

## **GROWTH OF MICRO FINANCIAL INSTITUTES IN CHHATISGARH STATE**

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### **ABSTRACT**

The term micro finance refers to the benefit of financial services, which are provided to low income group, including individuals as well as self-employed people. It is a practice of providing funds for permanent access to such groups who may utilise it for further generation of income. It includes facilities like savings, insurance and transfer of funds over a period of time. Microfinance has been working as one of the driving forces for extension of financial services in remote areas. It could be recognised to help low income groups by providing low cost finance without any bulky documentation. In India, the national bank for agriculture and rural development, NABARD, has been providing finance to nearly 500 banks that extend funds to the self-help groups. The concept of microfinance and microcredit are meant for providing small loans to low income groups, so as to start a micro enterprise and contribute to poverty alleviation. The focus of microfinance is towards economic security and income protection to the people. On the other hand, micro credit only aims at economic promotion. So, the area of microfinance is wider than micro credit. The emphasis of microfinance is also on empowerment of women, so as there could be a change in their social status. There are various microfinance projects that extend their service to non-profit organisations or women self-help groups.

**Key words-** interest rate, micro finance, women self-help group

### **INTRODUCTION**

Microfinance is defined as the availability of credit and other financial provisions, such as transfer of money and micro insurance, provided to the poor or marginal population. The objective of microfinance services is to improve the level of income as well as the living standard of people. In the words of Robinson, microfinance is a small scale financial service for both deposits and credits, which are provided to people working in farms or micro enterprises. The funds are provided for production, repair, recycling, trading or for running organisations in both rural and urban areas. The concept of microfinance deals with a complete range of financial services including money transfer, saving, insurance, production, investment, credit etc. They also provide funds for housing and up gradation of skill through entrepreneurial development. The end objective of microfinance is to overcome poverty and enhance the living standard of people. It is one among a credit support provided to people who could not manage with adequate resources for income generation.

The concept of microfinance works on general guidelines which are-

- Self-employment generation.
- Better usage of capital intensive techniques.
- Improvement in income and living standard.
- To reduce the level of poverty.

The basic idea of microfinance came into existence in the year 1903 when cooperative society act was passed and primary societies were created. The formation of cooperative credit institutes working for long term was done in 1928, so as to fulfil the investment needs of farmers. In the year 1921, syndicate banks started a micro credit program for daily or weekly savings and they could sanction micro loans for their members. After nationalisation of banks in 1969, the concept of microfinance in India gained a better speed and under the priority list microfinance was extended up to investment credit. It included production credit as well as consumption credit. The integrated rural development programme and swarna jayanti gram swarojgar yojana, both laid emphasis on the needs of investment credit. But the concept of microfinance got popularised by providing the facilities of subsidy and low rate of interest. Here the prime area of attraction is weaker sections of society. Under the self-help group program of NABARD in the year 1992, micro credit loans started paying attention to repayments of loans. It was extended only to those who could make a repayment on time. There were various innovative concepts including unregulated interest rate, savings and loan repayments, production and consumption loan etc. So, microcredit has been functioning as one of the basic sources of fulfilment of credit requirements for people in rural India.

## OBJECTIVES

1. Enable to understand the basic concepts related to micro financial services and their role in the growth of Indian economy.
2. To know about the relevance and role of microfinance in generation of employment.
3. To learn about the impact of programs of government on the development of microfinance in India.
4. To understand about the impact of microfinance on women self-help groups and eradication of poverty in India.

## METHODOLOGY

The research employs a blend of both qualitative and quantitative data to draw conclusions about 400 members of women self-help groups, of Surguja district. The study aims at understanding the change pertaining to level of poverty, generation of employment, improvement in living standard, health status, educational facilities, loan facilities, its repayment etc. Overall, the impact of micro finance via women self-help groups have been analysed on the basis of both primary and secondary data accumulated from the beneficiaries of micro financial services.

## NEED OF MICRO FINANCE

Due to dynamic change in the rural economy there are changes in the sector of agriculture and small scale industries. Due to commercialisation of agriculture the production of cash crops has increased, which has increased the requirement of funds in rural economy. The major players of providing funds in the rural economy are the money lenders or Commission agents, who extend credit with nominal formalities but charge high rates of interest. The requirement of funds is for seeds, pesticides or fertilisers for which credit is required. The arrangement of this credit is done through microfinance added with the requirements of religious and social distinction, medical and educational purposes, which could not be extended through the formal banking system. Therefore, there is a match between the requirements of the rural population and the need for funds. The requirement for a parallel credit system was felt, by which funds can be provided for all the needs of the rural population. The study of World Bank has revealed that 67% credit needs of people in India are meant for consumption purposes. Whereas 75% of such funds are meant for emergencies and 75% of production credit was advanced by the bank. While the entire amount of credit consumption was met through other sources. The rate of interest for this purpose was high which amounts between 30 to 90%. Due to such reasons the RBI has not allowed kisan credit cards to meet all the consumption needs of people up to their limit.

