

MICRO FINANCE AND EMPLOYMENT GENERATION

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ABSTRACT

Microfinance has made tremendous impact in India over the years and it's become a household name seeable of Socio-Economic benefits reaped/receivable from microfinance services by the poor lot in India. Self Help Groups (SHGs) became the business organisation (vehicle) of development process, especially in rural India converging most of the event programs. Microfinance sector has covered a protracted journey from Micro Savings to Microcredit so to Micro Enterprises and now entered the sphere of Micro Insurance. The gradual and evolutionary growth process has given a decent push to the agricultural poor to succeed in social and economic process together with empowerment resulting in happy life of participating house hold. Financial institutions within the country haven't only been playing a lead role but also joined hands productively with informal delivery channels. That's how microfinance has gathered momentum and registered a formidable expansion. During the last three decades some it's been realized that sustainable Rural Development needs the involvement of women in the social and economic activities empowerment and higher cognitive process process, as women are more sincere and active of development process. Women are capable of playing pivotal role within the family and society. SHGs have provided the required platforms for the identical.

Keywords: *Micro Level, Indigenous, Staggering, Opportunities, Needs, Involvement of Women's.*

Introduction

Microfinance organizations focus is on all those sections of our society that needs a financial aid to bring themselves out of poverty, it so becomes a priority to serve the actual needs of poor and unemployed, since a staggering 70 percent of all those living in extreme poverty are from rural areas. We all know that till today these rural people are often excluded from education, the workplace, owning property and equal participation in politics. They produce one 1/2 the world's food, but own only 1 percent of its farmland. Nearly 85 percent of Opportunity's loan clients are Poor and that too women. While Opportunity gladly extends loans to men, the organizations believes the best opportunity for interrupting cycles of maximum poverty come from microfinance programs that concentrate on female entrepreneurs. When rural people improve their circumstances, they also improve the lives of their children. By investing in nutrition and education, they assist to form a more robust future for his or her children and their communities. The role of micro-credit is to, improve the socio and economic development of such rural unemployed person's and improve the status of rural unemployed person's in households and communities. The micro entrepreneurship are strengthening the rural unemployed person's empowerment and take away the rural-urban inequalities. Microcredit is promoting the tiny scale business enterprises and its major aim is to alleviate poverty by income generating activities among women and poor. Therefore, they might achieve self-sufficiency.

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What is Micro Finance

To understand Micro finance we first have to understand what's its meaning, objective, aim, role among women upliftment, views of various experts over it and thus how is it acting as a road to development, so we first begin with its meaning. Microfinance is the provision of economic services like loans, savings, insurance, and training to people living in poverty. It one in all the good success stories within the developing world and is well known as a just and sustainable solution in alleviating global poverty. The industry began by providing small loans to emerging entrepreneurs to begin or expand businesses. "Opportunity International" was one amongst the primary nonprofit organizations to acknowledge the advantages of providing capital to people struggling to figure their answer of poverty. Over the years, with Opportunity leading the way, the microfinance sector has expanded its financial service offerings to raised meet client needs. Together with providing more flexible loan products and business and private development training, Opportunity offers savings and insurance to assist clients effectively navigate the daily hardships they face. Without these services, clients are continually in danger of slipping back to poverty thanks to unforeseen circumstances. The poor stays poor not because they're lazy but because they have no access to capital So as to extend access to financial services worldwide, microfinance is using innovative products and delivery channels, like mobile banking, and dealing to extend the capacities of service providers. The world is additionally striving to broaden the range of products and services offered, by any way financial or non-financial. Many microfinance proprietors also look to coach the destitute groups they serve about how basic banking services work. Once educated on how the method works, customers are then allowed access to loans. Even as one would find at a standard bank, a loan officer approves and helps borrowers with loan applications and oversight. The everyday loan usually Rs. 6000 or less - doesn't seem to be much too many within the developed world. But to people trapped in rural poverty, this figure is enough to begin a business or engage in other profitable activities.

To Whom Micro Finance Helps in Generating Employment

Micro finance clients are low income persons who don't have access to formal financial institutions. In rural areas, they're usually small farmers who are engaged in small income generating activities like food processing and petty trades. In urban areas Micro Finance activities are more diverse and include shopkeepers, service providers, artisans, vendors etc. Broadening the notion of the kinds of services micro finance encompasses, the potential market of Micro finance clients also expands, it depends on local conditions, political climate, activeness of cooperatives, SHGs and NGOs and support mechanism as an example Micro credit may need a way more limited market scope than say a more diversified range of monetary services, which include various kinds of saving products payment and remittance services, and various insurance products, for instance many poor farmers might not really wish to borrow, but rather would love a safer place to save lots of proceeds from their harvest as these are consumed over several months by the need of daily living, for this Central government of India has established a powerful and extensive link between NABARD and State Cooperative Banks, District Cooperative Banks and Market societies at national, state, district and village level.

