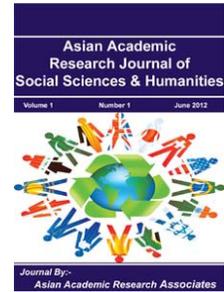




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MANAGEMENT OF MICRO FINANCE AND INSTILLING EFFECTIVE GOVERNANCE FOR MICRO FINANCE INSTITUTIONS

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ABSTRACT

Micro Finance is a financial service intended to help the rural poor. Micro Finance forms a major part of financial system in India. Over the last three decades there is a phenomenal growth in terms of Micro Finance Institutions. Few years ago, only a few Mfi's were leading in the sector as sole entities. In the process of delivering services, they started exploiting the clients and poor people. The main reason for this approach of the MFI's are inadequate regulatory framework and governance implemented for MFI's. This resulted in emergence of certain problems. Monopoly in the hands of a few MFI's started affecting adversely on other NBFs in the field of finance. Presently this problem prevails to a large extent. To overcome this problem the major tool available is incorporation of regulatory frameworks and governance. Effective implementation of governance and establishing of regulatory mechanisms would certainly benefit the society. First, the issues connected with micro finance and institutions must be understood clearly and on the basis of past experiences a structural and meaningful system must be established which is directed towards extending the quality of service to needy people. In this paper an attempt is made to analyse the various issues connected with Micro Finance, current status in the sector, delivery mechanisms causing the service and the means to overcome the problems, road ahead to reach the goal of serving the poor. Paper tries to convey that formulation of governance principles and its effective implementation in Micro Finance Institutions would add greatly to the well being of the society.

Key Words: Micro Finance, Governance, Transparency

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