

**TREND AND GROWTH STATUS OF MICROFINANCE IN INDIA - A REVIEW****Dr. D. Amutha**

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Nadu, India.**Abstract:**

Every continent and country have recognised and adopted Micro Finance as an anti-poverty programme. As the Micro Finance movement spreads around the world, more and more groups are offering loans to the needy. Introducing self-employment generation schemes that assist people earn money and become more efficient at earning their own living through microfinance programmes allows small loans to be made to the lowest of the poor. In addition to lending, microfinance programmes offer services such as training and development. Using Self Help Groups (SHGs) and Joint Liability Group (JLG) with banks, Micro Finance is a cost-effective and complementary method of rural credit disbursement that promotes the quick and timely availability of institutional credit in an economical and effective manner and in small funds without an excessive legal and procedural framework. Progress in MFI outreach and extension in India has been impressive. Microfinance and MFI outreach in India are examined in this research in light of this setting. It is found that the trend coefficient was found to be statistically significant for MFI loan disbursed by India. It includes an average MFI Loan Disbursed and MFI disbursed amount increased by 18.51 percent and by 13.92 percent respectively per annum during the study period. Thus, the growth rates are 13.97 percent and 10.85 percent for MFI Loan Disbursed and MFI Disbursed Amount, respectively. In the case of in Bank Loan Disbursed to SHGs, the trend coefficient was found to be statistically significant. It indicates, on average, the quantity in the Bank Loan Disbursed to SHGs that had increased by 6.82 percent annum over the study period. The growth rate is found to be 6.38 percent for India Bank Loan Disbursed to SHGs.  $R^2$  indicates a variation explained by the time variable nearly from 61 percent to 79 percent on the dependent variable. The Indian government and the Reserve Bank of India must take the necessary steps to

keep the microfinance industry growing in India. They also take necessary initiatives to create public awareness of how using microfinance institutions can help them better their economic standing and living standards.

**Keywords:** microfinance, financial services, standard of living, micro-leasing, micro-insurance.

## INTRODUCTION

Microfinance programmes give the working poor access to financial services such as savings and credit (Johnson and Rogaly, 1997). Microfinance is not a panacea that will lift all of its users out of poverty on its own volition. In fact, numerous studies have shown that microfinance has a positive impact on the lives of the poorest members of society (Littlefield and Rosenberg, 2004). According to microfinance's official definition: Providing low-interest loans to the disadvantaged in rural and semi-urban communities in order to help them improve their standard of living. (Sen, 2008).

To help the very or exceptionally poor grow or start a business, microfinance is a development tool that grants or offers financial services and products such as very modest loans, savings, micro-leasing, micro-insurance and money transfer (Kabeer, 2005). Some MFIs provide social intermediation services, such as the construction of groups, the building of self-confidence, and the training of members in that group on financial literacy and management (Ledgerwood, 1999). NGO's, savings and loans cooperatives, credit unions, commercial banks and non-banking financial organisations are just some of the suppliers of microfinance (MF) services.

Entrepreneurs who work for themselves and earn a low income are the main focus of microfinance institutions (MFIs). Examples of these individuals include small farmers, street sellers, hairstylists, rickshaw drivers, and artisan blacksmiths (Ledgerwood, 1999). The purpose of this research is to determine the significance of microfinance and to evaluate the performance of Indian microfinance organisations.

## OBJECTIVES

The objectives of the present study are:

- 1) To study the growth of region-wise status of bank loan disbursed to SHGs in India from 2016-17 to 2020-21.
- 2) To assess the average level and stability of disbursements of MFI loans in India.
- 1) To find out the average level and stability of MFI's disbursed funds in India.

## **METHODOLOGY**

This research is based on empirical evidence. Percentage techniques, linear trend, and compound growth rate were used to analyse the trend and growth of MFI loans in India during 2016 to 2019 periods. Secondary data was gathered through the internet, books, newspapers, journals, and brochures, among other sources.

