



Role of Microfinance in the Growth of Education in India

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ABSTRACT

Most poor people are unable to receive the credit. They either lack the sufficient resources to be collateralised with the banks or rely on the moneylenders who charge exorbitant interest rates. Also formal lending institutions requires a stable source of income so that the borrowers can repay the principal and interest amount in time. Thereby Microfinance Institutions (MFI) helps such people in mobilising their resources, build up the assets and start the entrepreneurship and will in alleviate poverty in India. Education helps making people more productive and earn their livelihoods. Thus education helps in eradicating the poverty. The researches have shown that with every 1 per cent increase in the literacy rate, the life expectancy increases by 2 years. Education thereby helps in the overall development of the people, seek better jobs. Governments of India and various Microfinance Institutions have taken steps for improving literacy skills among the members of the SELF Help Groups. With this these members are now able to read, write, put their signatures and do little bit of arithmetic.

KEYWORDS : Microfinance, MFI, financial services, education

1. INTRODUCTION

For every child who dies, millions more will fall sick or miss school, trapped in a vicious circle that links poor health in childhood to poverty in adulthood. Like the 500,000 women who die each year of pregnancy-related causes, more than 98% of children who die each year live in poor countries. They die because of where they are born.

Human Development Report 2005

The buzz word in financial literacy has caught the attention of many nations-“Microfinance”. The concept of microfinance was put forth by Prof. (Dr.) Muhammad Yunus that focuses on providing the basic financial services to the poorer’s of the poor who are being deprived of it due to lack of security to be provided against the loan. Most poor people are unable to receive the credit. They either lack the sufficient resources to be collateralised with the banks or rely on the moneylenders who charge exorbitant interest rates. Also formal lending institutions requires a stable source of income so that the borrowers can repay the principal and interest amount in time. Thereby Microfinance Institutions (MFI) helps such people in mobilising their resources, build up the assets and start the entrepreneurship and will in alleviate poverty in India. The following are the activities undertaken by the Microfinance Institutions :-

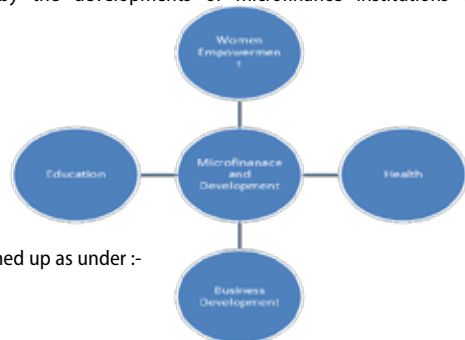


Microfinance is gaining immense importance in the Indian Financial Sector. Microfinance innovations helps in designing new products according to the heterogeneous needs of the customers and is helping the Indian Financial Sector to grow. Hence it can be concluded that the microfinance development is beneficial to both microfinance institution as well as the clients.

UNCDF (2004) stated that microfinance plays three vital roles in development. They are as follow:-

- Helps poorest of the poor section of the society to meet the basic amenities of life.
- Helps in the economic and social welfare of the poor.
- Helps empower woman by providing them micro-credit which helps in the starting up the small businesses.

Thereby the developments of microfinance institutions can be



summed up as under :-

2. MICROFINANCE AND DEVELOPMENT IN THE EDUCATION

“The education is the process of instruction aimed at the all-round development of individuals, providing the necessary tools and knowledge to understand and participate in day to day activities of today’s world.”--V.A.Ponmellil

The education helps in the development of the human capital by making them skillful as well as boosts the confidence and make them self-reliant. It also helps in enhancing the ability of the individuals to take care of their health and plan for their future. The education not only helps in the economic growth but is also the fundamental right of every individual in India. It helps making people more productive and earn their livelihoods. Thus education helps in eradicating the poverty. The researches have shown that with every 1 per cent increase in the literacy rate, the life expectancy increases by 2 years. Education thereby helps in the overall development of the people, seek better jobs. So education is considered utmost important and is the fundamental right of every individual in India.

