MICROFINANCE AND POVERTY REDUCTION IN INDIA

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ABSTRACT

India has one of the fastest developing countries in the world. India falls under low income class according to World Bank. It is second population country in the world and nearly 70% of its population lives in rural area and round 60% of population depended on agriculture for her livelihood. One of the greatest challenges before the India sub-continent which accommodates more than one-third of the population is poverty. So the India economic growth has failed to make a significant improvement in its poverty figures. Government of India started various poverty alleviation programmes but they have failed due to failure to reach the target groups, developing an effective mechanism, leakages in the system and few other. But the microfinance sector has great potential, most promising and cost-effective in the fight against global poverty.

Since 1970 microfinance has been proven to be one of the most effective and sustainable tools in poverty fighting. Microcredit plays an important role in fighting the multi-dimensional aspects of poverty and offers financial services to low-income populations. Microfinance is being practiced as a tool to attack poverty the world over. Micro Finance Institution (MFIs) providing very small loans to the poor people for raises their income earning capacity and quality of life. Microfinance has been found to be effective tools in lifting the poor from poverty line in India by providing money as a loan for self-employment. In India around 21.9% populations living below the poverty line (According, 2014). About 60% of the poorest households do not have access to credit. Only 20% access loan from the formal sources. Annual credit demand by the poor is estimated to be about Rs 60,000 crores and only Rs 12,000 crores are disbursed.

In India, Micro finance has been defined by “The National Microfinance Taskforce, 1999” as “ provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards”. In India, loan is given to BPL families and members of SHG members without security.
**Keywords:** Microfinance, Grammen Banks, SHG, MFI, Poverty Line, Per-Capita income, Poverty Reduction.

**INTRODUCTION:**

India has the one of the fast developing country in the world. India’s ‘first world’ economy is oriented to the very highest standards of globalize consumption, and formal sector incomes and lifestyles reflect this. By contrast, the real incomes and ‘lifestyles’ of the very poor, particularly in rural areas, are comparable very low. One of the greatest challenge before the Indian sub-continent which accommodates more than one-third of the population is poverty. The poverty has been described as a situation of “pronounced deprivation in well-being” and being poor as “to be hungry, to lack shelter and clothing, to be illiterate and not schooled” (World Bank, 2000-2001). Mehta and Shah (2001-02) defines poverty as “the sum total of a multiplicity of factors that include not just income and calorie intake but also access to land and credit, nutrition, health and longevity, literacy and education and safe drinking water, sanitation and other infrastructural facilities.”

The poor stay poor, not because they are lazy but because they have not access to capital. Lack of loan and other financial services from banks and other institution forces them to rely heavily on relative or local money lenders at time of needs. Usually interest rate of money lenders is very high. So then vicious circle of low income, low saving, low investment, low production and low employment rate are found in economy. Muhammad Yunus believed that poverty is caused by the system and the poor are credible borrowers and small loans can make a big difference to the poor.

Since 1970 microfinance has been proven to be one of the most effective and sustainable tools in poverty fighting. Microcredit plays an important role in fighting the multi-dimensional aspects of poverty and offers financial services to low income populations. According to famous economist Robinson, Microfinance refers to small-scale financial services for both credits and deposits-that are provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. At last the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. Most of the major MFI’s deliver very small
loans to unsalaried or poor borrowers and reverse vicious circle into virtuous circle of low income, injection of credit investment, more income, more saving, more investment, more production and more employment. Its plays an important role in women empowerment and poverty reduction, particularly in developing countries like India.

**REVIEW OF LITERATURE**

The various economists made exclusive study on usefulness development link with the microfinance. Some the literatures are mentioned below:

**Muhammad Yunus, (2003)** who won the Nobel Peace prize and popularized the benefit of microloans, donor countries and international charitable organizations were eager to help, if millions can help themselves to escape poverty. Another realization was that the poor often had to cope with irregular or seasonal income and must develop the habit of savings to build the capability of consumption smoothing. Microcredit transformed into microfinance because many microcredit programs also require their clients to demonstrate regular savings habit. With very high recovery rate of microloans and high profitability private equity poured into the sector

**Narasaiah (2004)** in his study mentioned that the change in women’s contribution to society is one of the striking phenomena of the late twentieth century. According to him micro-credit plays an important role in empowering women.

