SJIF Impact Factor (2024): 8.675| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 10 | Issue: 1 | January 2025 - Peer Reviewed Journal

MICRO FINANCE IN INDIA

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ABSTRACT
Microfinance is a financial service provided to low-income individuals or groups who otherwise would have no other access to financial services. Microfinance allows people to take small business loans in a manner that is consistent with ethical lending practices. There are basically two distinct approaches for extending micro finance services in India viz. the Bank led approach called Self Help Group–Bank Linkage Programme (SHG-BLP), and the Micro Finance Institution (MFI) led approach. Microfinance industry in India is diverse with several types of players delivering financial services viz. credit, insurance and pension to the low income households. The various microfinance industry players are broadly categorized into five types: Banks, NBFC-MFIs, Small Finance Banks, NBFCs and Non-profit MFIs. All of these, except the Non-profit MFIs, are regulated by RBI. The Non-profit MFIs are mostly registered as Societies or Trusts, and are regulated by the respective Acts. Voluntary agencies /NGOs were also active in the sector as financial intermediaries and were mostly registered as trusts or societies. Many of them have helped in the growth of the sector by helping SHGs to organize themselves into federations that performed many non-financial but crucial functions like social and capacity building functions, SHG promotion trainings, undertaking internal audit and serving as backward and forward linkages. This research paper narrates the theoretical framework of micro finance institutions in India, This study made an attempt to pinpoint the significance of micro finance in the development of the rural area. Through an analysis of microfinance and effectiveness of research paper seeks to shed on their contribution of rural development, and effectiveness of microfinance in promoting economic growth. This research paper also concludes that weaker section of Indian economy which plays a significant role focussing on the need of the poor people and improve their standard of living which contributes in economic growth and over all-inclusiveness in Indian economy.

INTRODUCTION
Microfinance refers to providing financial services to the marginalized section of the society which is deprived of getting those services through formal modes. Even with so many developmental and growth policies and practices still, a large number of persons in India lives below the poverty line. As a result of this, a greater need and demand of Microfinance sector is felt. And this becomes the reason to observe the changing picture of the Microfinance sector in India. Microfinance leads to provision of a very small amount of loans in form of micro credit to the marginalised and weaker section of the society, without any collateral security involved in it and fixed interest rate. Such microcredit is provided to the borrower to start any small business like carpentry, fishing, agriculture, stitching, etc. Microfinance is considered as one of the most significant contributors to eradicating rural area poverty and improving the living standard of the poor people. If the focus is on rural development it requires infrastructure credit growth, movement of microloans to poor people and especially poor women. And the result of these needs Nation.

REVIEW OF LITERATURE
The Role of Microfinance in India, published jointly by Rajesh Babu Dasari, Naratejaswini, Jeerala Umakanth in 2019- This paper was based on conceptual study of Microfinance, it mainly aims at Role of Microfinance in India and models that deals with Microfinance. A Conceptual study of Micro Finance in India, Published by Ms Neha Saini, Dr Bhupendra Kumar, OP Pathak in International Journal of Marketing & Financial Management 5 (11), 2017- This research paper successfully analyse the concept of Micro finance. And aims at identifying the current status and role of microfinance in development of India. But this paper fails to provide practical solutions which limits the growth of Micro Finance.

Microfinance in India: Contemporary issues and challenges, published by Sibghatullah Nasir, in Middle-east journal of scientific research 15 (2), 191-199, 2013-Firstly, this paper analysed the issues and consequence related with microfinance, then This paper offers practical solutions to address microfinance challenges in India and overcoming microfinance issues in India as well. Book titled Problems faced by Microfinance Institutions & measures to solve it, Written by Brijesh Rupapara and Jitendra Patoliya- This book covers the basics of microfinance, self-help groups, microfinance institutions performance, urban and rural microfinance, micro insurance,

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technology and microfinance business models. However, it falls short in analyzing the limitations of microfinance. Microfinance in Asia: trends, challenges & opportunities, published by Jamie Bedson in• 2009- This report aims to contribute to the growth and development of the microfinance sector by providing practitioners with practical guidance on addressing challenges related to nonperforming assets and improving their ability to serve the underserved population. • Financing Microfinance: ICICI Bank partnership model, published by Bindu Ananth in2005- This paper analyses the partnership model of financing microfinance institutions. The paper provides a comprehensive analysis of different financing models for microfinance including ICICI Bank's innovative partnership model, the self-help group bank linkage model and the financial intermediation mode

OBJECTIVES

There are following objectives of this research paper:
- To understand the concept of Microfinance India
- To analyse the role of Microfinance in Rural Development in India
- To understand the Models of Microfinance in India.

