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GROWTH OF MICRO FINANCE IN INDIA: A DESCRIPTIVE STUDY

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Abstract

Indian economy is portrayed by low rate of development, predominance of rural population, overwhelming dependency on horticulture, unfavourable land mass proportion, exceptionally skewed income distribution and wealth beside, high frequency of destitution and joblessness. The last two variables poverty and joblessness posture real difficulties to the development and success of the nation. To conquer this issue, some recently created parts like micro finance are assuming an essential part. Microfinance has been viewed as a capable tool to battle poverty through the arrangement of essential financial services including reserve funds, protection, credit and transfer of funds. Microfinance has changed from being an experiment alternative option to formal or casual sources of credit to be a model for lending projects to the poor of developing nations. Microfinance has permitted giving credit to poor people who were not given the credit by the financial institutions reason for lacking of collateralizable assets. The target of microfinance establishments is to serve needy individuals and empower them to get to credit and fight poverty. Against such upgrades, the present investigation has been done to investigation of review of literature in microfinance part with the target of studying development of small scale fund in India throughout the years.

Key words: *micro finance, poverty, financial institutions, developing country*

Introduction

Microfinance is being considered as one of the successful instrument used to decrease the destitution and sexual orientation imbalance through ladies strengthening, to reinforce the weaker groups in creating nations. India is a country loaded with both, enormous riches and neediness. Neediness in India is far reaching and is predominant in about each city. The dissimilarity between the rich and poor is colossal, with the rich living luxuriously and the poor living on the streets and not having the capacity to nourish them. Moreover, India is loaded with regional, cultural and financial contrasts (Datta and Kornberg 2002, 87). India's poor make up 33% of the world's poor (Novogratz 2009, 254). The numbers demonstrate that in 1997 "35% of the Indian populace (with 37% in rustic regions and 31% in urban territories) was living underneath the poverty line" (Lazar 2008, 11). While the numbers have diminished, a fourth of the Indian populace is still in destitution. A valid example "India makes up 15% of the total populace and 27% of its one billion individuals were underneath the neediness line in 2001" (Premchander 2009). There is a distinction in the quantity of needy individuals living in the urban communities contrasted with those living in country regions; a few investigations demonstrate that there are around "240 million rustic poor and 72 million urban poor in India" (Lazar 2008, 11)

<u>Development Of Microfinance Institution In India:-</u>

By 1969, Prime Minister Indira Gandhi began to nationalize commercial banks so they could open up to the world keeping in mind the end goal i.e. to meet a portion of the new policy objectives, such as making it less demanding for non-wealthy people to approach a bank (Karmakar 2008, 20).

The main objective of Nationalization was:

- to restrict corporations from controlling all the banks;
- to utilize bank resources to allocate wealth more uniformly;
- to arrange public savings (including the rural areas); and
- to target on agriculture and small industry"

Therefore, a huge number of new bank branches were opened all through rural India in the 1970s. Amid this time, credits were given to artisans and additionally to agricultural and dairy farmers. One of the objectives of these new banks was to prevent moneylenders from giving advances. The banks and their approaches turned into a vital part of the economy. The government began concentrating on financial advancement and credit arranging. Consequently, banks began disseminating advances in rural groups to agribusiness and little scale businesses.

The point was to achieve financial and social change through the distribution of credits. After two decades in the 1990s, microfinance institutions (MFIs) began to wind up well known in India as the economy began extending and ending up more focused (Fisher 2002, 36). In 1992, the National Bank for Agriculture and Rural Development

(NABARD) began a program to back and promote the dispensing of advances to self help groups (SHGs), which comprise of little gatherings of ladies who begin their own organizations from small scale loans. After a year in 1993, Rashtriya Mahila (RMK or the National Credit Fund for Women) was set up to disseminate credit from NGOs to independently employed ladies in the unorganized sector. RMK has helped nearly 1,100 NGOs give around Rs 72.6 crore (726 million) to 393,000 ladies by March 2001.

In 1995, the government of Andhra Pradesh passed the Mutually-helped Cooperative Societies (MACS) Act, allowing freedom to cooperatives to disperse credit. After that few states passed acts of their own. In 1998, Sa-Dhan, the Association of Community Development Finance Institutions, was begun by different microfinance institutions (MFIs) in India. That same year the Small Industries Development Bank of India (SIDBI) began a Foundation for Micro-Credit with an underlying capital of Rs 100 crore (1,000 million). (Fisher 2002) Even however rivalry has expanded in the banking sector, public sector banks, for example, nationalized banks, the State Bank of India and Regional Rural Bank, keep on dominating the banking system, (Karmakar 2008).

Though rivalry is furious in urban regions, it is to a great degree moderate in rural regions. Be that as it may, the legislature has lessened a portion of the rules and regulations for banking with the expectation of achieving rural family units. Since numerous banks don't consider rural groups gainful, they just provide credits when required by the government. Notwithstanding every one of these endeavors, most rural family units in India still don't approach banking, repressing them from access to investment funds and credit (Basu 2006). The World Bank (WB) - National Council of Applied Economic Research (NCAER) Rural Finance Access Survey (RFAS 2003) demonstrates that rural banks serve the wealthier regional customers. Around 66% of large farmers had a deposit account, though just 44% approached credit. 87% of the poorest family units (which were little agriculturists) did not approach credit, while 71% did not have a saving account.

