

Impact of Microfinance Services in India with Special Reference to Indore City: Urban and Rural Area

Prof. Suraj Sharma

Indore Institute of Management and Research, Indore

DAVV, Indore

Abstract

In the present era the term micro finance is being used rapidly in the field of financial sector. It is offering small credit facility to enhance the income level of poor people or those are financially weak, household and small entrepreneur and its help to make the people employable. It is important for generate the self-employability with small credit and help to reduce the poverty level of Indian. This study will focus on the impact of microfinance services operate in the Indian with special reference to Indore city (Urban as well as Rural area). The aim of study is get full acquaintance with microfinance, microfinance products operating in Indian economy, income level of poor, its benefits for (poor, household and small entrepreneur). It's also aim to investigation which Institution delivered the microfinance services in India for development of poor. The data will be collected through the questionnaire. The target population will be the household, small entrepreneur and poor (Their income level is low less than 2 lakh per annum). This research work helps to present the economic scenario related to microfinance in India with special reference to Indore city.

Keyword: Microfinance, Microfinance product, Microfinance Institute, Income level

I. INTRODUCTION

Microfinance is financial services. Its help to provide the short term credit facility to poor, household women's, workers belongs to lower income level. Microfinance is core financial services. It's mainstream of entrepreneurial finance literature. The objective of article is to get full acquaintance of microfinance services and microfinance institutions runs in Indore City. Microfinance has existed, the unseen by casual observation (Brau & Woller, 2004)[1].

Meaning of Microfinance: Microfinance = provision of financial services to the poor in term of small credit facility to development of lower level.

The concept of microcredit was first introduced in Bangladesh by Nobel Peace Prize winner Muhammad Yunus. Microcredit service has provided over the years and does not only provide credit to the poor, but other services also provided likewise micro savings, micro insurance, micro leasing, money transfer and non-financial services such as financial literacy training and skills development program etc. its path for employability (Maren Duvendack, August 2011)[2].

In the present era the microfinance services has expanded very rapidly. The services are graceful for the poor, household women and lower income level people. Microfinance Institution is grownup the level of poverty. Its facility to fulfill their short term need like self-sustainability, employability, demand for product, startup self-small business etc.

Both macro theory and macro-evidence point to the importance of financial intermediation on growth, especially in the context of developing economies. Given this evidence, one would expect to find access to financial intermediation playing important roles on the micro level as well.

Microfinance institute as help to development country economic with special reference to women's, household, small enterprises and who's are belongs to lower cast. Microfinance encourages the country development with the entrepreneur.

Microfinance has captured the imaginations of many people working to reduce poverty. The premise is simple. Microfinance giving handouts to poor households, microfinance programs offer small loans for small-scale entrepreneurial activities. The credit would available the high interest rate charge by money lender (who often charge as much as 10% per month). (Morduch, June 27, 1998)[3].

“**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.”

Salient features of Microfinance:

- Borrowers from the low income group
- Loans amount of small is called micro loans
- Short duration loans facility within 2-3 years.
- High frequency of repayment
- Loans are generally taken for income generation purpose or small business

1.1 Impact of Microfinance

Microfinance institute as help to development country economic with special reference to women's, household, small enterprises and who's are belongs to lower cast. Microfinance encourages the country development with the entrepreneur.

Microfinance has captured the imaginations of many people working to reduce poverty. Microfinance focused on impact measured by changes in income level of household, changes in women's empowerment, education, and nutrition. Some of these outcomes, especially those that are intangible, like empowerment—can be especially difficult to measure, and this complicates the assessment of impact. Unlike changes in income, for which programs can explicitly target the poor, it is likely that women who choose to participate in microfinance programs are more empowered than those who do not. Therefore demonstrating that participants are more empowered than non-participants may by itself tell us little (Goldberg, December 2005)[5].

Microfinance has facilitated a possible mechanism for helping relatively poor people. A first priority has been to ensure that microfinance institutions (MFIs) are themselves financially self-sustainable and able to operate on a significant scale (J. Copestake, 2005, 23 (6): 703-723)[6].

