Role of Micro Financing in Women Entrepreneurship in India

BY:
TANNAVI SHARAD KAMBLE
MSc in Finance
X20245629

Academic Year- 2021-22

Submission of Thesis and Dissertation

National College of Ireland
Research Students Declaration Form
(Thesis/Author Declaration Form)

Name: Tannavi Sharad Kamble
Student Number: x20245629
Degree for which thesis is submitted: MSc in Finance
Title of Thesis: Role of Micro Financing in Women Entrepreneurship in India
Date: 17/08/2022

Material submitted for the award

A. I declare that this work submitted has been composed by myself. ☑

B. I declare that all verbatim extracts contained in the thesis have been distinguished by quotation marks and the sources of information specifically acknowledged. ☑

C. I agree to my thesis being deposited in the NCI Library online open access repository NORMA. ☑

D. ***Either*** *I declare that no material contained in the thesis has been used in any other submission for an academic award.
Or *I declare that the following material contained in the thesis formed part of a submission for the award of

____

(State the award and the awarding body and list the material below)
☑

Acknowledgment

I would like to present my gratitude to my supervisor Prof. Joe Naughton for his support throughout the dissertation journey. He helped me in understanding the need of having a particular set of data for the completion of this dissertation. His detailed guidance and key points helped me thoroughly at various levels.

I would also like to present my gratitude to the library faculty of the National College of Ireland for helping me with the Literature review Journals.

Lastly, I would like to thank my friends and family for their remarkable support throughout my Masters's degree journey.

TABLE OF CONTENT

ABSTRACT

This research paper entirely focuses on Microfinancing, its background, and how it has helped women's entrepreneurship. It defines microfinance in terms of the financial requirements of the underprivileged. It mostly focuses on microfinance in India and how it has benefited women's empowerment. It also discusses how government laws are established to make the procedure as simple as possible. It addresses the benefits of linking formal and informal financial institutions and assesses the effectiveness of several microfinance schemes in India. Microfinancing in India and its effects on Indian women. It will also elaborate further on how the government plays a vital role in these scenarios by having SHGs as the mediators and by formulating various schemes and policies separately or via the Reserve Bank of India (RBI).

Microfinancing is not a new concept in India, but it was existing since the 1980s and since then there have been various upgrades to the legal obligations regarding it by the governing bodies of India. Since India is a country with a high population and is still a developing nation, most of the population belongs to the rural areas and women there are not much educated. Being born in a less privileged background females are then forced to marry at early ages. Considering the changing economy single income is no longer sufficient for a family and thus women of the family are forced to earn money. Usually, during such time, women join organizations and run other female entrepreneur or any NGO which provide small work to these women and provides them with wages, and later then these produced goods are further sold in the market.

Likewise, various small businesses in India have helped women create their own identities irrespective of any educational background criteria. The government of India has produced various schemes to encourage women to start their businesses and to help them take loans for their start-ups and small businesses. To make this procedure hassle-free co-operative banks and Self-Help Groups were formed which are regulated by the Reserve bank of India. The thesis will discuss the group lending approach, the relationship between the size of microloans and the impact it has on the lives of poor people, the issues related to its operations, and unhealthy competition amongst the microfinance providers and its effect on society.

The objective of the present study is:

- To study the role of women in the economy.
- Microfinance as a tool for Woman entrepreneurship
- To study and analyze the correlation between Microfinancing to Woman's Entrepreneurship with (Self Help Group) SHG- bank linkage vote sector and they have their eligibility criteria different from that of the RBI organized.

CHAPTER 01
INTRODUCTION AND HISTORICAL BACKGROUND

1.1 Background:

Microfinance is classified as a financial service in India. The mainstream micro-credit/microfinance business in India, like in many other countries, started in the 1990s and was inspired by Prof Mohammad Yunus' Grameen Model in Bangladesh. It all started modestly in Bangladesh, in the region of Jobra, before becoming the global economic activity it is now. It lends and provides loans, credit, access to savings accounts, business startups, and money transfers to small company owners and entrepreneurs in the country's undeveloped and rural areas. In 2010, a wave of protest spread across Andhra Pradesh, one of India's first states to implement the microfinance system. Borrowers rose against the microfinance system, which was weighed down at the time by a wave of criticism from across the world, after a series of suicides among borrowers and increased pressure from credit agencies. As a result of these factors, the dimensions of microfinance have evolved in recent years. The establishment and harmonization of performance and social impact measures are increasingly regulating MFI management. With a slight modification, India has embraced Bangladesh's approach. Microfinance has evolved as a significant tool in the new economy for alleviating poverty and empowering women. Self-help groups (SHGs) and credit management groups have also emerged in India as a result of the availability of microfinance. As a result, the SHG movement has expanded throughout India. Traditional financial institutions have also begun to assist MFIs in the long-term viability of the microfinance business. It was later introduced in Gujarat in 1974 by the SEWA Bank, a branch of the Self-Employed Women's Association (SEWA, and has since played a significant role in offering financial services to people who had previously been excluded from the mainstream economy.

