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## Microfinance:- Reflecting the prevalent condition and rating its growth in India

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### Abstract:-

Microfinance organization's main aim is to give a chance to low earnings borrowers to become independent. This area of financing assistance plays an important role in promoting comprehensive progress by providing credit to borrowers who fall under BPL category. This organization is also helping women from rural areas to providing small loans at low rates to earn their livelihood. It's a provision of finance without collateral usually small amounts and for short span of time. The insistence of present paper is to study the performance or achievements and significant role of Microfinance in India. The study shows that the number of MFIs availing loans from banks during the last three years.

**Keywords:-** Microfinance, Progress, Collateral, MFIs

### Introduction:-

Agriculture is the most important sector of the every nation's economy. In India it is providing employment around 60%-70% of total population of our nation. About 60% of Total population of India lives in the rural area and depends directly or indirectly on the agriculture for their livelihood. Rural families in developing countries often activate in various occupations beside farming and agricultural labor. But because of some financial issues they are not able to achieve their goals. Sometimes because of bad crops they are not able to get good profits of their crops that are why they can't buy good seeds, fertilizers, equipment, and vehicle for their next crop. That time they need credit or some financial assistance and this type of condition Microfinance is boon for them for their further work progress. Microfinance is offering small loans to poor individual or groups without requiring any collateral. It is the provision of financial services to the poor or below poverty line people who belong to rural background. In India the National Bank for Agricultural and Rural Development (NABARD) took this idea and started the concept of Microfinance in India. In developing countries such as India financial services through formal and legal formalities do not meet the demand of the rural poor, so Microfinance can help low income and unemployed fraction of the population by providing greater financial support and stability.

**Features of Microfinance:-**

Microfinance is characterized by following features.

- Microfinance is the most important part of rural finance.
- It deals in small short term loans.
- Its targeting people rural, household and below poverty line families.
- It is more service oriented and less profit oriented schemes.
- It motivates or boosts women participation in Indian economy.
- It is one of the best effective strategies for poverty alleviation.
- It provides platform for entrepreneurs to give them financial assistance.
- In Microfinance includes multiple services like loans, savings, insurance, transfer services etc. for poor people.
- Some microcredit schemes even offer repeat loans to individuals or self-help groups depending on the necessity.
- It has short loan tenure around five years.
- It has no large scale diversification of financial products.

**Objective of the study:-**

- To analyze the rapid growth of microfinance sector in India.
- To provide an insight of Microfinance in India.
- To understand the effectiveness of micro financing through explaining the importance of SHG and MFI.
- To examine the recent trends and programs in Indian MFI sector.

**The types of loan offered under Microfinance are given below:-**

- Credit for small entrepreneurs to start their business or startups.
- Credit for micro or small entrepreneurs to expand their business.
- Credit for women to create new source for their income growth.
- Credit for medical emergencies.
- Credit for home extension.
- Credit to the lower sections and underdeveloped parts of the society.

**Types of Microfinance products:-**

- Micro credit
- Micro loans
- Micro insurance
- Micro savings

**Channels of Microfinance:-**

There are two channels through microfinance is being operated in India which are effectively doing progressive work in the field of Micro financing.

**Self Help Group (SHGs):-**

Self-Help Groups (SHGs) are informal associations of people who belongs to same socio-economic background choose to come together to find ways to improve their living conditions and financial help to each other. It is a group of about 15-20 members who pool their savings together. Members can borrow loans from the group's savings for as per their requirements or limits which are decided by group on a decided rate of interest. SHG borrowers conquer the problem of non-availability of collateral documents. Various banks have formed partnerships with SHGs in order to increase financial inclusion in the country's rural areas.

**Micro Finance Institutes (MFIs):-**

Microfinance Institutions have been taking attention in recent years and are considered as an essential tool to elevate underdeveloped areas and low-income individuals. They usually run on the thought of joint liability, an informal group of 4-15 individuals who seek loans either jointly or separately. These loans are typically taken for agricultural and small finance related activities. MFIs are financial companies that provide small loans to people who do not have any access to banking facilities and they are not too much aware of banking and financial services. Microloans, micro savings and micro insurance are the part of these financial services which are providing by MFIs.

**Progress under MFI/MFO Bank Linkage**

( Amount in Crore)

Years	2019-2020		2020-21		2021-2022	
Particulars	No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
Loans distributed by Banks /FIS to MFIs/MFOs	20744	20875.97	28601	15322.33	24686	26567.02
Loans Outstanding against MFIs/MFOs as on 31 March	52288	29896.67	61259	24494.04	58849	38806.35

Years	2021-22	2020-21	2019-20
Self Help Group-Bank Linkage Programme. Total Household	14.2 Crore	13.8 Crore	12.4 Crore
SHGs with deposits of over	119 Lakh	112 Lakh	102 Lakh
Annual loan off take of more than	47,240 Crore	37,477 Crore	26,000 Crore
Loan outstanding of over	99,729 Crore	58,000 Crore	77,000 Crore
Total	1,51,051 Crore	1,03,289 Crore	1,00,000 Crore

Years	2021-22	2020-21	2019-20
No. of SHG'S	33,98,267	28,87,394	31,46,002
Total Loan Distributed	99,72,923	58,07,068	77,65,935
Average Loan Distributed	2,93,471	2,01,118	2,46,851

Source: Status of Microfinance in India-NABARD Report 2018-22.