**Barr (2005)** argues in the article that by focusing on microfinance, development policy can strengthen the links between financial development, economic growth, and poverty alleviation. Rather than focusing exclusively on microfinance as an anti-poverty strategy, however, microfinance should be seen as an integral component of a developing country’s broader financial development strategy.

**Kakade and Bhau (2007)** in their case study found that the SHGs are dominated by females and it has helped in improving the quality of life of the women. There is positive impact of SHGs in people’s income, savings, consumption and expenditure. The SHG can act as an alternative institutional asset up to tackle the problems of unemployment poverty and gender justice.

**Glennerster, & Kinnan, (2009)** studied the impact of microfinance in urban slums of Hyderabad, India. The authors found that not all who qualified for loan borrowed from the new MFI branch opening. More new businesses were opened and those businesses realized higher profit. Households who started business increased spending on investment rather than
consumption. The households which were less likely to start a business spent more on consumption. Since the loans were not specifically for business purposes, the authors were unable to conclude whether the effect was the direct result of microloan or came from indirect effects. The study was for 15-18 months and could not find any impact on health, education or women’s empowerment (Rosenberg, 2010).

OBJECTIVES
This study is based on the following objectives:
1. To understand the relationship between micro-credit and poverty alleviation
2. To analyze the growth of microfinance sector and Self Help Groups in India.
3. To make an overall current status of microfinance in India
4. To study the impact of micro finance and per capital income.

METHODOLOGY
This is a descriptive research paper based on secondary data. Data have been found out from different websites, books, research paper and journals collected. Simple calculation, graph and tables are used by researcher to explain the facts and finding the results.

ORIGIN OF MICRO FINANCE:

While the emergence of informal financial institutions in Nigeria in 15th century, they were first established in Europe during the 18th century as a response to the enormous increase in poverty since the end of the extended European wars. In 1720 the first loan targeting poor people was founded in Ireland by the author Jonathan Swift. At this time, they provided financial services to almost 20% of Irish households. The concept of microfinance can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. Friedrich Raiffeisen founded the first cooperative lending banks to support farmers in rural Germany. But the modern use of the expression “Micro financing “has a root in the 1970s when Dr. Muhammad Yunus started Grameen Bank in Bangladesh. The Grameen Bank Project (Grameen means ‘rural’or’village’in Bangla language) came into operation extend banking...
facilities, eliminate the exploitation, and create opportunities for self employment to poor people in rural Bangladesh.

MICROFINANCE TERMINOLOGY

**Micro credit**: This is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history.

**Microfinance**: This is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services.

**Micro insurance**: This is a system by which people, businesses and other organizations make payments to share risk. Micro finance is the protection of low-income people against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved.

**Remittances**: Remittances play a major role in the economies of many developing countries. Remittances are funds sent by immigrants and migrant workers to their families back home. Compare with other sources of money that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.

**Micro savings**: These are deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.

**Micro entrepreneurs**: These are people who own small scale businesses that are known as micro enterprises. These businesses usually employ less than 5 people and can be based out of the home. They can provide the sole source of family income or supplement other forms of income. Typical micro entrepreneur activities include retail kiosks sewing workshops, carpentry shops and market stalls.

MICRO FINANCE IN INDIA AND NEEDS:

In India, the legal frame work for establishing the co-operative movement set up in 1904. But actually Micro finance in India started in 1974 in Gujarat with Shri Mahila SEWA (Self Employment Women’s Association) Sahakari Bank. Micro Finance Later evolved in early 1980s
around the concept of informal Self-Help Groups (SHG). During 1992, NABARD started linking SHGs to banks in India.

In India around 21.9% populations living below the poverty line (According, 2013). About 60% of the poorest households do not have access to credit. Only 20% access loan from the formal sources. Annual credit demand by the poor is estimated to be about Rs 60,000 crores and only Rs 12,000 crores are disbursed.

