

Emerging Growth Model for Micro Financing Institutions: Banks or Non-Banking Finance Companies

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ABSTRACT

In recent years, there is sudden spurt of growth could be observed in micro financing institutions (MFIs). These could be largely attributed to increasing stress given for inclusive growth and apparent success perceived in micro financing institutions to outreach poor on a sustainable business model. It is concluded that the future of MFIs depend on either becoming a bank on their own or become a subsidiary of a public sector bank and come out of the groove of providing only consumption loan to supplement income of a poor family but try to transform village economy through project financing on a cluster basis and become one of the stakeholders of business enterprise of village poor people for sometime till these people could run on their own like venture capitalist.

KEYWORDS: Micro-finance, MFI, Banking, Inclusive growth, India

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S. N. Ghosal is a Ph.D. in Finance. He has served one of the Public Sector Bank in India for decades and retired as General Manager (Credit). Post retirement, he served as Professor of Banking in universities and colleges which include Indian Institute of Management (IIM), Calcutta and International Institute of Business Studies (IIBS) Kolkata and Chennai. He is the Ex-Director of UIB now merged with Allahabad Bank, Agro Industries Corporation, the Small Scale Industries Corporation and Member of Governing Body of Reserve Bank (RBI) of India College of Agricultural Banking. At present working in the capacity of Non-executive Director of Nikko Financial Services Ltd. He is a regular contributor to many publishers. He is the author of three refereed books on finance and management and four derivative books on Banking and Finance. He has authored more than 100 papers, published by premier publishers of India. His research interest is largely banking, particularly inclusive banking. He can be reached at souren.ghosal@gmail.com.