

The Role of Micro Finance in Rural Indian Economy

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ABSTRACT

The development of the rural economy that is poor and mainly depended on the performance and formation of the MFI's in the country. The world's largest poor population is living in India and the development and the financial needs of their families can be fulfilled by the MFI's only because other financial institutions required loan security or collaterals for the loans and these people do not have these. There are more than 12000 MFI's are present in the world and more than 223 MFI's are in the Indian country who are working in various rural economy sectors and states of the country. According to the Kuznet the inequality in the developing countries are always higher side and in India it is observed that the 55 percent of the total wealth has been owned by the 10 percent people of the country and rest have the others. The pioneer of the Micro Finance in India is Anyonya Co-Operative Bank Ltd. Who started in 1889 with the capital of Rs. 79. The MFI's are mainly working in the loans for agriculture development, machinery and equipments of the agriculture services, animal husbandry, handicrafts, trading, local based business and new production activities.

KEYWORD: The Role of Micro Finance in Rural Indian Economy, Micro Finance

INTRODUCTION

The Indian economy started growing rapidly after 1991 because of the changes into the economic policies and adoption of the new policies. The 1991 policies changed the Indian economy and the economy started growing with the help of investments and new technology from the advanced and developed nations. The development has made classification into two economies in Indian economy one is urban economy and second one is rural economy. The urban economy is developed fast but the rural economy is far away from the development and according to the World Bank world's largest poor population is living in India. The population of India who are living into the rural economy is more than 60% and most of the people are under BPL and they are not able to fulfill their basic needs like food, shelter, health and education. Shaha and Mehta has described poverty as a sum of variety of factors which includes income, calories intake, land and credit, nutrition, health, longevity, literacy and education. Rural India is mostly relied onto the agriculture and allied sector and as we all know that the income and profit from agriculture is low and uncertain. These people always have problems of the credit and cash to fulfill their basic needs. The banks are also offering loans to the rural people but they required loan security and these people do not have the security so there are micro finance companies who are lending money to them without any security. Micro finance companies are keys into the rural economy for the fulfilling the needs of the rural people or India currently more than 12000 MFI are present in the world and 223 MFI's in the India.

Objectives

- To study the concept of Micro Finance.
- To study the Micro Finance Institutions in India.
- To study the role of Micro Finance Institutions in rural India.
- To find out the Importance of Micro Finance Institutions in India.

Research Methodology

The research is based on the secondary data which is collected from the various websites, research reports of the World Bank and books. The analytical and statistical research method is used for the data collection and analysis.

Micro Finance

The term Micro Finance can be defined as a person who have low or very few loan resources and is not able to get it from current traditional institutions and at the same time the institution is offering them a loan with very low resources is called Micro Finance. The word micro itself defined that the limit of the credit and amount will be very low. Since long this concept is used in the world economy but Bangladesh Nobel laureate Dr. Mohammad Yunus has contributed a lot into the utilization and popularity for the Micro Finance who has changed the perception of the world towards the development of the Micro Finance. Micro Finance refers to the availability of the financial services like savings, loans and insurance to the poor individuals, small business owners and entrepreneurs who are not having collateral and the 2/3 of the total clients are women. The pioneer of the Micro Finance in India is Anyonya Co-Operative Bank Ltd. Who started in 1889 with the capital of Rs.79.

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Top ten MFI in India

Micro Finance institutions are classified into the two categories which are For Profit Organizations and Non-Profit Organizations. In India there are so many MFI but following are the top ten MFI in 2019.

Sr. No	Name of the MFI
1.	State Bank of India
2.	Equitas Small Finance Bank Ltd.
3.	Mahindra & Mahindra Financial Services
4.	Ujjivan Financial Services
5.	Bharat Financial Inclusion Ltd.
6.	Spandana Spoorthy Financial Ltd.
7.	Bandhan Financial Ltd.
8.	Share Microfin Ltd.
9.	Shri Kshetra Dharmasthala Rural Development Project
10.	Asmita Microfinance Ltd.

Above are the top 10 MFI's in India who are working and serving to the Indian economy and rest of the others who are not into this list are also having importance but are not in the top list.

Micro Finance and Rural India

Rural Indian economy is undeveloped and facing so many problems regarding to the basic problems and needs. There are more than 223 MFI are working in the Indian economy who are providing financial services like savings, loans and insurance to the poor people. In last 20 years of the development of country is rapid but inequality has also grown almost 55 percent of the total national income has been possessed by only 10 percent of the population of the country. The rural economy is based on the agriculture, agriculture allied services and small traditional business of the family members which are run by the traditionally. The level of the poverty in to the rural economy is high and the number of the employment opportunities is also less and these people don't have any collateral to take loans against it. MFI's are exactly work on these conditions they are providing financial services to the people without any collateral and these services are provided in front of door of the clients who are very poor. According to Micro Finance Institutions network MFI'S have lent 60,549 crore money to the 2.94 crore clients and most of the clients are women. SBI is providing loans for the development through the SHG for rural development, agriculture machinery and equipments, conducting the various training programs for the education.

M&M MFI working for the women development and youngster's employment to accomplish their dreams it has more than 1200 branches with 20000 employees and served more than 4 million clients. Ujjivan Financial Services has 469 branches coverage over 24 states and UT's and other MFI's are also working all over India.

MFI's are providing loans for agriculture development, machinery and equipments of the agriculture services, animal husbandry, handicrafts, trading, local based business and new production activities. The basic features of these MFI's are loan, insurance and saving facility to the people.

Conclusion

The rate of economic growth and development of India has started after the economic reforms of 1991 and the availability of the new technology and funds are grown but it has not changed so much on to the rural economy of the country. The 55 percent income generated by the 10 percent people of the country and other people has the rest it shows the uneven distribution of the income. The rural economy runs on small scale business enterprises, farmers and labor that required funds but due to collateral problems most of them cannot get loans from the traditional financial institutions. The MFI are lends the loans to rural economy who are needy but against no collateral and it has changed the development of the rural economy. The MFI are having great importance to develop the rural Indian economy because it provides the financial assistance to the sectors like agriculture services, animal husbandry, handicrafts, trading, local based business and new production activities. There are so many rural population who are the clients of the MFI and most of the clients are the women. The micro needs of these people are fulfilled by the micro finance institutions and the business which are generated by the MFI and rural people grown rapidly.

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