

Development of Microfinance in India

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Abstract: From the absolute most recent couple of decades needy individuals and socially minimized individuals have less access to the high caliber budgetary items and administrations. It does exclude just financial administrations. The vital advance to bring monetarily ousted individuals inside the wrinkle of monetary part was the improvement of microfinance in India. This is in mid 1980's had been developed with an exertion of shaping casual Small Help Group (SHG). The primary motivation behind SHG is to give simple access of all sort of monetary administrations to destitute. The term microfinance for the most part alludes to both credit and reserve funds, little scale money related administrations that are reached out to poor in all sort of territories. The SHG-MFIs and bank linkage is a compelling path for destitute individuals to utilize money related administrations effortlessly. This paper attempts to features the situation of smaller scale money in India.

Keywords: - Exiled, Financial Services, Marginalized, Microfinance, Small Help Group

INTRODUCTION

Microfinance alludes to little investment funds, credit and protection administrations reached out to socially and financially hindered sections of society, for empowering them to raise their pay levels and improve expectations for everyday comforts. The primary point of microfinance is to give credit to the destitute individuals or to beneath neediness line, who are not ready to obtain from different sources and to improve their expectation for everyday comforts. Microfinance's idea was first given by the Nobel laureate Prof. Mohammad Yunus in 1976 and began Grameen Bank in that equivalent year and from that point numerous nations has pursued Grameen Bank Model. Microfinance developed in India in the mid 1980s with the arrangement of casual Self Help Group (SHG) for giving access to money related administrations to the penniless individuals. Microfinance is certainly not another idea. Little microcredit activities have existed since the mid 1700s. it isn't only a financing framework, however a device for social change, extraordinarily for ladies it doesn't spring from market powers alone, it is conceivably welfare upgrading. There is an open enthusiasm for advancing the development of microfinance; this is the thing that makes it satisfactory as a legitimate objective for open strategy.

Microfinance Delivery demonstrate in India

The non-accessibility of banking offices and credit to poor people and underprivileged sections of the general public has dependably been a first worry in India. The Reserve Bank and the administration have constantly set aside various activities from effort to time, for example, nationalization of banks, concessional financing cost for the more fragile segment of the general public and proposal of need segment loaning standards. Nonetheless, it was understood that more straightforward endeavors were required to address the credit needs of poor and underprivileged sections of the general public. Concerning this prerequisite, the microfinance development began in India with the presentation of SHG bank linkage program in the mid 1990s. At present, there are fundamentally two models for conveyances of microfinance in India are SHG-Bank Linkage Program and Micro Finance Institutions. Concentrating on microfinance administrations towards ladies and minorities, MFI are contributing altogether to the prosperity of the underprivileged, prompting an ascent in their welfare and helping with the budgetary consideration motivation.

- 1. SHG-Bank Linkage Program (SBLP):** The Self Help Group (SHGs) is the principal microfinance approach in India. SHGs are essentially formal and intentional of 15 to 20 individuals framed to achieve normal targets. Individuals from homogenous gatherings and basic social back ground and occupation intentionally from the gathering and pool their reserve funds to serve all of individuals from the gatherings. The gathering is fairly framed and chooses it claim pioneers. The Self Help Group demonstrate has developed in the NGO segment and deals with the conviction that poor can support themselves and the NGOs can give systems administration and training to them. In India practically 90% of the SHGs are female just because of the acknowledged actuality that world's most unfortunate family unit will in general depend all the more vigorously on pay created by ladies of the house. In India, SHGs have been the most mainstream approach to support poor people and make them bankable.

The SHG-Bank Linkage Model has risen as a main model as far as number of borrowers and advances extraordinary. This model makes autonomy, is increasingly adaptable, and confers opportunity of sparing and acquiring as indicated by the requirements of gathering individuals. In Indian setting the SHG-BLM is truly appropriate due to the far reaching of country bank office arrange. The program utilizes SHGs as a connection between the provincial poor and the banks to help in lessening exchange costs for the bank just as for the rustic customers. Under this program, advances are given to the SHGs three distinct philosophies: SHGs framed and financed by banks; SHGs shaped by organizations other than bank, however straightforwardly financed by bank; and SHGs financed by banks utilizing different offices as money related middle people.

