

# **SUSTAINABLE SOCIO- ECONOMIC DEVELOPMENT**



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# Growth and Development of MFI Sector in India

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**ABSTRACT:** Loans to poor people by banks have many limitations including lack of security and high operating cost and so Micro finance was developed as an alternative to provide loans to poor people. Muhammad Yunus introduced the concept of Microfinance in Bangladesh in the form of the "Grameen Bank". NABARD took this idea and started concept of Micro Finance in India. Self Employed Women's Association (SEWA) was registered in Gujarat, with the main objective of strengthening its members' bargaining power to improve income, employment and access to social security. In 1973, the members of SEWA decided to found their own bank called Mahila SEWA Co-operative Bank. SHGs as an important Concept and then different stages have to come for the growth of micro finance in India. Recently Narendra Modi Government introduced MUDRA Bank for providing finance to micro and small business. The present study is an attempt to examine the historical context of micro finance in India and also the development of MFI sector in India.

**Key words:** Grameen Bank, SEWA Co-operative Bank, SHGs, MUDRA Bank

## INTRODUCTION

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group. Micro Finance is defined as, financial services such as Saving A/c, Insurance Fund and credit provided to poor and low income people so as to help them to raise their income and there by improve their standard of living. Micro finance organizations that provide innovative financial solutions to empower people create jobs and build vibrant communities. They provide training enable clients to develop businesses, to save and to insure against an uncertain future. According to International Labour Organisation (ILO 2000) defined "microfinance is an economic development approach that involves providing financial services through institution to low income clients." The present study is an attempt to examine the historical context of micro finance in India and also the development of MFI sector in India.

## OBJECTIVE OF THE STUDY

1. To examine the historical context of micro finance in India
2. To identify the growth and development of MFI sector in India.

## METHODOLOGY

This study is based on secondary data only.

## HISTORY OF MICRO FINANCE

The concept of micro finance evolved in 18<sup>th</sup> century with the publications of Lysander spooner on benefits from small credit. Frederick Raiffeisen founded the first co-operative lending banks to support farmers in rural Germany. The modern use of micro financing has roots in the 1970,s when Dr. Mohammed yunus started Grammen Bank in Bengladesh. While working at Chittagong University in the 1976s, Yunus began offering small loans to destitute basket

**First Impression: 2017**

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University of Kerala, Senate House Campus, Palayam,  
Thiruvananthapuram, Kerala, India – 695 034

**“Sustainable Socio Economic Development”**

**ISBN: 978-81-927928-5-9**

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Published by

**SCHOOL OF DISTANCE EDUCATION**  
UNIVERSITY OF KERALA  
Senate House Campus, Palayam,  
Thiruvananthapuram, Kerala, India- 695 034  
[www.ideku.net](http://www.ideku.net)

Typesetting & Printing

**New Star Offset Press**  
Areacode, Kerala, India – 673 639  
Phone: 0483 2853890

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