**CONCEPT, FEATURES AND OVERVIEW OF INDIAN MICRO FINANCE:**

“Micro finance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change people live for the better especially the lives of those who need it most”

Kofi Annan, United Nations Secretary-General

In India, Micro finance has been defined by “The National Microfinance Taskforce, 1999” as “ provision of thrift ,credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards”

“The poor stay poor, not because they are lazy but because they have not access to capital”.

**The main features of Micro Financing:**

1] Loan is given without security.
2] Loan to those people who live BPL (Below Poverty Line)
3] Even members of SHG enjoy Micro Finance.
4] The terms and conditions given to poor people are decided by NGOs.

**Channels of Micro Finance in India:**

In India microfinance operates through two channels:

1. SHG – Bank Linkage Programme (SBLP).
2. Micro Finance Institutions (MFIs).

**SHG – Bank Linkage Programme:** This is the bank-led microfinance channel which was initiated by NABARD in 1992. Under the SHG model the members, usually women in villages are encouraged to form groups of around 10-15. The members contribute their savings in the group periodically and from these savings small loans are provided to the members. The SHGs are self-sustaining and once the group becomes stable it starts working on its own with some support from NGOs and institution like NABARD and SIDBI.
**Micro Finance Institutions:** Those institutions which have microfinance as their main operation are known as micro finance institutions. A number of organizations with varied size and legal forms offer microfinance service. These institutions lend through the concept of Joint Liability Group (JLG). JLG is an informal group comprising of 5 to 10 individual members who come together for the purpose of availing bank loans either individually or through the group mechanism against a mutual guarantee.

**SPECIALIZED AGENCIES IN RURAL CREDIT – RELATIVE PERFORMANCE**

The co-operatives in India could not play any major role in mitigating the miseries of the villagers till the early decades of the twentieth century. Accordingly, the All India Rural Credit Committee (1945) felt the need for the commercial banks to purvey credit for agriculture in specialized areas and recommended the conversion of the Imperial Bank of India into State Bank of India.

The study group (1968) under the Chairmanship of Prof. D.K. Gadgil emphasized the need to involve the commercial banking system in providing rural credit. However, nationalization of commercial banks (CBs) resulted in limiting their role as provider of rural credit. The Government of India took cognizance of this fact and appointed a working group under the chairmanship of Shri Narasimhan in July 1975 for setting up a new institution. Accepting the recommendations of the Narasimhan committee the Government passed the Regional Rural Banks Act in 1976 (RRB Act, 1976). The RRBs started providing agricultural credit and other rural banking services along with Co-operatives. Apart from these two agencies, CBs too provide rural credit services, of course along with many other banking services. The share of Co-operatives (Co-ops) and RRBs in the total credit off-take in the country is quite poor, though there has been steady and constant growth over the years. The Share of Co-operatives and RRBs in agricultural credit as of FY 2015-16(provisional), banks have disbursed 8, 77,224 crore (provisional) credit to the agriculture sector, against a target of 8, 00,000 crore. Commercial banks, cooperative banks and RRBs disbursed 1,53,295 crore (provisional), 6,04,668 crore and 1,19261 crore, respectively in table 1.
### Table 1

Agency-Wise Ground-Level Credit Flow

(Amount in Rs crore)