2. **Microfinance Institutions-Bank Linkage Program:** The Micro Finance Institution display has additionally picked up driving force in India in the ongoing past. MFI display is discovered worldwide while the SHG-BLM show is prominent in Indian setting. In MFI display Micro Finance Institutions get expansive measure of assets from the pinnacle money related foundations, banks and giver for loaning the credit to the people or gatherings. These MFIs pursue the idea of Joint Liability Group (JLG) loaning the advance. A JLG is a casual gathering comprises of 5 to 10 singular individuals who meet up to avail bank advances either exclusively or through the gathering system against a shared certification. MFIs in India exist in an assortment of structures like trusts enlisted under the Indian Trust Act, 1882; Public Trust Act, 1920; social orders enrolled under the Societies Registration Act, 1860; Co-agents enrolled under the Mutually Aided Cooperative Societies Act of the States; and non-banking monetary organizations (NBFC)- MFIs, which are enlisted under Section 25 of the Companies Act, 1956 or NBFCs enlisted with the Reserve Bank. Notwithstanding their inside assets, the MFIs have been permitted to assemble assets through different ways including acquiring of mass credits from Banks/other Financial Institutions.

LITERATURE SURVEY

Various studies are already conducted with the objective of knowing the timely status and development of Microfinance in India these studies also focused on the practices used for Microfinance in India. Many scholars, industry experts and researchers have done various notable and descriptive studies in this field. N. Tejmani Singh (2009) conducted a research to find out comprehensive overview of microfinance in India- its essence, various institutions promoting it, modes of delivery, challenges and weaknesses. And found that microfinance can contribute in solving problems of inadequate housing and urban services as an integral part of poverty aviation programmes and changing phase of microfinance is positive in India. Ms. Nishi Pathak and Dr. Arvind Singh (2017) executed a research to find out an overview of the contribution of microfinance in the Indian financial market and the trend of microfinance in Indian economy for 2010-2020. To analyze the trend and to project the performance in 2020, researcher used Least Square Method and Moving Average Method. Researcher found the positive growth of microfinance in the Indian economy. The microfinance sector will become an important source of finance for unprivileged ones, having the skill and capability but lacking finance. Vivek Kumar Tripathi (2014) executed a study to take an overview of global microfinance and its impact on the economy in India. The research objectives of the study were to study the status and potential of microfinance in India and to examine the finance structure of the basic microfinance in India. Researcher found that microfinance industry in India promotes development of the country's financial system; the informal sector is both included and empowered. M. Radhakrishna (2012) describes the role of microfinance institutions in developing the conditions of people who are living in rural areas. The objectives of study were to examine the trends and pattern of microfinance institution in India, another one was to examine the impact of microfinance institution in rural areas and the last one was suggestive measures for making microfinance institutions more efficient in credit. Through the study researcher found that the growth of MFIs in South India in very high as compared to other parts of India. Sakshi Verma and Khushboo Aggarwal (2014) conducted a study on the concept of microfinance and microfinance institutions and its impact on financial inclusion with special focus on poverty alleviation and women empowerment in India. To understand the current scenario researcher did SWOT analysis of MFIs in India and analyzed growth of MFIs based on Bharat Microfinance Report 2011. Parijat Dhar (2016) conducted a state wise analysis on microfinance penetration in India and results in, the outreach of microfinance programmes across various regions in the county under both the models adopted in the country has been uneven. The Southern and Eastern regions are rich in terms of client outreach and loan portfolio both under the SBLP and MFI models. While the North-eastern and Northern regions have not made a significant headway in this regard with microfinance continuing to be in a nascent stage. Dr. Krishna Banana and Mrs. Haseena Shaik (2018) conducted a study on the evolution of microfinance in India and progress of microfinance institutions bank linkage programme in India and its delivery models. And find that MFIs in India have evolved into a vibrant