RESEARCH METHODOLOGY

This research study is a theoretical study which mainly based on the secondary data source. The secondary data is used to describe the concept and review of literature. The data is collected from reports, journals and articles newspaper and books Initiatives of NABARD for the Microfinance Sector: NABARD has continued its efforts to strengthen microfinance through various interventions from time to time for providing access to a range of financial services. During the year 2020-21, it implemented various interventions with this role as the facilitator of microfinance initiatives in the country through; Granting support to partner agencies for promotion and nurturing of SHGs © 2021 JETIR December 2021, Volume 8, Issue 12 (ISSN-2349-5162)

- Implementing scheme for promotion of women SHGs in backward districts of India
- Promoting Joint Liability Groups (JLGs) for strengthening finance through JLGs
- Self-employment generation through MEDP (Micro Enterprise Development Programme) and LEDP Livelihood and Enterprise Development Programme.
- Offering training and capacity building programs to enhance the skills and knowledge for Microfinance clients Microfinance in India

The concept of microfinance took shape in the 1970s with establishment of organizations like Grameen Bank of Bangladesh with the microfinance founder Muhammad Yunus, were starting the modern industry into microfinancing. But in India, its originated in back to the early 1970s when Self Employed Women's Association (SEWA) of the state of Gujarat formed an urban cooperative bank called the Shri Mahila SEWA Sahakari Bank, with the purpose of providing banking services to the marginalized women.

INITIATIVES FOR THE MICROFINANCE SECTOR. Micro Finance Institutions (MFIs) Microfinance – A lifeline for poor rural people

The Forbes rankings and the Deutsche Bank Report emphasize that microfinance has moved beyond the fringes of financial services. IFAD (International Fund for Agricultural Development) supports

- One billion people live on less than US $ 1- day and 75% of them live in rural lives.

Microfinance institutes often target women as customers. Because it has a much greater with its Rural Finance policy which aims to build sustainable rural finance institutions that reach the rural poor, promote sound rural financial infrastructure impact on household consumption and the quality life for children.

- Poor rural people need to access a wide variety of financial services not just credit. They need secure, convenient deposit services that allow for small balances, small transactions and easy access to fund
- IFAD is one of the largest lenders in rural finance for poverty reduction. In India, SHGs are
- The Rural Finance Support Programme started in 2005 to help poor people to help each other with the assistance of IFA.

The last 30 years witnessed growth, course corrections and policy alignments in the microfinance sector, shaped and guided by various initiatives and interventions by Govt. of India, State Governments, RBI, NABARD, banks, various organisations, etc. It also saw the shift towards enabling setting up of microenterprises by SHGs/JLGs. This chapter discusses various such initiatives taken during the year 2022-23.

3.1 INITIATIVES TAKEN BY NABARD

NABARD continued to implement various interventions towards promotion, capacity building and enterprise development of SHGs under the Financial Inclusion Fund (FIF). Grant support of Rs. 513.37 lakh was released to SHPIs in 2022-23 leading to savings linkage of 4,489 SHGs and credit linkage of 9,305 SHGs. NABARD also implements Women SHG programme in 150 backward/Left Wing

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Extremism (LWE) affected districts under the WSHG Development Fund, with utilisation of Rs. 1,066.01 lakh in 2022-23.

3.1.1GRANT SUPPORT TO PARTNER AGENCIES FOR PROMOTION AND NURTURING OF SHGS

Since 1992, NABARD's grant support to NGOs, SHG Federations, Commercial Banks, Co-operative Banks, RRBs, NGO-MFIs, PACS, Farmers' Clubs and Individual Rural Volunteers (IRVs) for promotion, nurturing and credit linkage of SHGs has been the catalyst for the spread of SHG-BLP programme across the country. The financial support extended by NABARD to various SHPIs till 31 March 2023 is indicated in Table 3.1.

