

A Study on Role and performance of Microfinance Institutions with Special Reference to Women Empowerment in India

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Abstract

In India, Microfinance as a pioneering sector for exclusive women group holding responsibility of finance leading to their empowerment. In fact, from decades Microfinance generating and serving a wave of optimism among women beneficiaries and marked a turning point with transformation itself maintaining long term economic growth in an economy. Microfinance act as blessings by offering varieties of financial services that proves lasting solutions especially to the poor sections of rural women which leads to create new jobs and improve their lives.

In this Research Paper, Researcher divided the present study into two parts. In Part one Researcher try to cover the present status of microfinance institutions and their performance with Self- Help Groups during the year from 2017-18 to 2019-2020. And Part two cover the recommendations and conclusions for microfinance institutions.

Keywords: Microfinance; Transformation; Optimism; Pioneering; Lasting; Blessings.

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Introduction

In India 2019, More than 65.53 percent people of nation live in rural areas and 34.47 percent population live in urban areas whereas their main livelihood earning of rural area is from agriculture activities. In this regard, Women was placed and reported 48.1 percent of the total Indian population (as per world bank data). Traditionally, women are under custodian of many challenges like old rituals, male headed households, limited access of amenities, illiteracy, lack of decision power, financially dependent etc. but with the changes of time span all were vanished. The present situation exhibits that women is alarming for empowerment by providing equitable services and facilities like urbanization. To fulfil this goal, many schemes and programs with full of opportunities is progressing with Microfinance as they have remarkable features which makes women to take their own steps from the four walls of the houses and to take active participation as equivalent to men. It is fact that Women is the key agents of social transformation and economic betterment towards sustainable development of both urban-rural

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geographies. Microfinance is just like grace with the aim of empowering women by eradication of poverty permanently. In India, women considered as an important stratum of the society and contribute to National Income which directly leads to overall development of the economy as a whole. The high coverage of microfinance is towards women empowerment. Rightly said by Swami Vivekananda, "Just as a bird cannot fly with one wing only, a nation cannot march forward if the women are left behind. Therefore, Microfinance target both development and empowerment especially in rural areas context to women. (mfin (Microfinance Institutions Network), n.d.)

About Microfinance

Microfinance is broader term of financial sector which supplying not only microcredit with no collateral but also include provision of credit and services that is insurance, payment services, saving with fund transfer facilities to the low-income group trapped in poverty and marginalized people at their doorstep. In India, Microfinance has been well accepted and rewarded as truly contributor for focussing on women by promoting and empowering the spirit through rural entrepreneurship, sustainable livelihood, intangible benefits that is self-esteem. Dignity, stability, financial inclusion, employment, poverty alleviation and digitalization and many more yet to come.

Microfinance journey being an institution has been proved itself as game changer that able to reach the grassroots level and fulfil the dreams of millions of households including women of India. The taskforce of RBI has been defined Microfinance as “Provision of thrift, credit and other financial services and product of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.”

Microfinance is not a new mechanism. The first pilot plan experience of microfinance program was left its mark by Muhammad Yunus in Bangalore. Village of Jobra as Grameen bank which is banking for the poor focussed targeted women that brought an immediate success for millions of beneficiaries. For remarkable step by Yunus, the UN in 2005, declared the International Year of Microcredit and won the Nobel Peace Prize in 2006. The wave of spirit among women increased pressure on adopting services that brings many tremendous growths in development and invention that resulting expansion in operation of microfinance in recent years of modern times with adding liberates the dream of poorest with dignity. In India, Primarily Microfinance expand their operation via two channels. Firstly, SHG-bank linkage program (SBLP) and Secondly Microfinance Institutions (MFIs). The first SBLP was originated by NABARD in 1995 that work in group of around 10-15 members for income generation purpose by disbursement of loan to needy people. Similarly, MFIs lends their operation through Joint Liability Group (JLG) comprising 5-10

members individually or in group against a mutual guarantee. The path towards outlook and performance of the microfinance is expanding at largest network of scale which strengthen catalytic opportunities to the millions of unserved households. The delivery of Microfinance regulated by multiple players (nearly 171) including Bank, NBFCs, NBFC- MFIs and Small Finance Banks. The umbrella of Microfinance is wide consisting of microloan, micro insurance and micro-saving within the historical context. The motivation behind microfinance product as powerful tool for investment, for training courses and frequently development in microenterprise. Micro insurance is tailored in wide range of variety of protection against risk as well as transforming livelihood through proactive strong focus on socio-economic empowerment of rural areas especially women. (mfin (Microfinance Institutions Network), n.d.)

