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**Micro finance and sustainable development: Trends, Challenges and Opportunities**

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**Abstract**

*Microfinance organizations (MFIs) are trying different things with imaginative credit items that money the acquisition of front line supportive of helpless energy and water advances. These items can consequently improve the existences of poor people and empower MFIs to show further social, financial and ecological effect. Energy, water and sterilization are inseparably connected with each other to have them is a pointer of success and to need them is a marker of destitution. Analysts have discovered that there is an away from between absence of admittance to energy and water and different imbalances in human turn of events - and that elevating admittance to energy and water is fundamental to destitution decrease endeavors. Measurements and other information from the energy, water and disinfection areas show both the greatness of the issue and the chances that handling them present. Hence this paper centers on Trends, Challenges and Opportunities of miniature account and supportable advancement in Asia.*

Keyword: Micro finance, Institutions, ecology, Environment, Energy, Water Resource

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## **1.1 Introduction**

Worldwide familiarity with economical turn of events, driven especially by the developing test of environmental change, is at a record-breaking high and some microfinance partners are attempting to discover creative approaches to be important for the arrangement instead of adding to the issue. While these partners survey the social and financial advancement effect of their activities, their ecological effect is progressively being assessed as far as ozone harming substance emanations decrease potential. The craving to alleviate the impacts of environmental change on the existences of miniature business people is additionally bringing interest up in giving the important wellbeing nets when yields fizzle, domesticated animals bite the dust, food costs rise and homes are demolished by catastrophic events and natural debasement.

Advancement endeavors in the locale are presently more centered around financing cleaner energy, harmless to the ecosystem disinfection and water frameworks, and creating miniature investment funds and miniature protection items that can moderate a portion of things to come effects of environmental change experienced by customers. Microfinance organizations (MFIs) are exploring different avenues regarding inventive advance items that money the acquisition of front line supportive of helpless energy and water innovations. These items can thusly improve the existences of poor people and empower MFIs to show further social, financial and ecological effect. Energy, water and disinfection are inseparably connected with each other – to have them is a pointer of flourishing and to need them is a marker of neediness.

Specialists have discovered that there is an away from between absence of admittance to energy and water and different disparities in human turn of events - and that elevating admittance to energy and water is key to destitution decrease endeavors. For instance, the UN Millennium Project has put forth a smooth defense that energy administrations directly affect all the Millennium Development Goals and that improving admittance to energy administrations would significantly help the way toward accomplishing these objectives. Insights and other information from the energy, water and disinfection areas show both the extent of the issue and the chances that handling them present.

## **1.2 The Role of Microfinance: Demand and Supply**

Until generally as of late, most MFIs have not zeroed in on specific loaning for energy, water or disinfection. In any case, some of them are announcing a developing interest from low-pay customers for credits to get to energy, clean water and better disinfection alternatives for their family units and organizations. MFIs are encountering request from two arrangements of likely customers:

**End-clients:** who are individuals who have the profile of a normal microfinance customer and need advances going from US\$50 to US\$1,000? These customers are requesting financing to buy energy administrations, for example, lighting, refrigeration, mechanical force for running apparatus utilized in horticultural preparing, just as for warmth and cooking energizes. A few customers are searching for network association advances or advances for elective energy alternatives that are more solid than the matrix. Customers likewise need admittance to toilets and to cleaner water; by and by this implies gadgets to clean the current stockpile of water (through desalination, sterilizing and sifting), components to ease transportation of water including siphons, and intends to store clean water. While numerous customers need these credits for business purposes, a few customers need advances to buy benefits that will improve the personal satisfaction of their families.

**Little and developing organizations:** That is a critical piece of the energy or water esteems chain and need admittance to microfinance for extension. They production or sell the actual innovation, yet uphold miniature business people who produce parts or introduce or transport gear. A commonplace business may be a water filtration business that underpins various more modest water packaging and transportation organizations. Then again, it very well may be a sun based battery charging business that recruits individuals to convey the batteries to end-clients, for example, road sellers who are leasing the batteries to control lights. These customers are typically large for microfinance (requiring credits of US\$3,000 or more over longer terms) yet are among the most unfortunate of the customary bank customers and regularly get lost between the two areas. This customer bunch can possibly produce pay and resources at the lower part of the pyramid regarding position creation and market improvement.

While MFIs are encountering this developing interest for energy and water advances from their customers, energy and water organizations are starting to see a market in creating items custom-made to low-pay families. To develop their organizations these little energy and water organizations need end-client money alternatives for their customers. The possibility of creating associations with MFIs to give financing bundles to their low-pay customer base turns out to be progressively alluring.