Microfinancing was launched in India in the 1980s for individuals who did not have access to traditional forms of credit, to empower women, and to financially benefit the underprivileged parts of society. The goal of microfinance is to help underprivileged members of society and to boost economic progress. Its significance has grown amid the global budgetary crisis when faith in the official banking system has been weakened. It is also necessary for the poor to engage in income-generating activities such as investing in marginal farms and other small-scale businesses for their livelihood. Credits/Loans play a vital role in maintaining the difference between income and consumption. The role of microfinancing focuses on women and providing them with credits to start up their businesses. India is a country majorly covered by rural areas. India ranks fourth in generating a high income from the agricultural sector. The literacy rate in the rural areas is comparatively less than that of the urban areas Hence leading to no other choice but to work on farms rather than in offices. Since with these addon challenges- increasing population and the non-availability of land, a family of ten is forced to survive on the income generated from one piece of land. Poverty is a key barrier to development in the majority of developing countries. In India, a significant difference in unequal income distribution is the primary factor influencing widespread poverty. As an agricultural economy, agriculture and associated sectors support more than half of the Indigenous population.

During early ages, loans from traditional banks were not available to the less privileged, hence the upper-class society lenders known as ‘Savkar’ used to lend money to the lower class with a high-interest rate. Due to illiteracy amongst the borrowers, the lenders tricked

borrowers to pay huge amounts of interest. Since there was no government intervention in this it was very risky yet, later on, became very problematic for society due to the increasing fraudulent activities.
Demand and supply work hand in hand and hence when it was observed that there is a high-end need for such microcredits and then various institutions were formed and rules were regulated by the government in the formation of cooperative banks Microfinancing institutions, Self-help groups various schemes to help the people. NABARD began advertising self-help groups on a big basis in 1991-92. And that was the true starting point for the 'SHG movement.' The Reserve Bank of India also permitted SHGs to open savings accounts in banks in 1993. The availability of financial services provided a significant boost to the movement.

1.2 What is Microfinancing?

Microfinance is the provision of financial services to low-income individuals or organizations that are normally excluded from regular banks due for various reasons. Some claim that microfinance organizations are planning a social revolution, while others see the phenomena as a social movement that is likely to mark a significant milestone in human history (Fernando, 2006a, p. 2). The majority of microfinance organizations specialize in providing credit in the form of small working capital loans, often known as microloans or microcredit for personal requirements or business purposes. Speaking literally, lending casually is what microfinance is. It was initially intended as a financial aid mechanism for companies without access to banks or other lending institutions. Microcredit is a component of microfinance that enables the granting of small business loans to impoverish entrepreneurs. For these firms, it also entails offering savings, microinsurance, and payment methods. Many, however, offer insurance and money transfers, and licensed microfinance banks offer savings accounts.

Microfinancing can be utilized in various sectors for its betterment. Families can use it to pay off their loans. Farmers use it to buy agricultural products and pay off their high-interest loans. But here we will focus mainly on how microfinancing has been a boon to women’s growth mentally and financially. It is believed that a woman has always been two steps ahead of the upcoming challenges and if they are provided with the right resources, they can utilize these skills into something very strong, which can help them to grow and help their surroundings to grow. A series of suicides in India a decade ago brought into question the assumption that microlending could reduce poverty, but today's more modest objective of financial inclusion, an initiative to reach individuals who do not have access to the banking system, is just no less difficult.

Microfinance is a concept that focuses majorly on women by offering them loans and credits for their empowerment. The country understood the need for women to gain financial independence to contribute to the betterment of their and their family’s lifestyles. Microfinance mostly serves disadvantaged rural and urban households, as well as women. As a result, in India, microfinance institutions and self-help organizations are leading to other regular banking channels by meeting the credit needs of the underprivileged.

1.3 What is Women’s empowerment?

Empowerment is a transformational process in which people or groups gain power and control over their life. It includes having access to resources, which leads to higher participation in decision-making and bargaining power, as well as improved control over benefits, resources, and one's life, as well as enhanced self-confidence, self-esteem, and self-respect. It signifies that 'empowerment' refers to a broad term that comprises economic, social, and political empowerment. Women can be empowered by supporting their sense of self-worth, their freedom to make their own decisions, and their right to have an impact on social change for both them and other people.
It is directly related to women's emancipation, a basic human right that is also essential to establishing a more peaceful, affluent world. The main factor in the growth of any economy is the now empowerment of women. Numerous organizations and forums have been discovered to be making significant efforts in this regard. This viewpoint is supported by numerous research investigations.

Every married woman in India is an expert at managing finances as she is the one in charge at home. Managing a business or starting a business is nothing different than a managing house. Specifically in the era, we are living in where all of the stakeholders of business have equal value and we have to maintain the balance between finances as well as the well-being of people around us. A woman is assumed to be empathic by nature and if she gets hold of business she does wonder. There are several examples seen all around the world of women growing their businesses with limited funds.

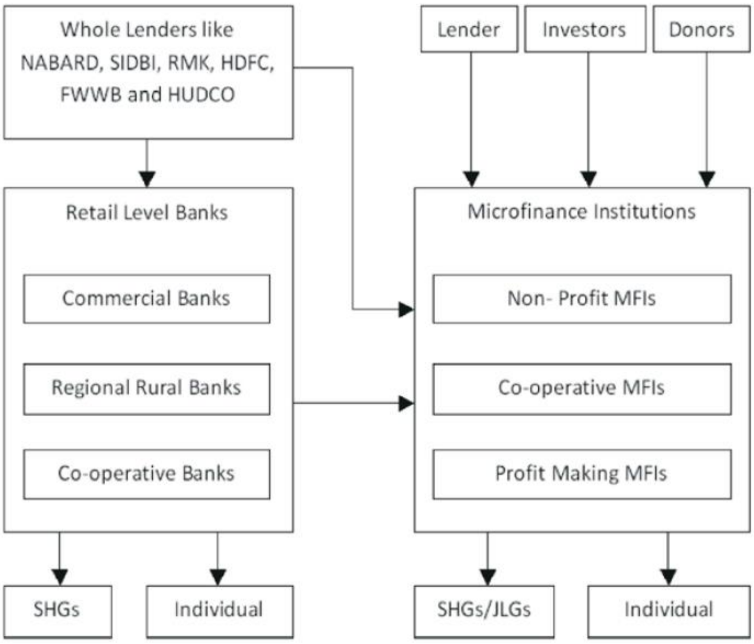


Fig1.Institutional Setups for Indian Microfinance Disbursement
(Source : Microfinance Disbursement)

