International Journal of Applied Research 2024; 10(9): 191-197

International Journal of Applied Research

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor (RJIF): 8.4
IJAR 2024; 10(9): 191-197
www.allresearchjournal.com
Received: 17-07-2024
Accepted: 25-08-2024

Rashmit Kaur
Assistant Professor, Commerce
Rajeev Gandhi Government
PG College, Ambikapur,
Chhattisgarh, India

Dr. Priyank Mishra
Research Guide, CV Raman
University, Kota, Bilaspur,
Chhattisgarh, India

Corresponding Author:
Rashmit Kaur
Assistant Professor, Commerce
Rajeev Gandhi Government
PG College, Ambikapur,
Chhattisgarh, India

The study of financial securities as an integral part of investment: In context to micro finance

Rashmit Kaur and Dr. Priyank Mishra

Abstract
Investment involves allocating monetary resources to enhance the value of an organization's assets with the expectation of generating returns over time. This process links savers, who seek to grow their surplus funds, with financial markets where securities - tradable financial assets - are exchanged. The primary aim of investment is to produce income or increase asset value, leading to wealth accumulation. This paper explores the definition and purpose of investment, the relationship between securities and profitability, and various investment types. Key factors influencing investment decisions include the amount invested, the type of security, tenure, and expected return. Investment carries inherent risks, where higher potential returns typically correlate with increased risk. The distinction between financial investments, which focus on income generation, and economic investments, which contribute to capital stock, is also examined. Ultimately, successful investment strategies require careful selection of assets to optimize returns while managing risk.

Keywords: Financial investments, financial market, investor, investment

Introduction

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. The National bank for agriculture and Rural Development, NABARD in India has been financing for more than 500 banks that extend funds to the self-help groups. These groups consist of few members who have majority of women or tribes. These members are required to save a small amount so that they may borrow funds from the group, so as to meet their financial obligations. Once they have gained experience in management of funds, then it becomes easy to borrow money from local banks and get it invested in small business activities. The system of lending funds is nearly 4 times of the actual amount raised by the group. The rate interest is paid by the group which ranges between 12 to 20% over a year. The calculation of this interest is done on a flat basis on the amount of loan raised. There are nearly 1.3 million self-help groups, who have been raising 20 million from the banks. These groups are women self-help groups who are working in different areas of Africa and Southeast Asia. The role of microfinance is important in the development of economy like India, where different opportunities are provided to marginal individuals for generating employment.

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.

Objectives

After learning this unit following objectives must be achieved

1. Enable to understand the concept of microfinance in the development of the Indian economy.
2. To learn about the structure, functioning, characteristics and the relevance of microfinance in employment generation.
3. To understand the impact of government programs on the persistent development of microfinance in India.
4. To know about the impact of microfinance programs on women self-help groups and upliftment of the poor in India.

Basic Concept of Microfinance

The term microfinance is defined as the provision of credit and other financial services 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 certain principles which are-

- Generation of self-employment.
- Easy access to capital and capital intensive techniques.
- Up gradation of income and living standard.
- To work for poverty alleviation.

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.

The intervention of microfinance has led emphasis on reaching to the poor by providing those loans and mobilisation of funds. They have been keeping women at the core of funding by which societal changes can be incorporated. It works on the basic idea of peer group monitoring in which the risk of lending can be reduced. The unit of small group is the basic functioning body of microfinance course proceeding monitor through weekly meetings. It is difficult to make an expectation that there will be a quick or dynamic increase in the income of people after extended loans, but by keeping an eye on the expenditure pattern. It becomes relatively easier to understand the circulation of requirements for poor households. The income generated by the poor is very closely related to the vulnerability of the market. So a fluctuation in income is very glossy related to the failure of crops. The burden of joblessness, loss of assets, natural disaster, illness, funeral expenses etc are compensated by the circulation of microfinance. It becomes easy to reduce the changes in market forces by which poverty can be reduced.

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 gramin 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:

- 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 capitalization 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.