Agency	During 2022-23				As on 31.03.2023			
	Sanctions		Release		Cumulative Sanctions		Cumulative Release	
	Amount	SHGs promot-ed (No.)	Amount	SHGs saving linked (No.)	Amount	SHGs promot-ed (No.)	Amount	SHGs saving linked (No.)
NGOs	10.00	31	429.75	2946	38246.30	702708	16489.46	553871
RRBs	0.00	0	0.00	0	1764.38	61656	666.90	55288
Coop. Banks	0.00	0	22.72	1543	1295.21	66782	632.05	61518
IRVs	0.00	0	0.00	0	455.18	26350	78.25	12313
Farmers Clubs	0.00	0	0.00	0	46.13	5138	20.45	4469
PACS					669.61	14925	97.08	3441
SHG Fed-erations	0.00	0	0.00	0	25.40	200	12.37	46
NGOs – MFIs	0.00	0	60.9	0	337.13	5869	102.6	1126
Total	**10.00**	**31**	**513.37**	**4489**	**42839.34**	**883626**	**18099.16**	**692072**
Women SHG Scheme (in 150 LWE affected and backward districts)								
Anchor NGOs	**NA**	**NA**	**1066**	**-**	**20438.10**	**204381**	**15009.00**	**129167**

Cumulatively, the grant support sanctioned and released under FIF & WSHG Fund as on 31 March 2023 stood at Rs. 428.39 crore and Rs. 180.38 crore, respectively. The cumulative number of SHGs savings linked under FIF stood at 6.85 lakh whereas credit linked SHGs were 4.14 lakh. The grant assistance for SHG formation is now provided by NABARD very selectively and in only such areas where NRLM is not working intensively while support continues uniformly for training and capacity building of various stakeholders. Support for mentoring, handholding, financial literacy, formation and linkage of SHGs/JLGs through SHPIs/JLGPIs, training and capacity building of stakeholders, livelihood promotion, studies, documentation, awareness, innovations, etc., is extended under FIF & WSHG Fund. As against a budget of Rs. 138 crore during 2022-23, Rs. 105 crore was incurred from these funds taken together for these activities Critical Issues for Microfinance Institutions It should be considered here that Microfinance services are capable of providing better financial services as compared to traditional banking services; they also better look after the needs of the marginalised people. The urban Microfinancial services should go parallel with the rural services. This leads to supplement the needs of the poor people to run their business and family requirements in a systematised manner. Some issues related to Microfinance organisations are as follows: a. Lack Of Capital: It is the matter of concern for the MFI that they have a very little capital base in form of their own funds. This becomes the biggest hindrance in scaling up of these institutions. Many of them are socially operated hence, financial sources are very less. This makes their debt-equity ratio quite high. b. Sustainability: It has been observed that delivery model of Microfinance is quite expensive than the traditional ones. It is supported by the fact that the monitoring cost of loan beneficiaries is higher while the quantum of the loan and the loan volume is quite

In India microfinance operates through two channels

The search for delivering financial services to rural poor in a sustainable manner led to two distinctive approaches for extending microfinance in India, called

· Self Help Group – Bank Linkage Programme (SHG-BLP)

· Micro Finance Institutions

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1.SHG- Bank Linkage Programme (SBLP)

The SHG-BLP has become success of a microfinance programme globally with an outreach to 13.87 lakh terms of clients' outreach, loan amount disbursed, savings etc. It becomes feasible only when crore families, providing social, economic and financial empowerment to the rural poor, especially women. SHG Model is one of the two approaches to reach the poor. It leads the scenario in

PROGRESS OF SHG BANK LINKAGE PROGRAMME

The overall progress under the programme from 2020-2021 to 2022-23 in terms of SHG savings linkage with the banking sector is presented in Table 2.1.

Table 2.1: Progress under SHG-Bank Linkage Programme (2020-21 to 2022-23)
(Number in lakh/r in crore)