1.2 Microcredit Services

Microfinance services are essential for the different activity. The activity is based on microcredit product. The microcredit products loan schemes are mention below to check their strategy and focus area for it.

Typical microcredit products look like:

The Income Generating Loan: This loan facility for help to generate income level of poor. This product generates income for their families. The process of this facility is that the clients submit a loan application is based on approval receive the loan after one week. Further, loans are paid in 50 or more or less equal amount, weekly installments. After completion of a loan steps, the client can submit a loan application with all relevant document for a future loan. This type of approach for short-term loan is to avoid long-term economic problems with bigger loans.

The Mid Term Loan: This loan facility is available after 25 weeks of repaying their IGL loan. Only those applicants are eligible for a Mid Term Loan those have not taken maximum Income Generation Loan. And other terms and conditions are same as Income Generation Loan.

The Emergency Loan: This loan product for all clients over the course of a fiscal year. This loan is interest free, the amount and repayment terms are agreed upon by Mid Term Loan facility. The amount is given small compared to the income generating products such as health or prenatal care, hospital and other critical situation.

The Individual Loan: This loan product is designed for group lending as well as clients and non clients that have specific needs beyond the group lending model. Loans are given to every individual outside of the group lending process. The amounts of loan are typically higher than that of the income generating loan. Applicants must complete a strict business appraisal process and have both collateral and a guarantor.

Microfinance is not for all kinds of troubles, this also means that not any poor person can obtain the loan. In particular, representatives of very poor population, living by means of chance earnings, lacking stable income and debts related to community, friends, facilities, relatives, etc.

There are some restrictions for using the microfinance services. Usually micro credits can't be used for the purposes like:

- Payments of other loans or other debts.
- Forming turnover capital of trade and intermediary business.
- Tobacco Industry.
- Organization or purchasing products for gambling or entertainment services for the population.
- Establishing trading points.
- Purchase of property that's not used for business.

1.3 Microfinance Services or Innovation in Microfinance

The microfinance offering some micro product for the development of poor, money saving, secure lifestyle and access to insurance for their homes, education, businesses, health and small enterprise. Microfinance institutions as well as services are very effective, now providing innovating new products to help meet these credit needs, future wants man powering and world's poor to improve their own lives. Products common used in the microfinance sector are as follow:

- **Micro savings:** Micro saving product helps to a possibility to save money without any minimum balance and allows people to retain money for future use. In SHGs the members save small amounts of money, as little as a few rupees a month in a group fund. The member borrows money in the group fund for different purposes. Services prove capable of managing their funds well and they may borrow from a local bank to invest in small business or farm activities.
- **Micro insurance:** This product for reducing the risk and gives the entrepreneurs the chance to focus more on their corebusiness. Risk like affecting their property, health or workingpossibilities. The different kind of insurance services likelife insurance, property insurance, health insurance and disability insurance. This kindof spectrum of services in this sphere is continuously expanded and schemes of insurance as well as terms of providing insurance services are determined by each company individually.
- **Micro leasing:** This kind of micro product helpful for entrepreneurs or small businesses, who can't afford to buy at full cost they can instead lease equipment, agricultural machinery or vehicles.
- **Money transfer:**The product for money transfer. A service for transferring money, mainly overseas to family or friends. Money transfers without opening current accounts are performed by a number of commercial banks through international money transfer systems such as Western Union, Money Gram.

1.4 Institution of Microfinance

1. A common type of informal financial arrangement found throughout the world is the Rotating Credit and Savings Association (ROSCA). A ROSCA consists of a group of community members who meet regularly to pool their savings. The pool is then lent out to one member of the group, who repays it, at which time it is lent out to another group member, and so on until each group member takes a turn borrowing and repaying the pool of savings.
2. Microfinance institutions (MFIs)—namely investing (savings), lending (credit services), and insurance (risk management)—are all well-established topics of mainstream finance research.
3. Banks and Financial Institution also provide microfinance facility.

