A PROJECT REPORT ON

"A STUDY ON MICRO FINANCE AND IT'S GROWTH IN INDIANRURAL SECTOR"

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Banking and Insurance)

Under the Faculty of Commerce

By

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Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024.

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CERTIFICATE

This is to certify that **MR.__________________________________**has worked and duly completed his Project work for the degree os Bachelor in Commerce (Banking and Insurance) under the Faculty of Commerce in the subject of Banking and his project is entitled, **"*A STUDY ON MICRO FINANCE AND IT'S GROWTH IN INDIAN RURAL SECTOR*"**. Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission

DECLARATION

I the undersigned **MR.** here by, declare that the work embodied in this project work titled **“”**, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

(GAURAV.A.RAI)

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

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To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

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INTRODUCTON

INTRODUCTION

1.1 MEANING OF MICROFINNANCE:

Microfinance is a Banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financialservices.
Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices.

Microfinance Bank (MFB) is any company licensed by the Central Bank of Nigeria CBN to carry on the business of providing financial services such as savings and deposits, loans, domestic funds transfer and non-financial services to microfinance clients.

The modern use of the expression "microfinancing" has roots in the 1970s when Grameen Bank of Bangladesh, founded by microfinance pioneer Muhammad Younus, was starting, and shaping the modern industry of microfinancing.

- The Majority of microfinancing operations occur in developing nations, such as Uganda, Indonesia, Serbia, andHonduras.

- Like conventional lenders, microfinanciers charge interest onloans and institute specific repayment plans.

- The World Bank estimates that more than 500 million peoplehave benefited from microfinance-related operations.

- Microfinance loans are small loans granted to micro enterprises by financial intermediaries on the basis of theborrower’s cash flow.

The concept of microfinance refers to provision of financial services to the poor through credits & deposits. The microfinance in India is gaining momentum for sustainable development.

Microfinance is taken as an important tool for poverty alleviation & livelihood for the poor. It is also taken as a method for financial inclusion to improve sustainable development in the country.

The innovation brought by Dr. Mohammad Yunus at Bangladesh which is currently existing as Grameen Model as created awareness to many countries & especially in India to make it as a way of eradicating poverty. The microfinance sector is currently undergoing into huge innovations & claiming to be an emerging sector especially creeping into the concept of financial inclusion

In early 1980"s, the existing banking policies, procedures & systems were not suited to meet the requirements of poor. For borrowings poor people usually resort to unorganized sector. NABARD recommended that alternative policies, systems & procedures should be put in use to save the poor from the clutches of moneylenders. Thus, micro-finance was introduced in banking sector.

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers & insurance to the poor & low-income households & their micro-enterprises. Microfinance is defined as "Financial Services (savings, insurance, fund, credit etc.) provided to poor & low- income clients so as to help them raise their income, thereby improving their standard of living".

Micro-financing is regarded as a tool for socio-economic up-liftman in a developing country like India. It is expected to play a significant role in poverty alleviation & development. Mohammed Yunus was awarded the Noble Prize for application of the concept of microfinance, with setting up of the Grameen Bank in Bangladesh. Micro credit &microfinance is different. Micro credit is a small amount of money, given as a loan by bank or any legally registered institution, whereas, Microfinance includes multiple services such as loans, savings, insurance, transfer services, micro credit loans etc.

Microfinance provides tools that the poor can use to manage their finances better. Micro-credit specifically can improve customer liquidity, financial resilience, and occupation choices. Access to microfinance services is an essential step in improving financial health and the incomes of the poor. The traders would lend the women the funds they needed with one stipulation: They would sell the stools at a price only slightly higher than the cost of the raw materials.

Micro finance is the provision of loans and other financial service to the poor. The microfinance evolved due to the efforts of committed individual and financial agencies to promote self - employment and contribute to poverty alleviation and provision of social security.

India has been able to develop its own model of microfinance organization in the form of saving and credit groups known as the self-help group (SHGs), which are linked this SHGs are mainly formed and managed by women and this has become and instrument, which has lead to woman's empowerment and social changes most of the microfinance institution in India attempt to go beyond saving and credit groups provide microfinance services in the form of saving and insurance.

Microfinances provide financial service those whose income is small unstable. These people are in need of credit facility several reasons.

1. There needs are small and arise suddenly.

2. The institutional providers of finance namely the bank demand collateral security which they cannot provide.

3. Most of time, they are in need of fund to meet their consumption demands, for example, to meet expenses related to education, illness funerals wedding for which it is difficult to obtain instructions finance.

4. For purpose of investment in income generating activities.

The most important finding in the last to dictate in the world of finance did not come from the world of the rice or the relatively well-off more important than the hedge fund of the liquid yield option note was the finding that who the poor can save, can borrow or can event diced to give ion to fellow poor how can they certainly repay loans. This is the world of microfinance.

It is important to understand that the concert of microfinance is not new. the precedence for microfinance lies in the numerous traditional and informal system of credit that have existed in developing economies for centuries long before modern, western-based commercial banking came into the picture. many of current microfinance practices in fact derive from community based mutual credit transaction.

Microfinance is important because it provides resources and access to capital to the financially underserved, such as those who are unable to get checking accounts, lines of Credit, or loans from traditional.

1.2 MICROFINANCE DEFINATION:

Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. it covers a range of services which include, in addition to the provision of credit many other services such as saving insurance, money transfer counselling, etc. Reserve bank of India.

Asian Development Bank defines Microfinance as the provision of broad range of services such as savings, deposits, loans, payments, services, money transfers & insurance to the poor &low- income householders & their micro enterprises.

Microfinance Development Regulation Bill defines Microfinance as the provision of financial services & insurance services to an individual or an eligible client directly or through group mechanism for an amount not exceeding fifty thousand in aggregate per Individual for small &tiny enterprise, agricultural, allied activities or an amount not exceeding one lakh fifty thousand aggregate per individual for housing or other prescribed purpose.

A lot of empirical research hasn’t been conducted on micro finance, collating information for the same was a tedious and time-consuming task as a lot about the said topic isn’t available online • Analysis of financial statements was tedious and time consuming and collecting of relevant data was difficult as the topic is vast and one research project cannot do justice toit.

- Case study is based on only one region of India, and this shouldn’t be considered as a metric of micro financing.

1.3 ADVANTAGES OF MICROFINANCE:

The most important function of microfinance in India is to provide small business owners with access to money. As was already said, microfinance in India offers access to loans, insurance, and savings accounts. By providing them with loans, the microfinance philosophy focuses on women as well.

Microfinance can be defined as a banking service dispensed to low-income individuals or groups as well as unemployed people who generally do not have access to financial services. It also refers to the credit or loans that are provided to the small and micro enterprises for the growth and expansion of their business by scaling up their operations at the same time.

Many microfinance institutions also provide additional services such as savings accounts, chequing accounts, and even micro-insurance services., and business and financial education. This promotes financial inclusion in the economy and also helps in economic and social growth in the country.

- providing immediate funds
- Access to credit.
- Better rates for Loan Repayment.
- Provides for those who go unnoticed.
- An opportunity to receive education.

- Possibility of future investments increases.
- Creation of Real Jobs.
- Significant Economic Gains

Microfinance companies primarily benefit the low-income group and the underprivileged section of the society. Providing easy funds without the collateral is one major highlight of this business model. They are onlyeligible to give the credit up to Rs. 50,000 and Rs. 1, 50,000 to people from rural and urban areas. Microfinance companies objectively aid people from low- income groups by providing them credit through relaxed provisions. Microfinance Company can be formed through the following business models:

Microfinance company there is no way these firms can alter the interest rate or any other services parameter without the permission of RBI. They are liable to execute their business activities under prescribed guidelines. RBI approves the application for registration of microfinance companies and the applicant has to furnish plenty of documents for this purpose. Now let’s move to the next section i.e. Advantages and Disadvantages of Microfinance Company.

Advantages of Microfinance Company:

Collateral- Free Loans

Most of the microfinance companies seek no collateral for providing financial credit. The minimum paperwork and hassle-free processing make them a suitable option for quick fundraising.

Disburse Quick Loan Under Urgency

The financial crisis is inherently unpredictable as it could creep up at any point in time without intimating anybody. Thanks to microfinance companies that can provide secure and collateral free funds to an individual in the demanding situation to meet their financial need.

Help People to Meet Their Financial Needs

The renowned financial institute provides unparalleled services when it comes to loans or credit. But the worst part is that they are not accessible to low-income groups. Microfinance companies, however, offer different proposition altogether. They are dedicated to serving a poor and unemployed individual by providing them easy financial credit.

Provide An Extensive Portfolio of Loans

Microfinance companies are not only limited to providing emergency credit but also capable of disbursing housing loans, business loans, and working capital loans with minimum formalities and processing.

Promote Self-Sufficiency and Entrepreneurship

Microfinance companies can provide much-need funds to an individual for setting up a healthy business that seeks minimum investment and offers sustainable profit in the longrun. Thus, these companies ensure entrepreneurship and self-sufficiency among the lower-income group.

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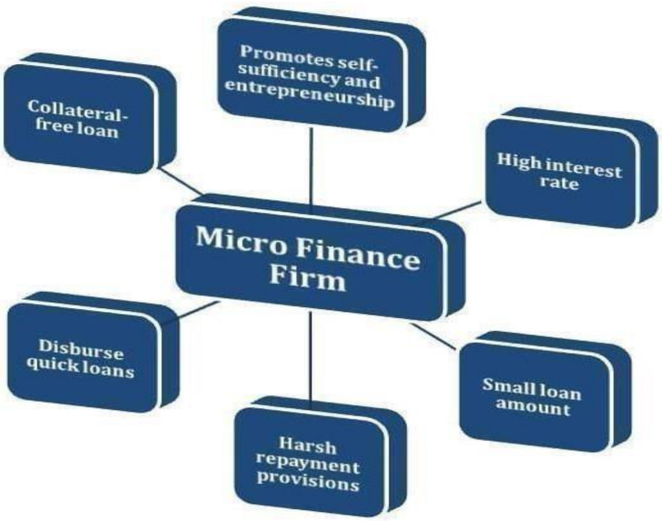

1.4 DISADVANTAGE MICROFINANCE

The main problem of microfinance are the microfinance sector gives loans without collateral, which increases the risk of bad debts. Fast-paced growth needs proper infrastructural planning, in which the Indian microfinance sector evidently lacks.