It is to a great degree difficult for the poor to get loans from banks due to their absence of guarantee and on account of their inability in availing proper funds since they as a rule get cash from moneylenders and retailers (informal finance). A survey was done by RFAS 2003 on families and it was revealed that around 44% have obtained loan from moneylenders, retailers or relatives at any rate once in the most recent year. More than 82% of families studied in RFAS 2003 did not have insurance, and none of the poorest family units had protection. (Basu 2006)

It is to a great degree troublesome for the poor to get credit from banks due to their absence of insurance and in light of their inexperience in formal finance since they as a rule get cash from moneylenders and retailers (casual fund). Out of the family units reviewed by RFAS 2003, around 44% revealed having obtained cash from moneylenders, retailers or relatives at any rate once in the most recent year. More than 82% of family units reviewed in RFAS 2003 did not have protection, and none of the poorest families had protection. (Basu 2006)

Banks don't need the poor from both rural and urban territories as customers for many unique reasons. Since poor individuals don't have steady employments, their salaries are sporadic and erratic, and banks have no assurance that they can repay their advances. Likewise most destitute individuals don't have anything to give as a security against the loan. Moreover, the "far distance ,lack of education, and the differing backgrounds of borrowers" and the recurrence of high operation cost make it troublesome and non-pleasing for banks to loan credits to country poor groups (Ibid.).

Banks additionally deem that the government’s guidelines and controls make it hard to disperse credits to poor people. In little towns with high neediness rates and constrained accessibility of assets for security, social capital has progressed toward becoming impetus for the fruitful execution of joint liability loaning programs. In prior days, microfinance was utilized to be named as microcredit which is tied in with giving small advances to poor people yet now keeping in mind the end goal to extend financial borders, microfinance has created custom-made money related administrations for borrowers to compensate their credits and for loan providers to give innovative monetary services to their customers which has been brought about high repayment rates that guarantees the long term sustainability of financial associations.

It has been broadly bantered about the effective execution of microfinance organizations, particularly regarding credit conveyance. The key component of this joint risk bunch loaning framework is shared obligation making the whole gathering for the advances given to individual borrowers.

Importance of Microfinance Institutions:-

The Planning Commission evaluated that 27.5% of the Indian populace was all the while living underneath the poverty line in 2004-2005. In India, around 75% of the poor live in rural zones, with the vast majority of them comprising of landless workers, daily bread earners, and independently employed families. India has one of the highest rates of destitute individuals on the planet with an expanding gap between the rich and poor. Indians have an intriguing cultural, political, and monetary history, which impacts the destitution and gender discrimination inside the nation.

After India's freedom from Britain in 1945, another democratic government was made, which aims at providing equivalent rights, opportunities and financial stability. Since the Indian populace needs opportunities, for example, financial assets and the capacity to get employment, they are stuck in an interminable cycle without any open doors for individuals to lift themselves out of destitution (Burra 2005, 32). Since the 1950s, microcredit has been utilized as a strategy by government in developing nations, international financing associations and benefactor offices, with a specific end goal to help the poor population. Amid the 1950s and1960s in a joint effort with the Indian banking system, the Indian government began dispensing advances to families in rural zones that worked in the agricultural segment and in addition city-staying families to advance financial development all through India (Fisher 2002, 84).

Households in the agricultural market were divided into three different groups of workers, which decided the amount of loans they would receive. The groups were determined by the type of work they did and the profitability of that work (Ibid.).

- The first group was medium to small agricultural farmers, artisans and people who rear poultry and other landless livestock.
- The second group was microenterprise workers, who are either agricultural or poultry/dairy farmers who sell their crops and produce; and the non-farm sector-micro-enterprise workers who work in repair shops, wooden furniture making shops, etc.
- The third group was small agricultural, poultry, dairy-based enterprises; and non-farming individuals that employ 6-10 workers, working in enterprises. (Fisher 2002, 84)

Problem Faced by Microfinance Institutions: **-** These financial institutions were facing the problems of asymmetric information, moral lazard and high transaction cost while proving credits to the poor people.

- Providing credit to the poor people through group lending and creating a joint liability amongst them for each other's behavior pertaining to the repayment of loan has overcome the problems of asymmetric information and moral lazard.
- Most country family units in India still don't approach to banks to access an account, hindering them from access to saving funds and credit (Basu 2006). In India it is greatly troublesome for the rustic poor to get credit or even have savings account from the formal banking system.
- It is to a great degree troublesome for the poor to get credit from banks because of their absence of guarantee and in light of their naiveté in formal fund since they ordinarily borrow cash from moneylenders and businesspeople