Women Empowerment

The literal definition of employment is suggested that women empowerment is the process of facilitating or approving an individual to think, act, perform and take control of personal or work life independently. In India, the weakest suffered section is women and placed second country after china in terms of population of 1.380 billion people in which 15.2 million women aged 25 to 34 bear extreme poverty. Women empower doesn't mean only deprivation to poverty and equality as the presence of time adding that women empowerment must stand with men head to head overall which help them to take every aspect of decision power to live a life with freedom, dignity, self-respect, self-reliance and humanity.

Review of Existing literature

Prof. (Ms.) Gazia Sayed , Dr. Pankaj Trivedi , “Role of Microfinance Institutions in development of microenterprises in Mumbai-An Empirical Study”: Firstly the purpose of this research paper is basically on evolution of Microfinance Institutions in India and their development ahead to micro ,small and medium scale enterprises (MSMEs).Secondly, Researchers try to fill the gap by conducting a survey through structured questionnaire for showing the impact on MFIs that directly leads to growth and development. Further SPSS Tools used for data analysis and data was conducted on 110 SMEs owner through which result shows that

increased physical assets, profits and sales volume are the impact of microfinance access and the findings indicates that there is no direct relationship of capital structure with access of microfinance. (Trivedi)

Siddhartha Sultaniya, Mahiraj Shaikh, Raghunandan (2019), "Comparative study of MFIs in India": In this paper researcher talks about the functioning of microfinance organization towards monetary advancement for poor ranchers including family ladies. The aim of the study is to do comparative analysis and eager to know their performance of two selected microfinance institutions with a view point of qualitative and quantitative approach. Researcher further discussed that microfinance foundations protect and promote the living of provincial zones by giving stream of microcredit help in the form of loan at lower interest rate. In this paper, researcher also recommend some suggestions and conclusions in the context of failure of few microfinance institutions. (Siddhartha Sultaniya, 2019)

Md. Aslam Mia (May 2017), "An overview of the Microfinance sector in Bangladesh": In this study, Researcher highlights an overview with important aspects of the microfinance sector of Bangladesh. Further Researcher concluded in their study by discussed the socio-economic status and economic indicator in the Bangladesh with regulatory framework of MFIs. However, the study is based on secondary data. It also focuses with some policy implications which concludes that microfinance has made remarkable progress in both the dimensions such as northern and southern of Bangladesh. (Mia, 2017)

Dr. Eshwar Kumar Belli.S (2017) "Impact of Microfinance service on rural women empowerment – An Empirical Study": Analysed that the impact of services offered by microfinance on empowering women in rural part. In the research study, Researcher used structured questionnaire, on 86 respondents from whom out only 63 respondents gave a response rate of 73.25 percent from Karnataka State. After data collection, Researcher used Chi-square tools for testing hypothesis and found that the Microfinance Institutions is that platform which makes possible to come out of the vicious circle of poverty with strengthen and expansion of support to rural especially poor women. (S, 2017)

Sujatha Gangadhar and Malyadri (2015) "Impact of Microfinance on women Empowerment- An Empirical Evidence from Andhra Pradesh": Microfinance is a crucial pillar for capacitating women that brings healthy economy and social transformation. The main obstacles of economy are to eradication poverty on which microfinance institution is making success by linking and upbringing women. In this paper, Researcher put their effort by evaluating how microfinance is effective on women empowerment. They examined on 215 women beneficiary's cross sectional associated with self- help groups channel of microfinance program in their research state of Andhra Pradesh, India in which structured questionnaire was conducted with a condition of those women who were married with at least one child. Further exploratory factor analysis is used for different indicators have been taken such as legal awareness, mobility, economic security, family decisions and decisions makings in different dimensions. Therefore, paired samples t-test is also used to draw the difference in perception of women after joining of microfinance program which declares the results that for all the indicators, Microfinance is the blessings and vital tools for enhancing the women empowerment. (Malyadri, 2015)