Most Microfinance Institutions charge a very high rate of interest (12-30%) when compared to commercial banks (8-12%). The regulatory authority RBI issued guidelines to remove the upper limit of 26% interest on MFI loans.

Most microfinance institutions function as registered Non-Governmental Organizations (NGOs), they are dependent on financial institutions such as commercial banks for stabilized funding to carry out their own.

- Most intervention have impacts beyond the individual.
- Difficulties of disaggregating group impacts and impacts on relations.
- Much microfinance is used for other enterprise and /or comgunsion.
- Links between enterprise performance livelihoods need careful validation.
- Sometime expect membership difficult to gauge.
- The assumption that what is good for a household in aggregate isgood all of its member individually is often invalid.

- Quantitative data is difficult to gather.

- Traditional bank lack full and deep understanding of microfinancemarket they also tend to keep microfinance portfolio relatively small.

- Banks tend to apply the standard credit instrument for micro-lenders which are inappropriate in most of cases.

- Large bureaucratic bank that pressure conservative business mightburden microfinance policy thus hindering their success.

The growth-share matrix once was used widely but has since faded from popularity as more comprehensive models have been developed. Some of itsweaknesses are Market growth rate is only one factor in industry attractiveness, and relative market share is only one factor in competitive advantage.

The growth-share matrix overlooks many other factors in these two important determinants of profitability. The framework assumes that each business unit is independent of the others.

In some cases, Microfinance business unit that is a "dog" may be helping other business units gain a competitive advantage. The matrix depends heavily upon the breadth of the definition of the market. A business unit may dominate its small niche but have very low market share in the overall industry. In such a case, the definition of the market can make the difference between a dog and a cash cow. While its importance has diminished, the BCG matrix still can serve as a simple tool or viewing a corporation’s business portfolio at a glance and may serve as a starting point for discussingresource allocation.

- **Harsh Repayment method**

  Microfinance companies adopt a harsh repayment method in absence of legit protocol and compliances. As these companies work with strict compliances, they can manipulate their customers for repayment.

- **Small loan amount**

  Microfinance companies offer small loan amount unlike other financial institutions who provide big loans.

- **High interest rate**

  Another concern is that they were not able to render low interest- based loans. Therefore, the operating cost per transaction is too high for them despite high volume of transactions.

According to the Bharat Microfinance Report, microfinance "through MFIs"is servicing 43 million accounts. About 85% of the accounts serviced with 83% gross loan portfolio are being serviced through NBFC MFIs.

NBFCs and NBFC MFIs are directly regulated by RBI for microfinance operations where the quantum of overall lending to the borrower, the number of providers for each borrower, rate of interest, additional chargesare stipulated by RBI. In simpler term, a borrower can be a member of oneself Help Group or Joint Liability Group; the borrower can borrow up to Rs 1,25,000 from 2 NBFC MFIs as a member of Self-Help Group or Joint Liability Group or in his individual capacity.

The rate of interest is also calculated as per quarterly calculations of RBI; processing fees and loan protection insurance premium can be charged from the borrowers. Stipulations are through "Qualifying Asset" norm of RBI for the microfinance sector.

In the microfinance sector, NBFC/NBFC MFIs and u/s 8 companies are qualified, by virtue of the definition of "credit institutions" of Credit Information Company (Regulation) Act to upload the borrower level data on Credit Information Bureau. Till this point, the industry seems very appropriate and apt.

Reality of the sector and predominant challenges

The devil is in the details. Indian microfinance is extremely complex. There are different legal forms active in the markets i.e. Banks (commercial, Cooperative Banks, RRBs, SFBs, etc), NBFCs, NBFC MFIs, U/S 8 companies, societies, trusts, cooperatives etc. NBFC and NBFC, MFIs are "For Profit" segment and U/S 8 companies, societies, trusts, cooperatives are "Not for Profit" segment.

There are diverse models, Self Help Groups, Joint Liability Groups, Individual, Limited Liability JLGs, etc. There is no uniform regulation for the microfinance sector, NBFC and NBFC MFIs are directly regulated for microfinance operations; u/s 8 companies are finance. Companies operate with the special dispensation of not to register with RBI; Societies, Trusts, Cooperatives Societies are guided by different acts as per their registration, however, follows all the norms meant for NBFC MFIs to access bank finance, especially Priority Sector Lending; banks are regulated but do not come under the direct regulation for microfinance operation i.e. do not have to follow the guidelines for NBFC and NBFC MFIs.

Despite agencies with different legal forms having financial operations, only NBFCs NBFC MFIs and Banks (cooperative banks are not submitting microfinance portfolio) are entitled to upload borrower level data on CIBs. Point to be noted over here all these institutions are working in the same geographies and the poor people can be a member of all of these groups.

Probable over lending

First, possible over-lending by the banks as they, though catering the same poor population, but do not have to follow the guidelines of RBI for NBFC and NBFC MFIs. The Not-for-Profit MFIs are also not under direct regulations still considering the capacity of them, they do not have resources for a bigger amount and cross the limit. The question here is if the borrowers in RBI stipulated income category and by considering their repayment capacity the lending to them has been restricted, then why the banks (also other non-NBFC MFIs) are kept open for investment in the same category of the population with a larger amount, which is defeating the RBI's effort to protect the poor borrowers from overconsumption.

There´s not much research done on the actual effectiveness of microfinance as a tool for economic growth. Some argue that there´s so much focus on microfinance which will motivating less spending in other helping assistances as public health, welfare, and education. Some are doubting microfinance really have that impact on poverty as the practioners would submit. Other describes micro crediting as a privatization of public Safety Net programs. There´s also some microfinance institutions charging excessive interest rates.

Questions against the Grameen Bank was raised in a Wall Street Journal article. It was regarding the repayment rate, collection methods and questionable accounting practices.

Studies of microcredit programs have found that women often act as collection agents for their husbands and sons, such that the men spend the money themselves while women are saddled with the credit risk. Some borrowers have become dependent on loans for household expendituresrather than capital investments.

1.5 MICROFINANCE TYPES

While institutions participating in the area of microfinance most often provide lending micro loans can range from as small as $100 to as large as
$25,000 many banks offer additional services such as checking and savings accounts as well as micro-insurance products, and some even provide financial and business education.

Types of microfinance Institutions in India

1. ***Joint liability Group***

This is generally a small, informal group of 4-10 people who seek loans on the basis of mutual assurance. The loans are typically used for agriculture or related operations. This group of debtors includes farmers, rural laborers,and renters.

Each member of a JLG is equally liable for the timely repayment of the loan. Because it is basic in nature, this entity does not require any financial administration. However, one of the structure's major flaws is personal preferences in credit lending, which has resulted in the system's partialfailure.

The legitimacy of the Joint Liability Group model has recently gotten a boost thanks to several promotional measures conducted by institutions like Indian Bank, Karur Vysya Bank, and Indian Overseas Bank (The Hindu, 2016). It is still remembered as a watershed moment in the fight to defend farmers' land ownership rights.

2. Self-help Group

A Self-Help Collection is a group of people from similar socioeconomic circumstances who get together to help one other. These small company owners band together for a limited time to form a shared fund for their mutual business requirements.

These organizations are classed as non-profits. The debt collection is handled by the organization. This type of cooperative financing does not necessitate the use of collateral. In addition, borrowing rates are often cheap. Several banks have formed partnerships with SHGs in order to increase financial inclusion in the country's rural areas.

One of the most important is the NABARD SHG linkage program, which allows numerous self- help groups to borrow money from banks if they can show that their borrowers have made regular payments.

3. Grameen bank model

Nobel Laureate Prof. Muhammad Yunus developed the Grameen Model in Bangladesh in the 1970s. Regional Rural Banks (RRBs) have been established in India as a result. The main purpose of this strategy is to boost the rural economy from start to finish. In India, however, SHGs have done better as MFIs than Grameen Banks.

However, in India, this approach has not been completely implemented since rural credit and recovery systems are a major issue. These regional banks also failed due to a large volume of non-performing assets (Shastri, 2009). Self Help Groups have fared better than this approach since they are more suited to India's population density and significantly more sustainable (Dash, 2013).

4. Joint Liability Group (JLG)

A joint Liability Group can be explained as an informal group consisting of 4-10 individuals who try to avail loans against a mutual guarantee from banks for the purpose of agricultural and allied activities. This category generally consists of tenants, farmers and other rural workers. They work primarily for lending purposes.

Although they also offer a savings facility. In this type of institution, every individual of a borrowing group is equally liable for the credit (Singh, 2010). This kind of institution is simple in nature and requires little or no financial administration (UBI, no date).

However, one of the serious problems of this structure is personal preferences in lending credit which resulted in a partial failure of the system. Of late due to various promotional initiatives taken by banks such as Indian Bank, Karur Vysya Bank and Indian Overseas Bank, the credibility of the Joint Liability Group model has received a boost (The Hindu, 2016). It still remains a landmark movement in the area of protection of farmers' land ownership rights.

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6. Self Help Group (SHG)

Self Help Group is a type of formal or informal group consisting of small entrepreneurs with similar kind of socioeconomic backgrounds. Such individuals temporarily come together and generate a common fund to meet the emergency needs of their business. These groups are generally non-profit organizations. The group assumes the responsibility for debt recovery. The advantage of this microlending system is that there is no need for collateral. Interest rates are also generally low and fixed especially for women (Chowdhury, 2013; Business Standard, 2017). In addition, various tie-ups of banks with SHGs have been implemented in the hope of better financial inclusion in rural areas (Jayadev and Rao, 2012).

One of the most important ones is the NABARD SHG linkage program where many self- help groups can borrow credit from banks once they successfully present a track record of regular repayments of their borrowers. It has been very successful, especially in Andhra Pradesh, Tamil Nadu, Kerala and Karnataka during the year 2005-06. These states received approximately 60% of SGH linkage credit (Taruna and Yadav, 2016)

7. The Grameen Bank Model

The Grameen model was introduced by the Nobel laureate Prof. Muhamma Yunus in Bangladesh during the 1970s. It has been widely adopted in Indi in the form of Regional Rural Banks (RRB). The goal of this system has been the overall development of the rural economy which generally consists of financially backward classes. But this model has not been fully successful i India as rural credit and system of recovery are a real problem. A huge amount of non- performing assets also led to the failure of these regional bank (Shastri, 2009). Compared to this model.

