



A STUDY ON PERFORMANCE OF MICRO FINANCE IN INDIA

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Abstract : Microfinance Institutions (MFIs) are financial institutions that lend money to the poorest people in the country at a very low interest rate with no collateral, primarily to women. MFIs assist women in becoming self-employed in the country by providing them with not only a low-interest loan, but also training in how to use the loan amount to make a profit from business, save for the future in times of crisis & for future generations, and insurance in case of losses or damages in the near future in the form of heavy rains, droughts, factory/industry fires, and natural disasters such as earthquakes. The current study focuses on the advancement of women with the assistance of microfinance institutions, which often serve the low-income group of people who have experienced financial hardship in their daily lives and are unable to live a prestigious life.

KEYWORDS: *Micro finance, financial services, self-employment, entrepreneurship, women empowerment etc.*

I. INTRODUCTION

"Microfinance refers to a range of financial services, including as loans, savings, and insurance, that are available to poor entrepreneurs and small business owners who lack collateral and would otherwise be unable to obtain a traditional bank loan." Microfinance is a broad phrase that refers to financial services provided to persons with low incomes or who do not have access to traditional banks. Microfinance is the belief that by providing low-income people with access to financial services, they may lift themselves out of poverty. "Microfinance is the distribution of a wide range of financial services to impoverished households, poor micro-enterprises, which often do not have access to the traditional financial institution," according to the Canadian International Development Agency (CIDA). Micro-credit is a subset of micro-finance, and it refers to modest loans made to entrepreneurs who are too impoverished to qualify for standard bank loans.

Microcredit enables impoverished individuals, particularly in developing countries, to engage in self-employment initiatives that create money, helping them to improve the quality of life for themselves and their family.

Microfinance has arisen as a key hope for the millions of poor people in rural and urban areas who are struggling to deal with 'poverty and dignity.' Poverty is a multi-sectoral issue that does not fit neatly into any of the categories. As a result, rather than using a sectoral approach to combating poverty, a creative method is required. In 2000, the United Nations established Millennium Development Goals, one of which is to reduce the proportion of people living in poverty and hunger by half by 2015. Microfinance is emerging as a strategy for poverty reduction and women empowerment in this environment.

NABARD created the concept of micro finance in India in the 1990s to bridge the gap between demand and supply of funds in the Indian economy's bottom rungs. Its goal is to eliminate rural and urban poverty by connecting SHGs with Micro Finance Institutions.

Microfinance is defined as the provision of credit and related financial services to the poor and vulnerable members of society. These people are known as the excluded population in the banking sector. As a result, it is necessary to bring the socially excluded into the official financial system by giving access to financial loans and services. The Government of India came up with the targeted policy objective of Financial Inclusion with the goal of reaching the highest number of households in the country.

I.1. HISTORY OF MICROFINANCE: Microfinance ideologies are more strongly connected with economist Muhammad Yunus, who was a professor in Bangladesh in the early 1970s. In the midst of a famine, he promoted the concept of microfinance across the country and began making small loans to needy people in adjacent communities in an effort to break the cycle of poverty. The experiment was a huge success, Yunus, as he received the funds on schedule and saw significant improvements in the borrowers' quality of living. Muhammad Yunus presented the Grameen model, and on the basis of this approach, he founded the Grameen Bank. The Bank has only lent to households with at least a half-acre of land, in order to focus on the poorest. The Bank began to expand its activities to other parts of the country while keeping reimbursement rates high. The Bank functions independently of the government, the founders, and advertising fees for a 98 percent return in fewer than ten years. Yunus was awarded the Nobel Peace Prize for his efforts in 2006. The Grameen Bank's success has received widespread attention. Institutions

in practically every corner of the world have jumped by copying the model. In the years 1997 to 2002, the overall number of MFIs climbed from 618 to 2572. According to the data collected by those agencies, there were approximately 65 million clients in 1997, 13.5 million in 1997, and a 35 percent annual growth rate? The quantity of money coming continues to increase, and the Grameen Bank has granted around \$750 million in loans in the previous two years (Kevin, 2015).

1.2 GRAMEEN BANK MODEL: How does it work? Prof. Mohammed Yunus founded the Grameen model or Grameen Bank in Bangladesh. It essentially follows the following procedure: A field manager and bank employees visited the villages, covering an area of 15 to 22 villages. They identified clients who could benefit from microfinance services and began a movement to educate the public about microfinance. They informed locals about the Grameen Bank's operations. A group of five borrowers was created, but for the first time only two of them were eligible for the loan. The group was watched for regular interest-bearing repayments, and the successful repayment of the initial loan qualified the other two members for credit. As a result, group work can be used as collateral for a loan if all members work together to clean their records for the next credit payment.

