

## ABSTRACT

Microfinance has been positioned as a method to combat poverty by giving credit to the underprivileged segments of the economy. The profound motivation behind this extensive and emerging support for micro financing indicates that national economic and social impacts are significant. It shows that access and efficient provision of microcredit can enable the poor to smooth their consumption, manage their risks better, gradually build their assets, develop their micro enterprises, enhance their income earning capacity and enjoy an improved quality of life.

This paper analyses the impact of microfinance on poverty alleviation and economic growth. To analyse the impact of Microfinance, IHDS I and IHDS II datasets are considered because these are panel data that investigates the same households majorly over a period. In this study, the variables Loan source, Income per capita, Monthly consumption per capita, Caste/Religion are considered and a possible impact of all these factors on Poverty Alleviation has been studied. Microfinance services contributes to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development. This study has been divided into two parts: an attempt to exhibit a positive correlation between microfinance and economic growth has been done respectively.

The result obtained from the analysis shows that there is a positive correlation between Microfinance and poverty alleviation as well as with Economic growth.

**Key words:** Microfinance, Poverty, Economic Development, Economic Growth