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Agency</th>
<th>Total &amp; %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Co-operative</td>
<td>RRB</td>
</tr>
<tr>
<td>2006-07</td>
<td>42480 (18.52)</td>
<td>20435 (8.91)</td>
</tr>
<tr>
<td>2007-08</td>
<td>48258 (18.95)</td>
<td>25312 (9.94)</td>
</tr>
<tr>
<td>2008-09</td>
<td>45966 (15.30)</td>
<td>26765 (8.87)</td>
</tr>
<tr>
<td>2009-10</td>
<td>63497 (16.51)</td>
<td>35212 (9.16)</td>
</tr>
<tr>
<td>2010-11</td>
<td>70105 (15.69)</td>
<td>43968 (9.84)</td>
</tr>
<tr>
<td>2011-12</td>
<td>87963 (17.22)</td>
<td>54450 (10.65)</td>
</tr>
<tr>
<td>2012-13</td>
<td>111203 (18.31)</td>
<td>63681 (10.48)</td>
</tr>
<tr>
<td>2013-14</td>
<td>119964 (16.86)</td>
<td>82652 (11.61)</td>
</tr>
<tr>
<td>2014-15</td>
<td>138469 (16.38)</td>
<td>102482 (12.12)</td>
</tr>
<tr>
<td>2015-16(provisional)</td>
<td>153295 (17.7)</td>
<td>119261 (13.60)</td>
</tr>
</tbody>
</table>

*CBs: commercial banks; RRBs: regional rural banks; Coops: cooperative banks

**Sources:**

1. NABARD (based on reporting by RRBs and cooperative banks) computed
2. Indian Banks Association (for commercial banks)
Graph-1: Financial year wise credit flow

Sources: (1) NABARD (based on reporting by RRBs and cooperative banks)

The above table & graph shows that credit-flow from NABARD in India shows tremendous growth from 2006-07 to 2015-16. The credit inflow from NABARD in 2006-07 was Rs. 229400 crore, which raised to Rs. 877224 crore in 2015-16 (P). It shows a almost four times increase in credit inflow in ten years. The commercial banks contribute around two-third of total credit inflow in rural areas followed by Cooperative banks which contribute 15-18% in credit inflow and Regional Rural Banks contribute around 8-10% in total credit inflow in rural areas. Rural credit helped in poverty alleviation through micro credit. The rise in total credit inflow in rural areas showed strengthening of poor people through micro finance.

CURRENT STATUS OF MICROFINANCE IN SHG–BLP

The programme is being expanded with a view to covering all eligible poor rural households, with a focus on resource-poor states, providing livelihood opportunities to SHG members and covering the areas which have not been reached. Efforts are being made to revive
dormant SHGs and prevent the functional ones from disintegrating, through measures such as capacity-building and hand-holding support. In close coordination with the National Rural Livelihoods Mission (NRLM), an attempt is being made to form and nurture groups by involving NGOs, community- support system for promoting and nurturing SHGs is being suitably incentivized.

Table 2
Overall progress under SHG-Bank linkage programme

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>SHG Saving with Banks as on 31st March</th>
<th>Loan Disbursed to SHGs during the year</th>
<th>Loan outstanding against SHG as on 31st March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total SHGs No</td>
<td>No of SHGs extending Loans</td>
<td>No of SHGs</td>
</tr>
<tr>
<td>2006-07</td>
<td>41.60</td>
<td>3512.71</td>
<td>11.05</td>
</tr>
<tr>
<td>2007-08</td>
<td>50.09</td>
<td>3785.39</td>
<td>12.27</td>
</tr>
<tr>
<td>2008-09</td>
<td>61.21</td>
<td>5545.62</td>
<td>16.10</td>
</tr>
<tr>
<td>2009-10</td>
<td>69.53</td>
<td>6198.71</td>
<td>15.87</td>
</tr>
<tr>
<td>2010-11</td>
<td>74.62</td>
<td>7016.30</td>
<td>11.96</td>
</tr>
<tr>
<td>2011-12</td>
<td>79.60</td>
<td>6551.41</td>
<td>11.48</td>
</tr>
<tr>
<td>2012-13</td>
<td>73.18</td>
<td>8217.25</td>
<td>12.20</td>
</tr>
<tr>
<td>2013-14</td>
<td>74.30</td>
<td>9987.42</td>
<td>13.66</td>
</tr>
<tr>
<td>2014-15</td>
<td>76.97</td>
<td>11059.84</td>
<td>16.26</td>
</tr>
<tr>
<td>2015-16</td>
<td>79.03</td>
<td>13631.39</td>
<td>18.32</td>
</tr>
</tbody>
</table>

Source: Status of Microfinance in India report 2006-07 to 2015-16
(In table the amount is in rupees crore and number in lakhs.)