Literature Review

The professional position of the women employee is correlated to that of her husband or father, particularly in rural areas. Additionally, "the lack of control over productive resources and a persistent gap between consumption and expenditure, leading to perpetual indebtedness, deprive them of all bargaining power and occupational mobility. Microfinance has brought the concept of group lending to reduce the risk of adverse selection and moral lazard. Joint liability lending is able to mitigate the problems of adverse selection through its ability to screen high-risk borrowers from the lending pool and it also being appeared to foster adverse selection (Barboni et all, 2010). However, group lending can enhance the financial intermediaries' ability to screen and monitor their borrowers. Microfinance institutions have been designed to overcome asymmetric information in the relationship between bank and borrowers in the market, by transferring the screening and monitoring functions at the community level to jointly liable borrowers. Group lending may also reduce the incentive for moral hazard relative to individual lending if the threat of social penalties is sufficiently high in the case of borrower default (Besley & Coate, 1995) which is highly possible in rural areas. The overcome the problem of involvement of people for peer monitoring, on providing attractive incentives to the borrowers like further access to credit market can be an effective incentive device (Stiglitz and Weizz, 1983). Stiglitz (1990), Conning (1999) and Armendariz (1999) showed how peer monitoring among borrowing groups members reduce the incentive for risktaking. Regular contacts and short distance between the group leader and group member reduce moral hazard behavior of group members and minimize misuse of loans or non-repayment of loan. Also, Karlan (2003), analyzing FINCA Peru data, argues that monitoring costs are reduced when individuals live closer to each other. Peer lending is more effective if individuals who live closer and are more alike culturally are grouped together. Revealing the upsides of aggregate activities in screening and checking as for inaccessible bank operators, (Stiglitz & Varian, 1990) underscore that gathering individuals have simple access to data on the notoriety, financial soundness and endeavors of their associate borrowers thus facilitating enforcement of loan repayment. The joint liability contract does not only help to make easy access of credit but also help to diversify the risk among the group members in case of default (Armendariz et all, 2005) So, the repayment performance of group lending under joint liability may be undermined because of the risk sharing in case of default. There are chances of being defaulter by any of group intentionally, pick an unnecessarily unsafe venture depending on alternate individuals to reimburse if there should arise an occurrence of his default. In this way, if borrowers have culminate data about each other sort and their credit value, will self-choose homogeneously concerning venture chance (Stiglitz, 1990; Ghatak, 1999). Given this choice system, (Ghatak, 2000) it is indicated how loan specialists can misuse the level of joint obligation to screen between borrowers of various sort. Safe borrowers lean toward a higher level of joint obligation and a lower loan cost on difference to hazardous borrowers favor a lower level of joint risk and a higher financing cost. Be that as it may, since the bank does not know borrower's believability and guarantee are not accessible, it brings to the table a similar loan cost to all borrowers. As an outcome, safe borrowers are driven out of the credit showcase (Stiglitz & Weiss, 1981). Then again, dangerous borrowers with ineffective activities might be cross-sponsored by safe borrowers with beneficial venture (De Meza & Webb, 1987). Joint liability has helped to attract the safe borrowers back in the credit market and pushed the risky borrowers out of the market. In this manner, joint risk is viewed as an instrument to adventure nearby data to reduce credit showcase disappointments and to enhance the monetary proficiency. The thought that joint obligation initiates borrowers to bunch with accomplices with a similar hazard profile is tested by (Sadoulet, 2000) who recommends that, in a setting of missing protection markets, homogeneity is not really ideal. On the off chance that the gathering falls flat, it will lose access to future credit. Insurance agreements could remunerate the sheltered borrowers for covering for the hazardous ones in instances of need, for example, chance premium exchanges from the less secure to the more secure part. Heterogeneity, characterized by the writing as a moment best result, can turn into the primary best. (Wydick, 2001) a structure is built up with dynamic motivators to determine the likelihood of intra-group insurance. McKernana (2002) states that microfinance leads to self-employment profits by promoting to run businesses, while Pitt and Khandekar (1998) and Khandekar (2005) had found that micro credit has positive impact on the well-being of poor and even greater on women clients. The impact of microfinance would be positive or it would be able to provide benefits to the poor, is not necessary. There are some of studies (Kotir and Obeng-Odoom, 2009) that argue that micro-credit by-passes the poor and rarely reaches to the poor to help them out. They found that there is no positive impact of micro finance on extreme poverty due to greater needs of consumption loans and their limited range of investment in securities or assets. Microfinance helps to get credit through membership in group. The amount of borrowing at initial stage is very small but as soon as the borrow repay the loan amount, he would be able to access the further loan from the same microfinance institutions. The loan amount would be greater than before they got the loan. If any of the borrowers need more loans, he can obtain it through multiple group membership in different-different microfinance institutions. Multiple group membership not only helps to become the part of diversifying groups but also diversify the risk of person among various groups. Lahkar & Pingali (2013) stated that risk of borrower can be diversified through multiple group membership keeping the loan size of borrower constant. Group formation is endogenous and the risk taken by each borrower is jointly determined by her choice of partner .A borrower can be part of any of the group available it could be homogenous or heterogeneous. In homogeneous group all the group members have same risk profile. Heterogeneity is the result of the welfare-maximizing actions of the members of the group. Sadoulet and Carpenter (2001), analyzing a 1995 microcredit program with 450 groups in Guatemala, provide empirical evidence of the existence of both homogeneous and heterogeneous groups with respect to risk at the same time. They contended that Group loaning prompts heterogeneous gatherings to the degree that more hazardous individuals would pay a premium in great conditions of nature to more secure borrowers. By permitting exchanges between individuals, heterogeneous arrangement of the gathering is a Pareto change over homogeneous development. In any case, in genuine situation this exchange does not have the spot. Only individuals who are too risky will not find safe borrowers willing to match with them and, therefore highly risky borrowers will form separate homogeneous groups. In India, microfinance is operated through two main channels: MFIs & SHGs. MFI mainly focuses on loan disbursement and saving services are designed as a means of collateralizing loans (Hulme, 2000). However, SHG-linkage program adopts saving led strategies to eradicate the poverty as well as women empowerment but size of disbursement is still a problem. After the implementation of microfinance in India SHGs has become the dominant model of micro finance in terms of number of borrowers and loan outstanding. Last decade program has recorded exponential growth in terms of outreach and credit disbursement (Srinivasan, 2009). Ghosh (2013) showed in his studies that about seventy five percent of the world‟s micro finance borrowers were based on in Asia and every seven out of 10 of such borrowers live in India or Bangladesh. But of the borrowers (about 90 percent) belong to two states of India: Andhra Pradesh and Tamilnadu. Puhazhendi and Badatya (2002) found that SHGs has made a significant contribution to social and economic empowerment of members and their income is also increased by 23 percents. In other words, what kind of beneficiaries have been benefited most from the microfinance programs and on what activities they spend more amount of loan for increasing livelihood status? Either they have spent more on income or non-income generating activities. Does microfinance program in South India has met the social needs.

