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ANALYSIS OF MICRO FINANCING IN INDIA

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ABSTRACT **DOI No: 10.36713/epra19721** **Article DOI: https://doi.org/10.36713/epra19721**

Finance is the life blood of the economy. The free flow of finance across the various sectors of the economy, results into significant growth of the economy. In this context this paper aims to study numbers of micro financing programs and amount involved in program. The study also observe to verify the association between number of programs and amount of distribution, number of program loan outstanding with banks, number of programs and savings with the banks. This paper attempts to analyse micro financing in India, over a period of 2017-2018 to 2022-2023.The results may help the financial inclusion drive in India, and also extend further initiatives for the development of rural India.

KEY TERMS : ***(Micro finance, Self help group)***

INTRODUCTION

Microfinance has emerged as a powerful tool for financial inclusion and poverty alleviation, playing a pivotal role in empowering the economically marginalized sections of society. India, with its diverse socio-economic landscape and a substantial population living in rural and underserved areas, has witnessed significant growth in the microfinance sector. This research paper aims to provide a comprehensive analysis of the trajectory of microfinance in India, focusing on its growth patterns and distribution across different regions.

Microfinance refers to the provision of financial services, including credit, savings, and insurance, to low-income individuals or communities who typically lack access to traditional banking facilities. The concept gained prominence in the late 20th century as a means to address the financial needs of the unbanked and underprivileged, ultimately fostering entrepreneurship and sustainable development.

The Indian microfinance sector has evolved over the years, experiencing both challenges and successes. The paper will delve into the historical context of microfinance in India, tracing its origins and examining the regulatory frameworks that have shaped its development. Understanding the regulatory landscape is crucial in assessing the sector's growth, as it influences the operational environment for microfinance institutions (MFIs) and impacts their outreach.

A key focus of this research will be the analysis of the growth trajectories of microfinance institutions in India. The study will explore factors contributing to the sector's expansion, such as government policies, technological advancements, and changing consumer behaviours. Additionally, it will investigate the impact of microfinance on poverty reduction, economic empowerment, and women's participation in entrepreneurial activities.

BACKGROUND

The roots of microfinance in India can be traced back to the 1970s when non-governmental organizations (NGOs) and self-help groups (SHGs) began experimenting with small-scale lending to empower local communities. Over the years, this grassroots initiative has evolved into a sophisticated and multifaceted sector, encompassing a variety of financial instruments and service providers.

NEED FOR THE STUDY

The Indian economy gas been transforming sincen1991. The adoption of LPG system into the Indian economy has paved way for the various development activities. During this period there is a shift from agriculture and industry to service sector among the service banking; telecom and insurance sector have adopted the technology. In these system have proved that they have recorded the successful growth over a period of time.

The banking sector has evolved the various developments in the field of business operations. Some of the examples are E-banking, mobile banking, core banking etc. In addition to this these institutions are concentrating on some of the neglected and thirst areas. One of the areas is micro financing. This provides financing to rural poor and unorganised people to access institutional finance. The present paper attempts to evaluate the growth and distribution of micro financing in India over the period under study. This study covers distribution of number of micro financing programs and amount over a period selected for the study.

OBJECTIVES

1. To understand micro financing in India
2. To examine the growth of micro financing programs in India
3. To verify disbursement of micro finance in India
4. To find significant relationship between number and amount of micro financing program in India

SCOPE AND METHODOLOGY

The present study is based on the secondary data collected from RBI website, from the period 2017-2018 to 2022-2023. The collected data is analysed through statistical tools such as Trend, Average, and Chi-square etc. To the meet the objectives set for the study.

Table -1
Statement showing Number of Micro Financing Programs (Fig and lakhs)

Particulars	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total	Average
Loan disbursement by banks	23	27	31	29	32	43	187	151.16
Loan out standings with banks	50	51	57	58	67	70	353	294.66
Savings with banks	87	100	102	112	119	134	654	109.00

Source: - www.rbi.org.in

It is observed from above table that. The number of micro financing programmes gained importance over the period. The number of loan disbursement has increased from 23lakhs to 43 lakh. Similarly loans outstanding with the banks have also increased during the period from 50 lakh 70 lakh
Savings with the banks have proved that by increasing from 87 lakh programmes to 134 lakh.