Ashok K. Pokhriyal, Rekha Rani, Jaya Uniyal (2014) "Role of Microfinance in the empowerment of the women": In this study the researcher focused on microfinance intervention by various schemes and program supplying to poor women. Researchers shows different initiatives supported by government and non-government organizations to strengthen the women's spirit. The findings of the study suggest that there are many organized and unorganized sector that has been continuously promoting and providing support to rural women as they do not know how to access the formal banking whereas Microfinance stands for recognition of gems especially for rural women as their different services entered into a grassroots level that leads to boost up their strength to take decision making power independently for millions of world poor. At last Researcher also highlights the progress of microfinance in India and various schemes introduced and running by commercial bank ahead to women empowerment. (Ashok K. Pokhriyal, 2014)

R.Rupa and Dr. Padmaja Manoharan (2014) "A study of

financial performance of MFIs in India”: The significance focus of this study is arrangement of finance where microfinance has been only a solution to mitigate from poverty by bridging pool to facilitate them with credit to deprives population targeted to rural women with a view that Poverty is the urgent problem for developing country like India. In this paper, Researcher collected data from microfinance information exchange related period during the fiscal year from 2007 to 2011. Descriptive statistics tools and comparative growth rates have been chosen for analysing the data. Different variables such as outreach indicators, revenue and expenses, risk and liquidity, overall financial performances indicators which indicates micro economic indicators have been considered to know the result of overall financial performance. The study revealed that overall financial performance of microfinance institutions in India has better than other revenue generates by assets and lowering operating expenses but then also it lacks and could not cover the financial and total expenses The findings reported by researcher that continuous effort is required with combined cooperation of bank, government and other players to strengthen the Indian MFIs and encourage budgetary help to low income people in rural class that brought out them from poverty. (Manoharan, 2014)

Dr. Shuchi Loomba (2014) “Role of Microfinance in women empowerment in India”: In this paper, Researcher highlights the channel through Self Help Group of Microfinance Institutions in India which has been witnessed and proved to be effective method for poverty reduction and uplifts the standard of living regards to women empowerment that directly leads to sustainable development. Researcher also identified the performance of self-help group in Ghaziabad district followed by structured interview schedule which had also included open and close ended questionnaire. The Finding of the study summarized that Microfinance is well resulted and concluded as mantra or a magical tool after joining SHGs by active participation response of women that helps them to upscale despite of bottlenecks. (Loomba, 2014)

Objective of the study

- To know the status of microfinance in context of

women empowerment in India.

- To study the performance of microfinance in India regarding women empowerment whose associated with Self-Help Groups -Bank Linkage Group.

Research Methodology

Sources of Data-

In this research design, the study is partly exploratory and partly descriptive by nature and is based on already available data that is secondary sources. The data have been collected from NABARD annual report, Bharat Microfinance (Sha-Dhan) Reports 2020, various research paper, RBI Report, Books on Microfinance and different websites.

Statistical Tool-

The simple tools in statistics like average and percentage for comparative years are used for obtaining the result from the given data.

Role and Performance of Microfinance in Women Empowerment

With the aim of taking rural India forward, Microfinance Institutions encourage their services by different sources; First is Formal Institution, second is Semi-Formal Institution and third is Informal Institution. Formal Institutions includes microfinance banks, credit unions, NGOs, rural banks and tiny loan organizations whereas, Semi-Formal Institutions is non-government organizations and Informal Institution such as small-scale lenders, local shopkeepers, community-based saving and individuals.

