

**A STUDY ON MICRO FINANCE A NEW INSIGHT INTO THE ROLE OF
ECONOMIC DEVELOPMENT**

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Abstract

Financial assistance and support plays a very prominent role in the development of the economy. The financial supports are mainly provided by unorganized and organized money lenders in the financial market. Present scenario in India banking institutions and micro finance institutions are the main players in market whereby they occupy the major share in the respective area to lend the money. Microfinance institutions are set up to endorse the financial activities mainly saving and credit in community. Microfinance institutes are focused on below poverty level of community people. The main objectives of the micro finance institutions are to bring the people to mainstream those who are Deprived, marginalize and women through microfinance's programs. The present paper examines the contribution of microfinance on socio-economic development of rural community and below poverty level group. The study was based on the quantitative data. This paper is in the nature of perceptual analysis of data reported the significant contribution of micro-finance in social change and development customers.

Keywords: *Development, Microfinance, Institutions, Poverty, Community*

Introduction

Microfinance is the stipulation of loans and other financial services to the poor. The growth and success rate of the microfinance due to the endeavor by the committed individuals and financial agencies to endorse self-employment and contribute to poverty mitigation and condition of social security. In India it is able to develop its own model and strategies of each organization in the structure of savings and credit groups known as the Self Help Group (SHGs). In fact the SHGs are bank-linked which assures the security of the savings and lending system based on certain rules and regulations. These SHGs are largely formed and controlled by women and this has become one of the major instruments, which has led to women's empowerment and socio-economic changes which is the objectives of the SHGs in India. The majority of the

microfinance institutions in India made an effort to go beyond savings and credit groups to provide microfinance facilities as well services too, in the form of savings and insurance. Microfinance enables and provides financial services to those whose income is small, unstable and below the poverty level. These people are in require of credit services for several reasons (a) their needs are small and arise abruptly (b) the institutional providers of finance namely the banks demand collateral security which they not able provide such security/ guarantee documents (c) mainly, they are in needs of funds to meet their consumption demands, for example, to meet expenses like education, illness, funerals, etc. Concept of Self Help Group (SHGs) is the most valuable discovery for the certain group of people in the context of microfinance. The Indian microfinance prospects are dominated by SHGs and their association with Banks. Owing to the importance of microfinance and self help groups in the abolition of poverty and in the empowerment of women.

Review of Literature

*Basu, P., & Srivastava, P. (2005)*¹-This paper examines the current level and outline of right of entry to finance for India's rural poor and examines some of the contribution microfinance approaches in India, taking a shut look at the most leading in the middle of these, the Self Help Group (SHG) Bank connection scheme. It empirically analyzes the achievement with which SHG Bank Linkage has been competent to reach the poor, inspect the reasons behind this, and the lessons learned. The analysis in the paper draws heavily on a recent rural community to finance survey of 6,000 households in India, undertaken by the authors. *Marino, P. (2005)*²-This paper is largely based on a selected microfinance, the author's working experience in conflict-affected environment, and connections with key microfinance practitioners in the field. The researcher would like to taken into consideration of all contributors to the supporting regional research undertaken over a three-year period. Most contributors appear in the references, others will recognize themselves through their useful inputs. *Abraham, H., & Balogun, I. O. (2012)*³-This paper made attempts to mirror the state of the institutions since 2006. The growth of microfinance in Nigeria in general is extraordinary with over 900 licensed institutions mostly operating in the area of urban. Though some microfinance banks have come and gone, there is still some lively ones providing services to their customers. *Imai, K. S., Gaiha, R., Thapa, G., & Annim, S. K. (2012)*⁴-This paper based on the hypothesis that microfinance decreases the poverty at macro level using cross-country and panel data, based on the Microfinance

Information Exchange data on MFIs and the new World Bank scarcity estimates. Consideration of the account of the continuous association with loans from MFIs, our econometric analysis shows that a country with majority MFIs' gross loan portfolio tends to have lower levels of FGT class of poverty indices. *Raihan, S., Osmani, S. R., & Khalily, M. B. (2015)*⁵ - In this paper investigator made attempt to study simple and intuitive approach is adopted to introduce microfinance in the CGE model. A significant statement of this approach is that not all of microfinance contributes to the formation of GDP – only the part that helps build capital is relevant for this rationale. *Apere, T. O. (2016)*⁶ - This paper examines the impact of microfinance banks on economic development in Nigeria over the period of 1992-2013. This study prepared to use of quantitative secondary data from the Central Bank of Nigeria (CBN) statistical bulletin (2013) to carry out this study. The experiential standpoint of this study working the augmented Dickey-Fuller Unit Root Test, co-integration test, error alteration model and the parsimonious test. Experiential evidence from the study has shown that the activities of microfinance bank have the capacity to influence the entire economy if it is well coordinated. *Shi, B., Chen, N., & Wang, J. (2016)*⁷ - This paper focuses on novel technique that classifies the customers' credit ratings by using a fuzzy cluster analysis, as well as differentiate the customer's credit level by utilizing a fuzzy outline recognition approach, which is helpful to assess and predict the customer's credit level. Second, the proposed model predicts the credit rating of a new loan customer by utilizing the network degree of nearness between the center vector of each credit rating and the data vector of new loan applicants.