In India, three separate approaches for connecting SHGs to financial institutions have arisen.

- SHGs are formed and funded by banks.
- SHGs are founded by NGOs and other organizations but financed by banks.
- Banks finance SHGs through NGOs and other organizations as financial intermediaries.

The second model is the most popular. This paradigm accounts for over three-fourths of all SHGs. Only 20% of SHGs are covered by the first model, and 8% by the third.

A village-based financial intermediary committee called a self-help group is often made up of 10 to 20 local women. For a few months, the members make tiny, regular savings contributions until the group has enough funds to provide loans. The money can subsequently be returned as a loan to the villagers or other people. These SHGs are subsequently "connected" to banks to provide microcredit. It places a strong emphasis on capacity development, activity cluster planning, infrastructure expansion, technology, credit, and marketing.

The main goal is to help the members develop the habit of saving money and using financial services. As a result, women who practice saving have stronger negotiating skills and are better able to get loans for useful purposes. The women profit from pooling their knowledge to manage their funds and share the rewards. These organizations do a lot to encourage women to take up social obligations, especially those that are relevant to women's development. One of the most important tools for implementing a participatory approach for the economic empowerment of women is considered to be SHGs.

Last but not least, the gender dynamics of power inside a family and ultimately in society as a whole have changed as a result of the SHG culture. They now have more influence over family affairs and are acknowledged as partners and stakeholders in moving the community forward. The eventual achievement of financial independence opened the door for the societal advancement of women and their opinions.

Once SHGs have built up a foundation of their own money and have a history of on-time payments, they can borrow from banks. After six months, SHG is evaluated on several criteria by the branch manager of the bank to which it is linked to savings. The bank extends the SHG a loan known as credit linkage if it passes the rating exercise. Banks rate SHGs each time they request a loan from them. As a result, it requires SHGs to maintain best practices to receive repeated credit. The bank's Prime Lending Rate (PLR), which ranges from roughly 12% annually to the rate at which it lends to its best clients, determines the interest rate paid by the bank for a loan to SHG. This is one of the program's beneficial effects in easing the members' interest load and preventing the exploitation of the poor by unofficial organizations, including money lenders, commission brokers, etc. Additionally, group members are informed of the interest rates they pay to the group as well as the interest rates paid by the group to the bank for the loans they have accessed.

1.4 At present, there are two main channels available for Microfinance in India:

- Self-help groups Bank Linkage Program (SHG-BLP)
- Microfinance Institutions (MFIs)

- **Self Help Group-Bank Linkage Program:**

The SHG-Bank linkage program was launched in 1992 at the initiative of NABARD, based on the recommendations of the SK Kalia Committee. It was formed to connect the unorganized sector with the formal banking sector. An SHG is stated as a socially and economically homogenous organization of up to twenty people created voluntarily for the collective goal of saving and credit, with no requirement on collateral for loans or credit end usage. SHGs are small groupings of impoverished people. SHG members confront

comparable challenges. As a key development strategy, the Self-Help Group Bank Linkage program aims to empower women. Self-help organizations are thought of being socially engaged organizations that can help a government conduct its objectives for reaching sustainable development goals. With more than 10 million participating self-help groups, the Self-Help Group Bank Linkage Program is currently the largest microfinance program in the world. They assist one another in resolving their concerns. SHGs should have well-defined rules and bylaws, have periodic contact, maintain meeting minutes, savings, and loan records, practice credit discipline, and operate democratically.
The Self-help Group-Bank linkage program ('SHG-BLP') model has emerged as a cost-effective mechanism for connecting and helping neglected and underserved poor families. The SHGs that adhere to the following 'Panchsutras' (5 important rules) are thus considered to be of excellent quality and have proven themselves to be good customers of commercial banks

- regular group meetings
- regular savings within the group
- internal lending based on the demand of members
- timely repayment of loans
- and maintenance of proper books of accounts.

Savings, credit (consumption/production), insurance, remittance, and other financial services are required at the doorsteps of the rural poor. SHGs' platform allows for the expansion of these services. According to available data, 25%-35% of rural families rely on non-institutional sources for financing. SHG linkage is thus a better strategy to deal with the scale of the social agenda. Also, many NGOs and governments have identified SHGs as a mechanism for delivering and developing their developmental services and objectives.

