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A Study on "Micro finance and its role in societal upliftment of Women"

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Abstract

It is widely acknowledged that the most effective means of achieving equitable economic growth, particularly for rural poor people, is financial inclusion. Poor people's living standards have been raised through the usage of microfinance. Although they were denied the proper opportunity to demonstrate their entrepreneurial talents in conquering their misfortunes, impoverished people nevertheless believe that it is their destiny to be poor. In order for the poor to utilise the funds and facilities given by the Micro finance Institutions (MFIs) in order to improve their standard of living, improving access to financial services for the poor has recently become the key slogan of micro finance. Microfinance aims to provide low-margin financing in a fair, efficient, and equitable manner at reasonable prices. Reduce expense to the group's less fortunate members and encouraging them to enhance their quality of life by using the money in useful ways.

Analyzing microfinance's contribution to and effect on societal improvement is one of this study's key goals. An attempt to develop a ABCDE Model is evident. This study claims that providing accessible financial services to rural residents is still a crucial element of development strategy.

Key words: equitable, living standard, entrepreneurship, inspiration, societal uplift

Introduction to Microfinance

There is nothing so degrading as the constant anxiety about one's means of livelihood. - W. Somerset Maugham

The idea of "microfinance," a type of financial service that provides small loans and other financial services to poor and low-income households in a consistent and legitimate manner, emerged in response to the need to support low-income families in developing nations like India as well as uplift and provide them with a better standard of living through financial support provided in a more efficient manner. In order to help poor and low-income households escape poverty, raise their income levels, and generally enhance their standard of living, it is an economic strategy that promotes financial inclusion. It may make it easier to carry out national programmes aimed at lowering poverty levels, empowering women, helping weaker groups, and raising living standards.

Broadly, two different approaches are followed in India for extending microfinance services:

- The bank-led approach, Self-Help Groups-Bank Linkage Program (SHG-BLG),
- The Micro Finance Institution (MFI)-led approach

Microfinance has a lengthy and storied history in India. Since its introduction in Gujarat in 1974 by the SEWA Bank, a branch of the Self-Employed Women's Association (SEWA), it has played a critical role in supplying financial services to numerous individuals who have been excluded from the economy's main stream.

Objectives of the research

The following were the study's general and specific objectives:

A. Overarching goal

The study's goal is to ascertain the contribution that microfinance makes to societal improvement.

B particular goals

(I) List the microfinance institutions that are currently operating in Bengaluru Rural Districts and the services they offer.
(ii) Learn about the social and economic benefits and propose a Model- ABCDE
(iii) Identify the difficulties women have when completing microfinance transactions.
(iv) Look for measures to increase women's access to and use of microfinance services provided by microfinance institutions.

RESEARCH METHODOLOGY

The present study is a descriptive study. This study is mainly based on secondary data only. Secondary data is collected from various sources like journals, magazines and reports.

Literature Review

Rai (2012) took 8 independent variables- Debt Equity ratio, Age of the firm,Capital/Assets ratio, Number of active borrowers, Yield of the firm, Operatingexpense/loan portfolio, Portfolio at risk, Women borrowers and applied multipleregression model to identify the factors that affect financial sustainability ofmicrofinance institution. They took 26 MFIs both from India and Bangladesh fromMIX database using simple random sampling fora two time period 2005-06 and2009-10 and found that capital/ asset ratio, operating expenses/loan portfolio andportfolio at risk are the main factors which affect the sustainability of microfinanceinstitutions.

Kinde (2012) in his study on 14 MFIs of Ethopia over the time period of 2002-10used balanced panel data and applied bivariate multiple regression and found thebreadth and depth of outreach, cost per borrower and dependency ratio impactfinancial sustainability significantly but capital structure and staff productivity donot have an impact on sustainability.

Quayes (2012) impact of depth of outreach on financial sustainability of MFIsby taking a sample of 702 MFIs operating in 83 countries and found that there is apositive relationship between financial sustainability and outreach.