Objectives of the Study

1. To study the depth of microfinance programmes in India
2. To study the purpose of availing microfinance credit
3. To compare the usage of microfinance and other loans available in India

Discussion & Analysis

Depth of Microfinance in India:

In India, mutual fund institutions have been merging their operation to manage with the effect of change taking place in the sector. In 2014-15, MFIs have increased their branches, posting a minor growth of 4.57%. In 2016-17, total branch set-up of the Mutual fund institutions excluding six Small Finance Bank (SFBs) was 10233.

In 2015-16, 6 MFIs (Equitas, Ujjivan, ESAF, Suryoday, Utkarsh, and Janalakshmi) graduated to SFBs covered 1978 branches out of Total branch network of 11664. Number wise branch network in 2016-17 has declined to 10233 from 11644 but actually there is a growth of 6% (factoring in 6 SFBs' exit as MFIs).The difference between the Table No. 1 and 2 shows that the MFIs institution state branch's up and downs in India.

Table 1 No. of MFIs in India States/UTs and No. of Districts with MFI Operation- Year 2017

Name of the States /UTs	No. of MFIs operating in the state (including those having Head Quarters outside)	No. of districts of the state where MFIs operate	No. of Branches
Andaman Nicobar Islands	2	1	1
Andhra Pradesh	3	12	66
Arunachal Pradesh	4	4	11
Assam	21	28	344
Bihar	33	37	692
Chandigarh	3	1	4
Chhattisgarh	20	22	306
Delhi	10	6	33
Goa	4	2	10
Gujarat	18	24	257
Haryana	17	19	190
Himachal Pradesh	4	4	9
Jammu & Kashmir	1	1	1
Jharkhand	20	24	263
Karnataka	23	30	1218
Kerala	16	12	261
Madhya Pradesh	34	48	907
Maharashtra	41	36	808
Manipur	5	10	38
Meghalaya	8	5	18
Mizoram	4	8	26
Nagaland	3	2	3
Odisha	28	30	744
Puducherry	7	2	10
Punjab	10	22	173
Rajasthan	22	29	352
Sikkim	2	3	8
Tamil Nadu	35	34	1152
Telangana	5	6	11
Tripura	9	6	39
Uttarakhand	20	6	117
Uttar Pradesh	28	68	1067
West Bengal	41	21	1097
Total		**563**	**10,233**

Source:-The Bharat Microfinance Report 2017

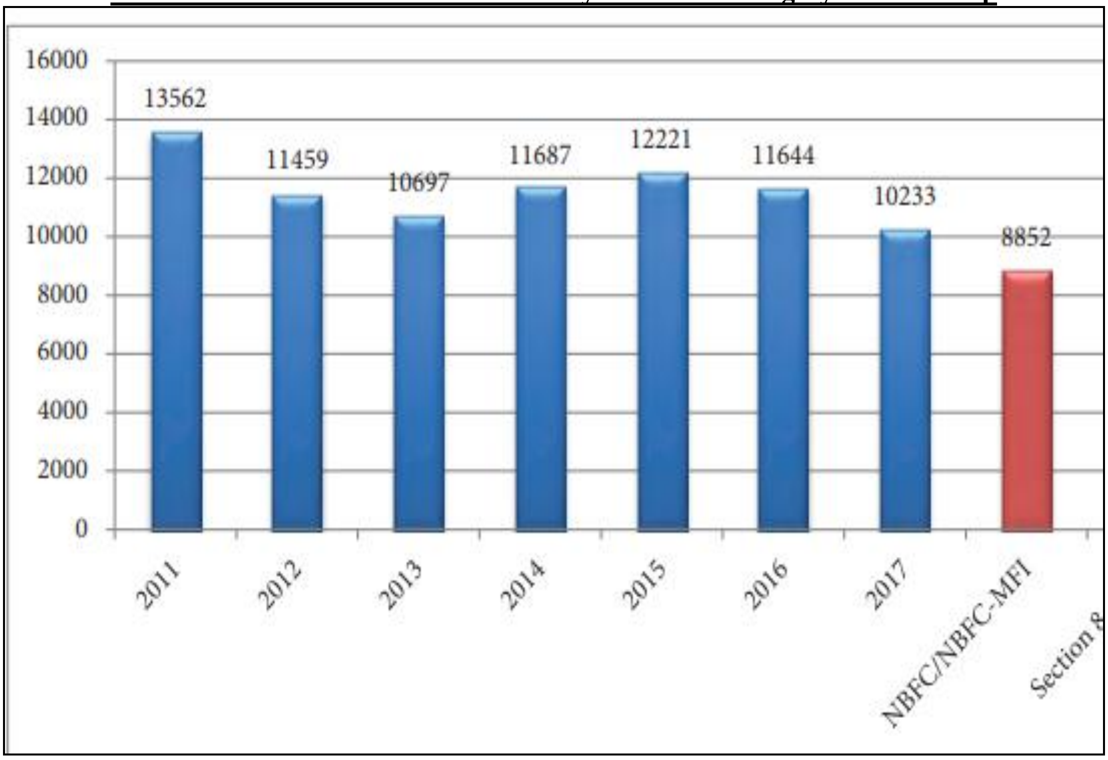
Table 2 No. of MFIs in India States/UTs and No. of Districts with MFI Operation Year 2015