segment of the financial sector, exhibiting a variety of business models. And now MFIs need to re-evaluate their current position in the market and remodel themselves in order to stay relevant in terms of providing capital. K.S. Ranjani (2012) outlines the need for conceptual framework for regulation of MFI in India. The research findings suggests that like every other financial intermediary, microfinance institutions will benefit the customer as well as the industry at large when they subject themselves to both self and statutory regulations. RK Panigrahi (2017) states that microfinance is emerging as a powerful tool for rural development in India. Despite substantial contributions of women to both household and national economy, their contributions are not recognized in the society. The main objective of the study was to study the effectiveness of microfinance through Self-Help-Groups (SHGs) for socio-economic development of the rural people particularly in the Boudh district of Odisha. Dr. S.C. Vetrivel (2010) get an insight of the role of microfinance on women employment through Self Help Groups (SHGs) Bank Linkage Programs which has been successful not only in meeting financial needs of the rural poor women but also in strengthening collective self help capacities of the poor leading to their empowerment. The research presents some findings the microfinance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programs. Vipin Kumar, Monu Chauhan, Ritesh Kumar (2015) gives an overview of microfinance in India and concludes that microfinance has caught the attention as an effective tool for poverty reduction and socio-economic development. From the study it can be viewed that SHGs and MFIs are playing a vital role in delivery of microfinance services which leads development of poor and low income people in India. Prof Asha Bhatia, Dr. S.N.V. Sivakumar and Ankit Agarwal outline the important role of NBFCs, MFIs, RRBs, and SHGs with respect to microfinance. Through the study researcher understand the current status, analyze the gaps and reviews the reforms, the present government has brought about to boost Indian rural economy. From the study researcher found that more than 10 million young Indians joining the workforce every year, microfinance can be of immense use to provide gainful employment to some of them. Dr. Anoop Kumar Singh (2015) made an attempt to assess the role of RRBs in last few years focusing on their contribution in the field of microfinance. Researcher did comparison of the growth trends of RRBs with respect to SHGs in the last eight years from 2006-07 to 2013-14. Researcher suggests that the economy as vast and varied as India, there is scope for diverse microfinance approach to co-exist in India.

RESEARCH OBJECTIVES

1. To know about percentage of loan disbursement in India.
2. To know the total number of clients covered by MFIs.
3. To examine the current status and growth of microfinance in India.

RESEARCH METHODOLOGY

This is an exploratory descriptive research that attempts to analyze the development of microfinance in India. The study try to analyze how the microfinance industry working in India in order to understand this we collects the secondary data related to the loans provided by commercial banks, Regional Rural banks (RRBs), Cooperative banks to Microfinance Institutions (MFIs) and Self-help Groups (SHGs) in India. The data is collected for 10 years from April 2008 to March 2018. Data is collected from official report of The Bharat Microfinance Report and Status of Microfinance in India from RBIs official website. The data is analyzed with tools like graphs, tables and ratios and on the basis of the analysis the inference is drawn about the microfinance in India.

DATA ANALYSIS

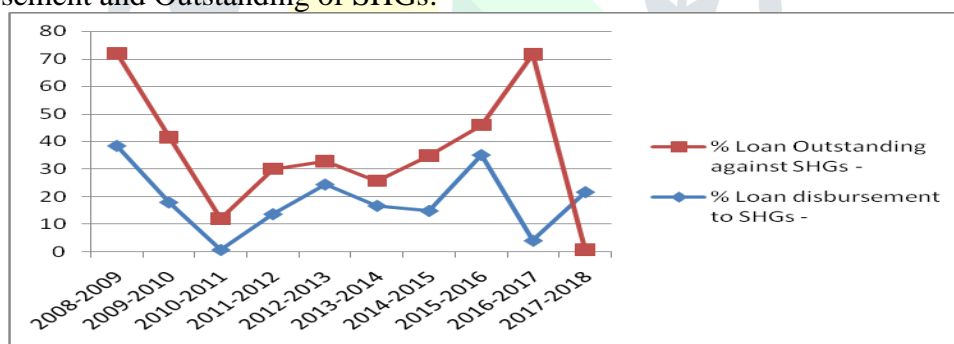
Table 1

Year	% Loan disbursement to SHGs	% Loan Outstanding against SHGs	% Loan disbursement to MFIs	% Loan Outstanding against MFIs
2007-2008	-	-	-	-

2008-2009	38.5	33.41	89.44	82.22
2009-2010	17.95	23.62	116.02	102.58
2010-2011	0.65	11.35	-5.67	5.33
2011-2012	13.65	16.39	-34.7	-7.81
2012-2013	24.45	8.35	49.64	27.32
2013-2014	16.68	9.02	29.68	15.88
2014-2015	14.84	20.07	44.31	36.93
2015-2016	35.18	10.81	39.37	15.05
2016-2017	4	67.57	-10.55	11.02
2017-2018	21.68	-21.01	28.21	2.92

Source: Status of Microfinance in India.