II. LITERATURE REVIEW:

The following studies have found:

(Brau & Woller, 2004) Observed that Microfinance a comprehensive review of the running and existing literature. The main focus of this paper has introduced the finance academic community to the discipline of microfinance and microfinance institutions. This study has discussed some issues of MFI sustainability, products, services, management practices, targeted client, regulation and policy, and impact of MFI. The result was help to turn the attention of finance researchers to the important issues in microfinance. The study used many tools, models, frameworks for innovated in existing microfinance services forward. Microfinance offers the finance discipline a successful and possible place for significant difference in the lives of millions of poor people.

(Joseph P. Kaboski, March 2005)Studied that the impacts of village-level microfinance institutions in rural Thailand. To identify impacts, we use policies related to the successful/unsuccessful provision of services as exogenous variation in

effective financial intermediation. This study has focused on which institutions, particularly those with good policies, good promotion, growth of assets, consumption smoothing, path for occupation, and can decrease poverty.

Specifically, some groups have generated favorable result like cash-lending institution, production credit groups and especially women's groups—are successful in providing business intermediation and its benefits to members. Some important policies have identified for intermediation like: the provision of savings services, emergency services, and training and advice. The result was the policies of microfinance and microfinance institutions associated with the successful provision for their services to household, women's group and so on. Policies like cash leading institution were associated with stable or expansion provision of services. Women's groups positively satisfied with microfinance services, the institutions that lend cash, had positive impacts on asset growth, while women's groups also promoted job mobility.

(Olu, 2009)To studied the impact of microfinance for entrepreneurial development as well as small scale enterprises that have convey for growth and development in aneconomy.The research main focused on that microfinance institutions world and especially in Nigeria. Nigeria have identified the key players in better the financialindustry that have positively affected individuals, business organizations, other financial institutions, the government, the services and the functions they perform in the economy growth.The result was this study have assessed the impact of microfinance on entrepreneurial development and suggests that microfinance can be a beneficial strategy especially as regards its potential to contribute to entrepreneurial development, the lot of acclaimed features of microfinance that are yet to be examined empirically and also focuses exclusively on industrial sector.

(Morduch, June 27, 1998)Reviewed to the microfinance movement has groom up innovations in financial business intermediation that has reduced the costs and risks of lending to poor households. The study aim to bring social and economic benefits to clients and also found new cross sectional survey of nearly 1800 household, some of served by Grameen Bank and two similarly program and some of not access the program. The result was the study sets out a set of simple comparisons that take sources of bias into account. The result was successively positive and helpful for poor client.

The microfinance programs may make important 31 absolute differences in the lives of borrowers for poor and household, even if the relative differences are small.

(Wright1, March 1999)To investigated the income impacts of Microfinance activity. It has important to recognize that there is a significant difference between “increasing income” and “reducing poverty”. The objective was of this study to enhance the income level of poor and reducing poverty and also determined, which source of income is put, as important to determining poverty and welfare as the level of income itself. Finally, in the context of the drive to create businesses that provide jobs, the differences between the quality of formal and informal sector employment must be noted. The result was positive means the microfinance services have succeed for development point of it.

III. OBJECTIVE

- To get full acquaintance of microfinance and its benefits for poor, household and entrepreneur.
- To investigate the microfinance product running in India
- To explore the various institutes offering the microfinance services in India urban as well as rural area.

IV. RESEARCH METHODOLOGY

My research based on descriptive study data. Research design with questionnaire and data are finding with responses. The all data are collected through the housewife, small entrepreneur, employee and poor. The all detail related research is mention with different research design. Finding data are given below:

4.1 Data Sample:

In my research work data collected randomly or use random sampling while data collected with questionnaire. The data has collected in descriptive based. The sample responses are valid to showing the reliable data form.

4.1.1 Sample Size:

As per the research data or sampling size is sufficient for my study result. The research I have collected 95 responses with random form through the housewife, small entrepreneur, employees and poor. Most of the responses collected by small group or those are belongs to lower class as well as below to poverty line.

