

# Microfinance in Indian –A tool for Poverty Eradication, Economic Empowerment and Inclusive Growth

Dr. Lalit Kumar Joshi

Assistant Professor of Commerce, Kazi Nazrul University, Asansol, West Bengal (India)

---

## ARTICLE DETAILS

### Article History

Published Online: 12 June 2019

### Keywords

Microfinance, poverty alleviation, employment generation, SHG- Bank Linkage Programme, Microfinance Institutions, Regional Rural Banks.

---

### \*Corresponding Author

Email: lalitjoshi83[at]gmail.com

---

## ABSTRACT

Microfinance is typically a mechanism to allow low- income earner or those individuals who do not have the access to the banking services. The role of Microfinance towards poverty alleviation and employment generation cannot be over emphasised. The present study the issues relating to the microfinance and its impact on the Poverty Eradication, Economic Empowerment and Inclusive Growth. The study concluded that the role of Microfinance Institutions and SHG- Bank Linkage Programme has proved to be the effective tool for providing better life to the rural masses by giving better access to easy finance.

## 1. Introduction

Financial sector in Indian has undergone a drastic change with the growth of education vis-vis technology. The role of financial sector to strengthen the economic development of a country cannot be over emphasised. It was a long driven goal of the financial sector to uplift the living standard of rural population through the mechanism of financial inclusion. However the complete inclusion is still in nascent stage. A lot has to be done to bring the entire population under the ambit of the financial services. This will undoubtedly help in poverty alleviation and sustainable and inclusive growth.

Microfinance is typically a mechanism to allow low- income earner or those individuals who do not have the access to the banking services may be given the opportunity to pull them out of the poverty and live a very stable and meaningful life. It is a revolutionary step undertaken by the different stakeholders for serving the poorest of the poor who otherwise destined to have life full of struggle and hardship.

Many a time it was felt that a mechanism to alleviate poverty is much needed to the developing country like India. Several mechanisms were also developed but the same could not be channelized in the right direction to combat the ever-growing poverty in the country.

The present paper is an attempt to provide the holistic view of the role of microfinance in Poverty Eradication, Economic Empowerment and Inclusive Growth.

### 1.1 Microfinance- A Synoptic Overview

Microfinance is a mechanism developed to act as a source of providing finance to the lower income groups. Over the period it has proved to be the boon for the overall development of the individuals specially the rural poor. The role of microfinance in poverty alleviation can never be overemphasized. It provides financial services to those who has nothing to provide as collateral in lieu of finance. This sector has been providing loans at easy rates to help uplift the

poor people where the main focus is to provide finance on easy terms and also devise better way of helping poor by means of developing effective and efficient mechanism. Central government and state government in India has undertaken several programmes to eradicate poverty but still microfinance has proved to be the major player in bringing the majority of the population towards financial inclusion. Several studies conducted in this area have shown that Microfinance have been able to reduce hardship, and increase the income and thereby standard of living.

### 1.2 Objectives of the Study

The objective of the study is to address the issues relating to the microfinance and its impact on the Poverty Eradication, Economic Empowerment and Inclusive Growth. The Study also focuses on the role of Microfinance and Microfinance institutions in economic development.

### 1.3 Research Methodology

The study is descriptive in nature and thereby all the information provided in the study has been collected from the secondary sources including journals, periodical, websites of the different NGOs and government agencies etc.

### 1.4 Microfinance Institutions

Over the period there has been recorded a growth in the several Microfinance institutions across the country. It is often regarded supplement to the banking industry where it could not reach to help the rural masses. Rather it provides better and effective service in this direction. It provides a range of financial services which includes micro credit savings, insurance, training and support etc. It plays a dominant role in the in the economic development of a country.

Various Institutions offering microfinance services are:

- Cooperative Societies
- Non-Government Organisation
- Regional Rural Banks
- Commercial Banks

- Non-Banking Financial Institution, etc.,

### 1.5 SHG- Bank Linkage Programme

This programme was launched as an Action Research Project and the findings to the project led to the development of a Model known as SHG- Bank Linkage model. The main components of this model are the inclusion of three distinct entities such as banks, NGOs and SHGs.

The main objective of this arrangement is to provide access to finance on easy terms which includes providing loans to the SHGs without collateral securities.

This has undoubtedly has helped in the poverty eradication, income generation and thereby enhanced the standard of living. Studies suggests that this mechanism has further helped in the higher enrolments in the education as it

has enhanced their ability to spend more on education. Women empowerment and several other issues have been able to be addressed by this mechanism. It has further helped in economic empowerment of the rural poor and thereby encouraged inclusive growth of the country.

### 2. Conclusion

At the outset it can be said that the Microfinance though new in its origin but have been able to fulfill the target of poverty eradication and employment generation to a larger extent. It has not only provide easy access to loan but has also been able to provide better access to quality of life. It is now well understood that if properly implemented it can bring about phenomenal change in the rural landscape of the country. Hence it can be safely concluded that the government agencies should encourage further in this regard to eradicate the problem of poverty and unemployment to a greater extent.

### References

1. Mahajan, R., (2017), 'Micro Finance in India: Issues and Challenges', International Journal of Science, Technology and Management', Vol. no. 6, Issue No. 05
2. Asher Mukul G and Shankar S., (2007): 'Reconsider NABARD as the micro finance regulator' eSS Commentary/Microfinance/ Asher and Shankar September 2007
3. Morduch, J. (1999), 'The Microfinance Promise', Journal of Economic Literature, Vol. No. XXXVII
4. Ravikumar, B. Ratna (2006), 'A Primer on Micro Finance – The Paradox of Plenty in Poverty' The Chartered Accountant