II. LITERATURE REVIEW:

Deepthi and Sushil (2019) examined empowerment is a social action process that encourages individuals, organizations, and communities to take control of their lives and communities. Women, particularly in rural regions, require immediate empowerment. Self-help groups and microfinancing will help them improve their socioeconomic standing in society. Small loans might be beneficial to women's businesses. Women, in particular, stand to benefit greatly from micro-finance since it provides them with an autonomous way of earning wealth and becoming self-sufficient in a culture that does not provide them with much opportunity for entrepreneurship. Because women are the primary breadwinners in the household, a higher standard of living for women assures better governance, a healthier and more prosperous future for children, and a brighter future for the country. Microcredit projects' success has been linked to their unique focus on empowering women and fostering their self-reliance through the development of their own sources of income.

Suraj (2019) studied in today's world, the phrase "micro finance" is becoming increasingly popular in the financial sector. It provides a small loan facility to help disadvantaged people and those who are financially strapped, as well as households and small businesses, increase their income and become more employable. It is critical to develop self-employment with a small amount of credit in order to aid in the reduction of Indian poverty. This research will look at the impact of microfinance services in India, with a particular focus on Indore (Urban as well as Rural area). The purpose of his research was to gain a thorough understanding of microfinance, microfinance products available in the Indian economy, poor income levels, and the benefits of microfinance to (poor, household, and small business owners).

Kishore (2020) studied to explain the current discussion over the many aspects that contribute to women's empowerment through microfinance projects. The majority of the beneficiaries are in their middle years of life and have received only a rudimentary education. The importance of microfinance programs in women's empowerment is further demonstrated by a review of past studies. Political engagement, mobility & freedom, economic independence, self-confidence & respect, education relevancy, protest against societal problems, and financial planning & control were discovered to be the most essential elements leading to women empowerment in this empirical study. Self-esteem and respect have been identified as contributors to two variables: Women are more autonomous than ever before, and they have the freedom to join in their family company if necessary, demonstrating their empowerment. These two topics, in which respondents feel more independent than before and have the ability to make decisions in their families, emerged as important markers of women empowerment.

Suman Preet (2021) studied that according to the current World Bank collection of development indicators produced from officially recognized sources, microfinance is the backbone of the country's rural growth, which will account for 65.07 percent of the population in 2020. It not only assists the rural poor in meeting their fundamental requirements, but it also allows them to live with dignity and self-assurance. Microfinance's main goal is to promote thrift, entrepreneurship, and women's empowerment, which leads to a better social status, access to proper education for themselves and their children, proper nutrition and healthcare, protection from discrimination, increased consumption expenditure, and, most importantly, money in their hands. Many people, while having the qualifications and ability to perform, are unable to realize their aspirations owing to a lack of financial means and access to basic information. As a result, it is critical to uplift the majority of society and provide them with a higher quality of life, which would otherwise be impossible if not addressed. The government has taken a number of efforts and launched a number of projects to help the underprivileged and rural poor.

III. OBJECTIVES:

1. To study about the concept and origin of micro finance.
2. To study about the performance of micro finance.

IV. METHODOLOGY OF THE STUDY:

The study is based on secondary sources of data and information, which were gathered from a variety of websites, books, and journals, among other places.

V. THE PERFORMANCE OF MFIS IN THE FIELD OF WOMEN'S EMPOWERMENT:

Various Microfinance Institutions such as Bandhan Bank, Regional Rural Bank, and Cooperative Bank provide credit to poor women from backward areas who have been unable to obtain credit from other financial institutions. These women are able to start new businesses, making their lives more comfortable and prestigious. Previously, women were constantly ruled by their husbands and viewed as slaves incapable of making their own decisions, but MFIs empower women in our country by providing them with job possibilities in small businesses and reducing poverty in our culture. Poor farmers and their wives also take out loans from it so that they can provide a better life for their children, including education, medical treatment, and good health and food. Because of

poverty and the dowry system, newly married wives used to perish, but now rural wives are able to start their own businesses, contribute money to the family, and have established women empowerment everywhere. They not only make their own decisions, but they also speak out loudly in front of others. Poorer women in our culture form a team of five women, and if one of them is unable to repay the loan, the surviving four pay the entire amount and go on to borrow from MFIs, using the loan money for business or other objectives. Microfinance institutions promote women's empowerment by assisting them in expanding or launching new enterprises, thereby alleviating poverty, increasing employment opportunities, and improving their living standards and status.

VI. FINDINGS:

1. MFIs have been recognized to empower women by providing excellent career prospects.
2. In comparison to semi-urban and metropolitan areas, women in rural areas created new enterprises.
3. Women were able to make their own decisions and their living standards improved as a result.
4. It was also discovered that women can provide better education, food, and living conditions for their children.
5. MFIs have been found to be capable of alleviating poverty in our society.

VII. CONCLUSION:

There was amazing success in the field of women empowerment connected to new businesses launched by disadvantaged women in rural, semi-urban, and urban areas with the assistance of MFIs, as well as MFI performance. In both zones, positive results have been shown, since it serves to alleviate scarcity in the country by providing job possibilities. Poor women who received low-interest loans from MFIs started new businesses and lived joyfully and prestigiously.

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