Name of the States /UTs	No. of MFIs operating in the state (including those having Head Quarters outside)	No. of districts of the state where MFIs operate	No. of Branches
Madhya Pradesh	37	48	870
Maharashtra	37	35	980
West Bengal	35	20	1740
Tamil Nadu	34	32	1377
Karnataka	29	30	1185
Bihar	28	38	915
Odisha	26	30	742
Uttar Pradesh	23	70	1063
Gujarat	22	23	386
Rajasthan	21	33	287

Assam	19	24	552
Jharkhand	19	23	231
Chattisgarh	17	16	248
Delhi	13	7	70
Haryana	13	19	129
Kerala	13	14	220
Uttarakhand	13	10	95
Pondicherry	11	3	17
Andra Pradesh (Telangana Included)	10	23	776
Manipur	8	9	45
Meghalaya	7	6	26
Punjab	7	17	93
Tripura	6	6	99
Goa	4	2	7
Himachal Pradesh	4	4	6
Mizoram	4	8	34
Arunachal Pradesh	3	7	11
Sikkim	3	3	10
Nagaland	2	4	2
Andaman & Nicobar	1	1	1
Chandigarh	1	1	2
Dadra and Nagar Havali	1	1	1
Jammu &Kashmir	1	1	1
Total		568	12221

Source:-The Bharat Microfinance Report 2015

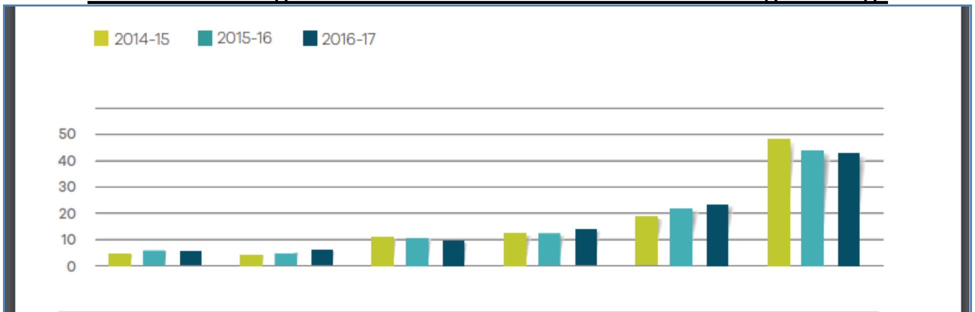
Table No.3:-MFI Branch Network- Yearly Trend and Category-wise Breakup



Source:-The Bharat Microfinance Report 2017

Above table revealed the distribution of branches among different categories of MFIs as of March 2017 which showed that NBFCs (NBFC/NBFC-MFI) had the lion's share of 8852 (87%) branches. It also shows the ups and downs in MFI Branch network in 2011 to 2017. In India, year 2011 has the highest branch as compared to year 2017.

Table No. 4:- Region-Wise Distribution of SHGs with Savings Linkage



	N E region	Northern region	Central region	Western region	Eastern region	Southern region
2014-15	4.34	4.69	10.62	12.23	19.81	48.32
2015-16	5.44	4.98	10.32	12.88	21.51	44.87
2016-17	5.28	5.33	9.89	13.30	22.77	43.43

Source:-Status of Microfinance in India 2016-17 - NABARD

Above table depicts that SHG - Bank Linkage Programme is a strong interference in economic system and financial inclusion for the bottom of the pyramid. The number of savings linked SHGs has shown a huge jump of 8.53% during the year. The increase is highest during this decade with the expanding coverage of SHG-Bank Linkage Programme in Eastern and North Eastern Regions and other priority States. During the last three years, there has been perceptible correction in the Southern bias of the Programme (Figure 4.2). Bihar, Maharashtra, Rajasthan and West Bengal account for 63% of the net addition of SHGs during the year. The share of Southern Region in terms of number of SHGs declined to 43.4% in 2016-17 from almost half (48.3%) in 2014-15. There was a slight decline in the percentage share of SHGs in Southern Region as well as Central Region during 2016-17 over the previous year in spite of an absolute rise in number of SHGs. Major States like Telangana, Maharashtra, Gujarat, Chhattisgarh, Uttarakhand, West Bengal, Bihar, Jharkhand, and Rajasthan have recorded higher growth rate

Table No. 5 Outreach (in lakh) of MFIs Across States/UTs- 2016&2017 (decreasing order)