Structure of Micro Finance

The microfinance system in India is a composite system which includes various approaches of financing found in the world. In India the concept of micro credit is a blueprint of gramin bank system adopted in Bangladesh and Indonesia. It includes the indigenous model of self-help groups to cover up for major issues of economic attractiveness. The inclusion of commercial banks is done for better delivery channels and to achieve an optimum growth of economy. It is found that in developing countries like India microfinance is working as an efficient tool for rural development. In recent years, it has played its role in alleviation of poverty, particularly in developing economies. The concept of microfinance includes a variety of financial services which target the needs of the poor and they are often interchangeable to the rural needs.

We have a large variety of microfinance institutions in the country, which provide diverse facilities to different deprived populations, in order to develop an institute as a microfinance organisation. It is necessary to understand the present requirement of formal banking. In rural and poor areas, the linkage of the microfinance sector with self-help groups has resulted in the growth of numerous non-government organisations, who have contributed in upliftment of different sections of society. These include both women and tribe. The banking sector plays an important role in extension of different financial services to urban as well as rural areas. The banking system can be divided in the categories of cooperative banking institute with targets on rural areas. Also there are urban cooperative banks who extent finance services to poor as well as non-poor. The most relevant among these are Sewa banks, who actively work for upliftment of urban poor, particularly women. The third form of banks is the commercial banks, which provide funding for all the purposes to the entire population. In general, there are specific banking institutes including regional rural banks, who exclusively work for agriculture and micro enterprises sector with a persistent growth in the requirement of finance. There has been a diversification in business cooperative banking, as well as in funding agencies. Nearly 70% of total credit in rural areas is extended only for agriculture and its allied services. As per the guidelines of Reserve Bank of India, the commercial banks provide loans to the micro financial agencies who are working in the priority sector, including agriculture, small scale industry, cottage industries and rural artisans. About 30% of the portfolio provides funds to the section for agro based activities. These weaker sections include scheduled caste and scheduled tribes, including small and marginal farmers, who need credit for their daily proceedings. Therefore, micro financial institutes have been playing as one of the important players for executing banking policies in every part of the economy. We can also say that banks can be considered as a micro finance agency which works for reducing the gap between demand and supply of rural credit, particularly in weaker sections. It has now resulted in growth in the number of microfinance institutes and enhancement in rural income.

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:

- **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.
- **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.
- **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.

Different Organisational Participants of Micro Finance

Not only banking organisations but there are a large number of Institute who have been working effectively for the successful growth of microfinance these organisations include following.

Non-Government Organizations

There are a large number of NGOs who have been working in the country with different objectives, approaches and sizes. These organisations are traditionally expected to be engaged in different social services, such as education, health, environmental awareness etc. In modern times the outlook of NGO has transformed from social to financial areas. Also there are a large number of NGO who are engaged in economic empowerment of the poor and marginal population. By the means of financial awareness, they are engaged in creating social empowerment

Therefore, there are more than 500 NGOs who are engaged in extending financial services in the form of microfinance. The data provided by NABARD, SIDBI and Rashtriya Mahila Kosh state that the non-government organisations are one of the major players who create a grass root link of people with financial stability. They take responsiveness in creating strategic strength for both promotion and development of microfinance. As per the norms, these organisations are not allowed to operate in any commercial activity. So they do not process any capital base of their own, rather they are involved in leverage of funds from better financial institutes. Moreover, these organisations have a characteristic to work as a financial intermediary for different small groups working in the form of the self-employed sector.

There are a large number of NGO, who have emerged as an active agent in nursing, organising and stabilising self-help groups, so that there can be a link between formal banking system and underserved poor's. The working group under NGO and self-help group were set up in the year 1995 by the Reserve Bank of India for promotion of finance and financial services, in remote areas of the country. The group has approved that the NGO is not only working as an intermediate for providing funds but it is also working for training and empowerment of the rural population. Apart from being a catalyst, guide, friend and philosopher these NGOs are directly attached to the growth and development of self-help groups.

Federation of Self Help Group

The Federation of self-help groups 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 import, 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 Tamil Nadu are prominent examples of these groups.

