PREFACE

The ambition of the greatest man of our generation (Mahatma Gandhi) has been to
Wipe every tear from every eye. That may be beyond us, but as long as there are
Tears and suffering, our work will not be over.

Jawaharlal Nehru ‘Tryst with Destiny’ speech on August 15, 1947

Microfinance is the extension of small loans to entrepreneurs too poor to
qualify for traditional bank loans. It has proven an effective and popular
measure in poverty alleviation programmes, enabling those without access to
formal lending institutions to borrow at competitive rates, and start small
business.

The key implication of microfinance is in its name itself: 'micro'. A number of
issues come to mind when 'micro' is considered: The small size of the loans
made, small size of savings made, the smaller frequency of loans, shorter
repayment periods and amounts, the micro/local level of activities, and the
community-based immediacy of microfinance. Hence microfinance is not the
solution, but is a menu of options and enablement’s that has to be put together,
a la carte, based on local conditions and needs.

With the current explosion of interest on microfinance issues, several
developmental objectives have come to be associated with it, besides that of
only "credit". Of particular importance is savings - as an end in itself, and as a
guarantee for loans. Microfinance has been used as an 'inducer' in many other
community development activities, used as an entry point in a community
organising programme and as an ingredient in larger education/training
exercises.
In the absence of commercial bank loans, access to microfinance affords low-income groups to receive loans for their economic activity. Programmes and organisations that provide credit to low-income groups make a clear match between the quality and quantity of credit, and the capacity of the poor to utilise that credit - at the same time being organisationally sustainable. Unlike government credit programmes and formal bank credit that emphasis large loans for long repayment periods at very low interest rates, microfinance loans are for short periods that are repaid quickly, and made available at interest rates that keep the programme sustainable and viable.

It is important to understand that the concept of microfinance is not new. The precedence for microfinance lies in the numerous traditional and informal systems of credit that have existed in developing economies for centuries, long before modern, western-based commercial banking came into the picture. Many of the current microfinance practices, in fact, derive from community-based mutual credit transactions that were based on trust, peer-based, non-collateral borrowing and repayment. Transactional (e.g. money lenders), mutual (e.g. ROSCAs) or personal (e.g. friends and neighbours) credit suppliers have always lent to the poor, providing the right quality and quantity of credit, at the right time and place, to low-income households.

However, this 'adoption' of traditional financial systems and methodologies, and its integration in modern banking and financial systems is relatively new, and much of the credit for this integration will have to go to Grameen Bank, and other pioneering microfinance institutions such as SEWA (India), BRAC (Bangladesh) Bancosol (Bolivia) etc.
There is a clear need, first of all, in establishing the viability and importance of microfinance as a poverty alleviation approach for low-income groups. It also helps in mainstreaming the concept of microfinance within the larger development economics thought. This is important to create a level playing field for microfinance, and its acceptance by macro players such as bankers and other financial institutions. Emphasis also needs to be placed on second tier organisations in order to support and promote microfinance initiatives.

This Research will aim at Microfinance practices in India. In the study, major microfinance Institutions like NABARD, SKS, SHARE,BASIX will be concerned the main objective to carry this research is to fill gap between Microfinance services and need of customers.

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