Table -2
Table showing % Growth of Financing Program in India (Fig lakhs %)

Particulars	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Average
Loan disbursement banks	-	17.39	14.81	(-6.45)	17.24	26.47	13.892
Loan out standing with banks	-	2	11.76	1.7	15.5	4.47	7.086
Savings with banks	-	14.94	2	9.8	6.25	12.6	9.118

Source: - www.rbi.org.in

It is observed from above table that. The number of micro financing programmes gained importance over the period. The number of loan disbursement has increased from 17.39 lakh to 26.47 lakhs. In 2018-2019, outstanding loans increased to 2 Lakh The subsequent years show fluctuation, with the highest outstanding loans recorded in 2020-2021 15.5 lakh and the lowest in 2019-2020 1.7 units lakhs
Savings with the banks increased in 2018-2019 14.94 lakhs, followed by a decline in 2019-2020 2 lakhs There was a significant increase in savings in 2020-2021 9.8 lakhs and a subsequent decrease in the following year

Table -3
Statement showing progress of micro financing programs (Amount in crores)

Particulars	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total	Average
Loan disbursement by banks	47.18	58.31	77.65	58.07	99.72	145.20	487.13	81.18
Loans outstanding with banks	75.57	87.09	108.07	103.28	151.05	188.07	713.13	118.85
Savings with banks	19.59	23.32	26.15	37.47	47.24	58.89	212.66	35.44

(Source: www.rbi.org.in)

It is observed from above table that. The number of micro financing programmes trend over the period under study. The loan disbursement by the bank's loan has increased from Rs 47.18 crore to RS. 145.20 Crore. Similarly loans outstanding with the banks have also increased from Rs 75.57 crore to Rs. 188.07 crore. Both have shown good indication for the growth of economy.

Savings with the banks have also increased t from Rs 19.59 crore to Rs 58.89 crore

Table -4
Table showing growth % of micro financing programme in India (crores %)

Particulars	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Averages
Loans disbursement by banks	-	23.59	33.16	(-25.21)	71.72	45.60	29.77
Loans outstanding with banks	-	15.24	24.09	(-4.43)	46.25	24.50	21.13
Savings with banks	-	19.04	12.13	43.28	26.07	24.66	25.04

(source: compiled from table 3)

In 2018-2019, there was a substantial growth of 23.59%, indicating increased loan disbursement the growth continued in 2019-2020 with a significant rise of 33.16%. However, there was a sharp decline of -25.21% in 2019-2020, suggesting a contraction in loan disbursement during that period. The subsequent years witnessed impressive growth rates, with the highest recorded in 2020-2021 (71.72%) and a continued positive trend in 2021-2022 (45.60%).

Similar to loan disbursements, outstanding loans also experienced positive growth in 2018-2019 (15.24%) and 2019-2020 (24.09%). However, there was a negative growth rate of -4.43% in 2019-2020, indicating a reduction in outstanding loans during that period. Subsequently, there were positive growth rates in the following years, with the highest growth recorded in 2020-2021 (46.25%). The average growth rate of outstanding loans over the period is 21.13%

The growth rates were 19.04% in 2018-2019, 12.13% in 2019-2020, and 43.28% in 2020-2021. The growth rates slowed down in the subsequent years, but remained positive, with the average growth rate over the period being 25.04%

Table – 5
Table showing Amount and Micro financing programme (Amount in crore)

Year	Loan From Bank	Loans o/s with banks	Savings with the banks
2017-2018	2.05	1.5	0.22
2018-2019	2.26	1.70	0.23
2019-2020	2.50	1.89	0.25
2020-2021	2.00	1.78	0.33
2021-2022	2.93	2.25	0.39
2022-2023	3.37	2.68	0.43
Average	2.50	1.96	0.30