Microfinance Institutions act as bridging gaps by enhancing between key element of financial services and undeserved sections of the society for contributing development mainstream in untapped market of vast India. To fulfil the gap of uneven spread of income in different areas of rural, semi urban and urban with a shortage of banking services and health care, Microfinance Institutions have played an impactful medium and commendable role by connecting underbanked remote parts of the country with aspiring

women. To understand the significance of Microfinance Institution in India, Researcher try to focus on recent status and performance in Microfinance Institution

against Women Empowerment with comparative analysis years on years.

Table.1. Top 10 MFIs in terms of Branch Networks and No. of Districts

S.NO	No. of MFIs	No. of Branches	No. of MFIs	No. of Districts
1	Ashirwad	1036	Satin	362
2	Span dana	1027	Ashirwad	321
3	Satin	1025	Annapurna Finance	294
4	Credit Access	929	Share Microfin.Ltd.	293
5	Share Micro fin. Ltd.	739	Span dana	282
6	Muthoot Microfin	737	Muthoot Micro fin	246
7	Annapurna Finance	726	Arohan	230
8	Arohan	721	Credit Access	230
9	Cashpor	656	Svatantra	230
10	Samasta	561	Samasta	228

Source: NABARD

Table 1. depicts the Top 10 Microfinance Institutions running successfully through increasing numbers in their branch network and operating in number of

districts despite of unprecedented challenges year on year. (Baruah, 2019-20)

Table 2. Percentage of Women Borrowers

Percentage of women borrowers

Year	Women Borrower
2011	94%
2012	95%
2013	96%
2014	97%
2015	97%
2016	97%
2017	96%
2018	96%
2019	99%
2020	98%

Source: Bharat Microfinance

Table 2. indicates trend analysis of growth percentage for women borrowers in India respectively with given years. In this table, 10 years of data shows different increasing and decreasing percentage which reported as women borrowers in which 98 percent constitute during

the year in 2020 over the previous year 2019. (Sa-Dhan, The Association of Community Development Finance Institutions, The bharat Microfinance Report, 2020)

Table 3. Progress under MFIs/MFO- Bank Linkage (Amounts in crore)

Particulars	2017-2018		2018-2019		2019-2020	
	No. of Accounts	Amounts	No. of Accounts	Amounts	No. of Accounts	Amounts
Loan disbursed by bank/FIs to MFIs/MFOs	1922 (-16.95)	25515.23 (32.17)	1933 (0.57)	14625.95 (-42.68)	4762 (146.35)	20225.99 (38.28)
Loan outstanding against MFIs/MFOs as on 31st March	5073 (-5.60)	32305.92 (10.55)	5488 (8.18)	17760.68 (-45.02)	15197 (176.91)	29288.62 (64.90)

Source: NABARD and Report Banks

Table 3. shows the status of progress under Microfinance Institutions- Bank Linkage Programme during the last 3 years. The number of MFIs availing Loan from Different funding agency (Banks) during the year 2017-18 decreased comparative to previous year 2016-17. The Number of MFIs availing loan from Banks during the year 2018-19 decreased by 16.95 percent over the year 2017-18. However, there is significant increase in the number of MFIs during the year 2018-19 and 2019-2020 over the previous year by 0.57 percent to 146.35 percent respectively. The total loan to MFIs by funding agency (Banks) increased by 32.17 percent in the year 2017-18 comparative to previous year 2016-17. Subsequently it decreased by 42.68 percent in the

year 2018-19 over the year previous year 2017-18. And in the year 2019-20 there is increase by 38 percent over the year 2018-19.

The loan outstanding against MFIs decreased all the subsequent year over the previous year. It increased by 10.55 percent in the year 2017-18 over the previous year 2016-17. But in the financial year 2018-19 it declines by 45.02 percent over the previous year 2017-18 and in the financial year 2019-20, it increased by 64.90 percent over the previous year 2018-19. Thus, it is clear that Microfinance Institutions are gaining confidence among its clients as well as with lending institutions also. (Baruah, 2019-20)

Table 4. Progress under SHG-Bank Linkage Programme (2017-18 to 2019-2020) (Number in lakhs/Amounts in crore)