Particulars		2020-21		2021-22		2022-23	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31st March	Total SHG Nos.	112.23 (9.57%)	37477.61 (43.31%)	118.93 (5.97%)	47240.48 (26.05%)	134.03 (12.7%)	58892.68 (24.67%)
	All women SHGs	97.25 (10.11%)	32686.08 (40.16%)	104.05 (6.99%)	42104.77 (28.81%)	112.92 (8.52%)	52455.48 (24.58%)
	% of Women	86.65	87.21	87.43	89.13	84.25	89.07
	Of which NRLM/ SGSY	64.78 (11.9%)	19353.7 (35.22%)	71.84 (10.89%)	27576.94 (42.49%)	82.01 (61.19%)	37424.80 (63.55%)
	% of NRLM/ SGSY groups to Total	57.72	51.64	60.40	58.38	61.19	63.55
	Of which NULM/SJSRY	5.29 (12.79%)	1954.09 (28.26%)	5.81 (9.87%)	2600.19 (33.06%)	7.39 (27.11%)	3547.12 (36.42%)
	% of NULM/ SJSRY groups to Total	4.71	5.21	4.89	5.50	5.51	6.02
Loans Disbursed to SHGs during the year	Total No. of SHGs extended loans	28.87 (-8.23%)	58070.68 (-25.22%)	33.98 (17.71%)	99729.22 (71.74%)	42.96 (26.42%)	145200.23 (45.59%)
	All women SHGs	25.9 (-10.19%)	54423.13 (-25.75%)	31.5 (21.63%)	93817.21 (72.38%)	41.42 (31.49%)	139315.69 (48.50%)
	% of Women Groups	89.71	93.72	92.70	94.07	96.42	95.95
	Of which NRLM/ SGSY	15.84 (-22.69%)	29643.04 (-43.19%)	22.91 (44.64%)	63100.77 (112.87%)	34.87 (52.20%)	116479.07 (84.59%)
	% of NRLM/ SGSY groups to Total	54.87	51.05	67.42	63.27	81.18	80.22
	Of which NULM/ SJSRY	1.13 (-28.93%)	2112.04 (-37.99%)	1.84 (62.45%)	5816.1 (175.38%)	1.98 (8.03%)	8627.25 (48.33%)
	% of NULM/ SJSRY groups to Total	3.91	3.63	5.40	5.83	4.62	5.94
Loans Out-standing against SHGs as on 31st March	Total No. of SHGs linked	57.8 (1.81%)	103289.71 (-4.43%)	67.4 (16.61%)	151051.30 (46.24%)	69.57 (3.22%)	188078.80 (24.51%)
	No. of all Women SHGs linked	53.11 (3.89%)	96596.6 (-4.00%)	62.65 (17.96%)	142288.61 (47.30%)	65.15 (3.99%)	179468.42 (26.13%)
	% of Women SHGs	91.89	93.52	92.95	94.20	93.65	95.42
	Of which NRLM/SGSY	33.78 (-8.43%)	57336.62 (-15.33%)	44.54 (31.87%)	94231.52 (64.35%)	55.45 (24.48%)	150506.71 (59.72%)
	% of NRLM/ SGSY groups to Total	58.44	55.51	66.09	62.38	79.70	80.02
	Of which NULM/SJSRY	2.23 (-16.48%)	4056.45 (-25.8%)	3.27 (46.52%)	7608.57 (87.57%)	3.42 (4.59%)	11077.18 (45.59%)
	% of NULM/ SJSRY groups to Total	3.86	3.93	4.85	5.04	4.91	5.89

(Figures in parenthesis indicate the increase/decrease over previous year)

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Further, as given in Table 2.2, average savings of SHGs with banks have increased across all agencies. The average savings have gone up from Rs. 39,721 in 2021-22 to Rs. 43,940 in 2022-23 and average loans disbursed to SHGs have increased by 15% from the previous year with an increase observed in case of Commercial Banks and RCBs whereas in the case of RRBs there was a decline of 4%. Union Bank of India has 21.2% share of the total savings of Public Sector Commercial Banks and has highest average savings of Rs. 83,000 per SHG. Among the Private Sector Commercial Banks, ICICI Bank has highest number of savings linked SHGs i.e. 5.29 lakh, followed by HDFC Bank (3.10 lakh) and DCB Bank (2.45 lakh). Among the RRBs, Assam Gramin Vikas Bank has highest number of savings linked SHG accounts at 3.15 lakh.

Table 2.2: Agency-wise Average Savings, Loan Disbursement and Loan Outstanding per SHG

Category of Agency	Average Savings of SHGs with Banks			Average Loans disbursed to SHGs by Banks			Average Outstanding Bank Loans against SHGs		
	2022-23	2021-22	Change (%)	2022-23	2021-22	Change (%)	2022-23	2021-22	Change (%)
Commercial Banks	44,743	44,612	0.29	3,76,659	2,94,460	27.92	3,07,568	2,45,495	25.28
Regional Rural Banks	44,969	38,488	16.84	2,82,020	2,94,896	-4.37	2,19,851	1,94,620	12.96
Cooperative Banks	37,450	19,143	95.63	3,08,381	2,76,485	11.54	1,89,014	1,68,247	12.34
Total	**43,940**	**39,721**	**10.62**	**3,38,027**	**2,93,471**	**15.18**	**2,70,343**	**2,24,113**	**20.63**

Bank of India registered the highest average loan disbursed per SHG at Rs. 5.26 lakh, followed by Rs. 4.80 lakh by Indian Bank. The average loans outstanding per SHG have increased for all agencies, with the highest percentage increase in respect of Commercial Bank

CONCLUSION

The MFIs are a huge factor in impacting an India's social and economic development. Micro finance provides both savings and loan facilities. It can be concluded from the paper that Microfinance plays a very decisive role in providing financial services to the needful sections of the society. It is also services as an integral part of a poverty alleviation programmes.

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