Objectives of the study

- i. To analyse the Microfinance Industry snapshot in India on unique customers, active loans, portfolio and loan amount disbursed.
- ii. To study the Microfinance Industry growth and market share by lender type portfolio outstanding.
- iii. To examine the loan disbursement trends-institute wise, loan ticket (amount) wise and state wise portfolio.
- iv. To study the microfinance industry risk profile.
- v. To find the significant relationship between the active loans and loan disbursed.

Scope of the study

This paper is focused on the performance of the microfinance India. The analysis of the data is on the base of the published reports. While examining the portfolio and performance of the state wise, only the top ten states are considered which are performing at higher rate in India. The

study is not done any particular schemes of microfinance institution. The inference drawn on in this paper is not related to any particular area but done in general.

Methodology of the study

This paper is done on the basis of secondary information of published reports, published articles/papers and internet. The study is analytical in nature; hence to analyze the data the researcher used the tables and graphs. Also, for scientific evaluation purpose the investigator used the statistical tools of the mean, standard deviations, paired test to examine the hypothesis.

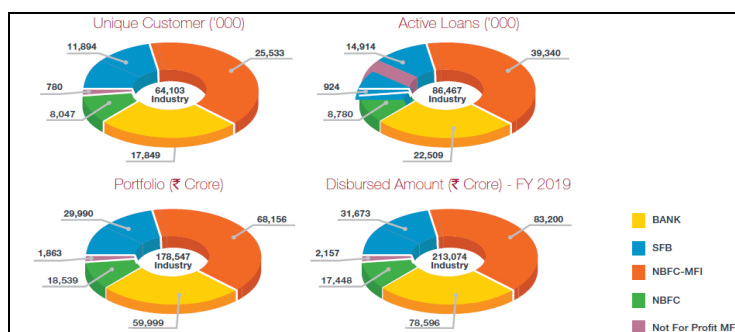
Analysis and Results of the Study

Table 01: Microfinance Industry snapshot in India on unique customers, active loans, and portfolio and loan amount disbursed

MFI Industry Snapshot of March' 2019	Banks	SFBs	NBFC-MFIs	NBFCs	Not for Profit MFIs	Total Industry
Unique Live Borrowers ('000)	17,849	11,894	25,533	8,047	780	64,103
Active Loans ('000)	22,509	14,914	39,340	8,780	924	86,467
Portfolio Outstanding (` crore)	59,999	29,990	68,156	18,539	1,863	178,547
Market Share in Outstanding Portfolio (in%)	34	17	38	10	1	100
Disbursed Amount (` crore) - FY 2019	78,596	31,673	83,200	17,448	2,157	213,074
Average Ticket Size in FY 2019	42,086	30,780	25,850	31,722	29,656	31,623
30+ Delinquency	0.50%	1.13%	0.91%	2.73%	0.69%	1.00%
90+ Delinquency	0.22%	0.54%	0.37%	1.35%	0.26%	0.45%

Source: SIDBI annual report

Graph 01



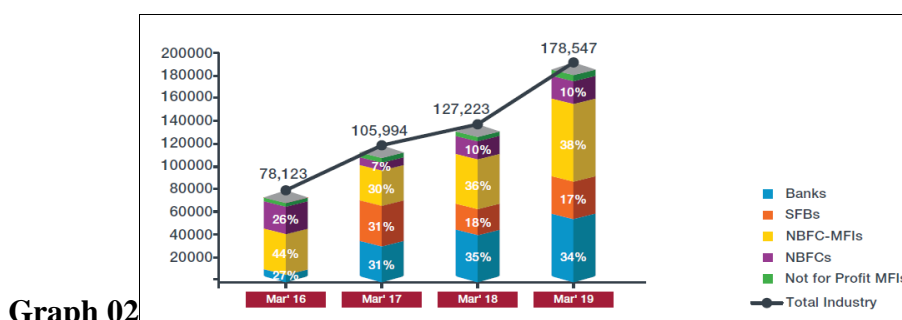
Source: Table 01

The above analysis in the table and chart clears that, NBFC-MFIs have the highest number of unique live customers and Banks have the lowest 30+ delinquency at 0.50% across all categories of lenders.