The provision of subsidies in the form of credit was also provided to people, who sustain their lives under the poverty line in India. But further, it results in non-performing assets for the commercial banks. So the prime issue for the poor was to make optimum access concerning use of credit and make a repayment on time. The microfinance has made a demonstration that loans shall be provided at lower rate of interest with an obligation of repayment on time. There are a wide range of financial services which can be provided by a poor population including transfer of funds and insurance. In Bangladesh the apex institute called gamin bank has set an example for extending microcredit to the deprived population. There are certain constraints and deficiencies in the delivery mechanism which have led to a slow growth of microfinance in the country. These can be listed a-

- The requirement of funds for working capital is not met by the bank due to tenancy acts.
- The development of formal banking system is slow due to which the credit deposit ratio is also less
- In spite of an extension of formal banking institutes, there are 35% members of primary agriculture credit societies in the micro financial system, who could not borrow sufficient amounts for their needs. About 65% of these societies are either financially weak or they do not have adequate funds for smooth functioning.
- After the introduction of financial reforms in Indian economy, the concentration of commercial banks on profitability and investment has been more as compared to the extension of credit to the rural population.
- The functions of regional rural banks have also been limited only up to generating profit out of credit extension.
- The agencies working for rural credit including cooperative banks have high capitalisation and higher non-performing assets due to lack of recovery.
- The cost of financial intermediaries is high in rural financing due to which the cost of loans has increased.
- It is not possible for the rural banking institute to keep up dynamic credit requirements, by which it becomes difficult for the rural population to access the financial services.

## FORMS OF MICRO FINANCIAL INSTITUTES

There are a large number of Institutes in the country who are fulfilling the needs of microfinance to the deprived population. They include institutes in the formal financial sector such as commercial banks, cooperative banks, regional rural banks, self-help groups, non-government organisations etc. who have been actively working for extension of credit. In recent years, there have been a large number of non-banking financial corporations who have established themselves as microfinance institutes. So the broad category of microfinance Institute can be summed up as

1. **Non-profit organisations microfinance institutes-** These Institutes work on the principle of not for profit organisations, so they lend money to their beneficiaries only at operation cost. There are various societies registered

under the society registration act 1860, who work as a microfinance organisation. There are public trust whose registration is done under Indian trust act 1882 and non-profit companies who have been registered under section 25 of Companies Act 1956. All these combined work as microfinance organisations.

2. **Micro financial institute for mutual benefits-** There are various micro financial institutes who work for the mutual benefit of their members and beneficiaries. These include national credit cooperative, state credit cooperative and mutually aided cooperative society, who extends credit as per the need of beneficiary.
3. **Micro financial institutes meant for profits-** These organisations are meant for lending money at a higher operating cost. These include non-banking financial companies who are registered under the Companies Act 1956. Banks are also called microfinance Institute as they work for rural credit the include NABARD and SIDBI who are the prime players of rural credit.

### **SELF HELP GROUPS AND THEIR FEDERATION**

It is a formal Institute which is registered under the societies Registration Act 1860 or they may also be registered under the analogous state act. The initiative is taken by NGO for helping self-help groups at village level and forms their clusters, so that it becomes easy to reach a federation. It has helped in pooling resources of different individuals in the group and forms a large amount for the federation. This federation has a better responsibility of providing training; auditing and making self-help groups self-reliant. There are different federations like Mysore settlement and development agency, development of human action, Chaitanya, Sewa etc, who have developed themselves as federations empowered by NGO. They are also supported by banks, who actively work for mobilisation of credit and providing other non-financial services, including training, supply of input, legal services, marketing of output etc. The government ruling the state has also taken certain initiatives for promoting self-help groups through providing microfinance. The community developmental society in Kerala and Tamilnadu are prominent examples of these groups.

### **NABARD AS A MICRO FINANCIAL AGENCY**

Establishment of NABARD was done in the year 1982, for providing attention to the problem of credit in rural areas. It basically deals with formulation of a linkage strategy of banks with self-help groups, for the delivery of financial services. The basic pilot project of NABARD was done with 500 self-help groups all over the country, which were based on the basic guidelines issued by banks. It was observed that the instructions were flexible and discrete for different informal groups. It basically laid emphasis on compulsory saving of funds, linking credit and savings and to enhance saving and lending decision groups. On the basis of the requirements the decision of borrowing is undertaken. It is based on collective wisdom, peer pressure and absence of margin and unit cost. Apart from 100% refinancing to the banks, NABARD also helps in policy formulation, technical and proportional support to different NGOs and self-help groups, under various programs.

The program of linking different banks with self-help groups has brought into consideration different best practices which are followed at the initial level of these small groups. It is seen that there is homogeneity among members, also regularity in savings decisions are collective, which leads to increase in income, creation of employment opportunities and creating a common bond between different members working in self-help groups. It has resulted in orientation of subsidy, reduction in operational cost and extension of the profitable banking sector up to different parts of the country. The efforts of NABARD also focus on 100% repayment of loans which completely depends on the core functioning of NGOs. It is also essential that the banking facilities are extended to the marginal individuals, particularly poor and women. The financial support of NABARD is provided to a million of self-help groups who are recognised under different programs. Prominent among the groups are the rashtriya mahila kosh and SIDBI who support various microfinance organisations. Apart from the linking program, NABARD has also started working in a bulk lending scheme, which looks after effective mechanisms for credit delivery. There are almost 35 institutes who have been supporting NABARD for extending 95% credit to almost 110000 families in the country.

### **MICRO FINANCE AND SIDBI**

The establishment of SIDBI was done in the year 1990 with the prime objective of promotion of financial institutes and industries in the small sector. It looks after for coordination of different organisations who are engaged in promoting, financing and development of industrial sector. Being a part of national integrity, SIDBI takes all the efforts to fulfil the needs of credit of poor and recognise job opportunities for them. It has been providing financial services to different non-government organisations for setting up micro enterprises through their micro credit scheme. Such scheme was launched in the year 1993 with an objective of extension of funds for nominal economic activities. The conditions of loan are provided with a maximum limit of 25000 per individual with repayment tenure of 12 to 23 months. However a minimum loan extension for non-government organisations is 10 lakh with no maximum limit. Such a loan is expected to be repaid over a time period of 5 years, so the recycling of funds can be done within 3 to 5 times. The rate of interest charged by SIDBI ranges between 9 to 15%, whereas the funds are utilised for different agro based activities including thesar silk, poultry, dairy, fisheries, garments, jewellery, wool spinning etc SIDBI also provides grants for capacity building and meeting managerial salaries, so as to provide a strength to accounting and management capacities of NGOs. They also provide

training for utilisation of credit, provided to the self-help groups. By the help of SIDBI, different NGOs have created a link with women self-help groups, who are benefited by use of credit. Otherwise it would have been difficult for them to use the formal banking system. The credit provided by the bank has increased income and savings of the members by which the repayment of loans has been achieved at 92%. The programs launched by SIDBI include micro credit foundation which is known as SIDBI foundation for micro credit in the year 1998. It performs at national level with effective management of risk and financial operation clearly. An amount of 100 crore has been provided for execution of its current operations.