➤ Loan Disbursement and Outstanding of SHGs:

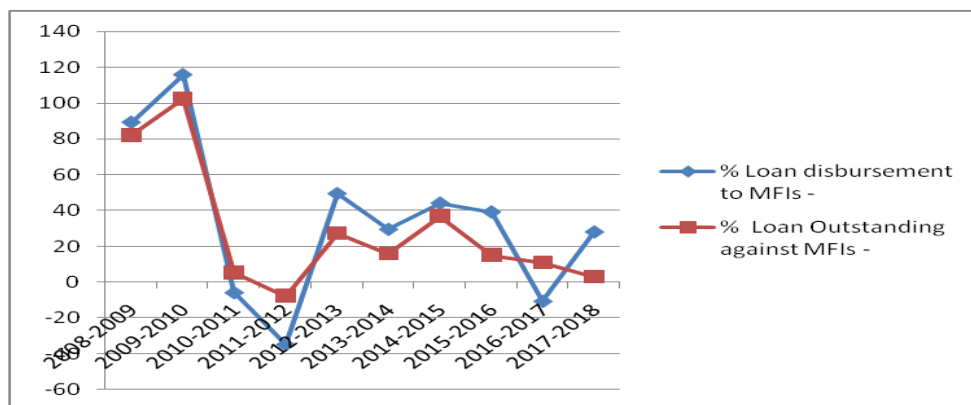


Graph 1

Interpretation: This table and graph shows the growth rate of loan disbursement and loan outstanding to SHGs in the past 10 years. We can see that Graph 1 shows the decline of loan disbursement from 2008-2011 due to world economic crises which occur in 2008 and Andhra Pradesh crises which occur in 2010. It shows growth for 2 years but after 2013 to 2015 it again falls because in 2014 new govt. came into existence.

There is decrease in the total outstanding loans in initial years, it is surprising that even after crises there is decrease in outstanding loan but outstanding loans increase after the 2014 when new government came into power. Later in 2016 the outstanding loans increase because of demonetizations of currency in India.

➤ Loan Disbursement and Outstanding to MFIs :



Graph 2

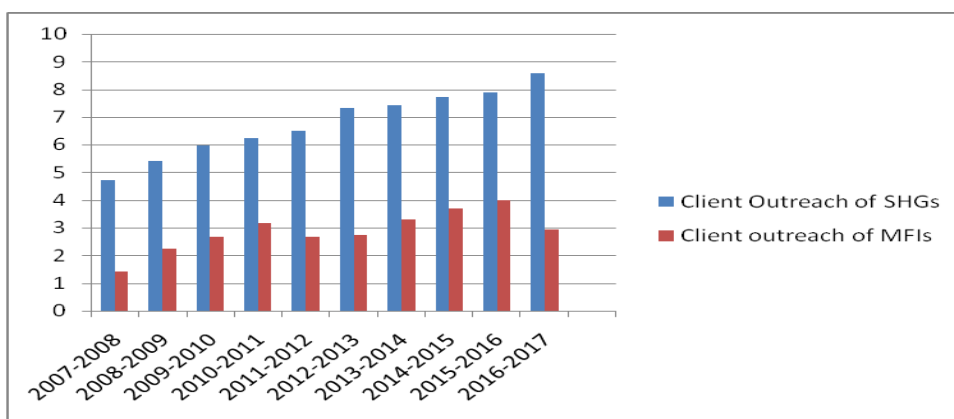
Interpretation: This table and graph shows the growth rate of loan disbursement and loan outstanding of MFIs in the past 10 years. We can see that Graph 2 shows decline in 2010 due to Andhra Pradesh crises. AP crises leave a bad impact in MFIs as compare to SHGs. It again falls in 2016 because of demonetization.