Microfinance institutions (MFIs):

MFIs are organizations that provide financial services to low-income people. Microloans, micro-savings, and microinsurance are examples of these services that are financial institutions that make microloans to persons who do not have access to banking services. A microfinance organization extends credit, similar to what a bank does. However, the loans are lesser in amount than those given by the commercial banks. Microcredit is the term used to describe a few little loans. An MFI's clients are frequently microentrepreneurs who require financial assistance to start their businesses. Traditional bank’s view clients of this type as being too risky because they cannot offer genuine collateral and frequently operate in the unstructured segment of the economy. MFIs evaluate the clients' willingness and ability to pay before approving the loan. MFIs typically conduct a fieldwork survey to collect as much data as they can from both the prospective entrepreneur and their contacts’ network. Over the past two decades, the microfinance sector in India has experienced incredibly unusual expansion. From a small number of businesses providing SHG and JLG loans to a developed market, the sector has gone a long way. The model started out as a tool for reducing poverty, concentrating on the economic and social advancement of the disadvantaged people by providing small sums of money to women without any form of guarantee for their loans so they may invest in income-generating activities. Although interest rates are lower than those charged by traditional banks, critics of the concept accuse microfinance institutions of profiting by manipulating impoverished people's money.
The microfinance sector has risen dramatically over the last several decades, and it now serves around 100+ million accounts (including banks and small finance banks) of India's poor population.

The Joint Liability Group concept is used by microfinance organizations to make loans (JLG). JLGs are teams of five to ten people who work together to apply for bank loans, either individually or collectively. The loan is given in exchange for a shared guarantee.

These are India's top ten microfinance organizations:

- Microfinance Annapurna Pvt Ltd
- Arohan Financial Services Private Limited
- Asirvad Microfinance Pvt.
- Bandhan Financial Services Pvt.
- BSS Microfinance Private Limited
- Credit Micro CashPro
- Disha Microfin Private Ltd.
- Pvt. Ltd. Equitas Microfinance
- Finance and Investments ESAF Pvt Ltd
- Pvt. Ltd. Fusion Microfinance

The following are the major objectives of microfinance institutions:

- To aid in the development of sustainable communities by being a successful financial institution.
- Support in the distribution of resources that benefit the underprivileged members of society. Women are being given special attention in this respect because they have been successful in establishing revenue firms
- Make self-employment options available to the disadvantaged.
- Educating rural people by teaching them basic skills that would enable them to start their enterprises.

1.5 Y.H Malegam Committee

In 2010, the government of India appointed a committee for MFIs in India, it was chaired by Y.H Malegam and named as YH Malegam committee. The committee will investigate the disparity between asset categorization and provisions recorded by banks and those interpreted by the central bank's auditors, as well as the increasing incidence of fraud in the banking sector. This commission reports to the RBI in January 2011 that microfinance institutions have ignored the poor.
The availability of MFIs helps people to expand their opportunities-with the available resources the income generation of the household has been improved.
Though Microfinancing is available to all underprivileged sectors its prime target is women. Loans are easily made available to the women for the betterment of their living conditions.
It has been considered a boon for the economy as when people participate in microfinance activities, they tend to achieve favorable levels of consumption and improve their livelihood leading to the growth of the society
The main goal of the Micro Credit Innovations Department has been to enable cost-effective and sustainable access to financial services for the underserved populations, namely the poor in rural areas, using a variety of products and delivery channels. The department was established in 1998 after the SHG-Bank linkage program, a microfinance innovation was

mainstreamed on a national level. Through the division of "Micro Credit Innovations," NABARD has kept up its function as the nation's facilitator of microfinance programs. According to World Bank figures, 1.7 billion people in various nations lack access to fundamental financial services. This is when microfinance institutions come into play. In early 2001, the National Bank for Agriculture and Rural Development (NABARD) predicted that by 2008, over one million self-help groups (SHGs) would be receiving bank loans, with a total membership of around seventeen million individuals (Harper, 2002, p. 177). Today, based on data from Microfinance India: State of the Sector Report 2009,4 we can see that NABARD's projection has mostly been achieved.

CHAPTER-2
REVIEW LITERATURE

2.1) Success Story of the Microfinancing:

To understand further the topic and how microfinancing has been a beneficial resource to women in India let us discuss the incredibly famous example of Shri Mahila Griha Udyog Lijjat Papad -it is an organization which – "of the women, by the women, For the women" The fairytale success of Lijjat Papad, which is currently a multimillion-dollar enterprise launched in 1959 in a congested Mumbai tenement by seven women from Gujrat with a seed capital of ₹80 (€0.99), belies its revolutionary feminist ideals.

They gained success and built a business even before the concept of microfinancing was introduced in India. Lijjat's dedication to women's empowerment stems from its humble origins when seven stay-at-home spouses gathered on a Mumbai rooftop and took a step toward a life-changing decision, but little did they know that they were not just building their life by creating opportunities for several other women's around them. This is the story of seven determined women who demonstrated that one does not need a lot of money to start a business empire. All you need are skills and commitment. It is a dream shared by seven women to employ as many women as possible. Currently, they have about 45000+ individuals working for them. Their revenue exceeds $100 million. They maintained the firm on a tight budget, with yearly revenue of just over ₹6,000 in 1959, a fraction of its present income. Every woman is compensated based on her production ability and position in the organization. Just like any other business they faced a lot of challenges throughout their journey but continue working hard to achieve their goals. They got lots of mouth publicity and publicity via vernacular newspapers. Slowly steadily after opening various branches in different localities they started expanding nationally and got themselves registered under the[1] Societies Registration Act,1860. Later it was also recognized as the "village industry." Later in 1966 KVIC[2] recognized this business as a khadi business and granted working capital of ₹800,000 (approx. €10,000) and certain tax exemptions.