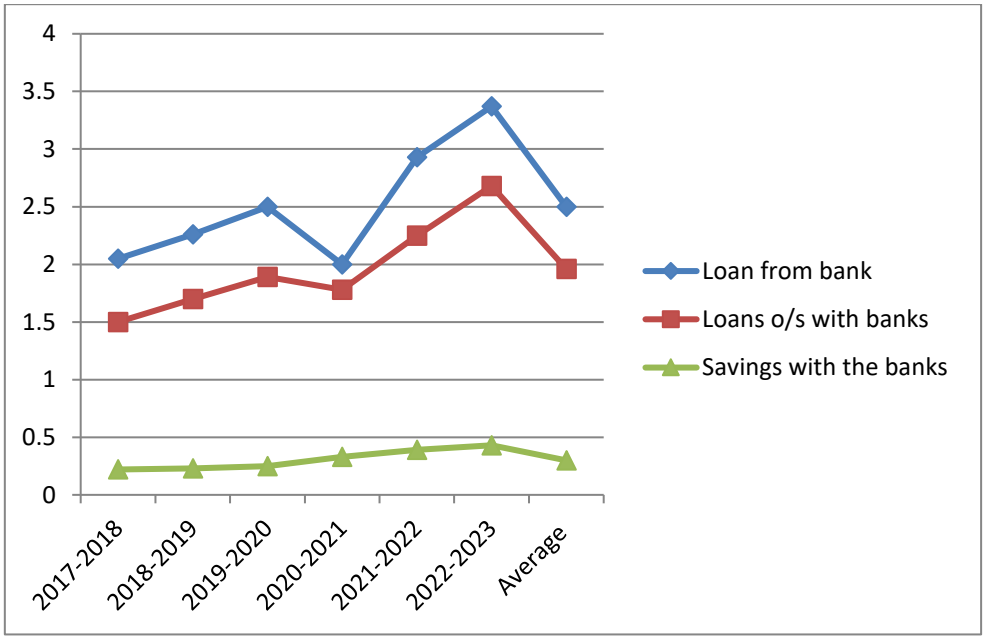
(Source: compiled from table 1 and 2)

The amount of loans from banks shows some variability over the years. There is an increase from 2017-2018 to 2018-2019, reaching a peak in 2019-2020 at 2.50 crore. However, there is a subsequent

decrease in 2020-2021, followed by an increase in the following years, with the highest amount recorded in 2022-2023 (3.37 crore). The average loan from the bank over the period is 2.50 crore.

The outstanding loans with banks show a similar trend to the loan from the bank. There is an increase from 2017-2018 to 2018-2019, reaching a peak in 2019-2020 at 1.89 crore. There is a decrease in 2020-2021, followed by an increase in the subsequent years, with the highest amount recorded in 2022-2023 (2.68 crore). There is a decrease in 2020-2021, followed by an increase in the subsequent years, with the highest amount recorded in 2022-2023 (2.68 crore).

Savings with banks also show an increasing trend over the years. The amount of savings increases consistently, with the highest amount recorded in 2022-2023 (0.43 crore). The amount of savings increases consistently, with the highest amount recorded in 2022-2023 (0.43 crore).



FINDINGS

1. **GROWTH TRENDS**
   The number of microfinance programs in India has shown a positive growth trend from 2017-2018 to 2022-2023.
   Both loan disbursement and outstanding loans with banks have increased over the period, indicating a rising trend in microfinance activities.
   Savings with banks have also consistently increased, showcasing a positive trajectory in financial inclusion.
2. **PERCENTAGE GROWTH**
   Loan disbursement by banks witnessed fluctuations, with a notable increase in 2018-2019 and a decline in 2020-2021. However, overall, there is a positive average growth.
   Outstanding loans with banks experienced positive growth, with occasional fluctuations.
   Savings with banks showed varying growth rates, with a significant increase in 2020-2021.
3. **FINANCIAL AMOUNTS**
   The total loan disbursement by banks has increased from Rs 47.18 crore in 2017-2018 to Rs 145.20 crore in 2022-2023, indicating substantial growth.
   Outstanding loans with banks have also seen a significant increase from Rs 75.57 crore to Rs 188.07 crore.
   Savings with banks have grown from Rs 19.59 crore to Rs 58.89 crore over the study period.
4. **AVERAGE GROWTH RATE**
   Average growth rates for loan disbursement, outstanding loans, and savings with banks indicate positive trends, reflecting the overall health and expansion of microfinance in India.

SUGGESTION

- **Enhanced Monitoring**
  There is a need for continuous monitoring and evaluation of microfinance programs to ensure their effectiveness in reaching the intended beneficiaries.
- **Technological Integration**
  Exploring technological interventions like digital banking could enhance the efficiency of microfinance programs and improve accessibility for rural populations.
- **Capacity Building**
  Building the capacity of self-help groups and local communities involved in microfinance can

contribute to the sustainable growth of these initiatives.

- **Diversification of services**
  Microfinance institutions should consider diversifying their services to meet the evolving needs of the rural population, such as introducing insurance and other financial products.

CONCLUSION

The study indicates a positive growth trend in microfinance programs in India, reflecting the sector's increasing importance in financial inclusion. The consistent rise in loan disbursement, outstanding loans, and savings with banks suggests a positive impact on the economic development of rural areas. However, the sector should adapt to changing needs and leverage technology for better outreach and efficiency. The findings of this study can contribute to the ongoing efforts to strengthen financial inclusion and promote the overall development of rural India.

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