

# A SHORT REVIEW ON MICROFINANCE AND ITS OUTREACH IN MADHYA PRADESH

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## Abstract

*A well developed financial set-up promotes growth in an economy. Thus it's necessary that government need to concentrate on expanding financial services to both rural and concrete to confirm sustainable growth. Microfinance is defined because the development tool. It provides financial assistance to those that need and also help to take care of the livelihood. variety of study on microfinance show positive impact. This paper explain the importance, need of review of literature and also the related review of studies to the subject. Microfinance in India is of a relatively recent origin, within the last 20 years there has been a rapid climb within the number of institutions offering microfinance education. The studies demonstrated the expansion of microfinance. Microfinance provides a possible support to small business and helps in their growth. This study examines the expansion, impact of microfinance in country of India. the expansion of small scale business mainly depends upon finance during which microfinance industry (MFIs) play imperative role. In India about 65 to 70 percent belongs to geographic area and approx 60 percent depends on agriculture and tiny business which require to be finance properly. Microfinance thought to be best tool for socio-economic development and poverty alleviation.*

**KEY WORDS:** Microfinance, Small business, Socio-economic, MFIs, Microfinance education

## 1. INTRODUCTION

Microfinance may be a concept that's helping the poor to avail of an create opportunities for economic process. In India, microfinance has filled the efforts of rural development, women empowerment and wealth generation by providing small scale savings, credit, insurance and other financial services to poor and low income households. Microfinance thus is a method to empower the poor and provides a valuable tool to assist the economic development process. The concept of micro financing and self-employment activities in rural areas has developed considerably over the last twenty years. it's working neither on domain/charity nor on subsidy. it's basically rotational investment done to motivate the poor to empower themselves and practice for 'Save for the longer term and use those resource during the time of need. 'Theoretically, microfinance also called microcredit or micro lending means making provision for smaller capital loans to the self-employed or self-employment seeking poor.

Microcredit' could also be defined because the credit and repeated credit provided in small measures to suit the recipient's requirements, with a snug pace of repayment and at an appropriate rate of interest.<sup>3</sup> Microcredit has been defined by the microcredit summit held in Washington D.C. in February 1997 as "programmes that provide credit for self employment, other financial and business services to very poor persons." Microfinance is interpreted in an exceedingly broader context both as microcredit and micro savings, while microcredit and microfinance have come to used interchangeably. However, when the term 'microfinance' is employed it implies other services accompanying credit viz. facilities for saving and availability of services for insurance of the assets acquired with microcredit. Microfinance has come to

be mentioned as a tiny low scale financial services and technical assistance provided to rural those that operate small or micro-enterprises, provide services, work for wages or commission and other individuals and group functioning at local levels. NABARD has defined microfinance as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban and concrete provided to customers to fulfill their financial needs; with only qualification that (1) transactions value is little and (2) customers are poor. "an essence, therefore, microfinance may well be observed as an institutional mechanism of providing credit support in touch and frequently linked with small groups together with other complementary support like training and other related services to the people with poor resources and skills for enabling them to require up economic activities. Within the November 1995 Microcredit Summit, U.S. first lady Hillary Clinton wrote; "Microenterprise is that the heart of development because microenterprise programmes work - they lift women and families out of poverty. it's called micro but its impact on people is macro, we've got seen that it takes just some dollars, often as little it takes as dollar 10, to assist a lady gain self employment, lift her and her family out of poverty. it's not a hand out; it's a assistance. Let us begin by understanding a number of the distinct characteristics of microfinance. The term 'microfinance' is usually confused with the related term 'microcredit', so much so, that the 2 are often treated as synonymous and used interchangeably. While there are certain similarities between the 2 terms, there are certain differences, which require to be classified at the very start to avoid confusion of your time. The term microcredit refers to a tiny low size loan, to be repaid within a brief period of your time, used mostly low income households and micro entrepreneurs for the aim of income generation and enterprise development. The mobilization of such credit is restricted to external sources like banks and moneylenders. Microfinance on the hand, provides a greater menu of options whereby the little loan is garnered not just from the external sources but also through self mobilization, by way of saving and sale of assets. Also, just in case of microcredit, because of the definite obligation to repay the loan, physical collateral may sometimes be needed. However, the most important flexibility within the case of microfinance is that the lack of any physical collateral, even just in case of loan from the bank. the choices available with microfinance, therefore, are much broader and versatile than those available with microcredit.

## 2. LITERATURE REVIEW

This paper enunciates the importance, need of review of literature and also the related review of studies to the subject. Microfinance in India is of a relatively recent origin. within the last twenty years there has been a zoom within the number of institutions offering microfinance education.