The SHG saving in in Banks in from 2006-07 to 2015-16 shows a tremendous growth. The SHG saving at bank In the year 2006-07 was Rs. 3512.71 crore raised to 13631 crores in 2015-16. Similarly, loan disbursed by SHG in year 2006-07 was Rs. 6570.39 crores which raised to 37286 crore in 2015-16, which shows almost six times increase in loan disbursed. The loan outstanding in 2006-07 was 12366.49 crore raised to Rs. 57119.23 crore in 2015-16.

In the above table-2 shows SHGs saving with banks, in year 2006-07 the saving deposited in bank was Rs3512.71crore, the deposits increased by 7.8% in 2007-08 and reached
to Rs3785.39 crore. In successive years there was increasing trend and the amount in saving account was Rs 13691.39 crore with the growth rate of 23.79% during 2015-2016 respectively. Loan disbursed to SHGs in 2006-07 was Rs6570.39 crore, the amount increase by 11.0% in 2007-08 and reached to Rs37286.90 crore. In 2015-16 amount was Rs 37286.90 crore with the growth rate of 35.18%. Table also showing data about loan outstanding against SHGs and that amount in 2006-07 was Rs 12366.49 crore, the amount increase by 25.3% in 2007-08 and reached to Rs57119.23 crore. In 2015-16 amount was Rs 57119.23 crore with the growth rate of 10.81%. In this way,

**CONCEPT OF POVERTY – LINE IN INDIA:**

Inside India, both income-based poverty and consumption-based poverty statistics are in use. Outside India, the World Bank and institutions of the United Nations use a broader definition to compare poverty among nations, including India, based on purchasing power parity (PPP), as well as nominal relative basis. Each state in India has its own poverty threshold to determine how many people are below its poverty line and to reflect regional economic conditions.

Few methods use in India to officially estimate of poverty:

1. **The Task Force (1979):** The Task Force (reported in 1979) defined the poverty line as monthly per capita consumption expenditure (MPCE) level of Rs.49.09 for rural areas and Rs.56.64 for urban areas at 1973-74 prices at national level. These corresponded to the money value of a basket of goods and services that would cover per capita daily calorie requirement of 2400 kcal in rural areas and 2100 kcal in urban areas.

2. **The Expert Group (Lakdawala Committee, 1993):** The poverty line approach anchored in a calorie norm and associated with a fixed consumption basket (as recommended by the Task Force) might be continued. However, the Expert Group further recommended that the state-specific poverty lines (for the base year 1973-74) be worked out.

3. **Tendulkar Committee (2009):** Tendulkar Committee’s approach made four major departures, which, in their view constituted significant improvements over the existing official poverty estimation procedure:- (i) consciously moving away from calorie anchor; (ii) recommending to provide a uniform ‘poverty line basket’ (PLB) (iii) recommending a price adjustment procedure and (iv) incorporating an explicit provision in price indices for private expenditure on health and education.
POVERTY- LINE IN INDIA:

India's current official poverty rates are based on its Planning Commission’s data derived from so-called Tendulkar methodology. It defines poverty not in terms of annual income, but in terms of consumption or spending per individual over a certain period for a basket of essential goods. Further, this methodology sets different poverty lines for rural and urban areas. India set its official threshold at ₹ 26 a day ($0.43) in rural areas and about ₹ 32 per day ($0.53) in urban areas. While these numbers are lower than the World Bank's $1.25 per day income-based. The World Bank’s international poverty line definition is based on PPP basis, at $1.25 per day. This definition is inspired by the reality that the price of same goods, and services.