### RASHTRIYA MAHILA KOSH

In order to provide credit to the women and create a promotional supportive infrastructure for the unrecognised sector, the rashtriya mahila kosh came into existence in 1993, as a society registered under society's registration act 1860. Its prime objective is to support all the NGOs by providing them financial services such as credit and insurance. The kosh also provided interest bearing loan to NGOs, women development corporations, cooperative societies and even in small measures for the promotion of different entrepreneurial activities. It also increases women empowerment by extending short and medium term loans of 7500 per individual at a rate of interest of a person. The NGO can extend a maximum rate of interest of 12% to self-help groups individually. The maximum limit of interest is 17.8% for an individual self-help group.

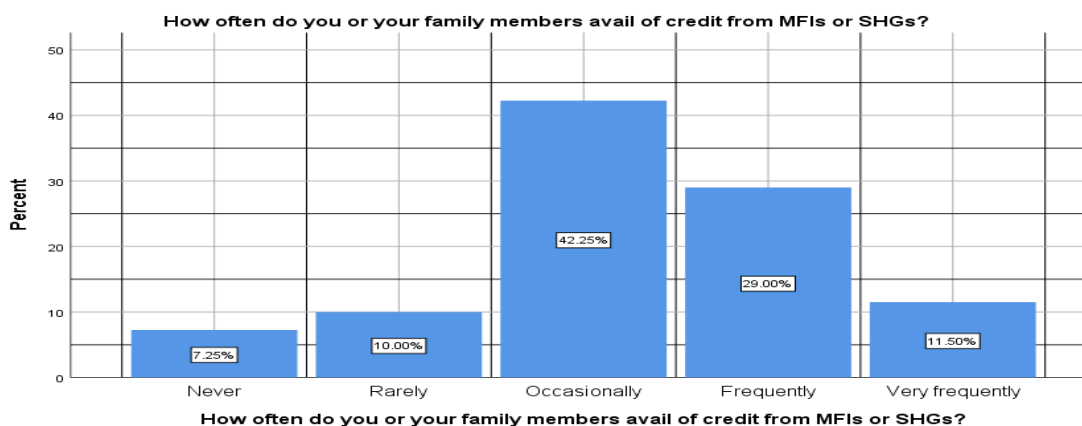
This kosh has developed itself, as a supporting scheme for stability and growth of self-help groups, particularly for those which are women oriented. Under the scheme, all the NGOs are provided with interest free loan up to 1 lakh for 25 self-help groups, which is convertible into grant, which is subject to formation of self-help group with regular saving whereas, a large part of saving is provided as a loan to individual members. It also recognises that importance of training and promotes the beginners to actively participate in microfinance activities. They have evolved umbrella scheme, nodal agency and resource NGOs schemes for better execution of funding.

The success of micro credit through self-help group has provided an encouragement to government of India to establish a micro credit organisation at national level with a collaboration of rashtriya mahila kosh. The program is undertaken by ministry of women and child development in the year 1993, with a fund of 31 crore to uplift the condition of women. The kosh has distributed approximately 151 crore of loans till July 2006, which has provided a benefit to over 5.5 lakh women in the country. The rate of recovery of this kosh is 91% which is better than any other schemes of microfinance.

### RESULTS AND DISCUSSIONS

#### 1. People in rural and tribal belt of surguja who avail micro credit and micro financial services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	29	7.3	7.3	7.3
	Rarely	40	10.0	10.0	17.3
	Occasionally	169	42.3	42.3	59.5
	Frequently	116	29.0	29.0	88.5
	Very frequently	46	11.5	11.5	100.0
	Total	400	100.0	100.0	



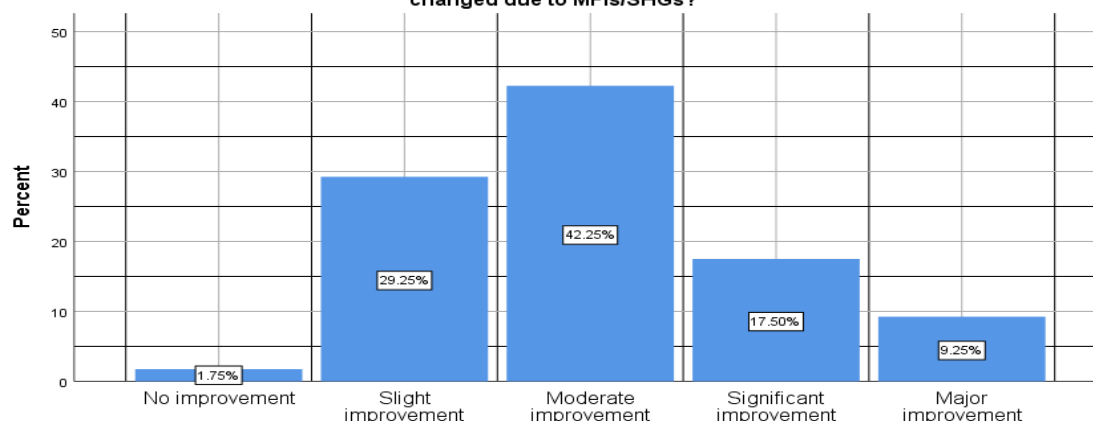
The data indicates the frequency with which respondents or their family members avail credit from Microfinance Institutions (MFIs) or Self-Help Groups (SHGs). The highest proportion of respondents, 42.25%, reported occasionally availing such credit, suggesting that many individuals utilize these financial services on a need-based basis rather than as a regular source.

