative bank for the first time in India Ahmadabad it was ranked as first, micro finance institution of India, NABARD also a step ahead in this regard by providing banking linkage with Involvement of regional cooperative bank and commercial bank which provides the services of micro savings micro credit and micro insurance the year 1992 has an evidence of Introduction of self help linkage programme on the basis of recommendations given by S.K. Karia committee later on the year 2010 has witnessed the recommendations of Y.H. Malika committee which states the weaker sections of societies whose annual income is below 50,000/- i.e., becomes eligible to get loans by micro finance Institutions for the purpose of Income generation along with Interest rate keeping at 24% later this figure was repropose by Reserve bank of India to 26% the micro finance institutions must have regulatory compliance not to exceed Loan limit 25000/- the Reserve Bank of India also has taken good measure and released a consultative document on regulation of micro finance page this regulation aimed at protecting and empowering the borrower's house hold Income as per this consultative document will be approved by policy no and no prepayment penalty and collateral for all micro finance loans has been proposed it also states that simplified fact sheet will also be introduced. According to A.K Bhalta chouriya Editorial Director Business standard who rightly stated that the consultative paper which reserve bank of India has proposed this paper has proposed a new interest rate regulatory system which hopefully bring more market based more transparent system for determining what should be the Interest rates that micro finance institutions fix for borrowers it also suggest that all business institutions which are bound by set of rules that governs that to what extent these Institutions can charge for Micro finance the average Interest rates charge by ap give commercial banks the average rate multiplied by coopen 75 this step of regulations brings transparency in the existing lending procedures followed by different financial institutions this is the step which would be further leads to protection empowerment of borrower's Interest and moving ahead the regulatory frame work also encourage people who are dependent of self employment because the micro finances issued by financial Institutions consider the aspect of credit worthiness of borrower and capacity of repayment of Loan. MFI are providing loan facility to the people who are not access to banking practices due to hurdles and resistances which may arise in course of obtaining loans from banks mostly the banking companies urge for collateral securities which would be unable to provided by the people who were seeking micro finance this is the step which may leads to abandoned of banking commercialization as financial institutions are stop methods towards economic development of a country because establishment of micro small and cottage industries will solve the problem of unemployment which may also leads to eradication of poverty and strengthen the GDP growth rate the takers of micro financial assistance are usually low income as marginalized group who seek finances to have start up to eradicate problem of unemployment in this process of obtaining loans from micro finances these institutions takes funds from commercial banks the Y.H. Malika committee appointed by government of India to step the

scope of Micro finance emphasises to recommends to lend money to those low Income group people with annual Income below 50,000 these income group people are most deserving to draw this loan amount to start means of livelihood this would be the worst financial situation which definitely attracts attention of financial experts to take initiatives to provides financial assistance to weaker section of societies the youth of young India must be the participants of economic development because rural India amazingly do here by series of problems difficult of found balanced livelihood because of destruction of seasonal crops and drought non equilibrium of Increase in rate of population and productivity cruelty of money lenders and Indegenous bankers non access to banking and industrialization illiteracy poverty and unemployment all these factors stresses upon bold rethinking of financing function to laid down the philanthropy for promoting micro finances.

CONCLUSION:

The concept of micro finance has been among with a view to bridge gap between people of low Income group people and financial Institutions like commercial banks MFI WBIC etc.

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