State	2017	2016	Growth (%)
Karnataka	68.33	75.28	-9%
Tamil Nadu	32.25	57.22	-44%
Uttar Pradesh	29.82	39.36	-24%
Odisha	22.94	23.52	-2%
Bihar	22.57	23.93	-6%
Maharashtra	21.33	38.57	-45%
West Bengal	21.16	24.91	-15%
Madhya Pradesh	20.53	28.19	-27%
Assam	7.73	6.84	13%
Kerala	7.42	12.23	-39%
Rajasthan	6.28	8.20	-23%
Jharkhand	6.21	6.75	-8%
Punjab	5.46	6.26	-13%
Chhattisgarh	5.35	8.36	-36%
Gujarat	4.60	12.63	-64%
Haryana	3.83	5.98	-36%
Telangana	2.59	2.95	-12%
Uttarakhand	1.92	3.22	-40%
Delhi	1.15	2.52	-54%
Andhra Pradesh	1.04	7.27	-86%
Manipur	0.73	0.88	-16%
Mizoram	0.57	0.65	-12%
Tripura	0.43	1	-58%
Puducherry	0.28	1.27	-78%
Arunachal Pradesh	0.19	0.17	9%
Himachal Pradesh	0.13	0.49	-73%
Meghalaya	0.12	0.19	-36%
Sikkim	0.11	0.28	-59%
Goa	0.07	0.13	-47%
Nagaland	0.04	0.04	10%
Jammu & Kashmir	0.03	0.02	17%
Chandigarh	0.02	0.13	-82%
Andaman	0.02	0.01	267%
Total	295	399	

Source:- The Bharat Microfinance Report 2017

Table No. 5 shows the outreach (in lakh) of MFIs across states in 2016 & 2017 in decreasing order. It shows that the Outreach of MFIs of 2016 is more than the 2017. According to the above table only Andaman, Jammu & Kashmir and Nagaland Shows the positive growth. Andaman shows the highest positive growth with 50% in the outreach of MFIs across states in 2016 & 2018. Except These states all states of India shows the Decreasing growth of Outreach of MFIs across status in 2016 & 2017. The highest Decreasing order growth Show puducherry with -78% and then Himachal Pradesh With -73%.IN table no. 5 top 5 states account for 60% of total client outreach and rest of the other states hold only 40% of total clientele.

Table No. 6 Outreach (in lakh) of MFIs Across States/UTs- 2014&2015

States/UTs	2015	2014	Growth (%)
Karnataka	62	52	19%
Tamil Nadu	46	38	22%
West Bengal	45	43	6%
Maharashtra	30	28	7%
Andhra Pradesh (Telangana included)	29	46	-37%
Uttar Pradesh	29	21	38%
Bihar	24	17	41%
Madhya Pradesh	21	16	35%
Odisha	17	17	3%
Assam	15	12	25%
Gujarat	11	7	64%
Kerala	7	6	26%
Rajasthan	7	6	12%
Jharkhand	5	5	2%
Chhattisgarh	4	4	17%
Punjab	3	2	76%
Haryana	3	2	65%
Tripura	3	3	15%
Uttarakhand	3	2	35%
Delhi	2	2	15%
Pondicherry	0.83	0.4	102%
Manipur	0.74	0.6	14%
Mizoram	0.63	0.6	10%
Meghalaya	0.37	0.3	20%
Arunachal Pradesh	0.18	0.1	27%
Sikkim	0.2	0.1	26%
Goa	0.10	0.09	7%
Himachal Pradesh	0.06	0.01	801%
Chandigarh	0.06	0.05	19%
Nagaland	0.03	0.02	50%
Dadra and Nagar Haveli	0.02	0.02	16%
Jammu	0.01	0.01	16%
Andaman & Nicobar	0.005	0.01	-38%
Total	371	330	

Source:- The Bharat Microfinance Report 2015

Table No. 6 shows the Rapidly growth outreach of MFIs across states in 2015 then 2014. All states data is in increasing no. except of two states Andaman& Nicobar and Andra Pradesh. These states show the decreasing no. of growth. Andaman & Nicobar Shows -38% growths and AndraPradesh shows -37% growths. Himachal Pradesh shows the highest growth 500% and Jharkhand shows the lowest growth 2% with the positive growth. This Data represents the positive growth and outreach of MFIs in India.

Table No.7 Borrowings from microfinance institutions based on caste of head of households

	Caste of households					
Borrowings from	SC	ST	OBC	MBC	General	Total
1 MFIs	290	75	614	47	268	1294
	22.41%	5.80%	47.45%	3.63%	20.71%	100.00%
2 MFIs	164	46	396	30	149	785
	20.89%	5.86%	50.45%	3.82%	18.98%	100.00%
3 MFIs	88	35	253	22	83	481
	18.30%	7.28%	52.60%	4.57%	17.26%	100.00%
4 MFIs	12	4	57	8	8	89
	13.48%	4.49%	64.04%	8.99%	8.99%	100.00%

*SC= Scheduled caste
ST= Schedules tribe
OBC= other backward caste
MBC= Most backward caste

The table represents that majority of beneficiaries borrowed loan from 1 to 4 microfinance institutions belong to OBC caste followed by SC caste and MBC caste beneficiaries have borrowed loan less than others from more than one microfinance institutions.

The purpose of availing microfinance credit

Concerning provincial spread of smaller scale back is that there has been a critical grouping of these organizations in the Southern area of the nation. The Southern area has generally been the most forefront district as far as banking advancement in the nation. A more prominent grouping of micro finance is potentially owing to the effectively all around banking foundation in the area yet it additionally fortifies the current imbalance between regions in the improvement of banking system.