But we even observed that Micro Finance approach relies on certain proven truth which don't seem to be always recognized these are:

- That easy accessibility to credit is more important than cheap subsidized credit which involves lengthy bureaucratic procedures.
- The majority the poor households have to save, has the inherent capacity to save lots of small amounts regularly and are willing to avoid wasting provided they're motivated and facilitated to try and do so.

Micro Finance the Game Changer

Micro finance has emerged as a strong instrument for the poverty alleviation within the new economy. A more refined model of micro credit delivery was evolved which emphasizes the combined delivery of economic services together with technical assistance and agriculture business development services. In comparison to the broader SHG bank linkage movement in India, private MFIs have had limited outreach, however we've seen a recent trend of larger micro finance institutions transforming into NBFCs. This changing face of Micro finance in India appears to be positive in terms of the flexibility of Micro finance to draw in more funds and so increase outreach. Talking about women in India that forms a lawfully important section of our society, they're more over limited to household but these women entrepreneurs make a major contribution to the Indian economy. The entire finance requirement of

women-owned (Microfinance small and medium Enterprises) MSMEs in 2019 was around Indian rupees 13.61 trillion (\$238 billion). Most of this requirement was largely focused around capital needs. Women-owned enterprises, which account for 0.03 percent of the full Microfinance Small and Medium Enterprises (MSMEs) had finance requirements of around Indian rupees 0.27 trillion (\$4 billion), about 2 percent of the whole requirement. Despite the success of life-transforming microfinance services, the World Bank says that the industry isn't go on meeting the demand. Five hundred million people living in poverty may gain advantage from atiny low bank loan and only one-third of the world's population has access to any reasonably checking account. In response, Opportunity has committed to putting together scalable, sustainable and accessible banks throughout the developing world to supply loans, training, savings and insurance products tailored to the particular needs of every region.

Even the foremost rigorous econometric studies have proven that microfinance can smooth consumption levels and significantly reduce the necessity to sell assets to satisfy basic needs. With access to micro insurance, poor people can deal with sudden increased expenses related to death, serious illness, and loss of assets. It's seen that clients who join and stay in programs have better economic conditions than non-clients, suggesting that programs contribute to those improvements. We've even observed that over a protracted period of time many purchasers do actually come out of poverty. "By reducing vulnerability and increasing earnings and savings, financial services allow poor households to create the transformation from "every-day survival" to "planning for the long run." Households are able to send more children to high school for extended periods and to form greater investments in their children's education. Increased earnings from financial services result in better nutrition and better living conditions, which translates into a lower incidence of illness. Increased earnings also mean that clients may search out and pay money for health care services when needed, instead of go without or wait until their health seriously deteriorates.

Micro Finance the Ultimate Solution

Unemployment mutually of the macroeconomic problems could even be reduced through the formal credit for casual sector participation provided its well supported and managed. The informal sector in itself might not be ready to achieve much due to inaccessibility to credit, but with the on-going policy of the federal through the Federal Reserve Bank of India on micro-financing the macroeconomic objective of reduced unemployment, if not financial condition will become a reality in India. The microfinance policy has empowered the various microfinance/banking institutions to supply credit to the informal sector. Therefore the government of India and every one relevant stakeholder continue in their mission towards reducing unemployment while they furnish their whole support, in ensuring that the informal sector continues to enjoy access to formal credit to finance its activities and attain its goal of unemployment reduction. Microfinance is addressed to the poor people who excluded from market transactions. It seeks to broaden and deepen the market by emphasizing that ultimately microfinance institutions should be sustainable, i.e. self-financing." Financial instruments and institutions help create jobs and reduce the vulnerability of the working poor. They complement policies that concentrate on the labour market.

Conclusion

It has been seen that in lieu of reducing the initial cost, MFIs are opening their branches in places which have already got some MFIs operating. Encouraging MFIs for opening new branches in areas of low microfinance penetration by providing financial assistance will increase the outreach of the microfinance within the state and check multiple lending this may also increase rural penetration of micro finance within the state. In areas of low microfinance penetration by providing financial assistance will increase the outreach of the microfinance within the state and check multiple lending. This can also increase rural penetration of microfinance within the state. MFIs are employing different patterns of charging interest rates and some also are charging additional charges and interest free deposits (a a part of the loan amount is kept as deposit on which no interest is paid). So a typical practice for charging interest should be followed by all MFIs so it makes the world more competitive and also the beneficiary gets the liberty to check different financial products before buying. At the identical time, practices followed by certain lenders have subjected the world to greater scrutiny and want for stricter regulation. We learnt two lesson from the world recession in 2008 that ought to protect the microfinance sector from the same crunch. The second lesson is that an excessive amount of target (financial) performance of staff and management which is fed by (short term oriented, greedy) shareholders creates distortions and unacceptable risks within the system that within the end will destroy it. There has been a surge in initiatives to coach the financial services client. Not only to strengthen her position towards the MFI but also to enhance the impact of microfinance services by teaching households and micro enterprises a way to manage their money.

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