



The Journal of Sri Krishna Research & Educational Consortium
**INTERNATIONAL JOURNAL OF
BUSINESS ECONOMICS AND
MANAGEMENT RESEARCH**
Internationally Indexed & Listed Referred e-Journal



INNOVATIONS IN MICROFINANCE: INITIATIVES OF ICICI BANK

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ABSTRACT

Microfinance is a general term used to describe financial services to low-income individuals or to those who do not have access to typical banking services. Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.

Microfinance is also the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. More broadly, it is a movement whose object is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Those who promote microfinance generally believe that such access will help poor people out of poverty. Microfinance is a broad category of services, which includes microcredit. Microfinance typically refers to microcredit, savings, insurance, money transfers, and other financial products targeted at poor and low-income people.

Basically microfinance is the result of the products of new developmental thinking and policy-making. It is a unique combination of industrial (including financial) and institutional reforms in the present scenario of development economics. For the developing countries like India it has come as a major step forward in the philosophy and practices of poverty eradication, economic empowerment and inclusive growth. Yet microfinance is an unfinished agenda in the developing countries. The main objective of this paper is to focus from mere financial access to poverty eradication and people's empowerment practices of MFI s. Micro Finance Institutions have the capacity and responsibility of empowering the most vulnerable, such as women, rural artisans etc; to allow the not yet economically- active to become so; and to create community-based

structures that build mutual support and trust. MFIs by releasing the true potential of its members through social intermediation can ensure building an inclusive society. Inclusive growth requires not only physical, natural and human capital, but also social capital. Micro Finance Institutions by combining the features of both formal and informal credit, improve productivity and credit-worthiness through the principles of repayment and there is a shift from financial intermediation to social intermediation. In order to have more clarity about the microfinance practices followed by various financial institutions, a case of ICICI Bank is being taken in to consideration. The case describes that in spite of being a new entrant, ICICI Bank has been highly successful in the microfinance sector, primarily because of its innovative microfinance business models. The case discusses some of these models including Bank led & Partnership model.

Also the case presents how ICICI Bank has made microfinance a viable business proposition for banks.

KEYWORDS: *Bank led Model, Financial Inclusion, ICICI Bank, Microcredit, Microfinance, Partnership Model, Poverty, Social Intermediation.*