Further, as micro finance is basically determined towards including the poorer areas of the populace into the scope of banking system, it is essential to contrast the supply of micro finance with the quantity of poor crosswise over regions to judge the successful extend of micro finance. We discover taking this pointer as well, the spread of micro fund works out to be the biggest in the Southern district and the least in the Central area. Here, in any case, we have to recall that there are contentions from researchers that the official destitution line underestimates the quantity of poor people in the nation (Swaminathan, 2000).

Table No. 8 shows the constant growth year by year from 2011 to 2016 in women borrowers but it also shows the decreasing trend in 2017. But it only shows the 1% decrease which do not affect the growth and importance of microfinance in women borrowers in India. According to the table 8 SC/ST, Minority and differently able borrowers shows the highest percentage of taking loans. This shows the losing interest in the microfinance loan because of the high interest rates and the other banks facilities but this also shows increase in Individual borrowers, borrowers having personal bank A/c and Borrowers having BPL Card who is the good sign for microfinance growth.

Table No. 8 Composition of Borrowers – Category wise

% to Total Borrowers									
Year	Women Borrowers	SC/ST Borrow-ers	Minority Borrow-ers	Differently abled Bor-rowers	Borrowers having Aadhaar Card	BC Bor-rowers	Indi-vidual Borrow-ers	Borrow-ers having personal Bank A/c	Bor-rowers having BPL Card
2011	94%								
2012	95%	20%	23%						
2013	96%	21%	23%						
2014	97%	19%	14%						
2015	97%	28%	18%	0.05%	10%				
2016	97%	30%	27%	4%	18%	**15%**	**3%**		
2017	**96%**	**20%**	**10%**	**0.12%**	**52%**	**23%**	**3%**	**22%**	**11%**

Note: Data for SC/ST and Minorities is being collected from 2012; data for Differently abled borrowers and Borrowers having Aadhaar Card is being collected from 2015, data for BC Borrowers and Individual Borrowers is being collected from 2016 whereas data for borrowers having personal Bank A/c and borrowers having BPL Car started from 2017.

During the six-year period considered, there appeared to be a change towards reducing the gender gap but even then, women's access to basic banking facilities remained at disquietingly low levels.

They have financed these non-routine expenditures using various sources and this payment was used for further activities either income or non-income generating activities. This table presents the details on how the loan amount is being used. It is being observed from table that financing of household consumption accounts for maximum usage of loans taken from bank, MFIs, SHGs and informal sources like moneylenders, landlords, friends/ relatives etc. followed by investment in agricultural machinery or inputs like seeds and fertilizers. Most of the investment is also used to repay old debts. Almost equivalent investment in home improvements/ repair of houses and health are financed through various sources. Credit taken from various sources is more used for commercial purposes. This data shows that most of the credit taken from formal or informal sources or MFIs or SHGs has been used in non-income generating activities like buying agricultural inputs, household consumption, repaying old debts, home improvements/repair/construction and health of households. In this table the credit taken from MFIs/ SHGs has also been used in most of non-income generating activities that had helped the households to meet their social needs. There were a few members who started their own new businesses (2.5%, 1.9%) to generate opportunities of employment for others. There were (9.9%, 4.2%) beneficiaries who have used the loan amount for purchasing stock for their existing businesses to make it more profitable than before. There were (4.4% and 5.7%) beneficiaries who have used the loan amount from MFIs/SHGs for education purposes and rest beneficiaries have used it the loan amount for personal non-income generating activities. During the study it is identified due to many reasons like insufficient loan size the loan amount was diverted to non-income generating activities.

Table No. 9-Usages of loan by lender types

	Bank	MFI	SHG	Informal
Start new business	2.0%	2.5%	1.9%	1.1%
Buy agricultural machinery or inputs (seed, fertilizers)	57.5%	13.2%	19.3%	19.9%
Purchase stock for existing business	3.0%	9.9%	4.2%	2.7%
Repay old debts	14.6%	25.4%	20.4%	7.0%
Health	11.4%	10.9%	18.6%	25.3%
Marriage	4.3%	4.8%	2.2%	12.2%
Funeral	0.1%	0.2%	0.5%	1.7%
Other festivals	0.6%	3.5%	3.6%	4.8%
Home improvements/ repair/ construction	9.7%	22.1%	13.0%	14.2%
Unemployment	0.0%	0.0%	0.1%	0.8%
Purchase land	0.8%	0.9%	0.7%	0.6%
Education	4.1%	4.4%	5.7%	5.3%
Purchase jewellery	0.5%	0.6%	1.6%	0.4%
Household Consumption	26.5%	31.6%	49.9%	24.9%
Buy livestock	2.7%	6.0%	5.6%	1.7%

This result shows that in spite of belonging to any of gender, caste ad class beneficiaries are able to access the loan from different-different microfinance institutions without facing any problem being discriminated based on their gender, caste and social class (richer, middle income class & poorer class).

Microfinance and other loans available in India:

The casual sources, which the overviewed individuals potrayed upon, were basically proficient lenders. There were likewise individuals that arranged advances from relatives and a companion, which as uncovered by most prime level reviews, is a harmless source of finance that is drawn on by any person in the midst of need. These advances are typically interest free. In any case, the credits from moneylenders are advances taken regularly at overwhelming rates of interest.

Table No. 10 – No. of loans of SHG members, by sources other than SHGs

Source	Number of loans	Percentage of loans
Bank	10	10.8
Professional moneylenders	39	41.9
Relatives and friends	25	26.9
Other sources	19	20.4
Total	**93**	**100.0**
Source: Primary data.		