Self Help Groups have been more successful as they are more suited to the population density of India and far more sustainable (Dash, 2013).

Rural Cooperatives

Rural Cooperatives in India were set up during the time of independence by the government. They used the mechanism to pool the resources of people with relatively small means and provide financial services. Due to their complex monitoring structure, their success has been limited. In addition, this system only catered to the credit-worthy individuals of rural areas, not covering a large part of the country’s financially backward section (Rajendran, 2012).

	Joint Liability Group	Self Help Group	Grameen Bank Model	Rural Cooperatives
Size	5-10 members per group	10-20 members per group	Starts with only 2 members per group in a village, and eventually increased after the loan is successfully repaid	70-80 members per group
Services	Generally lending only, irrespective of the savings amount	Regular savings in deposit accounts with the financial institutions.	Savings and deposits to extremely poor sections of the society for business, health and housing	Primarily lending services for agricultural purposes

Structure	All members interact with the financial institution individually	More formal with defined positions in each group like treasurer and secretary	A formal structure consisting of a Unit Manager, Field Manager, etc. Who interacts with every family in a village	All members interact with the financial institution jointly

8. Microcredit

Microcredit is a part of the larger microfinance industry which focuses on providing individuals having low income with credit, savings, insurance and other possible financial services. The term micro in micro credit indicates the small amount of money that the businesses borrow or save. The institutions offering microcredit may ask for different interest rates than the traditional loan providing institutions.

The reason behind this can be the difference between the cost of providing small loans in rural areas and the cost of providing large loans in developed urban areas. Individuals with low income in rural areas may require a small amount of money through microcredits. For example, a farmer may require small funds to buy seeds for the season. In this case, the microcredit institutions can offer the farmer small lines of credit and small loans.

1.6 MICROFINANCE PROCESS

Microfinance is the process of providing financial services such as loans, savings, etc. at a micro level or small scale to individuals with little or no income. A microfinance loan passes through various stages or events from the moment it is given till the time it is repaid. Based on the geo-economic information about his region (typically a district or mandal) and various towns and villages, MFI approach favourable village.

Village Appraisal

- Then MFI visits the village &tries to gather first-hand information about the population of that village, their religion, cast, type of trades,skills, financial states, their needs.

Selection of Village

- Conducts a survey to evaluate potentiality for the operationsin the village, some key parameters are total population, povertylevel, accessibility, political stability & safety.

Group Formation

- After selection of village, interested women form self selected four to six member groups to serve as guarantors for each other. This process is called Group Formation. Training of Borrowers When formed group meets the minimum requirements, it begins Compulsory Group Training program designed to educate clients on the processes and procedures of microfinance loans and build a culture of credit discipline.

Scrutiny and Underwriting

- Customer details, their business and their earning capacity are scrutinized and judged to access repaying capacity.

Financial Transactions

- Collection meetings are held on a weekly/monthly basis by Field Assistants to conduct all financial transactions. In addition, clients use the weekly meetings to discuss new loan applications, loan utilization and community issues.

Near Mandatory Insurance

- Insurance products are sold to cover death, accident or health of group member, member's spouse and children. Microentrepreneurs (the self- employed poor) have little access to the formal financial system in developing economies. At best, formal financial institutions reach the top 25 per cent of the economically active population, which leaves the bottom 75 per cent without access to formal financial services. In 1997, it was estimated that 200 million poor households needed access to microfinance services in the Asia-Pacific region.

- Microfinance institutions have grown rapidly to try to meet this demand. However, their outreach remains very small compared with the demand = less than 5 per cent of those 2-million poor households had access to microfinance services. Similarly, very few institutions involved in microfinance are profitable. It was estimated that less than 10 per cent of all MFIs in the region were financially self- sufficient.

- Nevertheless, this region houses six of the current microfinance ogiants, each of which now has over a million clients: Grameen Bank in Bangladesh, Bangladesh Rural Advancement Committee (BRAC), the Association for Social Advancement (ASA) in Microfinance in India operates primarily through two channels: SHG-Bank Linkage Programme (SBLP) - This channel was initiated by NABARD in the year 1992. This model encourages financially backward women to come together to form groups of 10-15 members.

Meaning of microfinance:

Microfinance is a category of financial services targeting individuals and small businesses. who lack access to conventional banking and related services. Microfinance includes microcredit, the provision of small loans to poor clients; savings and checking accounts; microinsurance; and payment systems, among other services. Microfinance services are designed to reach excluded customers, usually poorer population segments, possibly socially marginalized, or geographically more isolated, and to help them become self-sufficient. ID Ghana is an example of a microfinance institution.

Microfinance initially had a limited definition: the provision of microloans to poor entrepreneurs. Financial services to such clients were: relationship- based banking for individual entrepreneurs and small businesses; and group- based models, where several entrepreneurs come together to apply for loans and other services as a group. Over time, microfinance has emerged as a larger movement whose object is: "a world in which as everyone, especially the poor and socially marginalized people and households have access to a wide range of affordable, high quality financial products and services, including not just credit but also savings, insurance, payment services, and fund transfers."

Proponents of microfinance often claim that such access will help poor people out of poverty, including participants in the Microcredit Summit Campaign. For many, microfinance is a way to promote economic development, employment, and growth through the support of microentrepreneurs and small businesses; for others it is a way for the poor to manage their finances more effectively and take advantage of economic opportunities while managing the risks. Critics often point to some of the ills of micro-credit that can create indebtedness. Many studies have tried to assess its impacts. New research in the area of microfinance calls for better understanding of the microfinance ecosystem so that the microfinance institutions and other facilitators can formulate sustainable strategies that will help create social benefits through better service delivery to the low-income population.

Internal control system planning depends on the typologies of the activities that are implemented and, therefore, on the number of prods cuts and services they offer and on the human resources that are used; for each product/service there is generally a process that involves operating units to which are assigned tasks and responsibilities. Therefore, in order to define the best control system, it is necessary to identify the structural and process components and the existing relationship between them, especially in terms of information and reporting management system.

The control system is actually an instrument of active monitoring of operations and management and, consequently, it is not only configured as a control instrument, but also as a governance instrument. The internal control system also systematizes the complexity of the institution by controlling. Microfinance, also called microcredit, is a type of banking service provided to unemployed or low- income individuals or groups who otherwise would have no other access to financial services.

While institutions participating in the area of microfinance most often provide lending— microloans can range from as small as $100 to as large as $25,000— many banks offer additional services such as checking and savings accounts as well as microinsurance products, and some even provide financial and business education. The goal of microfinance is to ultimately give impoverished people an opportunity to become self-sufficient.

Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions.

Despite being excluded from banking services, however, those who live on as little as $2 a day do attempt to save, borrow, acquire credit or insurance, and they do make payments on their debt. Thus, many poor people typically look to family, friends, and even loan sharks (who often charge exorbitant interest rates) for help.

Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of microfinancing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and Honduras. Many microfinance institutions focus on helping women in particular. Microfinancing organizations support a large number of activities that range from providing the basics like bank checking and savings account to startup capital for small business entrepreneurs and educational programs that teach the principles of investing. These programs can focus on such skills as bookkeeping, cash-flow management, and technical or professional skills, like accounting.

Unlike typical financing situations, in which the lender is primarily concerned with the borrower having enough collateral to cover the loan, many microfinance organizations focus on helping entrepreneurs succeed. In many instances, people seeking help from microfinance organizations are first required to take a basic money-management class. Lessons cover understanding interest rates, the concept of cash flow, how financing agreements and savings accounts work, how to budget, and how to manage debt.

Once educated, customers may apply for loans. Just as one would find at a traditional bank, a loan officer helps borrowers with applications, oversees the lending process, and approves loans. The typical loan, sometimes as little as$100, may not seem like much to some people in the developed world, but for many impoverished people, this figure often is enough to start.

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services.en.wikipedia.org/wiki/Microfinance.

Refers to institutions that specialize in making very small loans to very poor persons in developing countries. Instead of using collateral to assure repayment, these lenders harness social pressure within the borrower's community.
...wwwpersonal.umich.edu/~alandear/glossary/m.html.

The provision of small loans (microcredit) to poor people to help them engage in productive activities or grow very small businesses. The term may also include a broader range of services, including credit, savings, and insurance.www.pbs.org/web/rxforsurvival/glossary.html. The main idea seems straightforward: micro = really small, so microfinance is financial service in small amounts for poor people. The last definition, from PBS, adds a twist: a reference to the lender's purpose---to support microenterprise. That's a vestige of the term's evolution. In 1971, Intel released the first microprocessor, the 4004. (There followed the 8008, the 8080, the 8086 and 8088, the 80286, 80386, the 80486...then the branded Pentium series.)

The provision of small loans (microcredit) to poor people to help them engage in productive activities or grow very small businesses. The term may also include a broader range of services, including credit, savings, and insurance.www.pbs.org/web/rxforsurvival/glossary.html. The main idea seems straightforward: micro = really small, so microfinance is financial service in small amounts for poor people. The last definition, from PBS, adds a twist: a reference to the lender's purpose---to support microenterprise. That's a vestige of the term's evolution. In 1971, Intel released the first microprocessor, the 4004. (There followed the 8008, the 8080, the 8086 and 8088, the 80286, 80386, the 80486...then the branded Pentium series.)

By 1973, "microprocessor" had appeared in the American newspaper of record, and around then, I think, "micro-" gained currency. Jeff Ashe told me that it was a volunteer for Action’s program in Recife, Brazil, named Bruce Tippet who in 1974 coined the term "microenterprise" or "microbusiness" to describe informal businesses run by poor people. Accionlent money to the microenterprises in Recife, leading to the phrase "microenterprise credit." Much later (does anyone know the history?) came the term "microcredit.

Hans Dieter Seibel says that he coined "microfinance" in 1990 to signify the conceptual expansion beyond credit to savings and insurance. But through much of the 1970s and 1980s, what we call "microcredit" was termed "microenterprise credit. “I think most knowledgeable people in the world microfinance (however defined) have moved beyond the equation of microcredit with enterprise. (Alas Kiva's web site hasn't: ever borrower there is an "Entrepreneur.") It is widely recognized that poor people use credit for many things besides investment, that this is often a good thing, and that money is so fungible that you can't really tell people what to do with it anyway. At any rate, I am not confused on this point: microfinance should not be defined by the lender's purpose. But here's a bigger source of confusion, a circa-2000 tally of accounts at "Alternative Financial Institutions," which generally aim to serve people too poor to interest commercial banks: GAP Double Bottom Line report summary table The "MFIs" heading on the first data column stands for "microfinance institutions." This study by Robert Christen and Rich Rosenberg opened a lot of eyes to a wider terrain of financial services for the poor.