Mutually Aided Cooperative Societies

The Government of Andhra Pradesh has enacted mutually aided cooperative societies in the year 1995, for the formation of cooperative societies in a voluntary way. They are held accountable for self-reliant business enterprises, competitive and self-help groups, which are meant for the social, economic, development of individuals. All the societies which are established under mutually aided co-operative society have an advantage of being established as a traditional society. They are provided a freedom of management and looking after their own affairs of raising funds and then utilisation. They are not provided with a provision of raising funds from the government.

Non-Banking Financial Companies

Those companies which are registered under Companies Act 1956, but are regulated by Reserve Bank of India are called non-banking financial companies. The Reserve Bank of India Act 1997 has made it compulsory for the non-banking financial companies to get registered with the Reserve Bank. It also introduced a new regulatory framework for these non-banking financial companies in January 1998. These regulations focus on acceptance of deposits so that the interest of depositors can be saved. In case if these non-banking financial companies fall short of the elected minimum amount required for their ownership, then they are not allowed to accept deposits from the public. The amount of the ceiling of these public deposits is related to the level of credit rating which is provided by different agencies of credit rating. The net ownership fund is explain by the RBI as the aggregate of paid up capital and free Reserves as per the last balance sheet, shown by the organisation, after deduction of deferred revenue expenses, intangible assets and the amount of accumulated losses. In accordance to the prudential norms, these non-banking financial companies are required to achieve a minimum capital of 12% with liquid Assets of 15% on public deposit. The interest rate on public deposit is fixed at 16%.

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. In the case of a self-help group the maximum limit of interest is 17.8% for individuals.

Rashtriy Mahila Kosh has evolved as a supporting scheme for stabilisation and formation 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.

Functions of micro finance
The financial services provided by micro financial institution to the poor is done by adopting following three approaches.

Focus on micro financial services
In the implementation of different micro financial programs, it is witnessed that non-government organisation play a vital role. They work for mobilisation of saving and provide necessary funds to the deprived population. So the non-government organisations, which intermediate these funds can be easily added to the savings of people in the form of lending. There are certain cooperative organisations under the category of microfinance Institute and are registered under central cooperative societies act who extend loan to Indian co-operative network of women, the women forum and the credit cooperative society, which are finance under the cooperative development forum in Andhra Pradesh. These entire organisations are involved in providing microfinance services exclusively to the rural population.

Objective of providing micro financial services
A large number of organisation including non-government organisations and self-help groups are involved in providing microfinance services, so as to create an awareness concerning health, environment and education. These are called add on activities of microfinance. So, the non-

banking financial companies also lie under the category of micro financial institutes.

As an intermediary organisation

There are various Institute like rashtriya mahila kosh, women world banking, rashtriya gramin vikas nidhi who have been providing indirect services of microfinance for supporting small institutes. The foundation setup by SIDBI which is called SIDBI foundation of microfinance, also works effectively for extension of micro financial services. Apart from this, there are various large informal self-help groups who are established for providing microfinance. Even though the self-help groups are considered to be microfinance Institute, but as a whole they are recognised to be non-formal organisations, who are extending funds for different needs. The financial services provided by these organisations are mobilisation of savings, credit provided for production, consumption, service, housing etc. Also there are various risk and insurance services provided by them. They also create some favourable conditions, so that the condition of poor maybe uplifted by facilitating the marketing of their output.

Process of extending funds under micro finance

The amount of loan provided under micro financial schemes is extended to the beneficiary by following layout-