A dream was the driving force behind the establishment of this company. A dream to be noticed, a dream to break the stereotype that Women cannot work or run a business. They went through a lot on their way from being a tiny women's club making home-baked papads to being one of the largest organizations in this business producing papads. "Some of our ladies make more than their husbands, and their families appreciate it."

Shri mahila Griha Udyog lijjat papad created a great social impact. They created direct employment for so many women in different localities they made a positive impact on various families by this. They currently not just operate nationally but their distribution channel and sales market forces have expanded globally as well.

Over these years, they have been recognized with various awards by the government and other institutions for their works and achievements.

---

[1] The Societies Registration Act,1860 requires a society to be registered in order to operate in any industry, business, or trade that its rules permit.

2 The Khadi and Village Industries Commission (KVIC) is a statutory organization established by the Government of India in April 1957 under the 'Khadi and Village Industries Commission Act of 1956.

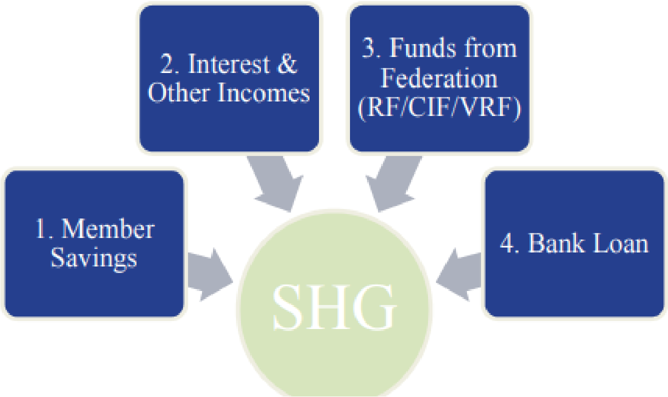
Mahila-Women: Griha- House: Udyog-business

Papad- a thin crip consumed as savoury

India is a developing country. Everyone in this region of the globe wishes to grow up and get a nice career so that they may live a happy life. In a country where everyone wants to work, these seven Mumbai (Bombay) ladies of the Lijjat Papad business thought of inventing a job. A platform where they may assist others in finding work to support their families. Women were not exposed to the corporate world back then. They were kept under restrictions at home, completing household chores. It was time to change the stereotype, and these seven ladies understood how. They were not educated and only knew how to cook and had no knowledge of any other jobs, so they transformed their weakness into their strength.

2.2 What is Self Help Group

SHGs' collateral-free microloans are one of our most important instruments for empowering women to attain socioeconomic self-sufficiency.[2]NABARD has always focused on bringing different stakeholders together on a centralized channel and improving their capacities to move initiatives forward. The Government of India has enacted numerous initiatives to promote rural poor access to institutional finance, including bank nationalization, the Lead Bank Scheme, regional rural banks, the Service Area Approach, and SHG funding. The 1990s saw a spike in the number of SHGs. The establishment of NABARD and the implementation of the SHG-bank linkage program by NABARD functioned as a stimulus for the growth of SHGs. Recognizing the importance of SHGs, the RBI issued a circular allowing banks to lend to women's SHGs. During the decade, however, bank SHG lending was predominantly subsidy-driven and goal-focused. The SHG-Bank Linkage Program is the primary approach for providing sustainable financial services to the disadvantaged., To date, 46.5 lakh SHGs were credit linked with banks, helping over 530 lakh underprivileged households, while NRLM's objective is to serve around seven crore households over the next 7 to 8 years.
As seen in Fig.2-, Self-Help Groups have access to a variety of funding sources. SHGs must be guided and prepared to obtain the Mission resources to which they are entitled. More importantly, SHGs must be directed to continue access to bank loans and other financial services.



While access to deposit products is typically linked to banking service penetration, credit availability from the formal financial services industry is not only driven by banks. Banks

[2] The National Bank for Agriculture and Rural Development (NABARD) is India's highest regulatory organization in charge of overseeing regional rural banks and apex cooperative banks.

and NBFCs, especially NBFC-MFIs, are licensed financial service providers in India that provide loans to economically vulnerable parts of society. Commercial banks, including government-owned banks, are required to lend at least 40% of their loan portfolio to borrowers in priority sectors such as agriculture, MSME, affordable housing, exports, and so on. Loan defaults in the MFI sector might be cause for worry. However, from an inclusive finance point of view, getting borrowers in the vulnerable segment to borrow from regulated entities provides them with greater protection against sharp practices as well as the benefit of regulatory repayment options such as moratoriums during demanding situations such as the pandemic. The establishment of a self-help group (SHG)-bank linkage initiative, which has since segued into the National Rural Livelihood Mission and its urban equivalent, was one of the early attempts to integrate financially excluded individuals into mainstream financial institutions. This initiative has been critical in uplifting the underprivileged, particularly women. There is a need for further innovation in this field, as there is in many other areas. Furthermore, many of the attempts to access financial services through the SHG program and lending by MFIs are explicitly targeted to empower women.

The total number of active loans in the microfinance industry, which includes banks, small financing banks (SFBs), MFIs, non-banking financial institutions (NBFCs), and non-governmental organizations (NGOs)/nonprofit enterprises, is around 112 million, with a gross loan portfolio of Rs 2,530 billion (Table 1.1).