**Hudon, M. (2008)** in his paper "Norms and Values of Microfinance institutions" studies the role of norms and values in microfinance sector. The author has proposed classification of the arena on the lines of two axes. the primary is using profit motive, i.e. for profit vs. not for profit and second relies on decision-making style i.e. centralized vs. non centralized. The institutions studied, in their interactions followed rules to the tee or they'd base their interactions on values. The author has argued that microfinance institutions which are for profit would follow the principles while MFIs on the not for profit spectrum would follow an inclusive decision-making process which are more ethical in nature.

**Kaboski Joseph P. and Townsend Robert M. (2010)** "A Structural Evaluation of a Large- Scale Quasi-Experimental Microfinance Initiative" a structural model to know, predict, and evaluate the impact of an exogenous microcredit intervention program, the Thai Million Baht Village Fund program. We model household decisions within the face of borrowing constraints, income uncertainty, and high-yield indivisible investment opportunities. After estimation of parameters using pre-program data, we evaluate the model's ability to predict and interpret the impact of the village fund intervention.

**Kulshrestha, A. C. (2011)** "measuring the unorganized sector in India", Review of income and wealth", Examines the matter of measuring the unorganized sector and explains the approach taken by the Indian Central Statistical Office in terms of the utilization it generates and its contribution to value added. The finding shows that it's essential to strengthen surveys on informal sector activities to supply more reliable information so as to facilitate a correct analysis of the dynamics of unorganized sector.

**Waweru, N. & Spraakman, G. (2012)** in their paper have studied three Kenyan MFIs and their use of performance measures. These MFIs are classified as formal and client based and there are assumed to require rational measures. Self Help Group Members of those MFIs have essentially two main responsibilities of mutual support, advice and there's a bunch guarantee that the loans are going to be paid. Data was collected supported research questions and interview guide. it had been found that the MFIs used both performance still as non-performance measures to induce the most effective results.

**Reeves, M., & Sabharwal, N. (2013)** in their paper have studied the features which are necessary for developing a mobile microfinance platform. they need identified the key parameters required for a positive relationship between the mobile network service provider and therefore the MFIs. the most implications of this can be that it might act as a bridge to most of the population which is unbanked likewise as without mobile connectivity.

**Oguejiofor, Awele DPA Unachukwu Uzoamaka(2014)** has done his research within the topic 'Achieving Poverty Reduction Through Microfinance: Evidences from the Philippines' 'and he has reviewed that during this research work sets resolute evaluate and compare the effectiveness of two microfinance interventions implemented within the Philippines. to attain this goal, the study examines two microfinance programs one implemented by the state (Self Employment Assistance Kaunlaran) and also the other by a non-profit UPLIFT (Urban Program for Livelihood Finance Training). The analysis focuses mainly on ascertaining which of the 2 programs that has contributed most to the development of the lot of its clients.

**Tadele Haileslasie Rao P.Madhu Sudana(2014)** has done his research within the topic 'Corporate governance and Ethical issues in Microfinance Institutions (MFIs) - A study of Microfinance crises in province, India 'and he has analyzed that Ethical behavior in business practices determines success or failure of a company and it's not an exception to MFIs. It was unique and significant in terms of the severity of the crisis. The industry hasn't taken any lesson from Microfinance crisis happened in other countries in previous years.

**Nurmakhanova, M., Kretzschmar, G., & Fedhila, H. (2015)** in their paper have tried to develop a model linking financial sustainability and outreach of MFIs. They need based their study on previous literature which have used both the variables but haven't identified a link between them. For the aim of this study they need used financial sustainability and outreach as variables and identified the linkages. Their study has concluded that focusing of economic sustainability doesn't affect the outreach of the microfinance institution.

**Toindepi, J. (2016)** has focused on the simplest practice models in microfinance for the aim of poverty alleviation. There's the double bottom approach which focuses on the economic impact of microfinance and social impact of microfinance. Also, there's tripe bottom approach which has added one additional tier of environmental impact of microfinance. The author has critically analyzed the various practices and tried to deal with the difficulty of best practices within the sector. the various approaches to microfinance are influenced by the underlying motivations and philosophies of the participants. The simplest practices of microfinance should be of international standards and supported the great performance, transparency, good corporate governance and proper reporting.