There are postal banks and state agricultural banks and credit cooperatives and credit unions and more. In assembling the data set behind these totals, Bob and Rich confronted questions of taxonomy. They had to group institutions and label the groups. The results of their labors force two questions: Is "microfinance" narrower than "financial service in small amounts" after all? If so, what distinguishes microfinance? Some possible answers to the second question: Microfinance is non-governmental and non-profit. Except not. The biggest institution generally considered to be doing microfinance, BRI, was government- owned at the time of its ascent and is now privatized and for-profit.

Microfinance works with groups of people, not individuals...except there is such a thing as individual microfinance. That's what BRI does, and lots of Latin American MFIs do it too. Microfinance clients are poorer. Could be but do know that clients of all the other kinds of institutions are better off? In fact, by and large, microfinance clients are themselves not the poorest of the poor. Microfinance institutions operate in a business-like way. Even non- profit MFIs strive to cover their costs. But lots of MFIs are losing money. And in many cases, this is by design. Charities often subsidize their microcredit operations to hold interest rates down or compensate for the inefficiencies of small programs.

Let me head off some criticisms before I continue. First, people can define words however they want. I'm not interested in arguing over the true meaning of "microfinance" or criticizing how anyone uses it. Second, what dictionaries or reflecting humans mean by a word can differ from what it means in practice, when people allocate funds, perform analysis, write regulations, convene conferences. I'm interested in what the term tends to mean in practice. My book is about whether microfinance works; I'd like to pin down what I'm talking about and what readers think I'm talking about. Third, defining words is not judging approaches.

I can exclude some method of providing financial services from my definition without denigrating that method. Here’s how Bob and Rich defined microfinance in their study, in 2004: This paper uses "microfinance institution" and "MFI" narrowly, referring to NGOs [nongovernmental organizations], non-bank financial institutions (NBFIs), and commercial banks that specialize in microfinance, as well as separate microfinance programs in full-service banks. "Microfinance" as used in this definition refers to financial services designed for lower income clients using the new delivery methodologies developed during the last twenty- fiveyears.

Pragmatic but unsatisfying, because it begs the question of what distinguishes those methodologies. Here's the clearest typology I've found, from the CGAP Financial Access report: Commercial Banks with a full banking license. In some countries, the term "universal banks" or other terms may be used. Majority government- and state-owned banks should be included in this category to the extent that they perform a broad set of retail banking functions and are regulated and supervised in the same manner as privately owned banks. Cooperatives, credit unions, and mutuals financial institutions that are owned and controlled by their members (customers), regardless of whether they do business exclusively with their members or with members and non-members.

Specialized state financial institutions Specialized state-owned institutions are extensions of the government whose main purpose is to lend support to economic development and/or to provide Microfinance Institutions whose primary business model is to lend to (and possibly take deposits from) the poor, often using specialized methodologies such as group lending.

This seems reasonable. But it's interesting that BRI, which Marguerite Robinson says led the "microfinance revolution," is not a microfinance institution in in the CGAP classification but a commercial bank. Evidently a lot of microfinances is done by non-microfinance institutions. My best shot at defining microfinance? I'll take two: Provision of financial services to the poor in ways that depend on outsiders, especially socially motivated ones, for finance and advice. The first definition resonates with the "business model" phrase in the CGAP typology.

Self-sufficiency, the broad thrust of the movement has been to cover most costs through interest charges in order to scale up.

This is what makes the large MFIs so unusual in the spheres of foreign aid and international philanthropy. Last Thursday in Uruguay, at the opening plenary of the formic conference, I offered a version of my second definition. I'm not sure it went over very well.

But I think there's something to it. It seems that a money-losing NGO making small loans to groups of poor people is doing microfinance, while a money- losing Chinese government program making small loans to groups of poor people is not? As far as I can tell, when most people say "microfinance" they are thinking of something like the first, not the second. What is the key difference? I wonder whether it is that the NGO must raise money from outsiders, probably foreigners. BRI didn't raise money from the west, but it took a lot of advice, paid for by the U.S. government and provided by the Harvard Institute for International Development.

Roughly speaking, under this definition, microfinance is what microfinance investment vehicles invest in. It is what Kiva users lend for.

It tends to include Village Savings and Loan Associations, because these are organized by Oxfam or Care or CRS, but not the quite-similar informal groups that form without outside help. And "microfinance," so defined, is the class of interventions for which the impact debate matters, the class for which it is most important to ask: does it work? Outsiders do not generally ask whether informal savings groups or commercial banks "work" in the sense of increasing development. Basically, it's none of their business. But microfinance is their business. Again, I'm just trying to find the pattern in how people use this word, not defend it. What do you think? Disclaimer

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Features of Microfinance

Here are some features of microfinance that can help you gain a better understanding ofthis topic:

Collateral requirement:

The major feature of the lines of credit and loans under microfinance is that collateral is rarely required. Many microfinancing institutions offer collateral-free financial services to businesses and individuals.

Economic status of borrowers:

Generally, the borrowers in microfinance are small businesses or individuals with low income. The purpose is to provide financial assistance to people who do not have access to easy banking solutions and small businessmen or entrepreneurs.

Amount of loans:

Microfinancing institutions usually provide lines of credit and loans in smaller amounts. The amount may vary depending on factors like the type ofbusiness and the location.

Loan tenure:

The tenure of the loans under microfinance is usually short as an individual can repay the amount in smaller instalments. The borrowers repay the amount of the loan within the time period that micro- financing institutions decide. Microfinance loans are for small businesses and low-income group individuals. So, the

main objective of microfinancing institutions is to generate income for the businesses in
undeveloped parts of the country.

Purpose:

Microfinance loans are for small businesses and low-income group individuals. So, the main objective of microfinancing institutions is to generate income for the businesses inundeveloped parts of the country.

Some of the significant features of microfinance are as follows:

The borrowers are generally from low-income background Loans availed under microfinance are usually of small amount, i.e., micro loans The loan tenure is short Microfinance loans do not require any collateral. These loans are usually repaid at higher frequencies.

The purpose of most microfinance loans is income generation. It plays a major role in the development of India. It acts as an anti-poverty vaccine for the people living in rural areas. It aims at supporting communities of the economically excluded to achieve greater level of asset creation and income security at the household and community level.

It can be a formal or informal financial institution. It may provide only small-size financial services to the rural poor or may also provide larger financial services to small or mediumsized enterprises. Microfinance institutions are many and varied.

- It is an essential part of rural finance.
- It deals in small loans.

- It basically caters to the poor households.
- It is one of the most effective & warranted Poverty Alleviation Strategies.
- It supports women participation in electronic activity.
- It provides an incentive to grab the self-employment opportunities.
- It is more service-oriented & less profit oriented.
- It is meant to assist small entrepreneur & producers.
- Poor borrowers are rarely defaulters in repayment of loans as they.

Rural women, low-income households, and the often tiny businesses they manage are all too often starved of finance in Asia and the Pacific. Most formal financial institutions view them as high risk and high cost, as the transactions are often small and the clients in hard-to-reach locations.

Microfinance can break down these barriers. It helps low-income households to stabilize their income flows and save for future needs. In good times, microfinance helps families and small businesses to prosper, and at times of crisis it can help them cope and rebuild. Here are six ways ADB is using the power of microfinance to level the financial playing field for poor communities across the region:

Supporting microfinance institutions to ensure funds for low-income borrowers.

Microfinance institutions (MFIs) across Asia and the Pacific struggle to get commercial funding to provide financial services

to their borrowers. ADB partners with international and domestic Program facilitates local currency lending to the microfinance sector. Since 2010 the program has assisted 35 MFIs that have provided microfinance services to over six million borrowers in Bangladesh, Cambodia, India, Indonesia and Myanmar. As a part of ADB's COVID-19 pandemic relief and recovery response, the program's size has been increased to help support microfinance in difficult conditions.

Empowering women by financing micro, small and medium-sized enterprises.

Many micro, small, and medium-sized enterprises (MSMEs) are women-led and owned, so providing them with better financial options will improve women's livelihoods and incomes. In Pakistan, MSMEs account for more than 90% of all enterprises. ADB partners with one of the country's leading microfinance service providers to expand its lending operations, especially for women borrowers. The assistance will give Pakistani women and women-led MSMEs access to much- needed long-term financing to develop their livelihoods and incomes. Delivering access to education as well as finance for rural women.

Microfinance services are helping rural women gain financial independence and empowering them to make good decisions. In the People's Republic of China (PRC), around 45% of the rural population lacks credit access, especially women who usually have neither physical collateral nor the education needed to organize their finances. ADB's partnership with CD Finance

Management (previously called CFPA Microfinance Management) provides microcredit to poor rural households, targeting at least 121,000 women borrowers and includes to improve their financial planning skills andliteracy.

Helping to rebuild post-conflict communities and revive women's livelihoods.

Women are often the most severely affected when communities are disrupted by armed conflict and by persistent regional economic disparities. In parts of Visayas and Mindanao, the central and southern regions of the Philippines, decades of lagging economic growth and conflict have hampered development and lowered income levels to below the national average. ADB is financing one of the country's largest microfinance providers, ASA Foundation Philippines Inc., that focuses on women owners of micro-enterprises in these challenging regions to enhance their access to finance and build their economic base.

Through this project, women are getting better access to credit, allowing them to improve their living conditions and help rebuild their communities small businesses in regional towns need financing sources to help them maintain operations, invest in technologies, and grow businesses.

In Georgia, more than 60% of people live in secondary towns and rural areas, where small businesses and agricultural livelihoods can generate jobs and raise incomes. ADB supports banks in Georgia that primarily provide microfinance services to help develop businesses outside of Tbilisi.