Table 1.1(Microfinance loan data

	2017–2018	**2018–2019**	**2019–2020**	**2020–2021**
Outreach—loan a/cs million	76	96	110	112
Outreach—unique clients million	46	56	63	60
Loan Outstanding in INR billion	1,373	1,885	2,342	2,538
Amount disbursed in INR billion	1,416	2,075	2,411	1,733
PAR 30+ days %	7.73	5.6	6.6	9.7

While the microfinance business expanded rapidly from 2006 to 2010, the Andhra Pradesh (AP) crisis of 2010 slowed its development for a few years. The next three years (2013-2016) saw greater development, although the sector was once again badly hit by the demonetization of high-value notes in 2016-2017. 4
The impact was significant at the time since the troubles were felt across the country for the first time, and the sector contracted in terms of both unique clients and outstanding loans. High growth rates returned in 2018, although the Assam crisis in 2019 and the COVID epidemic in 2020 had an impact.

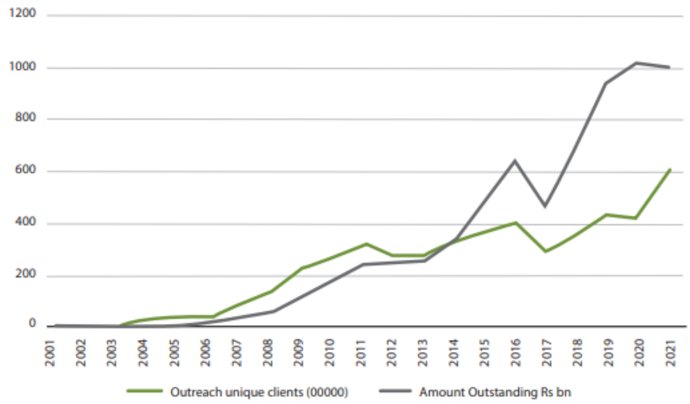


Fig 3. The changes in microfinancing over two decades. (Source: NBFC)

. In the fiscal year 2020-2021 (fourth quarter), the industry has put COVID-related problems behind it and resumed growth.
The sector's resilience and capacity to recover from local, regional, and national economic shocks is its most noteworthy feature. In a year hit by the pandemic, loan defaults for MFIs assessed by PAR of 30 days were about 6.72% in March 2021, which was much lower than the broader industry norm of 9.7%.

While, in the fallout of demonetization, not only disbursements but also outstanding loans decreased, outstanding loans did not decline sharply during 2020-2021, despite the COVID impact and the spike in PAR, owing to the moratorium and higher disbursements in the final quarter of 2020-2021.While MFIs began giving small ticket loans to people with limited resources in remote regions, both urban and rural, the realization that this might become a scalable model for banks to follow came much later. While MFIs lent money and recovered it effectively and profitably, their capacity to recruit equity from many sources (particularly from outside) was very robust. Banks provided the bulk of the loans required by MFIs for retailing.
The regulator's introduction of business correspondents within the banking system gave the space and tools needed for banks to take direct exposures in microfinance. As a result, we now have a variety of participants and routes via which microfinance is delivered to the ground.
Microfinance is provided through commercial banks (both public and private), regional rural banks (RRBs), cooperative banks, small financing banks, NBFCs, and NBFCMFIs.

While the RBI adjusted the priority, sector lending (PSL) standards to improve credit penetration in the country's underserved areas, the expenses of conducting business in new and emerging markets Geographical distances are a barrier. While the larger MFIs have the financial muscle to grow. difficulties with digital connection infrastructure dependable internet bandwidth, qualified local labor, and certain low-level negative externalities appear to weaken their resolve and reduce their pace of development When the market becomes popular states are still active and have room for growth MFIs may not strategy despite increased profits. extending their managerial capabilities to the geographical extremes due to higher elevations Both operational expenses and operational hazards exist.

This method won the trust of customers, MFIs, and other stakeholders as it evolved and became more effective, and it began to scale up. Between 2005 and 2006, numerous non-profit MFIs converted to for-profit NBFCs, and many new for-profit NBFCs entered the micro-credit market, attracting private funding, commercialization, professionalism, and scale. This resulted in growth, competition, and development, with a strong emphasis on specialization in delivering microcredit efficiently and cost-effectively. As a result, the micro-credit industry in India tripled in five years, reaching Rs 20,000 crore in outstanding loans. Between 2005 and 2006, numerous non-profit MFIs converted to for-profit NBFCs, and many new for-profit NBFCs entered the micro-credit market, attracting private funding, commercialization, professionalism, and scale.
This resulted in growth, competition, and development, with a strong emphasis on specialization in delivering microcredit efficiently and cost-effectively. As a result, the micro-credit industry in India tripled in five years, reaching Rs 20,000 crore in outstanding loans.

2.3 Policies, regulations, and Schemes:

Seeing the growing needs of the masses the government took initiative to formulate a few schemes to help women get loans and credits under it, the government has launched programs to make it simpler for women to start their businesses.
Launched in February 2016, the Startup India Program has grown to become the third-largest start-up ecosystem in the world, offering assistance, financial support, incentives, and industry-academic partnerships to create a welcoming atmosphere for start-ups in the nation. A corpus amount of 10,000 crores has been set aside for the initiative to strengthen the ecosystem through supporting start-ups and innovation. The infrastructure fund has 10% set aside for start-ups run by women. This would function as a driver for the development of an atmosphere that would be favorable for the establishment of innovative start-ups, producing jobs, and and fostering social change.

