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**EXPERIENCES OF MICRO FINANCE INSTITUTIONS IN INDIA:  
CHALLENGES AND OPPORTUNITIES**

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Micro-finance, operating through Micro Finance Institutions (MFIs), refers to the provision of financial services to its low-income clients, including the self-employed. Activities of MFIs usually involve: providing small loans, typically for working capital; informal appraisal of borrowers and investments; collateral substitutes, such as group guarantees or compulsory saving; access to repeat streamlining loan disbursement and monitoring; and secure savings. Although some MFIs provide enterprise development services, such as skills training and marketing; and social services such as literacy training and health care are not generally included in the definition of micro-finance. It has been estimated that there are 500 million economically active poor people in the world operating small and micro-enterprises. Most of them, do not have access to adequate financial services. Research studies in India suggest that through the right support from

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the institutional as well as non-institutional associations, micro-entrepreneurs can strengthen their own capacities besides contributing to both family and national earnings. Micro-enterprise development, in conjunction with appropriate micro-finance support, can contribute to the attainment of some major economic and social development objectives such as poverty reduction, empowerment of women, employment generation, etc. At the same time, many MFIs in the country are facing challenges of mismanagement, high transaction costs, forceful recovery of loans, etc. In this context, this paper discusses about the origin and growth of MFIs in India, their performance and the challenges they face in the present context.