Tehulu (2013) empirically investigated the effect of determinants (Breadth ofoutreach and deposit mobilization, management inefficiency, portfolio at risk, loansintensity, and size) on financial sustainability of microfinance Institutions in EastAfrica by using binary probit and ordered probit model by taking unbalanced paneldata collected from 23 micro finance institutions from the period of 2004 to 2009and found that management inefficiency, portfolio at risk, loans intensity, and sizeare important determinants of microfinance institutions’ financial sustainabilityin East Africa whereas breadth of outreach and deposit mobilization do not impact financial sustainability.

Sekabira (2013) examine the impact of capital structure on the performance ofMFI by studying a sample of 14 MFIs from Uganda and found that debt anddonations have a negative impact on the both operational and financial sustainabilityof MFIs. He suggests that MFIs should consider capital markets for long termsustainability of MFIs. The same study has been conducted by Bogan(2009) wherehe studied the impact of capital structure over three years 2003-06 for MFIs inAfrica, Eastern Europe, Latin America, East and South Asia and the Middle eastand support that debt and grants have a negative impact of the long termsustainability of MFIs.

Bhanot and Bhapat (2014) tested the impact of gross loan portfolio, portfolio atrisk, debt equity ratio, return on assets, borrower per staff and deposits on IndianMFIs for the year 2010 using panel data regression on a sample of 81 MFIs pickedfrom MIX database and found four factors to be crucial to the sustainability namely;gross loan portfolio, return on assets, portfolio quality and staff productivity.

Role of Microfinance in India

A microfinance institution focuses on offering banking services to people and organisations with modest incomes. These groups support the poor by receiving funds from reputable financial firms.

Microfinance institutions are consequently emerging as one of the most effective methods for eradicating poverty in India..

The following sources provide microfinance services:

- Formal institutions, such as rural banks and cooperatives
- Semiformal organizations, such as non-governmental ones
- Informal sources, including small-scale lenders and store owners
- Institutional microfinance includes both formal and semiformal institutions' offerings.

While some MFIs are well-managed and have a stellar record of accomplishment, others are self-sufficient in terms of operations.

The various categories of institutions providing microfinance in India are as follows:

- Commercial banks
- Credit unions
- NGOs
- Sectors of government banks
- Cooperatives

Microfinance institutions supplement the services offered by banks. In addition to microcredit, financial services like insurance, savings, and remittance are also provided. Also offered in the most useful manner possible are non-financial services including training, counselling, and support for borrowers. The borrower obtains the aforementioned services as described below, at their convenience. MFI interest rates are usually higher than those of conventional banks. Interest rates change based on the loan's objective and the borrower's credit history. Additionally, borrowers choose the payback schedule.

Features of Micro Finance in India

The following criteria must be met:

- The borrowers come from low-income backgrounds;
- The loans obtained through microfinance are typically of small amounts, or microloans;
- The loan tenure is brief;
- The loans do not require any collateral;
- The loans are typically repaid at higher frequencies;
- The purpose of the majority of microfinance loans is income generation.

Few leading Microfinance institutions in Karnataka

Grameen Financial Services Pvt Ltd (GFSPL)

Grameen Financial Services Pvt Ltd is a non-banking financial institute approved by Government of India. Company started with aim to fostering rural women, so they start small scale business and earn money. It was started in 1999 as an NGO but in 2007 organization transformed into Non-Banking Financial Company that provides Micro finance services.

Headquarter:Bangalore, Karnataka | Number of Branches : 62

Ujjivan Financial Services Pvt Ltd - The company began its operations as a leading and well known NBFC company in the year 2005 with an aim of rendering a fully fledged range of financial services and assistance to the economically underprivileged and poor section of the society who are not properly been served by premier financial institutions. At present, the company's operations are known to be spread all around about 24 states as well as union territories along with 209 districts of the country, making them the biggest and well acknowledged MFI in terms of geographical reach. Serving more than 2.77 million promising and reputed clients, it has been housed with about 7786 employee strength and 469 branches making them one of the rapidly growing and emerging micro finance institutions. The business of the company is primitively been engaged on the joint liability group lending model for serving small ticket size loans to collateral free loan services to poor and economically weak section of the country.