**Lahkar, R., & Pingali, V. (2016)** in their research paper have studied the expansion of microfinance and what are the policy implications which are affecting the borrowers. they need used a screening model and are able to prove that microfinance expansion may cause higher interest similarly as default rates but the welfare of the borrower will increase thanks to the very fact the borrowers were previously denied credit and because the database of pre-existing borrowers will increase the screening costs are guaranteed to come down. they need concluded through this paper that policies if any that seek to manage interest rates still as screening levels would be counterproductive. The paper tends to figure on improving the understanding with regards to microfinance sector similarly the implications of microfinance on the welfare of borrowers.

**Bali Swain, R., & Wallentin, F. Y. (2017)** have studied the impact on women empowerment with respect to location and the group linkages associated with the respondent. Women empowerment is very difficult to measure as it is a latent variable; however, the authors have used structural equation modeling (SEM) for the purpose. It has been found out that there is significant correlation between women empowerment and the decision-making autonomy. The variables which were used to measure women empowerment through the participation level and

autonomy of women in decisions like buying and selling land, family planning and contraception usage, decision to education a girl child or marry an offspring. These decisions were traditionally taken by men and the same if taken by women would suggest women empowerment.

### Status of Microfinance in MP

Madhya Pradesh occupies 9.7% of the total land area of the country, but has 5.82% of the people. The population density at 196 persons per square kilometer is considerably less than the country average of 313 persons. Of its current population of 65.6 million (Mid-year estimates for 2005) 74% were in the rural areas. It has a high concentration of tribal population which at 20.2% was the highest among Indian states. The combined SC/ ST population was more than 35% of total population. People living below poverty line constituted 37.4% of population with the proportion of poor being higher in urban areas (38.4%) than the rural areas (37%). The people below poverty line and others marginally above it are the preferred clients of microfinance.

**Table 01: Number of MFIs in Madhya Pradesh**

STATE	No. of MFIs operating in State.	No. of District of the state where MFIs operate.	No. Of branches
MADHYA PRADESH	34	48	870

Source: The Bharat Microfinance Report 2017

Table: 01

**Table 02: Outreach (in lakhs) Decreasing**

STATE	2017	2016	GROWTH
MADHYA PRADESH	20.53	28.19	-27%

Source: The Bharat Microfinance Report 2017

Table: 02

Table 01 show the branches of MFIs in MP with number of main MFIs in MP and Table 02 explain the decreasing growth of MFIs outreach in MP.

### 3. OBJECTIVE

- 1- To study the depth of microfinance in India.
- 2- To study the purpose of availing microfinance credit.
- 3- To understand the usage of microfinance.
- 4- To understand the status of microfinance in MP.

#### Need of Present Study

Present Study Developed an understanding of Current & Correct problems in Microfinance Developed an understanding of the utility of microfinance in poverty Developed skills in relating the theoretical perspectives and debates about microfinance to situations delivery mechanism of microfinance.

#### 4. SCOPE OF THE RESEARCH

The overall objective of this research is to look at the importance of micro financing; that microfinance creates job and add value to the economic process of a rustic. This text discusses the role of microfinance and MFIs in development of India. Additionally, the article outlines the characteristics and traits of microfinance and the way microfinance can convert business development from incubation stage to the establishment of the business also, the article defines various terminologies which include innovation concept, microfinance and development.

#### 5. CONCLUSION

The study suggests that microfinance continues to be an evolving field. A model which is successful in one region isn't certain to succeed at another place. The above research papers don't seem to be exhaustive in nature which could be a limitation of this paper. However, we'd like to know microfinance may be a tricky game for the stakeholders. Models like self-help groups are successful in certain regions whereas in other locations it's not attained the identical level of success. Also, when the motive behind microfinance shifts from non-profit to profit the foundations of the sport tend to alter. Microfinance can succeed if there's part of trust among all the stakeholders which takes time. There is little question that the microfinance vision would challenge all institutions. Realising the vision would concern significant mobilization of resources by all the stakeholders. With most natural and human assets within the state, it's difficult to justify the position of MP because the third poorest state within the country. It's well within the capacities of the financial institutions, voluntary sector and government to hold out fairly simple tasks on an oversized scale in a very coordinated manner that might result in realization of the vision. Ultimately the poor should benefit in terms of improved income levels and livelihood opportunities. Microfinance and therefore the institutions involved therein are instruments and vehicles of empowering the poor. Allow us to set ourselves this microfinance mission - one that may change the lives of the poor for the higher forever. On the opposite hand, it's been seen that maximum number of microfinance institutions are founded in Madhya Pradesh have maximum number of branches. Thus, it is inferred that variety of steps has been stepped up by the govt. to imprint and rear up the presence of micro finance institutions and their branches in numerous. In whole, it will be said that, indeed microfinance has been proving and may become an ideal tool for financial inclusion in India.

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