1. Bharathiya Mahila Bank Business Loan

Bharathiya Mahila Bank was founded for women who have huge dreams despite a lack of resources. It provides up to twenty crores in loans to female entrepreneurs wishing to launch a manufacturing enterprise. Collateral is not required if the loan amount is less than one crore.

2 New Swarnima for Women

The National Backward Classes Finance and Development Corporation (NBCFDC)[3] launched the Swarnima Scheme to benefit women. The system is implemented by the State Channelizing Agency (SCA), which serves as the nodal agency. Its goal is to develop a sense of independence in eligible women from underprivileged backgrounds through a term loan.

[3] The National Backward Classes Finance and Development Corporation (NBCFDC) is a Government of India undertaking that is under the Ministry of Social Justice and Empowerment. It was established in January 1992 as a not-for-profit company under the Companies Act 1956 (now section 8 of the Companies Act 2013) with the goal of promoting economic and developmental activities for the benefit of Other Backward Classes (OBCs) and supporting the weaker section of these classes in skill development and self-employment ventures.

Criteria for Eligibility

Only women entrepreneurs from underprivileged backgrounds are eligible to apply for this initiative.
Age-Group should be between 18 and 55 years old.
Women should have a yearly income of less than Rs.3 lakhs.
Women living below the poverty line can obtain a loan of up to Rs.1,000,000/- at a rate of 5% per annum.

3. Shilp Sampada,

The goal of this plan is to improve the technical and entrepreneurial skills of the backward classes by giving training and financial aid through a Term Loan for self-employment in traditional crafts, among other things. This plan allows craftsmen and handicraft workers from the backward classes who earn less than twice the poverty level to acquire loans of up to Rs.10 lakh. Loans up to Rs.5 lakh incur interest at 6% per annum, while loans between Rs.5 lakh and Rs.10 lakh with interest at 8% per annum.

4. Mahila Samriddhi Yojana (Micro Finance Scheme for Women)

The Mahila Samridhi Yojana (MSY), as the name implies, is a micro-finance initiative aimed at assisting women entrepreneurs.
The initiative was started in 1993 by the Government of India's Ministry of Social Justice and Empowerment. The MSY scheme's principal goal is to help women from low-income backgrounds and disadvantaged backgrounds. It also provides financial assistance to women's self-help organizations (SHGs).

MSY's business loan eligibility conditions are as follows:

- Only women from minority groups and self-help groups are eligible to apply.
- The self-help group has a maximum membership of twenty people. Furthermore, at least 60% of the members must belong to lower-income families. The remaining 40% might come from other vulnerable groups such as SC, minorities, persons with disabilities, and so on.
- The candidate must be at least 18 years old.
- The applicant's household income should be less than Rs. Three lakhs per year. If the applicant's household income is Rs. 1.5 lakh or less, the lender will release 50% of the money.
- The candidate should have no felony record or criminal convictions.

The MSY scheme's loan terms for women recipients and self-help organizations are as follows:

- The maximum sum payable to each recipient is Rs. 1,40,000.
- The beneficiaries will get 95% of the company financing. The remaining 5% will come through State Channelizing Agencies (SCAs) or beneficiary contributions.
- The government charges SCAs 1% each year in interest.

- The recipients receive an annual interest rate of 4% on SCAs.
- The loan obtained has a four-month utilization duration beginning on the date of disbursement.
- The payback duration is 36 months, including a three-month moratorium.

The MSY scheme offers up new doors of opportunity for minority women seeking financial independence. Over the years, MSY has helped families overcome poverty, creating job opportunities, and encouraged rural women to be entrepreneurs.

5. **Mudra Yojana:**

Mudra Yojana is a plan that might help women who want to establish or grow their own small companies. Though this is not a program intended just for women, it is quite useful. Women businesses can qualify for loans ranging from ₹50000 to ₹10 lakh. (620-12000) It is great for establishing small business setups like beauty salons, opening a small shop, or operating a home-based company. Also, no collateral or a guarantor is required for availing of this facility.

6. **Scheme for Mahila Udyam Nidhi:**

This scheme is aimed at assisting Small Scale Industries (SSI). The scheme's purpose is to encourage modernization and technical improvement in small-scale companies through the provision of hassle-free financing available for women entrepreneurs. The highest loan amount sanctioned under this plan is ten lakhs, with the borrower having ten years to repay the debt. This includes a 5-year moratorium period.

7. **Women Entrepreneurship Platform (WEP)**

The government of India, through NITI Aayog, has launched the Women Entrepreneurship platform, which brings together women entrepreneurs and sponsors eager to help them in one location.

8. **Women Self-Help Groups (WSHGs)**

In March-April 2012, a plan for the development and funding of Women Self-Help Groups (WSHGs) has been launched in 150 backward and Left-Wing Extremism (LWE) afflicted areas across the nation in collaboration with the Government of India. The initiative intends to populate areas with viable and self-sustaining WSHGs by employing anchor organizations that will promote and facilitate these groups' credit connection with banks, give constant handholding assistance, enable their path to livelihoods, and accept responsibility for loan repayments.

9. **For Women Entrepreneurs, Udhyam Shakti Portal**

On the eve of International Women's Day 2018, the Ministry of Micro, Small, and Medium Enterprises launched a program to support social entrepreneurship and the development of business models centered on affordable goods and services. It meets the needs of the approximately eight million Indian women and those who want to start, build, and expand a business and offers help with creating a business plan, an incubator, training programs, giving mentors, conducting market research, etc. The Scheme covers projects with a maximum cost of Rs. Twenty-five lakhs (Rs.10 lakhs cost is for service-based projects). The role of women outside of their homes has undergone constant change thanks to the portal.