A portion of these organizations are additionally searching for new financing alternatives themselves to venture into new districts or offer a more extensive scope of items and administrations to their customers. Universally, a little yet developing number of private and public givers are hoping to help naturally mindful associations. There are likewise various social speculators who are searching for triple main concern venture openings (adjusting financial, social and natural destinations) and are keen on the guarantee of carbon exchanging and the enormous neglected business sectors for energy and water.

**Loaning:** While there is impressive guarantee in energy and water loaning, microfinance professionals have recognized various difficulties dependent on their

encounters, for instance, on the energy side an extensive three landmass study finished in November 2007 found that the significant test that MFIs confronted was finding a solid energy accomplice and making a commonly useful organization plan. The investigation noticed that MFIs additionally experienced these difficulties:

[1] They arranged organizations with temperamental energy organizations that either left business or picked mid route through the agreement to support an alternate customer base. They neglected to haggle after deals upkeep or administration concurrences with their energy accomplices and were burdened with nonfunctional energy frameworks.

[2] They consented to unsafe courses of action with energy organizations, for example, paying the forthright expense of hardware and establishment however confronted circumstances where establishment was postponed or innovation changed and customers chose to drop their credits.

[3] They didn't plan a suitable energy credit item that addressed customer issues.

[4] They gave energy credits to items that were vigorously sponsored by nearby government. At the point when the sponsorships were eliminated and the items were offered at market rates the customers were not, at this point keen on buying the items and the energy loaning slowed down.

[5] The starting customer examination measure, the reimbursement cycle and the observing and assessment frameworks were not adjusted to energy loaning.

[6] The MFIs didn't satisfactorily prepare credit officials to advance and develop the energy portfolio.

From a financial specialist viewpoint, the two greatest difficulties are scale and maintainability. While there are a great many needy individuals who actually need admittance to microfinance, the quantity of destitute individuals who have gotten credits for energy related purposes from MFIs is miniscule; presumably 500,000 individuals, which isn't so much as 1 percent of the all out number at present, came to by microfinance. Without a doubt, as of late have MFIs understood the likely market for energy loaning. Regardless, financial specialists who are keen on the triple main concern need to have the option to discuss genuine scale and maybe ought to show restraint in the short term as powerful scaling models for energy and water loaning are created.

Most speculators likewise stress the significance of institutional manageability and in this way need to comprehend that the dangers of energy or water loaning are fairly unique in relation to those of an ordinary microfinance credit. Presently, the Foundation for Development Cooperation (FDC) in organization with the Asian Development Bank (ADB) is setting up the Energy for All (E4ALL) Partnership, which will uphold the scaling-up of fruitful existing methodologies and empower the execution of promising new and reasonable financing systems to build admittance to current types of clean/environmentally friendly power to the poor in the Asia-Pacific Region.

### **1.3 Microfinance, Innovation and Sustainable Development**

The greatest test in connecting microfinance and reasonable improvement in Asia is the stunning numbers: the majority of the world's poor live in Asia and they regularly need admittance to energy, clean water and disinfection. Notwithstanding, Asia offers novel occasions to address the test since it is a hotbed of advancement in financially savvy, favorable to helpless innovation improvement and it has the best instances of microfinance associations that have arrived at great scope. The biggest microfinance associations on the planet work in Asia, and the world's biggest miniature energy and miniature water loaning activities are likewise in Asia.

Energy In the energy area, some of the advancements center around improving the effectiveness and execution of existing innovation like sun based lamps, cooking ovens or bio-gasifiers. Arrangements range from utilizing cleaner fuel, for example, Liquefied Petroleum Gas (LPG) to planning more productive ovens, for example, the sarai steam cooker and the wood-saving ovens showcased by TIDE. MFIs and their innovation accomplices are helping helpless customers discover approaches to jump over middle energy innovation and move straightforwardly to solid elective wellsprings of energy, for example, sun oriented. As anyone might expect, the developments that appear to be most famous are those that most adequately react to customer needs.

One of the pioneers in energy loaning and probably the biggest part in Asia is Grameen Shakti, which the two sells energy benefits straightforwardly and gives end-client money to customers through microloans. Grameen Shakti has introduced in excess of 150,000 sun based home frameworks in Bangladeshi towns since it was established in 1996. As of now, Grameen Shakti is the biggest single installer of sun oriented home frameworks in Bangladesh. In excess of 5,000 sun based home frameworks are being introduced every month. By selling these heavenly bodies, Grameen Shakti gives lighting and interchanges (as cell phone charging) and has expanded work openings.

Customers buy their frameworks utilizing microloans that have moderate terms and are customized to their particular necessities. Furthermore, 3,000 biogas plants and three sun based warm activities have been introduced, and 9 sunlight based controlled PC preparing focuses have been made. The Grameen Shakti biogas program is connected to the arising poultry and domesticated animals industry in Bangladesh with an emphasis on slurry as a substitution for synthetic compost. Another pioneer in energy loaning is Sarvodaya Economic Enterprise Development Services (SEEDS), which is one of the biggest microfinance associations in Sri Lanka.

