

MICROFINANCE AND FINANCIAL INCLUSION:

Empowering Women and Alleviating Poverty in India



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N.K. Mandal

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Nikhil Kumar Mandal



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This is a work of Fiction. The characters, places, organisations and events described in this book are either a work of author's imagination or have been used fictitiously. Any resemblance to people, living or dead, places, events, communities or organisations.

*Dedicated to
My elder brother*

Late **Biswanath Mandal**

Foreword

Microfinance has garnered significant attention from both academicians and policymakers worldwide for several decades. This interest was amplified when Muhammad Yunus, the visionary behind the concept of microfinance, and his Grameen Bank were awarded the Nobel Prize. The spotlight on microfinance shone even brighter when the Nobel Laureate assumed the top position in state of Bangladesh recently. Microfinance initiatives, particularly Self-Help Groups (SHGs), primarily target women as their key beneficiaries. This book delves into the dual objectives of women's empowerment and poverty alleviation, addressing these themes directly and comprehensively.

The author, Nikhil Kumar Mandal, provides an insightful exploration of microfinance within the Indian context, focusing on its impact on women's empowerment and poverty reduction. The book is especially valuable for readers seeking to understand the dynamics of microfinance as it relates to the socio-economic advancement of women. The author's observations reveal a positive correlation between women's participation in SHGs and the access to microcredit. This participation has not only empowered the female members but has also led to tangible improvements in the welfare of entire families. However, the author rightly points out that the benefits of microfinance are not uniformly experienced across all impoverished communities.

The book places special emphasis on the state of West Bengal, a pioneer in demonstrating the success of SHGs and microfinance programmes. West Bengal's achievements can be attributed to its superior financial discipline and effective resource management. The state also boasts better loan repayment performance compared to the national average. Additionally, the author highlights the remarkable success story of Bandhan Bank, which stands as a potential role model among microfinance institutions.

This book offers a well-rounded introduction to microfinance in India. I am confident that scholars, bankers, and policymakers will find it to be a useful resource, especially at a time when financial inclusion is crucial in addressing the growing inequality in wealth distribution globally.

Sudipta Bhattacharyya

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A Critical Note on the Book

Microfinance has gained a lot of significance and momentum, both theoretically and practically in the last decade. India now occupies a significant place in global microfinance through promotion of the Self-Help Groups and the native SHG-Bank Linkage Programme (SHG-BLP) model. In the past, the poor had little access to credit due to the problem of collateral, inappropriate system and inadequate procedures followed. The beneficiaries did not feel the responsibility of repaying the loan; bankers too did not have the time or mechanism to monitor the repayment process. Poor recovery and lack of responsibility of repayment had made the scheme non-viable and ineffective. However, microfinance through SHGs is now recognized as a key strategy for addressing issues of poverty alleviation and women's empowerment. The Indian model of microfinance offers greater promise and potential to address poverty and marginalization as it focused on building social capital and ensuring empowerment through access to financial services and linking with the mainstream.

Financial Inclusion is “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.” (Committee on Financial Inclusion) Finance is an extraordinary effective tool in spreading economic opportunity and fighting against poverty. Wider access to finance helps both the producers as well as consumers in raising their welfare. Access to finance allows the poor to use their rich talents or opens the avenue for greater opportunities. A composite set of services like, credit, savings, insurance etc, protect from the unexpected shocks or fluctuations. Therefore, the role of finance has been critical in economic growth and development as observed in many of the countries over the years. A number of studies have found that the poor need financial services to help them, manage their lives and livelihoods that are complex, diverse, dynamic and vulnerable and the poor want financial services to respond by being reliable, flexible, continuous and convenient (Morduch and Rutherford 2003). Provision of finance facilitates entrepreneurship, innovation, and improvement of economic productivity and thus finally contributes to economic development and growth.

In this book the author has used secondary data, collected from various sources. The present book is the outcome of the author's in-depth investigation into both non-institutional and institutional credit structures in India, providing a comprehensive understanding of how non-institutional credit can be transformed into an institutional credit market.

The book would be particularly beneficial for young researchers who are interested in studying microfinance, women's empowerment, the role of microfinance in poverty alleviation, and the influence of commercial banks in addressing regional disparities. Moreover, it would be immensely useful to the policy makers at the state and central level in India to rectify the present loopholes in the system of microfinance and financial inclusion and thereby helping women empowerment and improving the standard of living of the targeted group of population.

I congratulate the author for his sincere endeavor to bring before us a subject with considerable interest and importance in the context of social and economic development in India.

Dr. Kanak Kanti Bagchi

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Preface

The book deals with the role of microfinance in promoting economics, growth, rural development, entrepreneurship and social entrepreneurship, microenterprises, and technology etc. in India. This book explores the effectiveness of financial inclusion of microfinance at all India level. The book is divided into seven chapters and each section highlights a particular aspect related to the microfinance. Chapter 1 deals with introduction, covering various sub-sections-background, literature review, objectives, methodology and survey design. Chapter 2 analyses the structure and operating system of Self-Help Groups in India. Chapter 3 explains the theoretical analysis on microfinance and poverty alleviation. Chapter 4 investigates an Inclusion Financial Sector through Microfinance in India. Chapter 5 highlights Microfinance in West Bengal: An Overview. Chapter 6 examines Bandhan Bank, Empowering Women and Poverty Alleviation. Chapter 7 concentrates with summary and conclusions.

This book is highly beneficial for students, research scholars, teachers, bankers, and policymakers, as it comprehensively covers all aspects of microfinance programs. It will be particularly valuable for young researchers pursuing Ph.D programs, providing them with extensive insights and resources.

I am deeply grateful to Professor Sudipta Bhattacharyya, Department of Economics and Politics, Visva-Bharati, Santiniketan, West Bengal, for providing the foreword for this book. I also express my heartfelt gratitude to Former Professor, Kanak Kranti Bagchi, Department of Economics, North Bengal University, Darjeeling District, West Bengal, for contributing a critical note on this book and for his constant inspiration behind the book. I sincerely acknowledge my gratitude to Dr. Joydeep Bhattacharya, Associate Professor of English at Kurseong College, Darjeeling, for his valuable suggestions regarding the publication of this book.

I sincerely express my gratitude to Dr. Swagata DasMohanta for her unwavering support and cooperation during her tenure as Principal of Chakdaha College. I also extend my heartfelt appreciation to my colleagues in the Department of Economics, Chakdaha College for their support. A special note of thanks goes to

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I am deeply thankful to my wife, Soma Nandi, for her constant support and encouragement. Her understanding and motivation were instrumental in enabling me to complete this book. I also extend my heartfelt thanks to my son, Spandan Mandal, for providing valuable computer technical support.

Last but not least, I highly express my gratitude to Mr. A. Adhikari, Administrator and Proprietor, Amitrakshar Publishers who has taken keen interest in the publication of this book in time.

Dr. Nikhil Kumar Mandal

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