Beneficiaries are from low-income group,

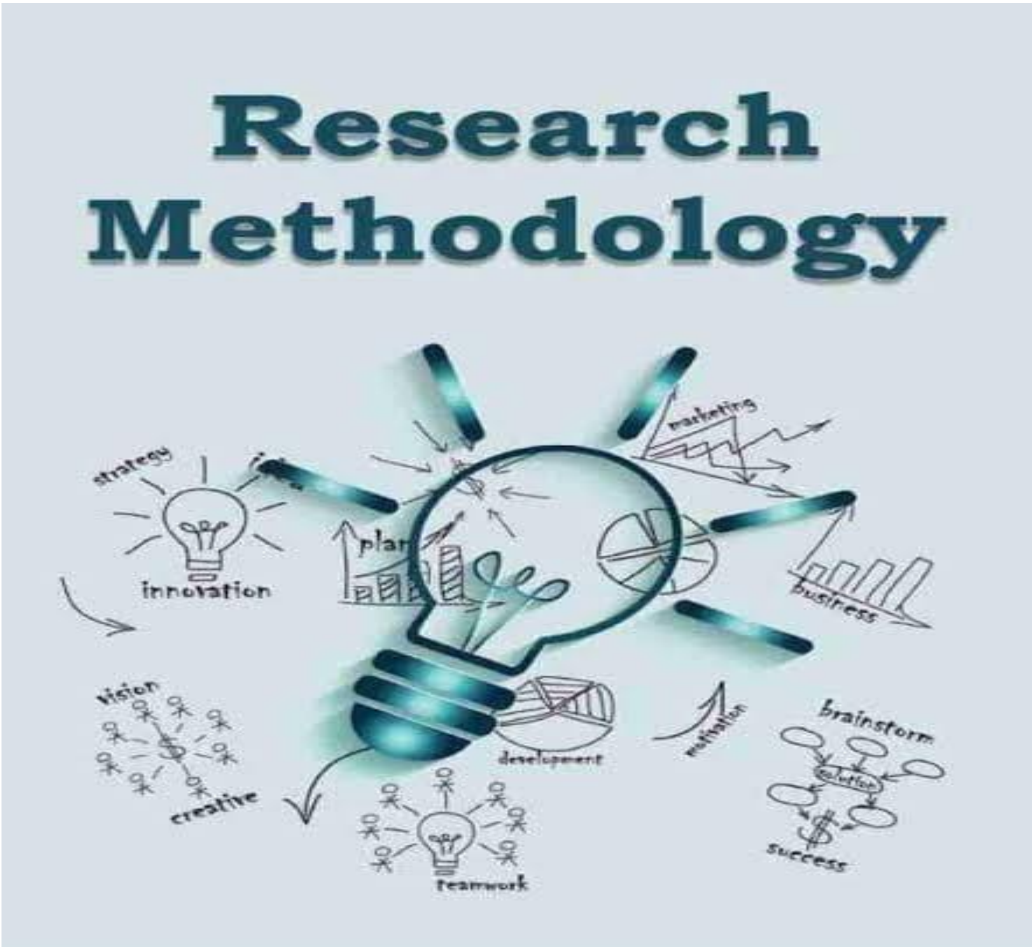
Loans are of small amount

Short duration loans

Loans are offeredwithout collateral.

High frequency of payment Loans are generally taken for income generation purposes.

CHAPTER 2
RESEARCH AND METHODOLOGY



RESEARCH AND METHODOLOGY

INTRODUTION

This chapter presents the plan of the research and details of the present researcher like. problem statement, sample, nature, scope, type and research design of the study. It also contains the most important part of every research that is literature review. By the help of literature, the researcher had found the gap in the existing knowledge and to full fillthis gap the how researcher had selected the present study.

OBJECTIVE OF STUDY:

To study about micro finance in rural sector.

To study the growth of micro finance.

To study the purpose of availing micro finance credit.

To examine the recent trend in Indian micro finance sector.

SCOPE OF THE STUDY:

Microfinance refers to the process of providing small loans to people in rural areas or in areas or in areas where supply of such financial or banking services is limited. the main aim of microfinance is to empower people and make them self- reliant. "Microfinance", is also emerging as a fast-growing sector, although this segment is still underpenetrated. Various studies indicate that the microfinance sector in India has the potential to grow at a CAGR of 40% by 2025. At around the same time, India is also poised to become a US$ 5 trillion economy.

The microfinance sector has seen promising growth in recent years, owing to the rapidly expanding Indian economy. The industry has played an essential role in providing formal credit to low-income households and various micro, small, and medium enterprises (MSMEs), increasing them.

IMPORTANCE OF MICROFINANCE:

Microfinance is important because it provides resources and access to capital to the financially underserved, such as those who are unable to get checking accounts, lines of credit, or loans from traditional banks.Without microfinance, these groups may have to resort to using risky loans or payday advances with extremely high interest rates or even borrow money from family and friends. Microfinance helps them invest in their businesses and, as a result, invest in themselves.

While microfinance can certainly benefit those stateside, it can also serve as an important resource for those in the developing world. For example, cell phones are being used as a way to bring financial services such as microlending to those living in Kenya. Microfinance can help women break the cycle of poverty. Often, these loans can be as small as $60. For example, a young, single mother from Paraguay took this small investment of $60 to start an empanada and snack stand. She continued building her business, repaying this loan and taking out larger loans to buy a building for her venture, complete with a refrigerator and attached home for her family. This is microfinance at its best.

The most important function of microfinance in India is to provide small business owners with access to money. As was already said, microfinance in India offers access to loans, insurance, and savings accounts. By providing them with loans, the microfinance philosophy focuses on women as well. Proving that an inclusive financial system is a positive step towards sustainability and development goals is arguably therefore straightforward. A society that has access to financial services has the potential for better entrepreneurship prospects and job creation. It can provide individuals the tools to improve their livelihoods on a number of levels, including financial security, healthcare and education. Microcredit can play an important role in agricultural development in the small, marginal and tenant farmers. One element of an effective strategy for poverty reduction is to promote the effective use of farm inputs.

Microcredit helps in the alleviation of poverty, employment, entrepreneurship, higher productivity from agriculture, women empowerment, gender equality, reduced rural outmigration, better health and education, green entrepreneurship, and adoption of modern technology/inputs in agriculture.

LIMITATIONS OF MICROFINANCE:

As the data was collected through questionnaire, there might be chances of biased information being provided by the respondents. Small sample size of the study could not have been able to decipher some important dimension of the study due to time constraints. The study is confined to only to students and the existing microfinance of rural sector. Area of the study was limited only to Bhiwandi, palghar, vashai of Maharashtra.

1. **Data collection:**

Data was collected by using two main methods i.e., primary data and secondary data.

2. **Primary data**

There are number of sources of primary data from which the information can be collected. I choose the following resources for my research.

3. **Questionnaire**

Researched using a set of some simple questions and requested the respondents to answer these Questions with correct information. The questionnaire was uploaded on Google docs.

This questionnaire was sent to the respondents through various social networking apps i.e, WhatsApp. mail, messaging app, etc.

a. **Secondary data**:

The secondary data was collected by referring various research papers, books, journals, newspaper articles and surfing on internet. The secondary data collected is adjust for reference purpose.

b. **Sampling size**:

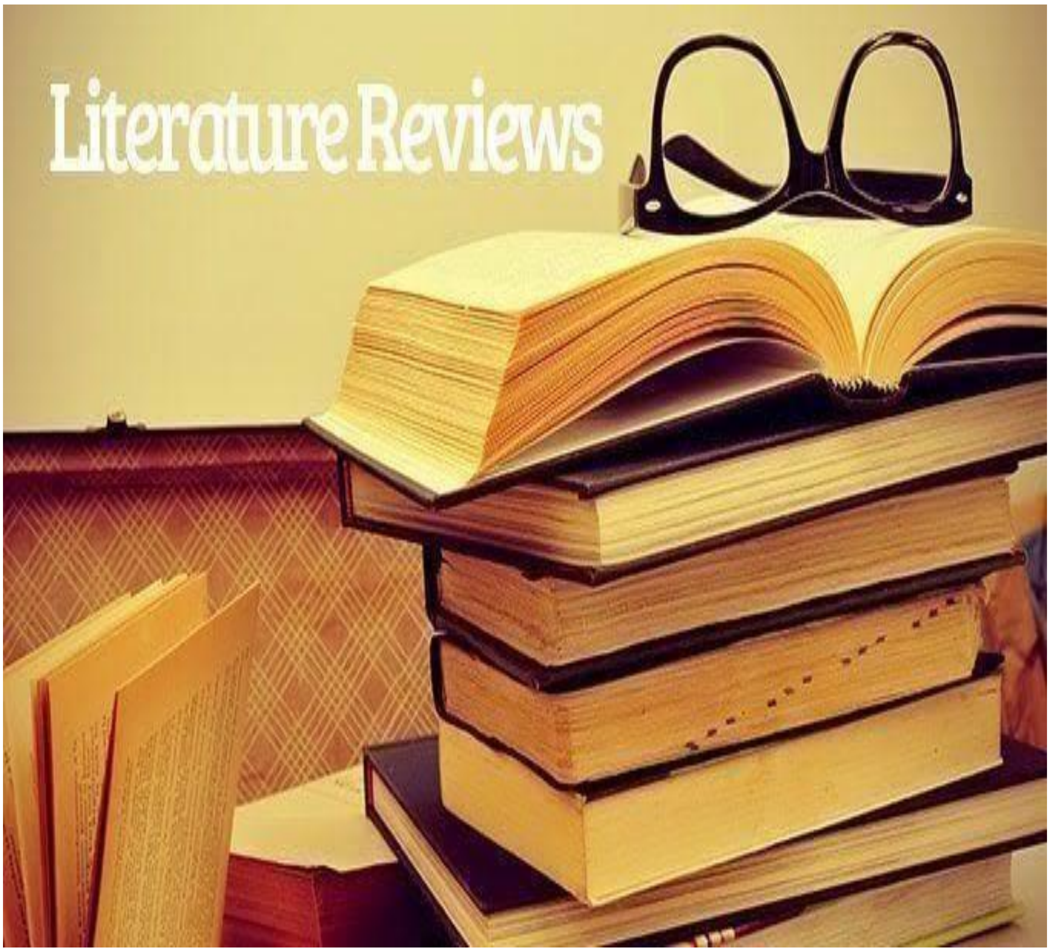
Keeping in mind all the constraints the size of the sample of my study was selected as 100. The sample size was classified on the basis of age, gender, education qualification, occupation of the respondents.

c. **Technic and tools**:

The data analysing techniques used were bar graphs, pie charts, percentage method and column method. The data collected from primary source is represented by using bar diagrams, graphs, pie charts, etc.