This is followed by 29% who avail credit frequently, indicating active engagement with MFIs and SHGs for meeting financial needs. A smaller proportion, 11.5%, reported very frequent usage, representing individuals or families who rely heavily on these institutions for their financial requirements. Meanwhile, 10% of respondents rarely avail credit, and only 7.25% never use these services, highlighting that a vast majority of the population in the area interacts with MFIs and SHGs to some extent.

## 2. The changes in marginal business due to micro financial institutes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No improvement	7	1.8	1.8	1.8
	Slight improvement	117	29.3	29.3	31.0
	Moderate improvement	169	42.3	42.3	73.3
	Significant improvement	70	17.5	17.5	90.8
	Major improvement	37	9.3	9.3	100.0
	Total	400	100.0	100.0	

In the past 3 years, how has the availability of credit for small-scale or marginalized businesses in your area changed due to MFIs/SHGs?



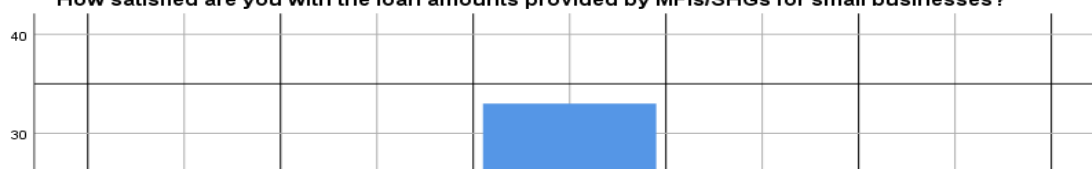
In the past 3 years, how has the availability of credit for small-scale or marginalized businesses in your area changed due to MFIs/SHGs?

The data indicates the perceived change in the availability of credit for small-scale or marginalized businesses in the past three years due to the presence of Microfinance Institutions (MFIs) and Self-Help Groups (SHGs). A significant proportion of respondents, 42.25%, reported moderate improvement, highlighting the positive impact of these institutions in expanding access to credit. Additionally, 29.25% observed slight improvement, suggesting gradual progress in reaching underserved areas. Meanwhile, 17.5% acknowledged significant improvement, and 9.25% noted major improvement, indicating substantial strides in credit availability for small and marginalized businesses. Only 1.75% reported no improvement, demonstrating that the efforts of MFIs and SHGs are largely effective in addressing the credit needs of the community.

## 3. Satisfaction from the amount of credit provided by MFI/SHG

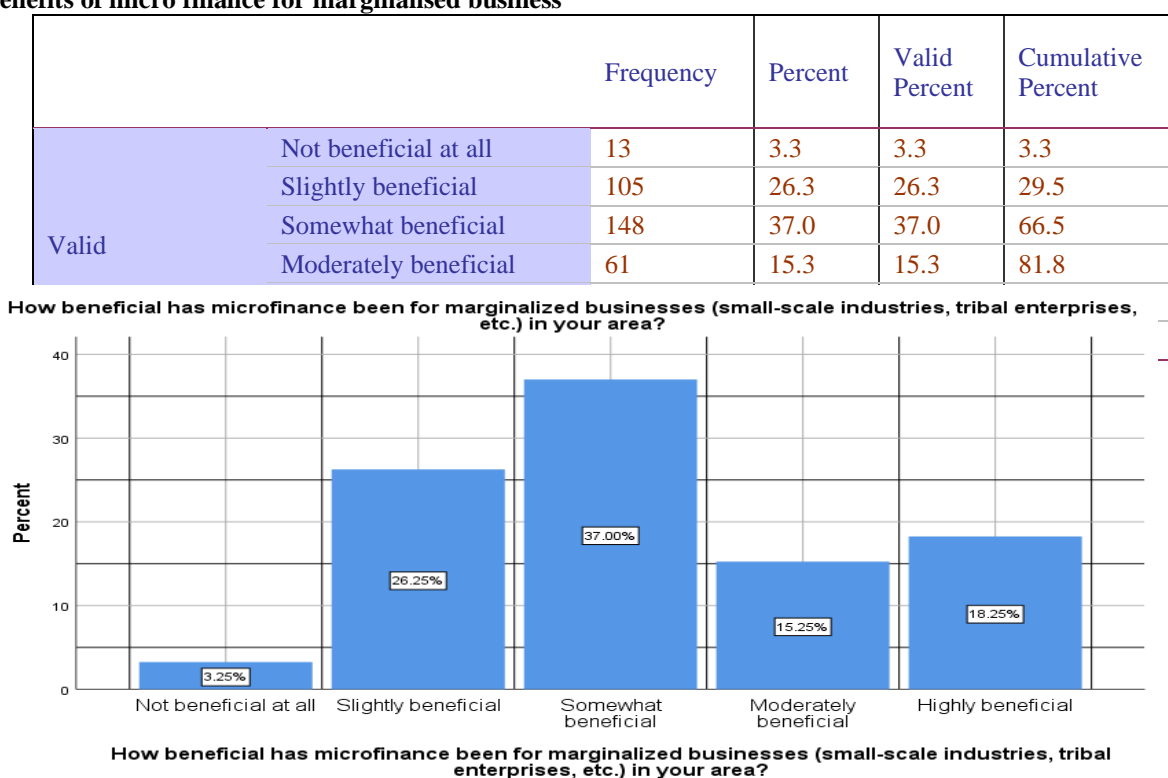
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all satisfied	18	4.5	4.5	4.5
	Slightly satisfied	93	23.3	23.3	27.8
	somewhat satisfied	132	33.0	33.0	60.8
	Moderately satisfied	98	24.5	24.5	85.3
	Highly satisfied	59	14.8	14.8	100.0
	Total	400	100.0	100.0	

How satisfied are you with the loan amounts provided by MFIs/SHGs for small businesses?



