IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 18, Issue 4 .Ver. V (Apr. 2016), PP 63-64
www.iosrjournals.org

Contribution of Micro-Finance on Socio-Economic Development

Dr Sandeep Bansal
Associate Professor
Commerce Seth Phool Chand Bagla (PG) College Hathras UP

Abstract
The economic output and job opportunities in emerging countries are greatly aided by the contributions of small companies. Thirty percent of jobs in low-income countries are generated by the informal economy, with 18 percent of those jobs being created by small and medium-sized businesses, according to recent World Bank data (SMEs). These two sectors contribute equally to 63% of GDP. Money is the lifeblood of any business, no matter how big or little. In contrast to the potentially lucrative returns offered by giant corporations, investors may be more wary of providing capital to small enterprises due to the higher risk associated with doing so.
Keywords: *Micro Finance, Socio-Economic Development, Small businesses.*

I. Introduction:

To succeed in today's globalised and technologically advanced business environment, entrepreneurs must be flexible and adapt quickly to new market conditions. The ability to compete with larger firms despite having fewer resources is a hallmark of small business success. They also operate in a unique setting that is more cutthroat than that of microbusinesses. Entrepreneurs need a wide range of services to flourish and rise above low incomes. The following broad categories can be used to describe it: There are two types of business development services (BDS): commercial financial services and non-financial BDS such commercial market research, management and employment training and guidance. Design, development, and sales of a product or service all rely on non-financial services to varying degrees. In many ways, micro-businesses outperform their larger-scale counterparts. A distinct advantage is superior command of conventional wisdom and commercial practises.

It would be foolish to pass up the economic opportunities presented by the world's impoverished by ignoring the vast numbers of people who live in abject poverty. The growth of the microfinance industry and the health of the economy as a whole depend on the stability and advancement of the macroeconomic and financial sectors. Therefore, policies that encourage the growth of social enterprises are important from both a social and economic perspective.

What is microfinance?

An early definition of finance is the handling of money. Handling one's finances involves acquiring and spending money. Micro-enterprise financing is commonly referred to as micro-finance. Microfinance was developed in response to the pressing need to help the world's poorest people accomplish specific environmental, social, economic, or gender-based goals. Microfinance is built on the principles of collaboration and the values of equity, equality, and mutual aid. These ideas are based on the idea that people can and should work together to improve the world for future generations of humans.

The funding concept is built around the concept of "the time difference." There is an excess of funds at one social level compared to what is required by those at lower levels. Financial deals that aid these organisations can be win-win for all parties involved. Balanced interventions from funding bodies aid people in anticipating and preparing for their varying financial requirements over time. In essence, mediation serves as a means by which individual financial needs can be met. This is accomplished by either storing money for later use or spending money now with the intention of replacing it later (loan). Mediation services are frequently utilised to deal with delays in both cases. Intermediaries serving small enterprises should prioritise social responsibility. Money is acquired and invested in a unique way. Thus, microfinance is unique in many ways.

The informal economy is largely comprised of small companies. In the community where small enterprises come, there are money providers. A wallet like this can be useful to those in need. Information about who wants to lend and borrow money is incomplete, creating asymmetry. There are certain persons who know more about the importance and dependability of dealing with tiny people who are capable of making frequent transactions. We need social institutions such as microfinance institutions that can manage funds with specific attention, such as cooperatives, self-help groups, micro-clients.

Micro-loans are small loans given to low-income households to help them start or expand enterprises. Since the poor and the impoverished who lack access to established formal financial institutions require a wide range of services, microfinance has expanded to cover a wide range of services (credit, savings, insurance, etc.). Microfinance has historically concentrated on delivering very uniform forms of financing. Like everyone else (in reality, thirst is needed) Poor individuals need a variety of financial instruments to generate assets, steady consumption and protect themselves from hazards. The variety of microfinance ideas has increased. The current difficulty is figuring out how to reliably and efficiently offer a broader selection of microfinance products. Microfinance is not just about offering credit, it's about giving credit to those who are demanding the most for your family's survival. It's not something that can be quantified, but rather measured qualitatively. What it takes to make ends meet while expanding one's business when one has access to financing but little money

Who are the clients of microfinance?

Clients of microfinance organisations tend to be low-income individuals who lack access to conventional financial services. In most cases, those who seek out microloans are sole proprietors or members of entrepreneurial families. Most residents in rural areas rely on subsistence farming, food processing, and retail trading on a modest scale to make a living. Shopkeepers, service providers, craftsmen, and street vendors are just some of the many recipients of microfinance in urban settings. Customers of microfinance institutions tend to be low-income nations with volatile income streams.

Income has a negative correlation with access to official financial institutions. Poor people have fewer access to resources. Poor people, on the other hand, are more likely to have to engage in costly or time-consuming forms of informal financial planning. It's also possible that informal arrangements won't cover all of your requirements for financial services, or that you'll be left out entirely.

The people in this untapped market have limited purchasing power in the banking sector.

As awareness of microfinance grows, so does the potential clientele for these services. Cooperation and self-help groups, as well as non-governmental organisation and government support, are all factors. Microcredit, for instance, may have substantially lower market penetration than other financial services like savings products, payment and money transfer services, and insurance.

Many urban farmers, for instance, may be unwilling to borrow money. But we want the harvest product, which is eaten over the course of months by the necessities of daily life, to be risk-free. India's central government has a strong and broad link to the NABARD (Central Bank of Concentration and Rural Development), the State Cooperative Bank, the District Cooperative Bank and the Primary Agricultural and Marketing Societies of India. national, state, provincial and municipal levels.

II. Conclusion

The last pieces in this series will look at the foundations of microfinance. As we've seen, the demands, ways, aims, tools, and components of microfinance are unique, which is why the pillars of microfinance are so important. Microfinance's foundational tenets can be tailored to the needs of budding enterprises. This paper asks formal and informal groups for their thoughts on whether micro-enterprises should have access to standard, local/regional, product-specific, or community-specific finance and non-financial services.

References

[1]. Hashemi, S.S. Schuler and I Riley(1996), “Rural Credit programs and Women‘s Empowerment in Bangladesh”. World Development Vol. 24, No. 4, pp. 635-653.

[2]. Chen, Martha A. and Donald Snodgrass(2001), “Managing Resources, Activities, and Risk in Urban India”. The Impact of SEWA Bank (Washington, D.C.: AIMS).

[3]. Bhatt, N. & Tang, S.Y. (2001), “Delivering microfinance in developing countries: controversy and policy perspectives”. Policy Studies Journal, 29(2), pp.319-333.

[4]. Baumann, Ted. (2004), “Pro-Poor Microcredit in South Africa: Cost-efficiency and Productivity of South African Pro-Poor Microfinance institutions”. Development Southern Africa, Vol.21, No.5, December.

[5]. Barnes, C., Gary Gaile, and Richard Kimbombo(2001), “Impact of Three Microfinance Programs in Uganda”. USAID-AIMS paper (Washington, D.C.: Management of Systems International).

[6]. Dichter, Thomas (2007), “A Second Look at microfinance: The sequence of Growth and Credit in Economic History”. Center for Global Liberty & Prosperity, development Policy Briefing paper, No.1, 15 February

[7]. Gallup Pakistan(2005), “PPAF Micro Credit Financing: Assessment of Outcome”. Pakistan Poverty Alleviation Fund, Pakistan.