1. **Situation analysis:** All the micro financial transactions are cash related operations, so it becomes necessary that the non-government organisation must analyse the social, economic situation of community. This analysis includes the financial as well as analysis of social and economic condition of beneficiary. Also to understand the repayment capacity of these individuals, there should be a baseline survey based on the statistical data, so as to understand the need of raising fund.
2. **Criteria and eligibility:** It is not necessary that all the individuals who undergo this situation and shall be eligible of extending loans. The selection of beneficiaries should be based on certain criteria which can be their level of income, skill of entrepreneurship, standard of living, capacity of payment, amount saved by the group. The criteria and eligibility must be accepted by all the members of the community, so that it becomes easy to support these deprived population.
3. **Project meeting:** After the selection of targeted group, it becomes necessary to arrange for a project meeting so that the objectives of project operation can be stated to the beneficiaries. The selection of people must also be approved by the funding agency as well as by the intermediaries, in order to create literacy in the operation. The advice of different organisation is also welcomed.
4. **Screening of the beneficiaries for formation of group:** According to the eligibility and criteria of selection, the screening of individuals is conducted so that the extension of credit could be done for the most deserving candidates. The credit officer plays an important role in the screening of these individuals. Once the screening is complete then the selected individuals and beneficiaries are combined together to create a group, which can be a self-help group. It is not possible for the funding agency to provide funds to individuals rather they shall extend credit only to the groups. Therefore, a group of 5 is said to be an optimum group with a leader in the centre.
5. **Work plan development**- In order to proceed with the work, the workshop is arranged as per the work plan development, so as to look after the problems of groups and provide them relevant solution. The members of group are expected to actively participate in setting up the objectives of project, creating a time frame and identifying all those activities which lie under the head of rules and responsibilities. The aim of such workshop is to encourage the beneficiaries to address their problems and participate in decision making.

Limitations of micro finance

Apart from a wide variety of advantages and benefits provided by micro financial institutes, they suffer from certain issues which are as under:

1. **Implementation of the program:** All the programs which are linked to self-help groups and banks face common problem of up scaling as there is a lack of proper non-government organisations and other agencies who can act as a social intermediary. It is not possible to form and establish self-help group without any central agency. This leads to the limited spread of microfinance program.
2. **Sustainability of the groups:** The sustenance of self-help groups largely depend on the quality provided by these groups. The attention provided by self-help promoting institutes in their formation stage is necessary for enhancement of quality of these groups. In order to achieve the targets, it becomes difficult to maintain the quality of these groups, which affects their long run sustenance.
3. **Building up capacity:** The capacity of different partners in the program including the officials, leaders and members also affect the working of a group. It is the role of NABARD to pay attention on capacity building of all the people involved in self-help group and bank linkage program. Due to a lack of such capacity building, it becomes difficult to implement all the programs effectively.
4. **Up gradation from microfinance to micro enterprises:** Self-help groups who struggle from being upgraded to micro enterprises due to lack of capacity of members and the support of non-government organisations. This makes these organisations suffer from limited growth.
5. **Different issue faced by microfinance:** There are various issues which come in the part of successful implementation of micro financial programs. These include lack of transparency, stability and regulations. Microfinance is considered to be one of the effective tools in eradication of poverty, but it fails in retail banking where profit is the sole idea of banking sector. Therefore, it becomes difficult to raise funds for micro activity. The cost of operations of these organisations is limited as they only target poor population. So, operational efficiency, administrative effectiveness, quality of the portfolio coverage, fixed cost and fixing up of interest rate becomes a limitation for their working.

Summary
MFI (Micro Finance in India) is play very important role in development. Microfinance is a very important source of financial services for people and microenterprises that do not have easy access to banking and related services. It is a delivery of financial services to such clients were Relationship Based banking for individuals entrepreneurs, Small Business, Group Based Models Many of those who promote MFI generally believe that such access will help poor people out of poverty. For others it is a way for poor to manage their finances more effectively & take advantage of economic opportunities while managing the risks. The terms have evolved-from micro-credit to micro-finance, & now 'financial inclusion'. This paper deals with Role of Micro finance In India and its models

References
1. Barr MS. Microfinance and financial development. Mich. J. Int'l L.. 2004;26:271.
2. Ledgerwood J, Earne J, Nelson C, editors. The new microfinance handbook: A financial market system perspective. World Bank Publications; c2013 Feb 1.
3. Girón A. Women and financialization: Microcredit, institutional investors, and MFIs. Journal of Economic Issues. 2015 Apr 3;49(2):373-396.
4. Zeller M, Meyer RL, editors. The triangle of microfinance: Financial sustainability, outreach, and impact. Intl Food Policy Res Inst.; c2002.
5. Langer W. The Role of Private Sector Investment in International Microfinance and the Implications of Domestic Regulatory Environments. Int'l L. & Mgmt. Rev. 2008;5:1.