## **LITERATURE STUDY**

Ukanwa (2017) investigates the causes behind the low returns on microfinance provided by rural African women. There is no rivalry between microfinance institutions to provide loans to impoverished borrowers, subsidies are sufficient, as Mukherjee (2014) examines the policies of the Indian government. Even if it isn't the most important factor.

Kumar Vipin et al. (2015) found that SHGs and MFIs play a critical role in delivering microfinance services to the poor and low-income in India. Many studies have found that SHG members are not graduating in a timely manner, that group functioning is poor, and that members are dropping out of groups. These findings must be taken into account while creating the next phase of the SHG program's road map.

Nikita (2014) originates that for the first time since the start of SHGs BLP in 2012-13, the number of SHGs whose savings are tied to banks decreased. In addition, the investigation found that SHG's loan outstanding grew, resulting in a rise in NPAs. Last but not least, it is discovered that commercial banks make up a disproportionate amount of the agency-wise loans given to MFIs. When it comes to Microfinance, he said that the performance of new programmes should be continually improved.

According to the research of Mahanta et. al. (2012), lending to the poor through microcredit isn't the end of poverty reduction, but rather the beginning of a new age. In addition, activities aimed at increasing organisational capability must be included. The poor and disadvantaged cannot be left to their own devices when it comes to economic and social development by the government. Non-productive assets are being purchased and consumed because of a lack of unique skills among microcredit customers.

A study by Maruthi Ram Prasad, Sunitha, and Laxmi Sunitha (2011) examined the impact of microfinance on the emergency situation in India. Government, banks, non-profits, and others have made significant contributions to the development of the microfinance industry in India. A new generation of micro-credit leaders could be developed in order to boost the establishment of Micro-

Finance Institutions (MFIs) and their contribution to the sector's growth and poverty eradication. Microfinance leaders and policymakers from each Indian state may organise a multi-party working group to discuss ways to improve the policy environment and clear up misconceptions. We must build on a successful model that is being led by one state. We can only begin to restructure India by unleashing the entrepreneurial potential of the underprivileged.

Microfinance's effect on Nigeria's small and medium-sized businesses was examined by Idowu Friday Christopher (2010). Microfinance's influence on small and medium-sized businesses (SMEs) in Nigeria is the primary goal of this study. As part of the research, 100 small and medium-sized enterprises (SMEs) were selected using a simple random selection method. A structured questionnaire was employed to collect data that could be used for analysis. In data presentations and analysis, descriptive statistics with basic percentage graphical charts and representations were tactically utilised.

Although just a handful of the small businesses studied were able to get the necessary funds, the study's findings show the MFIs were able to help many of them nonetheless. An interesting finding is that the majority of smaller businesses credit microfinance institutions (MFIs) with helping them grow their market share, bring new products to market, and gain a competitive advantage in their respective industries. In addition to tax breaks and financial aid, it is suggested that the government endeavour to provide adequate infrastructural resources, such as electricity, a good road network, and educational institutions, to help SMEs in Nigeria.

### **Credit disbursement by Banks**

SHGs improve the equality of status of women as contributors, decision-makers and receivers in the independent, economic, social and cultural domains of life (D Amutha, 2011). Loans to SHGs from banks for the five-year period from 2016-17 to 2020-21 are summarised in Table 1.

**Table 1:**

**Region-wise Status of Bank Loan Disbursed to SHGs (Total loan disbursed in Rs. Lakh/  
Average loan disbursed in Rs. per SHG)**

Region	2016-17		2017-18		2018-19		2019-20		2020-21	
	No. of SHGs	Total Loan Disbursed	No. of SHGs	Total Loan Disbursed	No. of SHGs	Total Loans Disbursed	No. of SHGs	Total Loans Disbursed	No. of SHGs	Total Loans Disbursed