The graph also shows that there is continuous decrease in the outstanding which clearly reflects that the disbursed loans are paid back by the loan takers. Only in 2009-10 the graph was high due to economic crises and AP crises, other than that the situation is favorable.

Table 2

Year	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Client Outreach of SHGs	4.71	5.4	5.96	6.25	6.5	7.32	7.43	7.71	7.90	8.58
Client Outreach of MFIs	1.41	2.26	2.67	3.17	2.68	2.75	3.30	3.71	3.99	2.95

➤ Client outreach of SHGs and MFIs:



Graph 3

Interpretation: The above graph shows that there is continuous increase in the client outreach by SHGs this shows the increased awareness in the public about micro finance and their availability. The table and graph shows that the outreach of SHGs is 8.58 crore in 2018, which were only 4.71 crore in 2007. So there were increase of 4.03 crore in outreach of SHGs. The above graph also shows fluctuation in the client outreach by MFIs. The graph shows that there is increase in outreach in initial years but fall during 2011-2012. The reason was Andhra Pradesh Crises, people lose confidence in MFIs. But in 2013 RBI announce that some of MFIs will be converted in small money lending banks. There were total 1.41 crore clients were reached in 2017 where as the numbers were reached 2.95 crore which is almost double to the figure of 2017.

CONCLUSION

The significance of microfinance can be evaluated by the way that the Reserve Bank of India orders microfinance advances as need division credits. The fruitful usage of microfinance credits for money age as demonstrated by high reimbursement rates of microfinance customers is one reason that there is currently a demonstrated business case for such advances. The all out gross advance arrangement of MFIs, barring Small Finance Banks (SFBs), was more than 46,000 crore on 31 March 2017. This is a development of around 18% over the earlier year. Over the earlier year, a few SFBs have started tasks. This is an energizing advancement for microfinance customers, as SFBs will offer a full scope of budgetary administrations to them.

Amid the year 2017-18 the client outreach of SHGs expanded by 1.67 lakh with a relating increment in the reserve funds by Rs 3477.89 crore. The fund remarkable of SHGs with Banks as on 31 March 2018 has achieved a record-breaking high of Rs 19592.12 crore.

Amid the year the banks have dispensed advances of Rs 47,185.87 crore recording a noteworthy increment in the course of the most recent year. The absolute credit extraordinary of SHGs additionally diminished by 26.61% and remained at Rs 75,598.45 crore as against Rs 95,717.60 crore as on March 2017.

Amid the year 2016-2017 the quantity of customers of MFIs diminished by 1.04 crore. Amid the year 2017-2018 the banks have dispensed credits of Rs 22228.23 crore recording an expansion in the course of the most recent year. The complete credit exceptional of MFIs additionally expanded by 2.92% and remained at Rs 26, 12.19 crore as against Rs 25,172.19 crore as on March 2017.

Microfinance development throughout the following decade can be relied upon to be an augmentation of what has been accomplished up until now while defeating the obstacles that have been presenting trouble in successful microfinance activity and its extension. There might be a few members in this procedure and their interest might be found in the accompanying structures.

Existing microfinance organizations can extend their activities to territories where there are no microfinance programs. More NGOs can consolidate microfinance as one of their projects. In places where there are less small scale money foundations, the administration channels at the grassroots dimension might be utilized to serve the poor with microfinance. Postal saving banks may take part more in assembling stores as well as in giving advances to poor people and on loaning assets to the MFIs. More business banks may take an interest both in microfinance discount and retailing. They many have separate staff and windows to serve the poor without insurance.

Microfinance isn't yet at the middle phase of the Indian monetary segment. The learning, capital and innovation to address these difficulties yet at this point exist in India, in spite of the fact that they are not yet completely adjusted. With an additionally empowering condition and flood in monetary development, the following couple of years guarantee to energize for the conveyance of money related administrations to needy individuals in India.

Advancement of Small-Scale Enterprises through microfinance won't just build the effort however will likewise help the age of greater work and pay for poor people. It is normal that in the next years there will be extensive developing of microfinance toward this path alongside concurrent drives to reach and serve the most unfortunate of poor people.

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