

**INTEREST FREE MICRO FINANCING:- A CASE STUDY
OF MALAPPURAM DISTRICT**

Minor Research Project

Submitted to

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The rural economy is characterised by a complex scenario regarding the aspect of credit. The poor and downtrodden households usually have little or no land, low education, no specialised skills and persistent high levels of inequality. Since formal banking institutions are reluctant to lend to rural people, they are forced to approach the informal moneylenders for their needs. It is in this context that the microfinance is having a significant role to play in carving out a niche between the banks and the informal moneylenders. Interest free micro financing is primarily conceived as an alternative to interest based finance. Interest free micro financing it is a positive move towards the economic growth of an economy.

The present study is to understand the role, performance and impact of such institutions in the society. An in depth study regarding how far the system like 'Paraspara Sahaya Nidhi' (Mutual Help Fund) and 'Palisha Rahitha Nidhi' (Interest Free Fund) have helped the society in their socio economic upliftment is highly relevant. This comparative study attempts to results out the impact of micro financing institutions in Malappuram District (Kudumbasree) with special reference to interest free micro financing.

OBJECTIVES OF THE STUDY

The following are the major objectives of study,

1. To study the effectiveness of micro financing system by introducing interest free nature.
2. To make a comparative study about the effectiveness of micro financing (Kudumbasree) and interest free micro financing in Malappuram district in Kerala.

SUMMARY OF THE FINDINGS

- Interest free MFIs helps to increase self employment in that particular district.
- Annual income of persons who are approaching interest free MFIs is in between Rs. 75000 – 125000.
- Majority loan taken from interest free MFIs is utilized for business and self employment.
- Time taken to avail loan is comparatively less interest free MFIs.

- Interest free MFIs are charging service charge on loan amount but comparably this amount is less.
- Interest free MFIs availing loan is less constraint.
- Accuracy of repayment of loan comparatively higher in interest free MFIs.
- Accuracy of repayment helps to reduce over dues because these financial institution not squeezing any of the beneficiaries.
- Efficiency of interest free MFIs comparatively higher. These institutions look in to the past history and psycho aspects of the beneficiaries.

ACHIEVEMENTS FROM THE PROJECT:

By this project it is clearly shows that interest free micro finance encourages the people to take risk, at the same time encourages seeking self employment. Through this, it indirectly encourage job and increases the quality of life of beneficiaries.

CONTRIBUTION TO THE SOCIETY

Interest free micro financing institutions will relieve the rural poor people from the clutches of money lenders. If these institutions expand its base towards agriculture and backward areas creates a positive environment to pluck farmers from land lords and other exploiting peoples.