Northern	28961	28421	35017	35721	55,922	62,664	62,905	84,694	67,658	94,045
North Eastern	46567	57414	51800	54038	27,086	29,001	37,807	57,893	68,116	1,03,651
Eastern	82012	67958	69295	55943	9,09,375	11,97,079	11,23,517	17,85,075	11,24,578	14,87,551
Central	106825	148819	128973	155099	85,135	72,199	1,11,074	1,04,249	1,28,617	1,05,428
Western	497063	473172	720444	908950	1,46,674	1,84,565	1,74,218	2,49,327	1,61,159	2,30,331
Southern	1136692	3102332	1255603	3508834	14,74,208	42,86,256	16,36,481	54,84,696	13,37,266	37,86,063
Total	<b>1898120</b>	<b>3878116</b>	<b>2261132</b>	<b>4718587</b>	<b>26,98,400</b>	<b>58,31,763</b>	<b>31,46,002</b>	<b>77,65,935</b>	<b>28,87,394</b>	<b>58,07,068</b>
Mean	316353.3333	646352.6667	376855.3333	786430.8333	449733.3333	971960.6667	524333.6667	1294322.3333	481232.3333	967844.8333
Std. Deviation	438134.34	1214297.69	503746.78	1375401.53	603210.39	1684089.56	683941.74	2158718.03	585692.86	1483947.08

Source: Status of Microfinance in India Report 2020-21, NABARD

The previous record of 26.9 percent of all SHGs having their major source of credit was set in 2018-19. Over the course of the previous year, banks loaned out more money to 2.49 million small and medium-sized enterprises (SHGs) than they had the year before. There was a small overall decrease in the number of SHGs taking out loans in the three North Eastern states of Assam, Nagaland, and Meghalaya in 2018-19, resulting from a decrease in the number of credit-linked SHGs. With 38.6 percent credit linkage, the southern region was followed by the eastern (34.3 percent), western (11.6) and northern (9.1) regions (10.2 percent). Of all the SHGs, just 5.2 percent of those in the northeast had access to financing.

In 2018-19, 26.9 percent of all India levels had a credit tie, compared to 25.9 percent in 2017-18, an increase of one percentage point. Even while bank loans were more readily available in the South and East, only a third of SHGs used bank credit during the year, while bank credit for SHGs was significantly less in the rest of the country. It is clear that the levels of repeat financing in the states in the Northern, North Eastern, Central, and Western regions have fallen, and this calls for banking executives to enhance their focus on SHG Bank linkage programmes at the local level by their corporate and local controlling offices.

For the year 2020-21, the banks gave out a total of \$58070.68 million to 28.87 million SHGs, compared to the previous year's total of \$77659.34 million. There was an 8.5% decrease in loans to SHGs, while the overall amount of loans to SHGs was reduced by a whopping 25 percent. In 2020-21, the Southern Region paid out the most, disbursing Rs. 37860.63 crore to 13.37 lakh SHGs, while the Northern Region paid the least, disbursing Rs. 316.80 crore to 5.32 lakh SHGs (Rs. 940.45 crore to 0.68 lakh SHGs).

In the most recent year, credit disbursement increased in the North, North Eastern, and Central regions, but decreased in the South and East. Some states, such as Chhattisgarh, Bengal, Himachal Pradesh, Jammu & Kashmir, Andhra Pradesh, Karnataka, and Maharashtra, had significant declines. The pandemic's impact is most likely to blame for the decline in the number of cases.

**Table 2**  
**MFI Loan Disbursed (Rs Lakh)**

Particulars	2016	2017	2018	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 Industry	516	485	562	674
Mean	103.20	97.00	112.40	134.80
Std. Deviation	77.38	84.21	104.45	123.98

Source: Micro finance Pulse Report, June, 2019

Table 2 lists the disbursements of MFI loans. As of March 31, 2019, the overall loan portfolio of the microfinance industry stood at Rs.1,78,547 crore, an increase of 40% over the previous year. There are NBFC-MFIs that have a portfolio of Rs. 68,156 crores, accounting for 38 percent of the whole micro-credit business. With a loan amount of Rs. 59,999 crores outstanding, including direct and indirect lending through BC partnerships, banks are the second-largest supplier of micro-credit, accounting for 34% of the total micro-credit universe.

