ROLE OF MICRO FINANCE AS AN ANTI POVERTY VACCINE FOR RURAL INDIA

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ABSTRACT

Year 2005 was called international year of microcredit by United Nations. Since, micro financehas proven to be an effective tool for poverty reduction. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. India falls under low income class according to World Bank. It is second populated country in the world and around 70 % of its population lives in rural area. 60% of people depend on agriculture, as a result there is chronic underemployment and per capita income is only $ 3262. This is not enough to provide food to more than one individual. The obvious result is abject poverty, low rate of education, low sex ratio, and exploitation. The major factor account for high incidence of rural poverty is the low asset base. According to Reserve Bank of India, about 51 % of people house possess only 10% of the total asset of India. This has resulted low production capacity both in agriculture (which contribute around 22-25% of GDP) and Manufacturing sector. More broadly, it is a movement whose object is “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.” Those who promote microfinance generally believe that such access will help poor people out of poverty.

KEY WORDS: Microfinance, Financial Service, GDP, Poverty in India.