Source- Status of microfinance in India

Table No 10 demonstrates that we get a genuinely comparative photo of the prevalence of casual sources in common, moneylenders specifically. It has been found that of the aggregate number of rustic family units in the State, 68% have taken as a minimum one loan from the casual sources, and out of these, 53% have taken advances from proficient loan providers. Further, just 14.4 for each penny of the rustic family units in the State revealed no less than one advance from commercial banks. Clearly, there was more noteworthy reliance on casual sources, especially moneylenders in India.

The premium cost of micro finance was high as uncovered by the review and was in truth as good as to the rates charged by moneylenders. More than 75% of the SHGs reviewed charged rates in the scope of 24% to 36% per annum.

Percentage of household reporting at least one loan outstanding, by source

Source	India
Formal sources	50.7
Government	3.0
Cooperatives	26.1
Commercial banks	21.6
Other sources	2.6
Informal Sources	58.3
Landlord	1.4
Agriculture moneylender	12.3
Professional moneylender	26.9
Trader	3.3
Relatives and friends	14.1
Others	3.9

Note: The figures may not add up to 100 as there are households that have taken loans from more than one source.
Source: NSSO 2006

Conclusion

This research study is conducted to meet three objectives. The main purpose of this research study is to examine the depth of the outreach of the microfinance program. Generally, microfinance programs are designed to help the poor rural people to convert their potential into productive ventures. Microfinance was started with the thought of helping poor rural people but now its focus has been shifted towards needy people in India cause of several factors playing important role in providing credit to poor people. Poor people do not have collateral to provide as a security against credit so they looked at microfinance institutions with the hope of getting credit against their social status. The repayment rate in India was continued to fall and microfinance was losing its foothold in India. So a paradigm shift from poor to needy people has been made. Now-a-days, Microfinance institutions do not only provide micro-credit facilities but also provide other facilities or new innovative sources to make live stable of needy people.

The main purpose of this study was to know about those people, who are getting benefits out of this microfinance program. MFIs currently operate in 29 states, 4 union Territories and 563 districts in India. The reported 168 MFIs with a branch network of 10,2333 and 89,785 employees have reached out to 29 million clients with an outstanding loan portfolio of Rs 13,898 crore. The average loan outstanding per borrower stood at Rs 12,751 and 85% of loans were used for income generation purposes outreach fell by 26% and loan outstanding grew by 27% over the previous year. The Southern region continues to have the highest share of both outreach and loan outstanding, followed by East. However growth rates are higher in the Northeastern and East regions. Outreach proportion of urban clientele has decreased significantly as against the rural population. The proportion of Urban clientele which was 62% in 2015-16 decreased to 39% in 2016-17. Women borrowers constitute 96% of the total clientele of MFIs, SC/ ST borrowers constitute 20% and minorities 10%. The analysis showed narrow outreach of microfinance program.

The data analysis also shows that there was no discrimination was done by microfinance institutions based on caste and gender in India. Data analysis showed that other backward class (OBC) (42.37%) people have more financed through JLGs/ SHGs their non-routine expenditures than general class people (15.25%) and Male candidates have financed through JLGs/SHGs (8.59%) more than female candidates (6.62%) but results shows that female candidates have positively participated in microfinance programs. result of study showed that the beneficiaries were more likely to spend on non-income generating activities.

World over the focus of microfinance has always been on serving women. In India as an alternate vehicle of credit, microfinance serves a large segment of people from scheduled castes, schedule Tribes and Minorities. Women clients constitute 96% of total clients of MFIs. Similarly, SC/ST borrowers also constitute a substantial chunk (20%) of the clients. A trend analysis of women borrowers, SC/ST borrowers and minority borrowers is shown in numbers using a table. For the first time, in 2016-17, data for borrowers having personal bank A/c and borrowers having BPL card constitute only 22% and 11% of the total respectively. The reason for a low coverage under these heads is the non-collection of such data at MFI level. Focusing on microfinance services towards women, SC/St and minorities, MFIs are contributing significantly to the wellbeing of the underprivileged, leading to a rise in their welfare and assisting with the financial inclusion agenda.

They spend moreover on consumption expenditures and repaying old debts by diverting their loan amount and used it for non-income generating activities. Spending on consumption expenditures has favored some of studies (Collins et. Al. 2009, and Guerin, Kumar etc. 2009) that argue that micro credit can be considered as tool serving to consumption need. In addition, one of the important objectives of SHG program is to create capacity of beneficiaries and enhance the employment opportunities by starting small businesses. The study indicated that only few beneficiaries of SHG program were able to use group loans to start a new income generating activity. The result showed that there must be reasons like insufficient loan size for using of credit taken from SHGs/ JLGs used moreover in non-income generating activities.

Turning to the other part, the study raised a few questions like at what level does microfinance program removes the effect of informal sources like money lenders, landlords from the rural market, does multiple borrowing necessarily mean over- borrowing that was argued in some of studies (Lahkar & Pingali, 2016) that multiple borrowing need not be synonymous with over-borrowing. During the study it is identified due to many reasons like insufficient loan size the loan amount was diverted to non-income generating activities. It was felt that the microfinance programs in Andhra Pradesh satisfied the social need but some scholars blames that this process would push poor beneficiaries to over burdening of debt. Policies and appropriate regulation are required for effective results of microfinance program in India.

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