More than 29,000 crores have been borrowed by SFBs with a total of 17% of the market. NBFCs account for 10% of the industry portfolio, and Not-for-Profit MFIs account for 1%. The number

of loans issued by MFIs has steadily increased from 2016 to 2019. NBFC-MFIs accounted for 48.7% of all loans in 2019, down from 41.27 percent in 2016, according to data collected in 2019. Loans from banks accounted for around 27.7 percent of the total. Table 2 also shows that between 2016 and 2019, the average amount of the disbursements of MFI loans was 103.20 lakh in 2016, 97 lakhs in 2017, 112.40 lakh in 2018 and 134.80 lakh in 2019 in India.

**Table 3**  
**MFI Disbursed Amount (Rs. Crores)**

Particulars	2016	2017	2018	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
Mean	35063.67	39840.67	52403.67	71024.67
Std. Deviation	36884.15	42709.20	56425.79	76870.47

**Source: Micro finance Pulse Report, June 2019**

Table 3 displays the MFI's disbursed funds. NBFC-MFIs accounted for around 40% of the overall MFI loan amount issued in 2019, whereas banks accounted for 36% of the total MFI loan amount. Between 2016 and 2019, the loan amount increased significantly (102.56 per cent). Table 3 also shows that between 2016 and 2019, the average amount of the MFI's disbursed funds was 35063.67 crores in 2016, 39840.67 crores in 2017, 52403.67 crores in 2018 and 71024.67 crores in 2019 in India.

The trend and growth of bank loan disbursed to SHGs, MFI loan disbursed and MFI disbursed amount trends by India during the period from 2016 to 2019 are shown in Table 4.

**TABLE 4**  
**Trend and growth of bank loan disbursed to SHGS, MFI loan disbursed and MFI disbursed amount in India during 2016 to 2019**

Particulars	Trend Coefficient	R <sup>2</sup>	

	A	b		Compound Growth Rate in Percent
Bank Loan Disbursed to SHGs	5.39	0.0615*(3.82)	0.61	6.82
MFI Loan Disbursed	6.38	0.1851*(4.87)	0.79	13.97
MFI Disbursed Amount	7.52	0.1392*(4.21)	0.75	10.85

Figures in brackets represent 't' values

\*Significant at 5 percent level.

It is found from Table 4 that the trend coefficient was found to be statistically significant for MFI loan disbursed by India. It includes an average MFI Loan Disbursed and MFI disbursed amount increased by 18.51 percent and by 13.92 percent respectively per annum during the study period. Thus, the growth rates are 13.97 percent and 10.85 percent for MFI Loan Disbursed and MFI Disbursed Amount, respectively.

In the case of in Bank Loan Disbursed to SHGs, the trend coefficient was found to be statistically significant. It indicates, on average, the quantity in the Bank Loan Disbursed to SHGs that had increased by 6.82 percent annum over the study period. The growth rate is found to be 6.38 percent for India Bank Loan Disbursed to SHGs.

$R^2$  indicates a variation explained by the time variable nearly from 61 percent to 79 percent on the dependent variable.

## CONCLUSION

For poor and low-income people living in developing countries like India, microfinance serves as an essential tool for economic advancement. It has been a focus for both national and international development since the 1990s. In this context, the government has taken a number of actions. A growing body of research shows that microfinance may be a powerful tool for reducing poverty and fostering social and economic progress. As a result, microfinance can play a critical role in improving the lives of the impoverished.

There is a direct correlation between the availability of financial services and a country's economic growth. When it comes to financial services for low- and moderate-income people, "microfinance" refers to a variety of options that are available to the unbanked and underbanked. An economy's investment potential is enhanced by a well-functioning financial system. The government of India



must therefore focus on extending financial services to rural and urban areas in order to promote long-term and inclusive growth.

Microfinance institutions in rural India have been operating over the past two decades. For India's microfinance industry to continue expanding, the national government and the Reserve Bank of India must take the appropriate steps. The governments of the concerned states also take the required steps to raise public knowledge of the benefits of using microfinance institutions to increase their economic standing and improve their standard of living.

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