Through its particular energy loaning division, SEEDS has financed the establishment of in excess of 58,000 sunlight based home frameworks in country regions of Sri Lanka since 1998. The normal provincial family in Sri Lanka burns through 19 percent of its pay on energy, and many can bear off-matrix power in the event that they

approach end-client account. SEEDS work through authorize sunlight based installers to recognize potential advance clients. The month to month reimbursements are set at a rate that the family unit can bear to pay, and the credits are taken care of over a time of one to four years. Neighborhood field officials utilized by SEEDS gather month to month reimbursements and furthermore complete checks and minor fixes to the frameworks. A SEED has additionally introduced miniature hydro plans in rustic zones and has given 4,000 lattice association credits.

Perhaps the most imaginative associations in the energy microfinance space join SELCO India and SEWA Bank in Gujarat. SELCO is a main energy organization that gives practical energy answers for under-served families and organizations. It has introduced 85,000 sun oriented home lighting frameworks since 1995. Beginning in 2004, SELCO built up an association with SEWA Bank to give energy administrations to its casual area customers. SELCO has an advancement division that is centered on creating innovation custom fitted to the necessities of poor people. A clear model is sunlight based fueled headlamp created for birthing assistants who were conveying infants in rustic homes with no zap. The new lights were more secure and more brilliant than lamp oil and didn't dirty the air in the hovels. Accordingly, the primary breaths the new children took were of spotless, natural air instead of lamp oil exhaust.

The maternity specialists elevated the headlamps to individual SEWA customers, the rosebud puckers, who additionally work around evening time. The rosebud puckers found that the headlamps altogether improved their efficiency and pay levels by liberating them from holding lamp oil lights and empowering them to work twice as fast. SELCO's advancement division is a gold-mine of market responsive energy answers for poor people. Another zone of development is in the possible connection between the carbon markets and microfinance. Until as of late, these exchanging systems have been muddled and costly and have been outfitted at bigger organizations however there are some new players that are zeroing in unequivocally on MFIs as expected customers.

Miniature Energy Credits is another organization situated in Washington DC that intends to purchase carbon credits from MFIs loaning clean energy advances. These carbon assets can be utilized by MFIs to give financing to develop their energy portfolio and can conceivably transform into an appealing wellspring of future pay. Miniature Energy Credits intends to sell the carbon credits it purchases from MFIs on the Voluntary Carbon Market. Another player is Sigma Global, an Australian organization offering warning types of assistance on the worldwide carbon markets for about 10 years. It assists organizations with building up an essential intend to advertise their carbon resources in the most invaluable manner and has as of late centered around assisting MFIs with creating serious carbon procedures.

## 1.4 Conclusion

It could be deduced from above discussion that the Asia Microfinance Forum 2008 offered a superb diagram of the patterns, difficulties and openings confronting microfinance partners in tending to reasonable turn of events. Speakers gave rich instances of victories, disappointments and exercises learned dependent on their encounters, and the crowd raised fascinating and provocative issues that should be tended to in the coming months and years. Central questions for MFIs that are focused on coordinating feasible advancement objectives into their business incorporate the accompanying:

[1] The difficulties of scale and maintainability in energy and water loaning. MFIs should consider whether loaning to neighborhood networks notwithstanding people for energy and water is a practical method to arrive at scale, and provided that this is true, how to do this kind of loaning in a beneficial manner.

[2] Critical evaluation of the guarantee of carbon rating as a revenue source. MFIs should consider whether there is a genuine part for "keen sponsorships" according to energy and water loaning and whether carbon financing gives a feasible answer for the appropriation question. MFIs will likewise have to basically assess the difficulties of getting to the carbon market – endeavors to date have been very troublesome and more pertinent techniques and approval strategies are required before carbon can be depended on as a possible kind of revenue.

[3] Critical assessment of whether their potential accomplices are advancing innovation developments that are genuinely favorable to poor.

[4] Savings and protection items that relieve the dangers of environmental change experienced by their customers.

[5] Consideration of whether their plans of action are adequately alluring to the developing green venture local area that needs a triple primary concern for speculations.

The field is still new and there is gigantic potential for advancement on a few fronts including: growing new plans of action outfitted at accomplishing scale; creating methodologies to enter the carbon showcases successfully; building moderate advances that address helpless customers' issues; creating hazard relieving items for customers influenced by environmental change issues; and create and advance green venture opening at the minor part of the pyramid. A proper and significant endeavor to address environmental change through practical advancement is perhaps the most basic and invigorating issues for the microfinance area to handle in the next decade.

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