The data shows the satisfaction levels of respondents regarding the loan amounts provided by Microfinance Institutions (MFIs) and Self-Help Groups (SHGs) for small businesses. The majority of respondents, 33%, were somewhat satisfied, indicating that while the loan amounts met expectations to a certain extent, there is room for improvement. Additionally, 24.5% of respondents reported being moderately satisfied, and 14.75% expressed high satisfaction, suggesting that a significant portion of the population is content with the financial assistance received. On the other hand, 23.25% were only slightly satisfied, and 4.5% were not satisfied at all, indicating that some individuals found the loan amounts insufficient to meet their needs.

#### 4. Benefits of micro finance for marginalised business

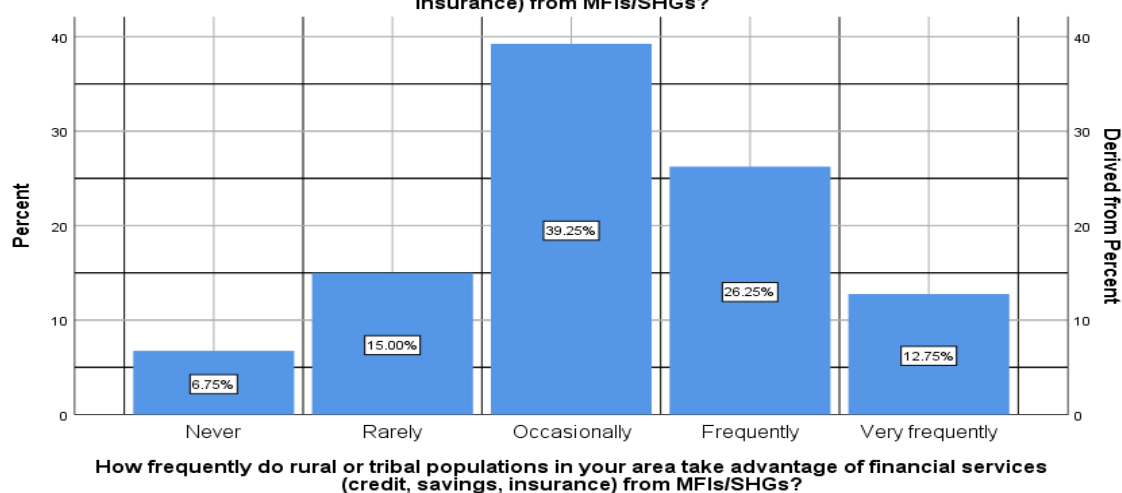


The data showcases the perceived benefits of microfinance for marginalized businesses such as small-scale industries and tribal enterprises in the respondents' area. A majority of 37% considers microfinance to be somewhat beneficial, indicating that while its impact is recognized, and there remains scope for further enhancement. Another 26.25% rated it as slightly beneficial, reflecting limited but positive contributions. On the other hand, 18.25% described it as highly beneficial, and 15.25% viewed it as moderately beneficial, signifying that a significant portion has experienced tangible advantages. Only 3.25% believe microfinance has not been beneficial at all, highlighting minimal dissatisfaction.

## 5. Advantages of MFI to tribal population

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	27	6.8	6.8	6.8
	Rarely	60	15.0	15.0	21.8
	Occasionally	157	39.3	39.3	61.0
	Frequently	105	26.3	26.3	87.3
	Very frequently	51	12.8	12.8	100.0
	Total	400	100.0	100.0	

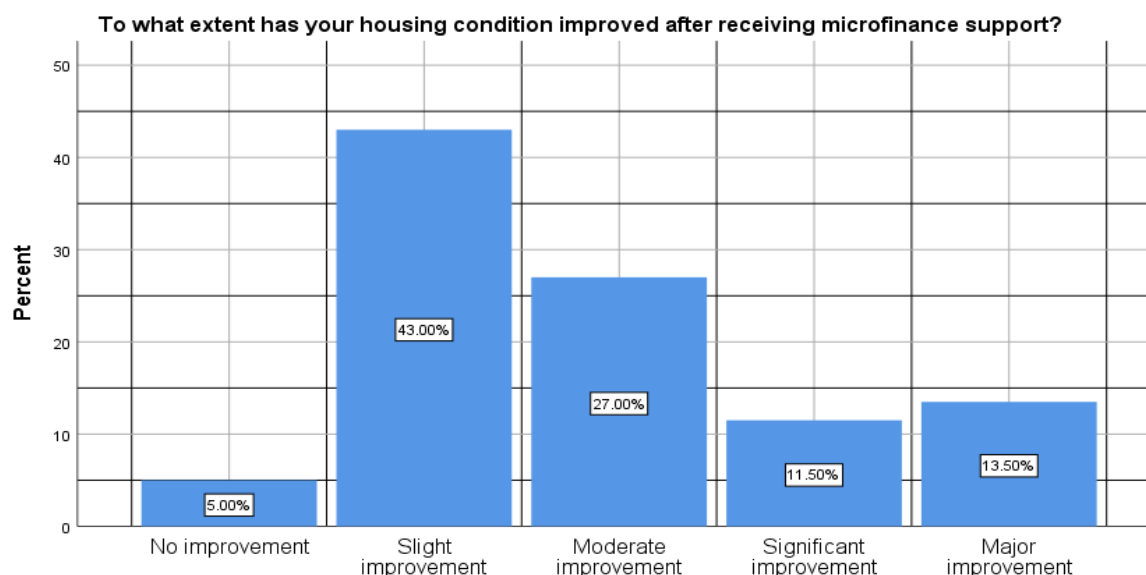
How frequently do rural or tribal populations in your area take advantage of financial services (credit, savings, insurance) from MFIs/SHGs?