CHAPTER 3

LITERATURE AND REVIEW



LITERATURE & REVIEW

The Nobel Prize committee awarded the 2006 Nobel Peace Prize to Muhammad Yunes and the Grameen Bank “for their efforts to create economic and social development from below.” The microfinance revolution has come a long way since Yunes first provided financing to the poor in Bangladesh. The committee has recognized microfinance as “an important liberating force” and an “ever more important instrument in the struggle against poverty.” Although several authors have provided comprehensive surveys of microfinance, our aim is somewhat more modest: This article is intended as a non-technical overview on the growth and development of microcredit and microfinance

Rajdeep Sengupta and Craig P. Aubuchon.2008.

Although the word finance is in the term microfinance, and the core elements of microfinance are those of the finance discipline, microfinance has yet to break into the mainstream or entrepreneurial finance literature. The purpose of this article is to introduce the finance academic community to the discipline of microfinance and microfinance institutions (MFIs). We provide a comprehensive review of over 350 articles and address the issues of MFI sustainability, products and services, management practices, clientele targeting, regulation and policy, and impact assessment.

James C Brau, Gary M Woller .2004.

Microfinance has been proven to be a tool to alleviate poverty from the face of earth. In the past two decades it has emerged as an industry to cater to the financial need of the poor whom banks have turned down due to lack of collateral.

The purpose of this article is to provide a comprehensive review of literature on microfinance in the areas of approaches to Microfinance; delivery models; issues related to self-sufficiency of MFIs; determinants of financial sustainability, impact of regulations and policies; and socio-economic impact of microfinance

Sandhya Prakash, Amarjeet Kaur Malhotra.2017

Most contributions in the fast-growing literature on microfinance seem to agree that all the stakeholders (borrowers, lenders, communities, government and regulators, interested third parties) should become fully aware of the potentiality of the joint value creation achieved through cooperation.

Carlo Milina, Arvind Ashta.2012.

This paper offers a critical survey of the microfinance literature of the past 10 years. It reviews studies on the effectiveness of different microfinance techniques and offers a critical assessment of the impact literature of microfinance. The literature so far suggests moderate but not transformative effects of microcredit, with effects being conditional on individuals' characteristics.

The effects of micro-savings interventions seem more promising, while microinsurance interventions suffer mostly from limited take-up. The biggest impact seems to come from expanding payment services. The paper discusses these findings in the broader context of the financial development literature and touches on methodological issues and regulatory challenges.

Thorsten Beck.2015.

This study reviews the literature related to Islamic microfinance institutions (IMFI) published in reputable international journals. The manuscripts that have been collected consist of 71 papers that are classified into several study topics. The most researched topic is Poverty alleviation with as many as 25 papers (35%). Next are the papers with the topic of Waqf-based microfinance as many as 12 papers (17%). This follows with 11 papers on the topic of Marketing & Fintech (15%), and 10 papers on the topic of Sustainability & Outreach (14%). Meanwhile, the paper with the theme Maqashid Shariah ranks fifth with a total of 7 papers (10%). Finally, there are 6 papers with the theme of Risk management & Governance (8%). At the end of each topic, the essence of research is presented for future research, which will be useful for academics and practitioners.

Pupun Saepul Rohman, Bayu Arie Fianto, Syed Alamdar Ali Shah, Umar Nawaz Kayani, Noven Suprayogi, Indri Supriani.2021.

The microfinance movement in India is examined within the context of the macro- economy and the role of the financial sector in serving the informal credit markets. Changes in recent years in the microfinance sector and the limitation of microfinance are considered and suggestions made on expanding the scope of the rural credit structure and extending the role of the micro financial sector in programmes of financial inclusion. It is concluded that with proper coordination between the Reserve Bank of India and NABARD, it is possible to establish a comprehensive system of reporting arrangements at appropriate intervals.

With the Muhammad Yunus being recently awarded the Nobel Peace Prize for his pioneering approach and sustained effort in addressing the problem of poverty, microfinance programs have continued to grow in usage and popularity. There are numerous studies that demonstrate the tremendous successes of such programs throughout much of the underdeveloped world.

However, the universal effectiveness of microfinance institutions in alleviating poverty is still in question, and not free from debate. Much of the evidence cited for the successes of microfinance and microcredit are merely anecdotal or involve in-depth case-study approaches, which provide vivid examples and rich details of the impact and effectiveness of specific programs in specific locations at a specific time, but generally fail to achieve a more rigorous standard that would allow for research findings to be widely generalized.

Some more rigorous studies have been conducted and more are surely to follow, but in the meantime, NGO leaders and government policy makers must exercise caution and restraint in applying the microfinance approach universally as a means of alleviating poverty. This article reviews some of the recent research into the effectiveness of microfinance programs and proposes areas for future directions in the continued research of microfinance programs.

Electronic Journal of Sociology . 2008

The study attempts to investigate the impact of Microfinance on empowerment of marginalized women in poverty. Based on empirical findings of existing relevant literature across the globe, the study finds that participation of women in Microfinance more particularly through Self Help Groups (SHGs) empowers them under the domains of economic, social, psychological and political. Apart from the benefits women derive from Microfinance, there are evidences regarding disempowerment as well, such as increased workload for women, lack of control over income and assetsand also negative impact on
children's education. Hence, whether Microfinance empowers or disempowers women needs further empirical investigation, to trace out the fair linkage between Microfinance and women empowerment assigning proper weights to various dimensions of empowerment.

Shagufta Tariq, MUD Sangmi. 2018

Since the early microcredit programs up to the present, microfinance has grown exponentially, as it has the academic interest on it as a research subject. Considering that this sector has impact in terms of sustainability, any research in the field requires an analysis with wide criteria, which should include the economic, environmental, social, and governance dimensions (EESG), as well as their interrelationships.

The objectives of this survey are, to investigate the contributions of microfinance sectoral scholarly research to sustainability, through a systematic literature review using content analysis method, contextualizing the scientific production and studying its terminology according to the EESG criteria and under Global Reporting Initiative framework, and finally, to identify research gaps and to propose future research paths.

Icier García-Pérez, María-Jesús Muñoz-Torres, María-Ángeles Fernández- Inquired .2017

Besides the enormous attention paid to transformational leadership construct for the last four decades, much of the literature does not adequately delve deeper into the respective dimensions of the construct, thus limiting the clarity of how the dimensions impact organizations. This paper reviews the extant conceptual, theoretical, and empirical literature on the idealized influence and inspirational motivation dimensions of transformational leadership style focusing on microfinance context. This paper presents a comprehensive and integrative theoretical framework for knowledge advancement in the field of leadership.

The methodology used for the review integrates the desktop and critical analysis of 56 journal articles in these dimensions. The key databases used to extract the relevant literature were JSTOR, Emerald, Google Scholar, DOAJ, and Wiley Intercedence, with 69.09% being articles published in 2017 – 2021. Aspects used to qualify articles for review consideration were transformational leadership, idealized influence, inspirational motivation, and leadership in microfinance or any combination. The emerging gaps in the theorization and conceptualization of idealized influence and inspirational motivation were identified, presenting a case for further research on the transformational leadership construct. The review establishes that the four "Is" of transformational leadership (Idealized influence, Inspirational motivation, Intellectual stimulation, and Individualized consideration) are ambiguously interrelated, presenting a challenge of incoherence in the conceptual models used by researchers to conduct empirical research. The study also seeks to fill the contextual gap on the scanty research done to date on the outcomes of idealized influence and inspirational motivation in microfinance context such as staff retention, organizational commitment, self-efficacy, and organizational performance.

A comprehensive conceptual framework for guiding further research on the constructs is formulated, including supportive propositions that can be empirically tested.

Josphat K Kariuki .2021.

Most contributions in the fast-growing literature on microfinance seem to agree that all the stakeholders (borrowers, lenders, communities, government and regulators, interested third parties) should become fully aware of the potentiality of the joint value creation achieved through cooperation.

Carlo Milana, Arvind Ashta. 2012.

This paper offers a critical survey of the microfinance literature of the past 10 years. It reviews studies on the effectiveness of different microfinance techniques and offers a critical assessment of the impact literature of microfinance. The literature so far suggests moderate but not transformative effects of microcredit, with effects being conditional on individuals' characteristics. The effects of micro-savings interventions seem more promising, while microinsurance interventions suffer mostly from limited take- up. The biggest impact seems to come from expanding payment services. The paper discusses these findings in the broader context of the financial development literature and touches on methodological issues and regulatory challenges.

Thorsten Beck.2015.

This study reviews the literature related to Islamic microfinance institutions (IMFI) published in reputable international journals. The manuscripts that have been collected consist of 71 papers that are classified into several study topics. The most researched topic is Poverty alleviation with as many as 25 papers (35%). Next are the papers with the topic of Waqf-based microfinance as many as 12 papers (17%).

This follows with 11 papers on the topic of Meanwhile, the paper with the theme Maqashid Shariah ranks fifth with a total of 7 papers (10%). Finally, there are 6 papers with the theme of Risk management & Governance (8%). At the end of each topic, the essence of research is presented for future research, which will be useful for academics and practitioners Syed Alamdar Ali Shah, Umar Nawaz Kayani, Noven Suprahyoid, Indri Supriani.