	Particulars	2017-18		2018-19		2019-2020	
		No. of SHGs	Amounts	No. of SHGs	Amounts	No. of SHGs	Amounts
SHGs Savings with Banks as on 31st March	Total No. of SHGs	87.44 (1.95%)	19592.12 (25.19%)	100.14 (14.52%)	23324.48 (19.05%)	102.43 (2.29%)	26152.05 (12.12%)
	All Women SHGs	73.9 (0.94%)	17497.86 (22.51%)	85.31 (15.44%)	20473.55 (17.01%)	88.32 (3.53%)	23320.55 (13.91%)
	Percentage of Women	84.51	89.31	85.19	87.89	86.22	89.17
	Of Which NRLM/SGSY	41.84 (11.76%)	10434.03 (38.15%)	55.8 (33.37%)	12867.18 (23.32%)	57.89 (3.75%)	14312.7 (11.23%)

Loan Disbursed to SHGs During the Year	Total No. of SHGs extended loan	22.61	47185.88	26.98	58317.63	31.46	77659.35
		(19.13%)	(21.67%)	(19.33%)	(23.59%)	(16.60%)	(33.37%)
	All Women SHGs	20.75	44558.74	23.65	53254.04	28.84	73297.56
		(20.95%)	(23.42%)	(13.98%)	(19.58%)	(21.95%)	(36.64%)
	Percentage of Women Group	91.78	94.43	87.66	91.32	91.67	91.48
	Of Which NRLM/SGSY	12.7	25055.18	16.49	33398.93	20.49	52183.73
(43.41%)		(44.52%)	(29.84%)	(33.30%)	(24.26%)	(56.24%)	
Loan outstanding against SHGs as on 31st March	Total no. of SHGs linked	50.02	75598.45	50.77	87098.15	56.77	108075.07
		(3.54%)	(22.76%)	(1.14%)	(15.21%)	(11.82%)	(24.08%)
	No. of all Women SHGs Linked	45.49	70401.73	44.61	79231.98	51.12	100620.71
		(6.20%)	(24.73%)	(-1.93%)	(12.53%)	(14.59%)	(27.00%)
	Percentage of Women SHGs	90.62	93.13	87.87	90.97	90.05	93.1
	Of Which NRLM/SGSY	27.93	38225.29	32.85	54320.91	36.89	6771.07
(12.93%)		(27.44%)	(17.62%)	(42.11%)	(12.30%)	(24.66%)	

Source: NABARD

Table.4 depicts the positive growth during the past three years on important parameters viz. the number of SHG with saving bank account, Loan Disbursed to SHGs during the year and Loan outstanding against SHGs. During 2019-2020, with regard to women beneficiaries the growth in number of SHGs availing bank loan and amount disbursement to SHGs was reported 16.6 percent and 33.17 percent over the previous year 2018-19 respectively.

Recommendations

- RBI and commercial bank should ensure a continued flow of lending to Micro-financial Institutions.
- Micro-Financial Institutions must increase operations in remote areas by accelerating digitalization to boost up their clients and economy.
- The Government and RBI should give commitment to MFIs by expanding ranges of creditworthiness and repayment tenure and take steps for moving deftly to an unheard beat for citizen of India to make them more bankable.
- Government should take more efforts to spread

awareness camp for promotion of women SHG and propose them to borrow loan for scaling up newer opportunities in backward and rural directions.

Limitations of the Study

The secondary data taken on role and their performance of Microfinance Institutions were confined only for three years which is from the year 2017 to 2020.

Conclusion

Despite its shortcoming of limited manpower, customer illiteracy, poor credit history in various banks, Microfinance contributed impoverished initiative platform in case of eradicating poverty panacea. With the aim of empowering particularly rural women, Microfinance Program resulted shown steady growth by diversify their business beyond convention method. Today women class also expanding their effort in new horizon as financial base to support their families by generating income which leads to economic empowerment. At last, Government must collaborate with MFIs jointly to provide entrepreneurship traits and skills properly to meet the challenges and changes occur in global markets and different trends which strive for

excellence in the empowerment arena. (Mohammad Mustafa, 2019)

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