The data illustrates how frequently rural or tribal populations utilize financial services (credit, savings, insurance) offered by Microfinance Institutions (MFIs) and Self-Help Groups (SHGs). The largest segment of respondents, 39.25%, reported occasional usage of these services, while 26.25% indicated frequent usage. Additionally, 12.75% stated they very frequently take advantage of these services. On the lower end, 15% reported rarely using these services, and 6.75% never utilized them, suggesting some gaps in outreach or accessibility.

## 6. Improvement in housing conditions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No improvement	20	5.0	5.0	5.0
	Slight improvement	172	43.0	43.0	48.0
	Moderate improvement	108	27.0	27.0	75.0
	Significant improvement	46	11.5	11.5	86.5
	Major improvement	54	13.5	13.5	100.0
	Total	400	100.0	100.0	



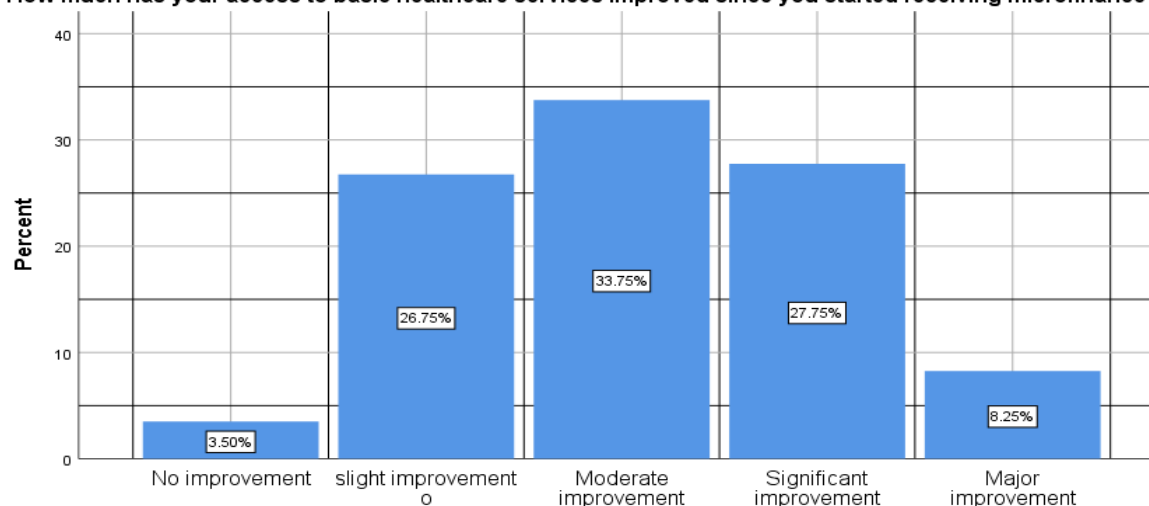
**To what extent has your housing condition improved after receiving microfinance support?**

The data evaluates the impact of microfinance support on improving housing conditions. A significant proportion of respondents, 43%, reported slight improvement in their housing conditions, while 27% experienced moderate improvement. Additionally, 13.5% noted major improvement, and 11.5% reported significant improvement. Only 5% observed no improvement, suggesting that microfinance support has had a positive impact on housing for the majority.

#### 7. Access to basic health care services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No improvement	14	3.5	3.5	3.5
	slight improvement o	107	26.8	26.8	30.3
	Moderate improvement	135	33.8	33.8	64.0
	Significant improvement	111	27.8	27.8	91.8
	Major improvement	33	8.3	8.3	100.0
	Total	400	100.0	100.0	

**How much has your access to basic healthcare services improved since you started receiving microfinance?**



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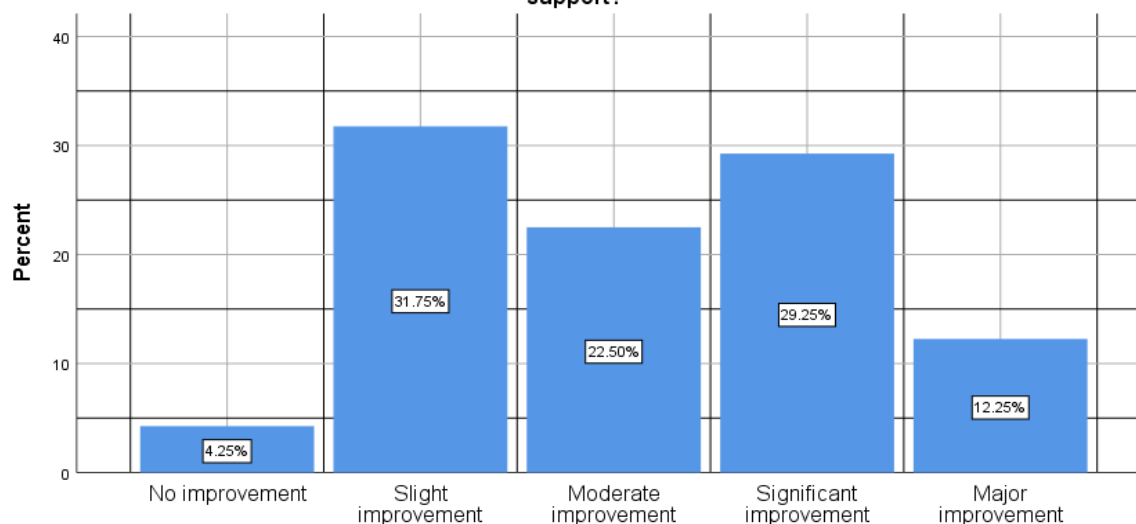