### **Microfinance Schemes:-**

There are some schemes which are running for bpl families or lower middle class or poor people to providing them some financial or monetary benefits as per the criteria.

#### **Aajeevika Microfinance Yojana:-**

This scheme is basically only for scheduled caste persons. In this scheme Microfinance provide at reasonable rate of interest through NBFC-MFIs to pursue small business functions. Limit of the loan is up to 60000/- NSFDC's provide up to 90% of project cost and remaining 10% shall be given by the NBFC-MFI partners and interest concession of 2% for timely repayment. For applying for this scheme applicant should be belong to scheduled castes. Annual family income for both urban and rural area s not be more than 3 lakhs. The loan is to be repaid in quarterly installments within a maximum period of three and half years from the date of each disbursement including suspension period.

#### **Vishesh Microfinance Yojana:-**

National Handicapped Finance and Development Corporation (NHFDC) provides financial assistance for the target group and activities at minimum rate of interest. The unit cost of project shall not to be more than 60,000. The repayment period is up to 3 years from the date of disbursement of loan amount. The rate of interest would be 12%p.a. only 120 days period is allowed for funds utilization.

#### **Sakhi Sang Aajeevika Yojana:-**

Women SHG member appointed as a banking representative is called Bank Sakhi. Bank Sakhis are part of the community and thereby better placed to encourage uptake of usage of financial services by other community members this scheme is popular in Uttar Pradesh and Madhya Pradesh regions.

#### **Mahila Samriddhi Yojana:-**

This scheme is basically for women who belong to the backward classes and living below double the poverty line. Annual family income of the women is less than 3 lakhs. Utilization period of loan is four months from the date of disbursement. A loan is to be repaid in quarterly installments within 48 months of 5% interest rate per annum.

#### **Small Loan Scheme:-**

This scheme is implemented through state channelizing agencies (SCAs) or banks. The person who belongs to the backward classes and living below double the poverty line can take benefit of this scheme. Family income of the applicant should be less than 3 lakhs per annum. The SCAs /banks are required to release at least 50% of total released funds to the person having an annual family income less than 1.50 lakhs. The repayment period of the loan amount is maximum 10 years.

### Micro Credit Finance Scheme:-

Under this scheme loan is provided to Safai Karamchhari and bottom feeder and their dependants for projects with a maximum cost up to 1 lakh per beneficiaries for small and petty business and sundry income generating activities for a group of ten persons ten lakh is the maximum project cost limit. Interest chargeable by 2% per annum by beneficiary. Loans are provided through State Channelizing Agencies (SCAs) Regional Rural Banks (RRBs) and nationalized banks to the target cluster or group. Repayment period of 3 years after implementation of project in 4 months.

### Pilot Projects for Entrepreneurship Development:-

NABARD introduced to develop micro enterprise models for SHG/JLG MEMBERS. During 2021-22 two pilot projects with the purchase of providing end to end solution to women SHG members to become entrepreneurs by identifying skill set and capacity building to crate Atmanirbhar Mahila Atmanirbhar Bharat. The pilot project on development and guidance for Women's Livelihoods and Entrepreneurship.

### Challenges faced by Micro Financing in India:-

There are large number of challenges which acts as a hurdle of microfinance institution's growth and development. There are some barrier to which become disadvantage of micro finance institutions such as:-

- Out of reach of the deserving poor.
- High rate of interest.
- Lack of awareness about the scheme which are running under microfinance.
- Limited spread in the poorer states.
- Considerable gap between demand and supply for all financial services.
- High transportation cost.
- Poor debt management system.
- Limited range in the products offered to the customer.
- Inability to generate funds.
- Heavy dependence on banks and financial institutes.
- Regional imbalances.
- Absence of proper regulations.
- Weak loan collection system.
- High non performing assets (NPAs).
- Poor credit appraisal system.

### Conclusion:-

The purpose of Microfinance institutions in India is playing a very important role in rural area in last two decades. That's why the probabilities for growing Microfinance institutions in India are extremely high. Microfinance could be a program to support the poor rural people to pay their debt and maintain social and economic status within the villages. Within this framework, various initiatives by different schemes or yeoman are taken by NABARD, SIDBI and other financial institutions. Microfinance has caught the eye as an effective tool for poverty alleviation and balance environment between socio economic developments. Though Microfinance is useful in uplifting the living standard of impoverished family.

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