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Annapurna Microfinance Private Limited – AMPL is another pioneer Micro Finance Company that offers Financial and Non-Financial Services to rural and urban poor section. They offer small ticket loans for Agriculture Crop, Tractor, Water Pump, Dairy farming, Poultry, Spice Making Units, Small Factory Setups, Small Shops, and Handicraft Production such as Saree, Bamboo products production. Till 2016, they have 176 branches in the country Purported

BusinessToday.In

Legal Form	Number	Dir reg. by RBI for Mf. Operations-Y/N
NBFC MFI	94	Y
NBFC	30	Y
u/s 8 Co	36	N
Society	43	N
Trust	19	N
MACS/Cooperatives	12	N
Nidhi Companies	245	N
Total	479	
No Direct regulation (%)	355	(74)

Source: Sa-Dhan Microfinance Directory 2020 and Govt.

ABCDE Model for Societal Upliftment for Women

A. Financial improvement	B Improvement of education:	C Increased employment opportunities for women	D Housing amenities:	E Other social advancements include
(I) Increased earnings per capita. (ii)Improved saving (iii)Reasonable interest rates (iv) Simple credit access	(I) Mandatory schooling for children (ii) A working grasp of finances	(i) Women who stay at home are more cognizant of society and the law. (ii) Traveling helped women feel more self-assured. (iii)Reduction in social violence	(I) Clean water availability. (ii) Enough roads are provided. (iii) Enabled pucca house amenities	(I) a better outlook on society. (ii) Social acceptance. (iii) Work was given more social value. (iv) Decision-making involvement

Status and Progress of the Micro finance Sector in the Context of Global Perspective

As on 31 March 2020, EShakti project has on boarded 6.54 lakh SHGs involving 71.54 lakh rural households across the length and breadth of the country. A significant indicator of the success of project EShakti in catering to the credit needs of the rural poor, is the increase in the bank credit linkage of the SHGs from 2.14 lakh (33%) to 3.19 lakh (49%). The Project has strengthened the Financial Inclusion Programme of the Govt. by incorporating various social security schemes of Govt. like PMJDY, PMSBY, PMJJBY, APY etc.

The data in EShakti was used to enroll SHG members in these schemes. This resulted in opening/ enrolment of 4.00 lakh new accounts. The FI drive also resulted in capturing of data of 10.05 lakh new as well as pre-existing accounts. Towards further leveraging EShakti Data, a Credit Intensification drive was initiated (from January 2020 to March 2020), to improve coordination with banks, visibility of the EShakti project and enhance credit linkage in EShakti implementing districts. As an outcome of it, loans amounting to Rs.248.75 cr was sanctioned out of which Rs.199.70 cr was disbursed to 13,126 SHGs till 31 March 2020.

As far as states are concerned, credit linkage of SHGs during the year was high in southern states like Telangana, Andhra Pradesh, Karnataka and Tamil Nadu Some of the states like Jammu & Kashmir, West Bengal and Bihar also recorded high credit linkage during the year. Low credit linkage in North Eastern states and some priority states like Uttar Pradesh, Gujarat, Assam, Rajasthan, Madhya Pradesh, Uttarakhand remains a concern. In states like Kerala, Odisha, Karnataka etc. the number of SHGs provided with bank loan during 2019-20 was lesser than the previous year. On the other hand, more number of SHGs were provided bank loan during 2019-20 as compared to 2018-19 in states like West Bengal, Andhra Pradesh, Madhya Pradesh, Jharkhand, Maharashtra, Haryana, North Eastern States etc. During 2019-20, about R77,659 crore of bank loans were disbursed as against R58,318 crore in 2018-19 registering a growth of 33.2%. All regions witnessed a rise in loan disbursement, auguring well for the SHG movement.