The data illustrates how access to basic healthcare services has improved since individuals started receiving microfinance. The largest group, 33.75%, reported moderate improvement in access to healthcare, followed by 27.75% who experienced significant improvement. A smaller portion, 8.25%, reported major improvement. Meanwhile, 26.75% noted only slight improvement, and 3.5% observed no improvement, indicating that while microfinance has generally contributed to better healthcare access, some gaps remain.

#### 8. Access to education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No improvement	17	4.3	4.3	4.3
	Slight improvement	127	31.8	31.8	36.0
	Moderate improvement	90	22.5	22.5	58.5
	Significant improvement	117	29.3	29.3	87.8
	Major improvement	49	12.3	12.3	100.0
	Total	400	100.0	100.0	

How much has your access to education (for yourself or family members) improved due to microfinance support?

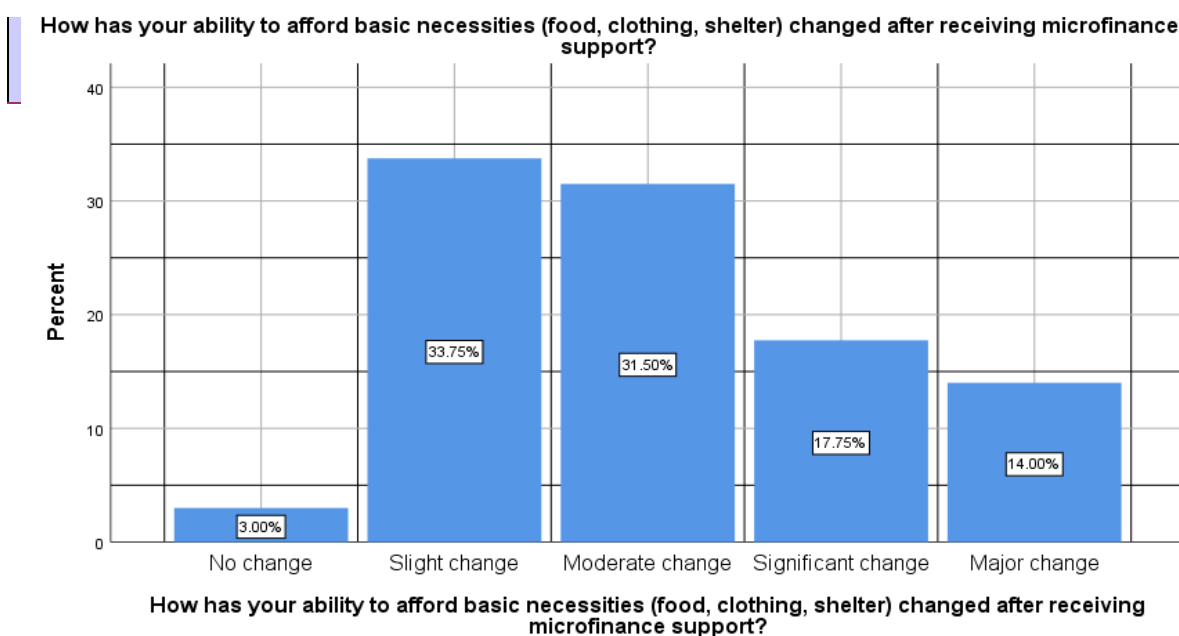


How much has your access to education (for yourself or family members) improved due to microfinance support?

The data evaluates the extent to which microfinance support has improved access to education for individuals or their family members. A significant portion of respondents, 31.75% reported slight improvement, followed by 29.25% who observed significant improvement. Additionally, 22.5% indicated moderate improvement, and 12.25% noted major improvement. Only 4.25% reported no improvement, indicating that microfinance has generally facilitated better access to education for most respondents.

#### 9. Ability to afford basic necessities

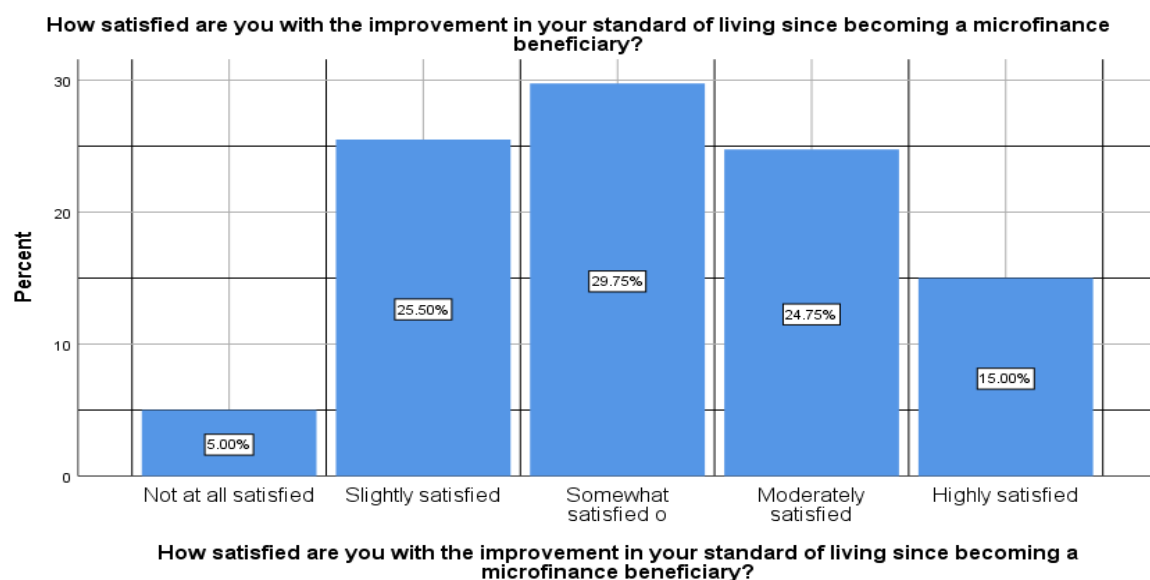
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No change	12	3.0	3.0	3.0
	Slight change	135	33.8	33.8	36.8
	Moderate change	126	31.5	31.5	68.3
	Significant change	71	17.8	17.8	86.0