IMPACT OF MICRO FINANCE ON POVERTY REDUCTION IN INDIA:

Micro finance is a powerful instrument for poverty alleviation and women’s empowerment in the new economy. There are two dimensions of the impact of micro finance. Firstly, it facilitates the SHGs members in general and enhancing their income which helps in strengthening their livelihood, increases the self confidence in managing their micro finance programmes. In India microfinance is dominated by SHGs & MFI bank linkage programme, aimed at providing a cost effective mechanism for providing finance services to the poor. Microfinance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. However, there is perceptible gap in financing genuine credit needs of the poor especially women for the empowerment and poverty reduction .Rural development is primarily concerned with addressing the needs of the rural poor in the matter of sustainable economic activities. Reduction of rural poverty can be achieved by starting income generating programmes with focus on micro credit as the basic input for socio-economic development. Microfinance is powerful instrument for innovative and hard working micro entrepreneurs to start any small business. From the income of these small businesses the borrowers of micro credit live quality life, health facilities, education, and nutrition for their family and keep hope for the better future.

DATA ANALYSIS & INTERPRETATION:-From the previous studies it’s found that micro finance helps poor people by provide loan for lift them from the poverty line. By that they increase there per capital income and reduce the poverty percentage. This study focused on per-
capital income and poverty relevant data. On the basis of that the finding of the study has been elaborated.

**Graph-2: Per-capital Income at 2004-05 Price**

Source: Central Statistics Office (CSO)

From the graph-2, shows that the per-capital income of India is continuously growing, but after 1990’s the rate of per-capital income increases more because SHG provide money as a loan to the poor people for self employment. By that poor people get employment, increases per-capital income and lift him from poverty line. On the basis of that observation it may be say that micro finance may be one of the factors to increase per-capital income and negative relation between per capital income and population under poverty line.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>50.1</td>
<td>31.8</td>
<td>45.3</td>
</tr>
<tr>
<td>2004-05</td>
<td>41.8</td>
<td>25.7</td>
<td>37.2</td>
</tr>
<tr>
<td>2009-10</td>
<td>33.8</td>
<td>20.9</td>
<td>29.8</td>
</tr>
<tr>
<td>2011-12</td>
<td>25.7</td>
<td>13.7</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Source: Planning Commission (Estimated by tendulker committee methodology)
From the table-3, it is observed that percentage of poverty in India is continuously reduced. In 1993-94 poverty percentage in India is 45.3%. In rural area the poverty is 50.1% and in urban area the poverty is 31.8%, its shows that rural area is more affected by poverty. But the rate of poverty in India is decries because SHG provide money as a loan to the poor people for self employment. Impact of microfinance on poverty line is showing in above table. In 1993-94 poverty percentage in India is 45.3% according tendulker committee method, the percentage of poverty decries by 8.1% and reached to 37.2% in 2004-05. In 2009-10 poverty percentage is 29.8% and 2011-12 is 21.9% . On the basis of data, we found that the providing of microfinance by SHGs and MFIs helps to reduce the poverty population in India.

**SUGGESTION & CONCLUSION:**

In India, many poverty alleviation programmes are implemented for poverty reduction but the desired results are yet not obtained. The outcome of this paper will help to understand the relationship between poverty alleviation and microfinance on one hand and on the other hand,. the outcome of this paper will also throw light on impact of poverty alleviation programmes on poverty reduction through microfinance in India. Microfinance has become more widespread over the last couple decades, as it has been shown to be effective in alleviating conditions of poverty. Creating self employment opportunities is one way of attacking poverty and solving the problems of unemployment. There are over 24 crore people below the poverty line in our country and microfinance activities can give them a mean to climb out of poverty. Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. The Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self-employment opportunities and making them credit worth. The present study found that microfinance is an important factor for live a better life by increase per-capital income and reduce and lift up the population under poverty-line.

The following suggestions are made for making the micro finance as effective tool for alleviation of rural poverty:-

- There is a need of Designing financially sustainable models and increase outreach and scale up operations for poor in India.
- Large population of India belongs to villages and most of them are uneducated, so they are still unaware about banking policies and credit system. So NGO should communicate
to them and share their view with villagers and educate SHGs group members, how to utilize the funds properly.

- Banks should convert and build up professional system into social banking system for poor.
- Micro credit loans are too small to make a dent in poverty alleviation and growth. Micro credit has to do with accumulations of assets physical, financial and human.
- Government of India and state governments should also provide support for capacity building initiatives and ensure transparency and enhance credibility through disclosures.

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