

MICROFINANCE : AN IMPORTANT TOOL FOR COMBATING POVERTY AND UNEMPLOYMENT IN INDIA?

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ABSTRACT

India is the second largest Populated country in the world and around 70 % of its population lives in the rural areas, 60% of the people depend on agriculture, consequently there is chronic Underemployment and per capita income is very low. This is not enough to satisfy the needs of more than one individual. Among the various factors leading to the Poverty, Low Asset base is the major one. According to Reserve Bank of India, about 51 % of people house possess only 10% of the total asset of India .This has resulted in low production capacity both in agriculture (which contribute around 15-20% of GDP) and Manufacturing sector. Rural people have very low access to institutionalized credit (from commercial banks). Hence for a country like India, Poverty and Unemployment remains to be the biggest policy concerns. Amongst various measures to eradicate it, Microfinance, of late, has provided a ray of hope. In many studies done in the past, it is believed that microfinance initiatives have made a difference in the lives of the population. However there is an increasing doubt on the financial sustainability of the Microfinance institutions. This paper attempts to analyze the role of microfinance in reducing unemployment and poverty. The analysis shows that the access and efficient provision of microcredit can enable the poor to smooth their consumption, better manage their risks, gradually build their assets, develop their micro enterprises thereby increase in employment, enhance their income earning capacity, and enjoy an improved quality of life.

KEY WORDS: Microfinance, Underemployment, Unemployment, Poverty, Sustainability, Microcredit, Institutionalized credit.

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