Table 02: Industry Growth and Market Share by Lender Type Portfolio

Outstanding (in `crore)				
Particulars (as on March 31st)	FY 2016	FY 2017	FY 2018	FY 2019
Banks	21,175	33,176	43,914	59,999
SFBs	-	32,384	23,160	29,990
NBFC-MFIs	34,067	31,992	45,794	68,156
NBFCs	20,525	6,974	12,740	18,539
Not for Profit MFIs	2,355	1,467	1,616	1,863
Total Industry	78,123	105,994	127,223	178,547
Y-O-Y growth rate %	-	36	20	40

Source: SIDBI annual report



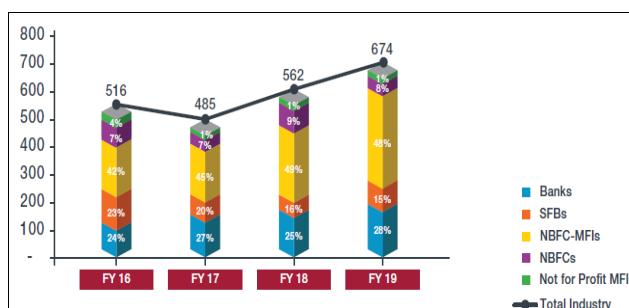
Source: Table 02

Table 3.1: No. of Loans Disbursed (in Lakh)

Lenders	FY 2016	FY 2017	FY 2018	FY 2019
Banks	125	129	141	187
SFBs	120	99	88	103
NBFC-MFIs	213	219	277	322
NBFCs	37	31	49	55
Not for Profit MFIs	21	7	7	7
Total	516	485	562	674

Source: SIDBI annual report

Graph-03.1



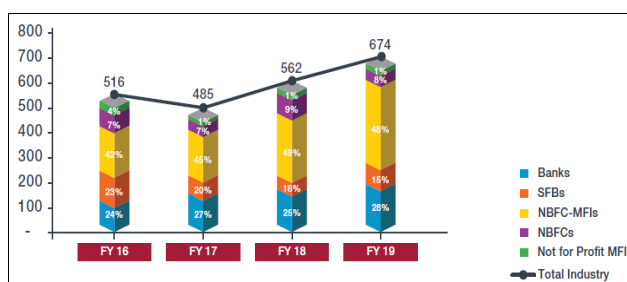
Source: Table 3.1

Table 3.2: Disbursement Trends – Institution wise (by volume)

Lenders	FY 2016	FY 2017	FY 2018	FY 2019
Banks	125	129	141	187
SFBs	120	99	88	103
NBFC-MFIs	213	219	277	322
NBFCs	37	31	49	55
Not for Profit MFIs	21	7	7	7
Total	516	485	562	674

Source: SIDBI annual report

Graph-3.2



Source: Table 3.2

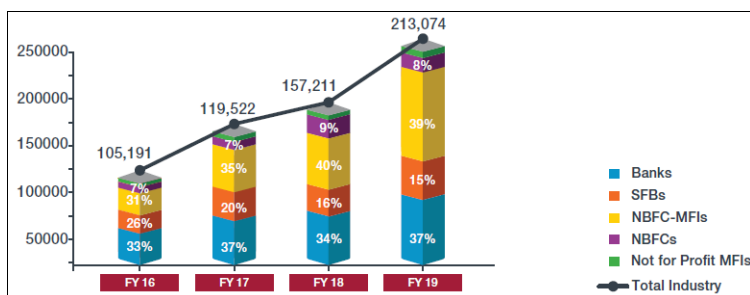
Loan disbursement in terms of volume grew by 20% in FY 19 compared to FY 18. NBFC-MFIs have sourced highest loans across all categories of lenders. Banks witnessed highest growth at 32% from FY 18 to FY 19.