4.1.2 Sample Unit:

In my study data have found in urban and rural area to special reference to Indore City. A target unit or sample unit is mostly poor, housewife, lower class people and small business men. All are using the microfinance services for their development and growth point of it.

4.2 Data Collection:

For the effective research study important the data with their data collection method without data collection is not possible effective research work. In my research work I have collected data with questionnaire and primary data collection method have used. Primary data are based on direct contact or interaction with people using interview methods, coordinate to the targeted people and communicate them.

4.3 Data Analysis:

Research analysis and interpretation is based on some question. The question is frequently asked by target client. The analyses are based on table content are given below:

Table: 1 Impact of microfinance service scope in residential area

	Data Size	Percentage
Urban Area	31	32.63%
Rural Area	64	67.36%
Total	95	100%

Discussion and Result: Table: 1 Interpret the impact of microfinance services using in urban as well as rural area. The result is 32.63% client using a microfinance services in urban area and 67.36% client using in rural area. The ratio of rural client is higher compare to urban people for using a microfinance product.

Table: 2 Gender wise using microfinance services

	Data Size	Percentage
Male	22	23.15%
Female	73	76.84%
Total	95	100%

Discussion and Result: Table: 2 Finding and showing the male and female ratio on using microfinance product. The proportion of female is greater than compare to male. So, microfinance services are more beneficial for female client.

Table: 3 Microfinance service using by Targeted client

	Data Size	Percentage
Housewife	62	65.26%
Employee	11	11.57%
Small Entrepreneur	20	21.05%
Other	02	2.10%
Total	95	100%

Discussion and Result: Table: 3 Interpret and communicate the microfinance loan facility more essential for housewife because the highest ratio of housewife is 65.26% after 21.05% small entrepreneur, 11.57% employee and 2.10% other client taking microfinance facility.

Table: 4 Income factor

	Data Size	Percentage
Below 50000	35	36.84%
50000-1 Lakh	39	41.05%
1 Lakh-2.5 Lakh	15	15.78%
Above 2.5 Lakh	06	6.31%
Total	95	100%

Discussion and Result: Table: 4 finding and showing according to income level of client. The clients are obtaining the microfinance facility in different level of income factor. The income level below 50000, they are obtaining 36.84%, the income between 50k- 1lakh , they are obtaining 41.05%, income level between 1 lakh to 2.5 lakh , they are acquiring 15.78% and the income level above 2.5 lakh ,they are acquiring 6.31%. The final result is income level between 50k to 1 lakh they are higher obtaining the microfinance services in Indore City.

Table: 5 Types of Microfinance loans using by client

	Data Size	Percentage
Income Generation Loan	43	45.26%
Mid Term Loan	28	29.47%
Emergency Loan	05	5.26%
Individual Loan	19	20%
Total	95	100%

Discussion and Result: Table: 5 Interpret, which microfinance loan product are higher important for the clients of Indore. The Income Generated Loan is higher ratio. The IGL are more helpful for poor and lower income level people. 45.26% client acquired this product. The second Mid Term Loan 29.47%, third Individual Loan 20% and last Emergency Loan only 5.26% client acquired.

Table: 6 Name of Institute offering Microfinance services in Indore City

S.No.	Name of Institution
1	Sundaram Finance
2	Ujawal Finance
3	Axis Bank
4	AU Small Finance
5	Sahara India Finance
6	RidhiSidhi Multi Service
7	Bandhan Bank
8	L & T Finance
9	Luxmi Financial Service

CONCLUSION

In this paper main focus on present impact of microfinance and which microfinance services are essential for groom up the income level of poor and small entrepreneur. The objectives have discussed before research methodology. This study is important for the successful identification of microfinance product and services. The aim of study gets full acquaintance of microfinance. The research is totally helpful for the current updates in microfinance. Microfinance is beneficial for the growth of poor people. Its glimpse of reduce the poverty level and encourage the income level of county people. As a development point of microfinance services are push them to enhance the small businesses as well as obtain the employment by all household, so that can essential for economy development. Further action with the help of this research will finding the perception of customer towards the micro product and also help to identifying innovation and creative in micro product.

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