3. IMPACT OF MICROFINANCE ON EDUCATION

The microfinance movement began with the assumption that lack of financial assistance and access to financial sources to the poor, not the entrepreneurial skills. However recent studies have shown that microfinance with education may have more impact that mere financial assistance. In a research it was found that clients who received business training improved business knowledge, practices and revenues. Also it was found that women participating in their Credit with Education program in India have more income and assets, a greater sense of personal empowerment to make decisions, and better nourished and healthier children than women who did not participate in the program. Providing education with microfinance, however, involves tradeoffs. Education for borrowers requires an ongoing investment of time – which is in short supply for most loan officers. Time spent on education can mean loan officers have less time to serve a greater number of borrowers, a key indicator of their success. Cost is

also a factor. MFIs are in a constant balancing act of providing services to their clients while maintaining reasonable fees and/or interest rates. The women receive education on a variety of topics, including:

- Child and infant health and nutrition
- Women's health and nutrition
- Family planning
- Preventing and managing common diseases, including malaria in some countries
- How to grow a business with better sales and customer service practices
- How to diversify entrepreneurial activities
- Basic accounting (that can be done without knowing how to write numbers)
- How to manage a household budget
- How to use a loan wisely
- Savings strategies

4. MICROFINANCE SCHEMES FOR EDUCATION IN INDIA

Through the Health and Microfinance Alliance, the Microcredit Summit Campaign and Freedom from Hunger are actively working with 38 financial service providers in India (i.e., microfinance institutions (MFIs), self-help group promoting institutions (SHPIs), and networks). These 38 partner institutions are reaching a total of 709,167 clients and 3.5 million family members with microfinance and health protection (MAHP) services. This number continues to grow every month as our partners scale up their operations and new partners join the Alliance. Various Programs are initiated in India these are given in Table 1:

Table 1

Implementing partners	Program Components	Current Outreach (July 2013)
Access Development, Odisha (5 of their partners)	Staff training on education and savings	1,500
Bandhan, West Bengal	MAHP partner; community based health education; Community Health Workers; health products; developing clinical services; health missions	437,015
Equitas, Tamil Nadu	Health education: "Healthy Habits for Life"	1,768
ESAF, Maharashtra, Chattisgarh, & Madhya Pradesh	Health education Arogyamithra project, training community volunteers to facilitate Healthy Habits	22,878
Gram-Utthan, Odisha	Community based health education (e.g., WASH); Community Health Volunteers, product sales; health camps	15,000
Nidan, Bihar	Staff training on market research, product concept development, Training of Trainers on health education;	14,000
Pioneer Trad, Tamil Nadu	Health education: Pregnant women's health	6,020
People's Multipurpose Development Society (PMD), Tamil Nadu	Health education (Women's Health and Child's Health) and health camps	6,306
Reach India, West Bengal	Provide education training: maternal and child health	3,876
SKDRDP, Karnataka	Health education: Diseases that Attack Children, Women's Health, Healthy Habits, Delivery by Sahayojakis (GVK members in villages)	94,004
West Bengal Volunteer Health Association (WBVHA)***, West Bengal	Health education (Plan for Better Health) and health savings	5,000
	ACTIVE TOTAL	607,367

Microfinance provides various financial services to the lower income clients. By targeting the people with lack of credit access, microfinance helps in educating its members specially in the rural area. Government of India and various Microfinance Institutions have tak-

en steps for improving literacy skills among the members of the SELF Help Groups. With this these members are now able to read, write, put their signatures and do little bit of calculations.

Conclusions

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. Hence Microfinance can be defined as to a variety of financial a service that target low-income clients and has thus helped in increase in literacy level in India specially in villages. Governments of India and various Microfinance Institutions have taken steps for improving literacy skills among the members of the SELF Help Groups. With this these members are now able to read, write, put their signatures and do little bit of arithmetic.

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