Table 3.3: Disbursement Trends – Institution wise (by value)

Particulars	FY 2016	FY 2017	FY 2018	FY 2019
Banks	34,859	44,225	54,107	78,596
SFBs	27,054	24,368	24,146	31,673
NBFC-MFIs	33,259	41,819	63,009	83,200
NBFCs	7,290	7,602	14,016	17,448
Not for Profit MFIs	2,729	1,508	1,933	2,157
Total Industry	105,191	119,522	157,211	213,074

Source: SIDBI annual report

Graph-3.3



Source: Table 3.3

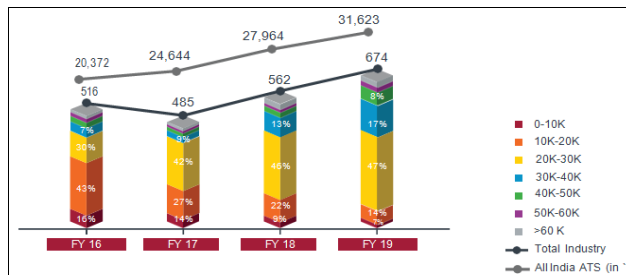
Loan disbursement in terms of value grew by 36% in FY 19 compared to FY 18. Banks witnessed highest growth at 45% from FY 18 to FY 19. NBFC-MFIs witnessed growth at 32% from FY 18 to FY 19.

Table 3.4: All India ATS (in `) and No. of Loans disbursed by Ticket Size (in Lakh)

Ticket Size (in `)	FY 2016	FY 2017	FY 2018	FY 2019
0-10,000	84	66	52	49
10,000-20,000	220	133	120	97
20,000-30,000	155	203	257	314
30,000-40,000	38	42	74	113
40,000-50,000	12	18	30	51
50,000-60,000	4	8	9	15
60,000 Plus	4	14	21	36
Total	516	485	562	674
Y-O-Y loan disbursement growth rate %	-	-6	16	20
All India ATS (in `)	20,372	24,644	27,964	31,623
Y-O-Y ATS growth rate %	-	21	13	13

Source: SIDBI annual report

Graph-3.4



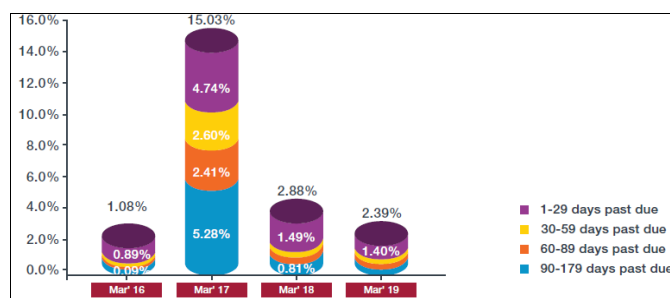
Source: Table 3.4

50,000- 60,000 ticket size category has witnessed the highest increase by 67% from 9 lakh loans in FY 18 to 15 lakhs loans in FY 19. Highest number of loans in FY 19 are disbursed in 20,000-30,000 ticket size category followed by 30,000-40,000 ticket size category Overall ATS grew by 13% from FY 18 to FY 19

Table 4: Microfinance Industry Risk Profile

Reporting Month	1-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90-179 Days Past Due	1-179 Days Past Due
Mar-16	0.89%	0.06%	0.04%	0.09%	1.08%
Mar-17	4.74%	2.60%	2.41%	5.28%	15.03%
Mar-18	1.49%	0.26%	0.32%	0.81%	2.88%
Mar-19	1.40%	0.31%	0.24%	0.45%	2.39%

Source: SIDBI annual report



Source: Table 3.4

Delinquencies were highest in March 2017, Delinquencies witnessed improvement from March 2018 to March 2019, 90+ Delinquency witnessed tremendous improvement in March 2019 from March 2017.

Table 4: Portfolio Outstanding Trends - Top 10 States (market Share)

Top 10 States	Mar-16	Mar-17	Mar-18	Mar-19
West Bengal	10,148	15,166	19,589	26,987
Tamil Nadu	11,042	15,055	18,828	24,611
Bihar	5,312	8,465	11,685	18,036
Karnataka	8,078	9,903	11,030	15,294
Maharashtra	8,091	9,674	8,903	12,420
Assam	3,726	5,471	7,966	12,021
Odisha	3,789	5,166	8,166	11,412
Uttar Pradesh	7,175	8,072	8,425	10,812
Madhya Pradesh	5,325	6,043	7,303	9,905
Kerala	2,967	3,839	5,772	6,942
Total Top 10 States	65,654	86,854	107,668	148,440
All India	78,123	105,994	127,223	178,547
Market Share of Top 10 States	84%	82%	85%	83%

Source: SIDBI annual report

Market share of top 10 states in portfolio outstanding is 83% in March 2019. West Bengal contributes 15% of the total portfolio outstanding as on March 2019. Bihar witnessed highest growth at 54% from March 2018 to March 2019.

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