CHAPTER 4
DATA ANALISIS AND INTERPRETETION

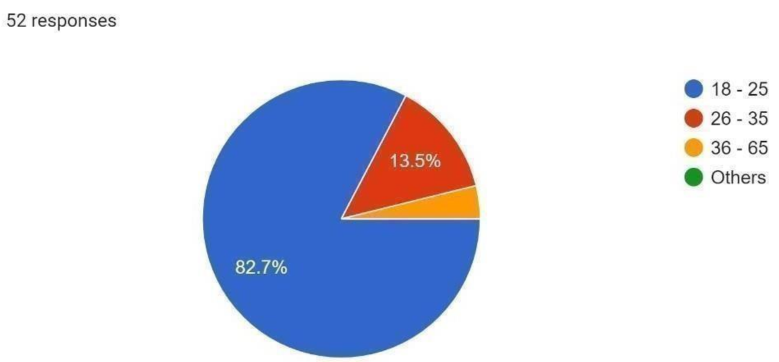
DATA ANAYLISIS AND INTERPRETATION

The objective of the study was to find out the general awareness regarding microfinance and the general prospective of people about the microfinance:

4.1 AGE

Sr. No.	**AGE**	**PERCENTAGE**
1	18 – 25	82.7%
2	26 – 35	13.5%
3	36 – 65	3.8%
4	Others	0%
	Total	100

Source- primary data

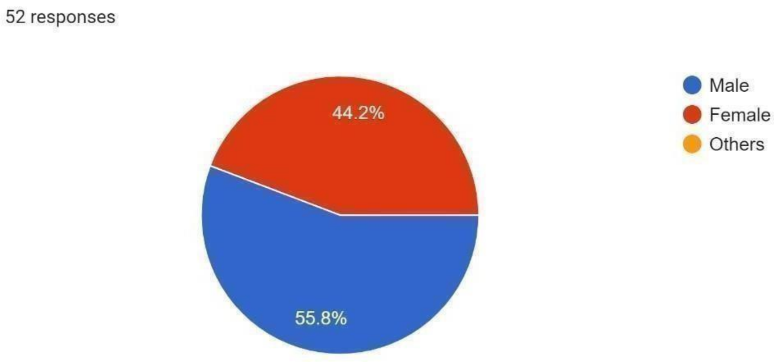


The above table represents age wise analysis maximum response were from the age groups of 18-25. There after maximum response where from the age group 26-35. This shows us that is a good awareness of microfinance amongrural sector in India.

4.2 Gender

Sr. No.	GENDER	PERCENTAGE
1	Male	55.8%
2	Female	44.2%
3	Others	0%
	TOTAL	100

Source- primary data

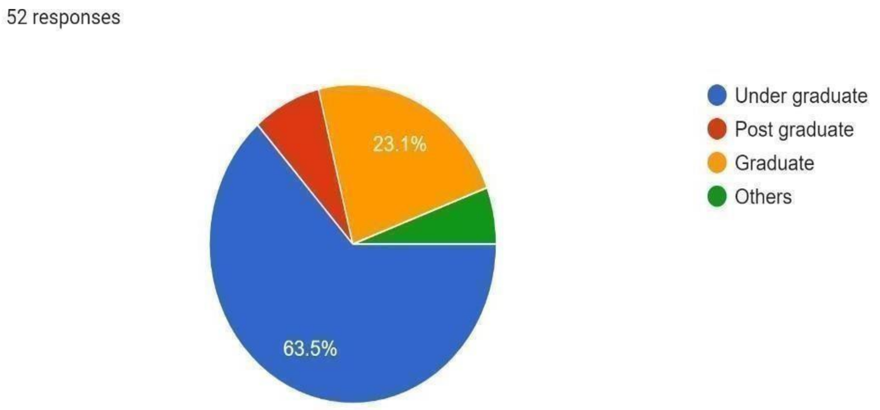


The table total female respondents are 44.2% out of 100 respondents. While total male respondent are 58.8% out of 100 respondent. We can say that males are using more microfinance than the females in rural sector in India.

4.3 Education qualification

Sr.NO.	**EDUCTION QUALIFICATION**	**PERCENTAGE**
1	Under graduate	63.5%
2	Post graduate	7.4%
3	Graduate	23.1%
4	Others	6%
	TOTAL	100

Source- primary data

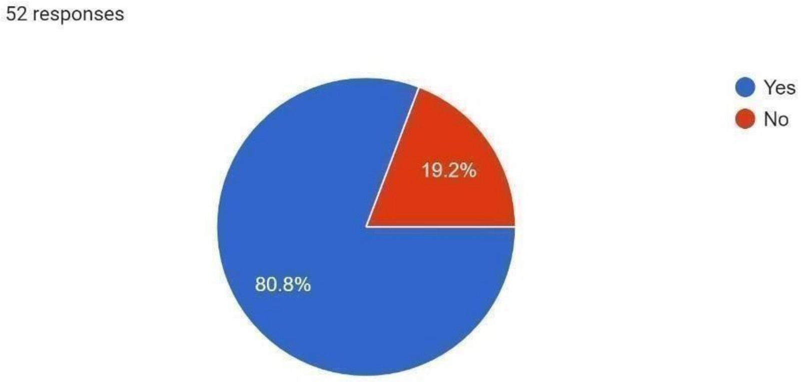


The above table show the education wise qualification of the respondents. The respondents includes under graduate, post graduate, graduate, and others. The survey includes 63.5% under graduate, 23.1% graduate, and 6% others.

4.4 Do you know about microfinance?

Sr. no	ABOUT OF MICROFINANC	PERCENTAGE
1	Yes	80.8%
2	No	19.2%
	Total	100

Source- primary data

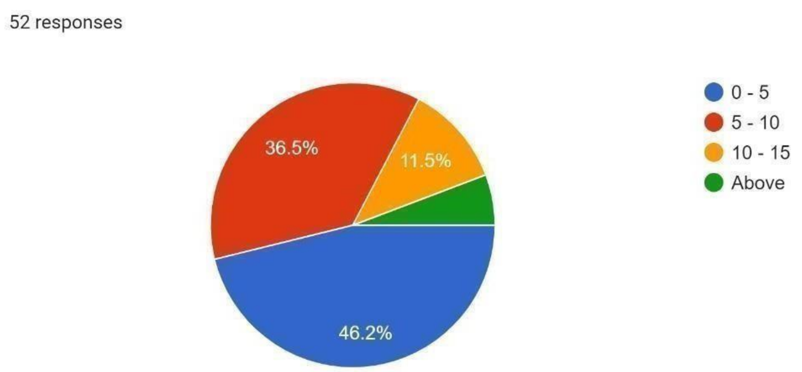


This table show how many people know about microfinance in Indian rural market. Around 80.8% people know about microfinance and 19.2% people don’t know about microfinance. It means in rural sector many people know about microfinance.

4.5 Rate of interest

Sr. No.	**RATE OF INTEREST**	**PERCENTAGE**
1	0 – 5	46.2%
2	5 - 10	36.5%
3	10 – 15	11.5%
4	Above	5.8%
	TOTAL	100

Source- primary data

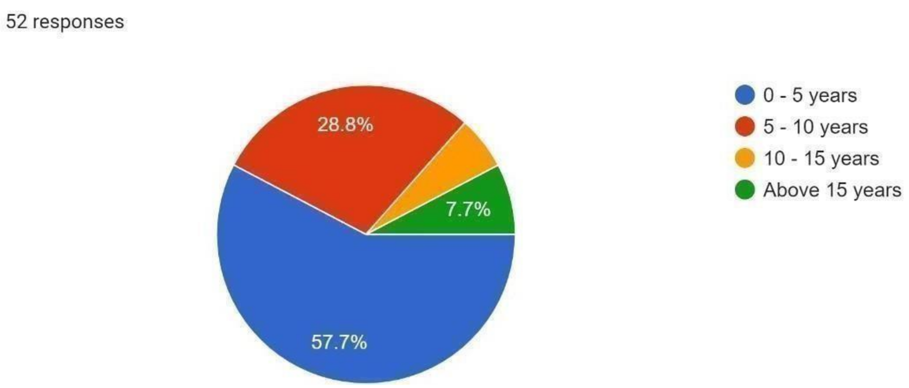


This table show the rate of interest people are like to take in Indian rural sector around 46.2% people take microfinance on 0-5% rate of interest. 36.5% of people take microfinance on 5% to 10% rate of interest 11.5% people except return on 10 to 15% in rural sector.

4.6 Terms of microfinance?

Sr. No.	TERMES OF MICROFINACE	PERCENTAGE
1	0 – 5	57.7%
2	5 – 10	28.8%
3	10 - 15	5.8%
4	Above	7.7%
	TOTAL	100

Source- primary data



The table show the terms of microfinance around 57.7% of people.

4.7 Are you satisfy with institution of microfinance?

Sr. No.	INSTITUTION OF MICROFINACE	PRCENTAGE
1	Yes	71.2%
2	No	28.8%
	TOTAL	100

Source- primary data

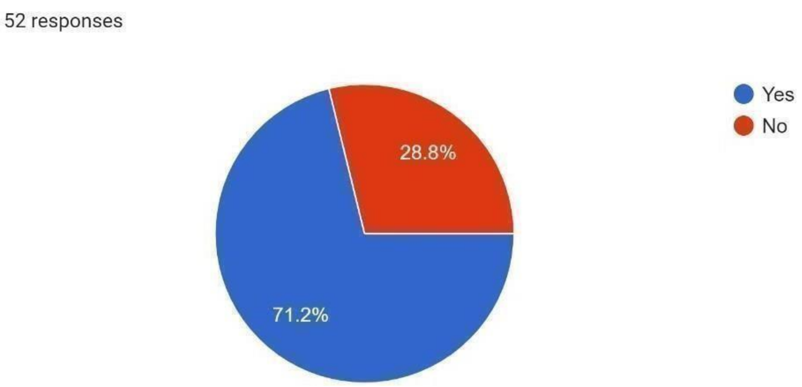


Table represent how many people are satisfy with the institution of microfinance. Around 71.2% of people are satisfy with the institution of microfinance and 28.8% are not satisfy with the institution of microfinance in Indian rural i=sector.

4.8 Are you aware of the duration and amount of loans you have taken?

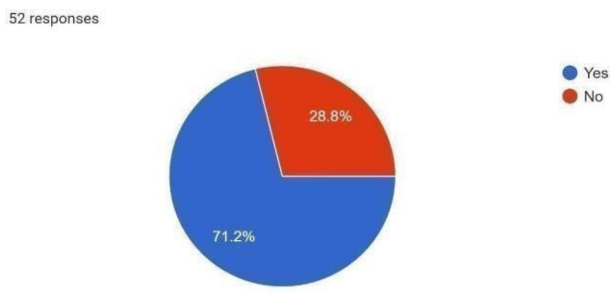
Sr. No.	LOANS	PERCENTAGE
1	Yes	69.2%
2	No	30.8%
3	Total	100

Source- primary data

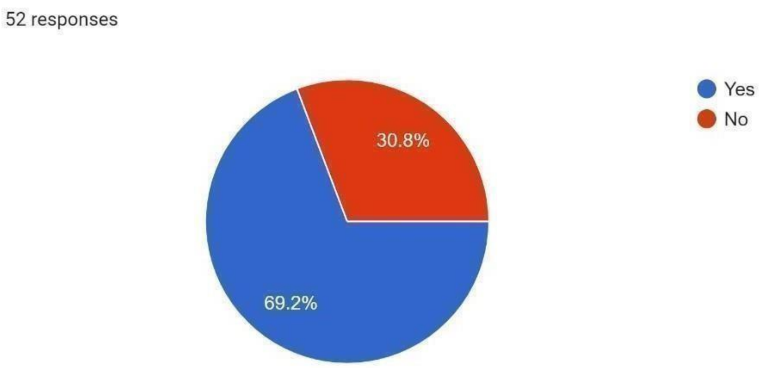
4.9 Are you aware about such schemes?