The data highlights the changes in the ability to afford basic necessities (food, clothing, shelter) after receiving microfinance support. The largest proportion of respondents, 33.75%, reported a slight change, followed by 31.5% who experienced a moderate change. Additionally, 17.75% observed a significant change, and 14% reported a major change. Only a small percentage, 3%, stated that there was no change in their ability to afford basic necessities.

#### 10. Improvement in living standard

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all satisfied	20	5.0	5.0	5.0
	Slightly satisfied	102	25.5	25.5	30.5
	Somewhat satisfied o	119	29.8	29.8	60.3
	Moderately satisfied	99	24.8	24.8	85.0
	Highly satisfied	60	15.0	15.0	100.0
	Total	400	100.0	100.0	



The data demonstrates varying levels of satisfaction regarding improvements in standard of living among microfinance beneficiaries. A significant portion of respondents (29.8%) reported being somewhat satisfied, followed by 25.5% slightly satisfied and 24.8% moderately satisfied. Meanwhile, 15% of respondents expressed high satisfaction, while 5% were not at all satisfied.

## POLICY RECCOMENDATIONS

1. **Focus on skill development and entrepreneurship-** Expanding loan options and flexibility to meet diverse business needs, reducing administrative costs and simplifying the loan approval process, strengthening community-based programs to reduce social exclusion risks and enhancing training and mentorship programs for entrepreneurs.
2. **To strengthen financial services-** Streamline application processes and reduce transaction costs to improve the accessibility of financial services. Offer training and financial literacy programs to empower individuals in effectively utilizing microfinance. Develop financial products tailored to the specific needs of marginalized groups, including flexible loan terms and collateral-free options. Enhance access to modern technology and develop infrastructure to support sustainable economic activities. By overcoming these challenges, microfinance can play a more transformative role in uplifting rural and tribal populations, fostering economic development, and reducing social and financial disparities.
3. By implementing these measures, MFIs and SHGs can significantly enhance their impact, ensuring inclusive economic development and improved livelihoods for rural and tribal populations.

### Capacity Building:

- a. Expand skill development programs tailored to rural needs.
- b. Provide training on financial literacy and entrepreneurship.

### Operational Improvements:

- c. Streamline administrative processes to reduce costs and inefficiencies.
- d. Strengthen monitoring and evaluation mechanisms to prevent mismanagement.

### Inclusivity and Equity:

- e. Address social barriers like gender bias and cultural resistance.
- f. Promote youth engagement and equitable leadership in SHGs.

### Infrastructure Development:

- g. Invest in local markets and infrastructure to support sustainable growth.
- h. Facilitate access to technology and modern financial tools.

4. By addressing these challenges, microfinance can continue to uplift communities and improve living standards while ensuring equitable growth and development.

### Targeted Interventions:

- a. Address the specific needs of marginalized groups to ensure inclusivity.
- b. Expand outreach to underserved areas to overcome geographical challenges.

### Capacity Building:

- c. Provide training in financial literacy and entrepreneurship to optimize fund utilization.
- d. Foster technological adoption to modernize operations and access.

### Policy and Structural Reforms:

- e. Reduce transaction costs and improve the flexibility of loan terms.
- f. Strengthen support for rural enterprises and market integration.

5. However, barriers such as operational inefficiencies, high costs, and risks of default underscore the need for better financial literacy and support systems. By addressing these challenges, through targeted interventions such as financial education, access to government incentives, and support for sustainable practices, can amplify the positive effects of microfinance. Enhancing resource allocation and addressing systemic challenges will maximize the potential of microfinance programs in driving economic development.
6. The qualitative data highlights the need for innovative solutions to ensure broader geographical reach and inclusivity in financial services. For instance, leveraging digital platforms can enhance financial literacy, streamline loan servicing, and reduce operational inefficiencies. Policymakers and financial institutions must collaborate to address these systemic challenges and maximize the benefits of microfinance for underserved communities.

## CONCLUSION

Microfinance plays a crucial role in alleviation of poverty and fostering economic growth by providing financial assistance to underserved communities. It empowers individuals, particularly, women by offering nominal loans, saving accounts and extending different financial services to them. The barriers of traditional banking system have been overlooked by the micro financial agencies, as they contribute in generation of employment, improvement in basic necessities of life and

enhancement in level of income. The results of this research indicate that there has been a persistent improvement in the status of extension of micro finance, provisions of loan, facilities of education, health care as well as in the overall living standard of deprives. The impact of micro financial and micro credit services can be witnessed in the well- being of marginalised group of society.

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