The dominance of Southern Region in disbursement of bank loans to SHGs continued during 2019- 20 also. Southern Region accounted for more than half (52.01 per cent) of the total number of SHGs availing credit during 2019-20 across the country and almost threefourths (70.62 per cent) of the total credit disbursed to SHGs. The average loan disbursement per SHG during 2019-20 was higher at R2.47 lakh as against the average SHG loan of R2.16 lakh during 2018-19 registering a growth of 14.35 per cent. Southern Region however continued to have the distinction of having the highest per SHG average credit disbursement of R3.35 lakh with a rise of 15 per cent over previous year's disbursement of R2.91 lakh per SHG .All regions recorded an increase in loan per SHG. North Eastern Region (43 per cent),

Emerging New MFI's in India

1. Adhikar Microfinance Pvt Ltd
2. ASA International India Pvt Ltd
3. Belstar Investment & Finance Pvt Ltd
4. Chaitanya India Fin Credit Pvt Ltd
5. Future Financial Services Ltd
6. Growing Opportunity Finance (India) Pvt Ltd
7. Humana People to People India
8. IDF Financial Services Pvt Ltd
9. Indian Cooperative Network for Women Ltd
10. M Power Micro Finance Pvt Ltd
11. Mahasemam Trust
12. Margdarshak Financial Services Ltd
13. Pahal Financial Services Pvt Ltd
14. RashtriyaSevaSamithi
15. Sahara Utsarga Welfare Society
16. Sahayog Microfinance Ltd
17. Saija Finance Pvt Ltd
18. Samhita Community Development Services
19. Sanghamitra Rural Financial Services
20. Sarala Women Welfare Society
21. Shikhar Microfinance Pvt Ltd
22. Uttrayan Financial Services Pvt Ltd
23. Vedika Credit Capital Ltd
24. Village Financial Services Pvt Ltd
25. YVU Financial Services Pvt Ltd

Present challenges of a sound commercial micro finance institutions

The obstacles or challenges to building a sound commercial micro finance industry include:

- Inappropriate donor subsidies
- Poor regulation and supervision of deposit-taking MFIs
- Few MFIs that meet the needs for savings, remittances or insurance
- Limited management capacity in MFIs
- Institutional inefficiencies
- Need for more dissemination and adoption of rural, agricultural micro finance methodologies.

Observations

Only economic development will not be sufficient in a developing nation like India where per capital income is low, population exceeds available resources, excess of marginal farmers, poor education and literacy rate below 50%, economic inequalities, unequal wealth distribution, and rigid caste system exist. Social uplift is necessary, and microfinance unquestionably contributes significantly to the uplift of our society.

According Mohammad Younis , the Nobel Winning economist from Bangladesh , the micro finance institutions play an important role in the upliftment of the society.

However, there are now some issues that are evident:

I The unorganized MFIs are deceiving the marginal employees because they lack both qualitative and quantitative education.

(ii) Women's entrepreneurship is essential for societal progress, which calls for women to have financial security. SHGs are forming, but they haven't yet achieved the necessary level, which is why Chit Funds are tricking them.

(iii) Beginning in 2010, the Right to Education Act began requiring children to attend school. We haven't yet seen the results. Every family in our culture will only be able to attain overall progress in terms of education, health, and psychology when they become financially independent. A society must rely on MFIs to reach this position. Central and state level initiates for skilled unemployed workers like self-employment programmes will help them to become financially stable. This will also help to combat value crisis in our society MFI has been able to provide for 20% of the country's families.

(iv) Rural and semi-urban areas' health systems are poorly maintained. MFI can help different rural locations' health systems as well.

(v) It is important to eliminate caste rigidity, social aggression, and regional disparities. This is only going to be achievable if MFIs in developing countries run smoothly.

(vi) More financial institutions should be established, such as Grameen Cooperative, Micro Insurance Institutions, and Grameen Bank. These organisations will offer short-term loans to families so they can become self-sufficient in their finances.

(vii) Initiatives at the federal and state levels, such as self-employment programmes, will assist skilled unemployed persons in achieving financial stability. Additionally, this will aid in addressing our society's value issue.

Conclusion

The fundamental finding of this article is that, as a crucial component of programmes to combat poverty, microfinance can help address the issues of insufficient housing and rural services. Finding a level of flexibility in the credit instrument that would enable it to satisfy the various credit needs of low-income borrowers without placing an unreasonably high burden on the lenders to monitor its end-use is the difficulty. The ABCDE Proposed Model for Societal Upliftment of Women and to Provide Multipurpose Loans or Composite Credit for Income Generation, Housing Improvement, and Consumption Support is a Promising Solution. In terms of providing loans and credit to those who are truly in need, regional imbalances, adequate regulation, etc., microfinance institutions are falling behind.

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