Sr. No.	AWARE ABOUT SUCH SCHEMES	PERCENTAGE
1	Yes	71.2%
2	No	28.8%
	Total	100

Source- primary data

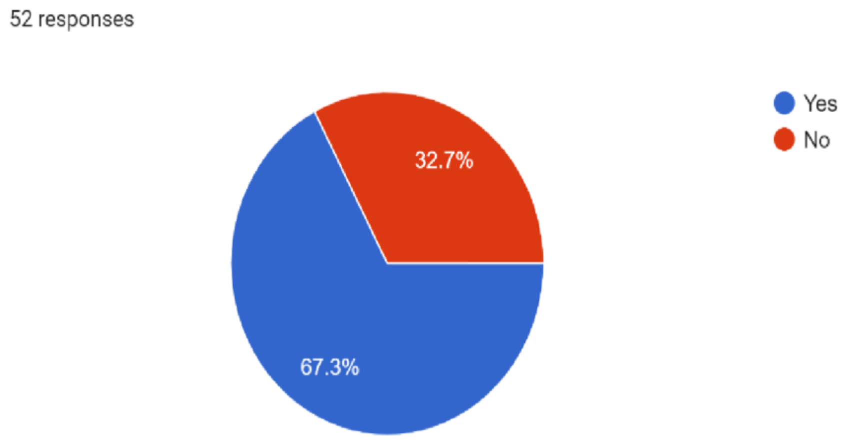


Around 71.2% of people know about such schemes and 28.8% don’t know about microfinance. Its means more people know about such schemes in Indian rural sector.



In rural sector 69.2% of people are aware about the loan and duration of microfinance and 30.% of people are don’t know about the loan and duration its means major number of people are aware about the duration and loan on microfinance.

4.10 Are you aware of consequence of non-payment of loan?



Sr. No.	NON – PAYMENT OF LOAN	PERCENTAGE
1	Yes	67.3%
2	N0	32.7%
	TOTAL	100

Source- primary data

The table shows how many people are aware about the consequence and non- payment of loan around 67.3% of people are aware about consequence and non- payment of loan and 32.7% of people don't know about the consequence and non-payment of loan on microfinance in Indian rural sector.

CHAPTER 5

FINDINDS, SUGGESTIONS AND CONCLUSION

FINDINDS, SUGGESTIONS AND CONCLUSION

INTRODUCTION

Conclusion is the last part of something, its end or result. When you write a paper, you always end by summing up your arguments and drawing a conclusion about what you've been writing about.

The phrase in conclusion means "finally, to sum up," and is used to introduce some final Comments at the end of a speech or piece of writing. The phrase jump to conclusions Means "to come to a judgment without enough evidence." A foregone conclusion is an Outcome that seems certain.

CONCLUSION

We can conclude by saying that as many people in the rural parts of India are being aware about the microfinance and they are getting to know about the new schemes and as they are also comfortable taking finance. India will see growth in the coming years as more people are availing finance and getting their needs met.

In conclusion, we would like to say that it has been an interesting endeavor to research on the Microfinance Industry. Microfinance is considered to be a valuable tool for poverty alleviation around the globe. There is no doubt that MFI has great potential in the future. From this paper we can conclude that further steps need to be taken by Microfinance establishments to increase the awareness of MFIs and SHGs in Punjab as majority of the population is not aware about these institutions and they seek bank loans to balance their financial position.

Further they need to educate the people regarding different services like loans, savings, insurance etc. In Punjab, only one or two MFIs exist and, in many villages, public and private banks are located. Also, MFIs create self- employment opportunities and that proves to be the best way of poverty alleviation and solving the problems of unemployment.The potential for Microfinance to grow in India is very high. If the plans for microfinance are executed, then India will definitely have new dimension to it. It will increase India's standard and make it one of the powerful nations of the world economically.

SUGGESTION

Microfinance industry should come forward through representatives, programmes, advertisements to create more awareness among them asses. MFIs in India have great potential as there is heavy need for microfinance in India based on the India's Poverty line.Government should also put their initiatives in order to make MFIs flourish and grow more. Government can contribute most effectively by setting sound macroeconomic policy that provides stability and low inflation. MFIs should also keep a check on the interest rates and documentation required. Special training programmes should be organized in order to makeMicrofinance more effective.

Government should introduce some schemes or should send government representative to the villages to give knowledge about microfinance and they should also give training on the same. So that people will not face any problem while obtaining the loan. All the terms and conditions should be informed to the people. As they are not much educated so they don't know about the policies and procedure of obtaining the loan. All those information should be provided to them, which will be easy for them and it will also help in reducing the poverty and for country's growth.

FINDINGS

Were from the age groups

- 18-25. There after maximum response where from the age group 26-35This shows us that is a good awareness of microfinance among rural sector in India.

- Female respondents are 44.2% out of 100 respondents. While total male respondent are 58.8% out of 100 respondent. We can say that males are using more microfinance than the females in rural sector in India.

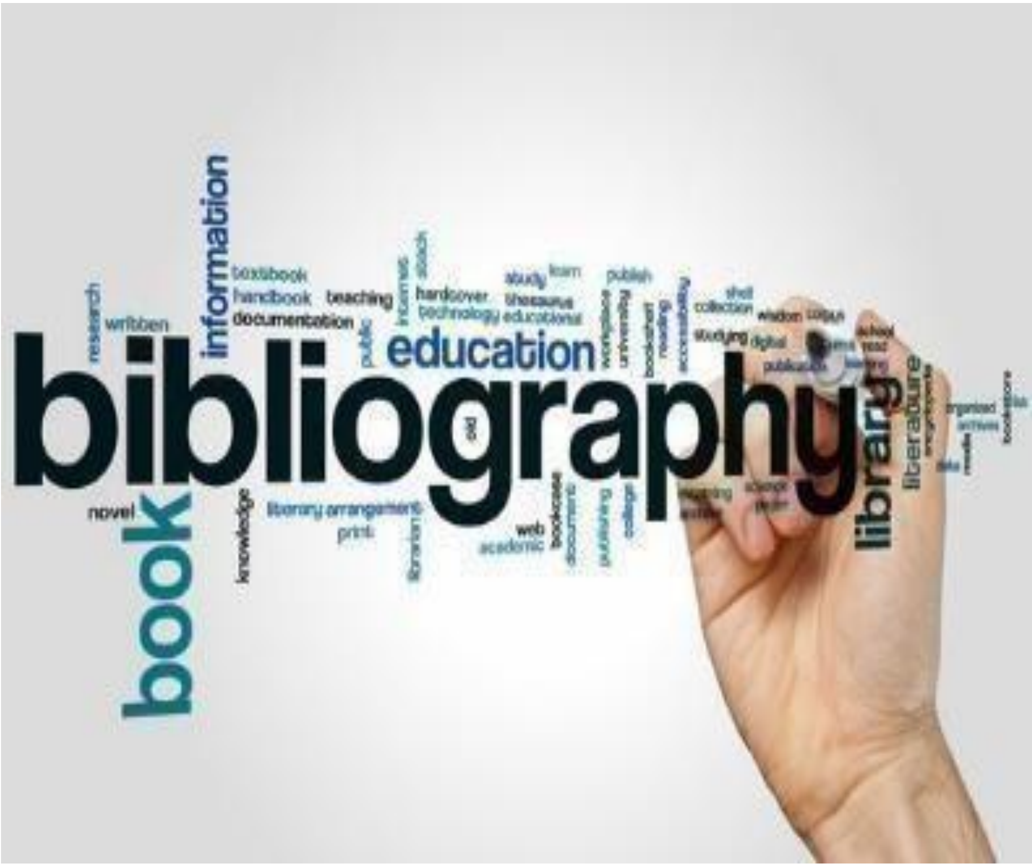
- The survey includes 63.5% undergraduate, 23.1% graduate, and 6% others.

- Around 80.8% people know about microfinance and 19.2% people don't know about microfinance.

- Around 50% people have taken finance company, 23.1% people taken village saving & credit association and 3.8% are taken other type of microfinance in Indian rural market.

CHAPTER 6

BIBLOGRAPHY



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CHAPTER 7
ANEXURE

ANNEXURE

Education Qualification

i. Under graduate
ii. Post graduate
iii. Graduate
iv. Others

Gender

i. Male

ii. Female

iii Others

Age

i. 18 –25
ii. 26 - 35
iii. 36 - 65
iv. Others

1) Do you know about

microfinance?i Yes

ii No

2) From which information you have a take microfinance?

i. Sarswat co-operative Bank

ii. Cosmos co-operative Bank

iii. Tjsb co-operative Bank

iv. Others

3) Which types microfinance you have taken ?

i. Village saving & credit association

ii. Finance company

iii. Fiduciary financial institutions

iv. Others

4) Rate of investment ?

i. 0 – 5

ii. 5–10

iii. 10 – 15

iv. Above

4) Amount of finance

I. 0 - 5 lakhs

II. 5 - 10 lakhs

III. 10 - 15 lakhs

IV. Above 15 lakhs

5) Terms of microfinance

i. 0 - 5 years

ii. 5 - 10 years

iii. 10 - 15 years

iv. Above 15 years

6) Are you satisfy with institution of microfinance?

i. Yes

ii. No

7) Are you aware about such schemes?

i. Yes

ii. No

8) Are you aware of the duration and amount of loans you have taken?

i. Yes

ii. No

9) Are you aware of the consequences of non-payment of loan?

i. Yes

ii. No