10. Micro Units Development & Refinance Agency (MUDRA)

The Micro Units Development & Refinance Agency (MUDRA) was established by the Government of India in 2015 to refinance collateral-free loans up to Rs. Ten lakhs given by lending institutions to small non-corporate borrowers, primarily for non-farm sector revenue growth. Shishu loans are those that are up to 50,000, Kishor loans are those that are between 50,000 and 5 lakh, and Tarun loans are those that are between 5 lakh and ten lakhs.
India's microfinance organizations provide financial aid to the underprivileged and foster the expansion of the nation's small and midsize businesses. They are extremely important and have been successful in integrating the unbanked sector into the nation's organized economy.

These are just a few of the top programs available to assist aspiring female entrepreneurs in taking the first step toward financial empowerment.

While female-owned businesses produce 10-12% more revenue than male-owned businesses of the same age in the same industry sectors, only 5% of female-owned businesses receive venture capitalist funding, compared to 77% of male-owned businesses, and it is this gap in gender bias society - that the government is attempting to bridge with these schemes. There has always been little doubt that women are just as capable of achieving commercial success as men, but sociocultural restrictions have always existed, and these programs attempt to help remove those barriers and establish a stronger society with a true free-market economy.

CHAPTER 3

RESEARCH
AND
RESEARCH METHODOLOGY:

R1) **What roles do Women play in the Indian economy?**

According to a wise man -the way the women of the nation are treated is indeed the best measure of a country's growth, Women have experienced difficulties for generations, and this has given them unbounded tolerance and tenacity, as well as made them stronger in the end. Women who are working professionals have put in a lot of effort over the previous few decades with their talent, devotion, and excitement. They make a significant contribution to India's economic development and prosperity. The main aim of this study was to understand the role women play in the economy of India and how has the government helped them grow by providing various resources such as the establishment of various schemes for their business startups, education, family reasons, etc-India has 432 million women who are of working age at the present, 343 million among whom labor in the unorganized sector. India currently has the third-largest startup ecosystem in the world and the third-largest unicorn community. Only 10% of them, meanwhile, were founded by women. More financial and mental support must be mobilized to help women entrepreneurs get their businesses off the ground. Fortunately, there has been a major shift in how women become business leaders and start firms during the past few years.
The cornerstone of fundamental human rights is gender equality, which is also essential in our quest for a world that is more peaceful, progressive, and sustainable. It is inevitable for the gender gap to narrow, and this is made feasible by empowering women with equal opportunity and representation. Even though women in rural India perform two jobs in addition to performing household tasks and producing goods and services, their contribution to economic progress has been undervalued. Women now play a more significant economic role as a result. India has a long history of educating middle-class women, and there is now a sizable and expanding number of professional women working in Indian universities and government positions. On the other hand, there are no rules against sexual harassment in the workplace. Women have always worked in family companies without a recognized position or salary, contributing to the informal economy. As a result, their economic impact is constantly overlooked or completely ignored. State and federal governments in India have taken some action to support women starting small companies.

R2) Is Microfinance -A tool for women's entrepreneurship

Although women have seen the savings impact more so than men (Khandker, 2000). Due to its predominance through Self Help Groups (SHGs), microfinance can significantly contribute to the eradication of poverty, particularly in India's rural areas, by having a positive socioeconomic impact on women, who are then expected to improve the economic well-being of their families as a whole (Vatta, 2003). It is thought that microfinance offers women economic opportunities through microentrepreneurship or other forms of self-employment that will help them advance their education, asset base, and employment, raising their living standards (Muhammad et al, 2012). Additionally, self-employment or microenterprises have a significant impact on women's economic empowerment compared to all other standard work possibilities. According to a study conducted in Bangladesh, women's participation in microcredit programs does not promote entrepreneurship at the household level because they do not use their loans to launch their businesses, but instead either help their husbands launch new micro businesses or help expand capital in fully male-owned businesses that are already established (Chowdhury, 2008; 2009). However, another study in the same setting found that generally speaking, microfinance clients engage in duplicated business models, which are predicted to endanger their future business performance. In a different nation, Vietnam, micro-credit has been discovered to be an efficient intervention for women in rural areas who are engaged in necessity-driven entrepreneurship and see it to be the only alternative left for their survival and to supplement the family income. Women develop a variety of microbusinesses, typically with 0 to 5 employees, such as home-based herbalists, fish, and poultry, confectionary, etc.

Women in India who participate in Self Help Groups, obtain microcredit, and use their savings are engaged in a variety of micro-enterprises including selling incense, brooms, grazing animals, bangle stores, and food. Although women use microloans initially for immediate consumption requirements, a different study indicated that their use of subsequent loans increased gradually for productive objectives.

R3) Relationship between Microfinancing and women entrepreneurship in linkage to the Self-help groups

The relationship between microfinance and women's empowerment is seen as hopeful, purposefully constrained, cost-effective in eradicating poverty, and an unnecessary waste of resources. Small self-help groups and large institutions that focus on reducing poverty offer a variety of microfinance programs. Delivery, group roles and structures, and supplemental services can all differ between models. The financial sustainability method, the integrated community development strategy, and the feminist empowerment approach are three opposing perspectives on microfinance and women's empowerment. Microfinance initiatives have occasionally led to marital conflict and the loss of spousal income and support. There were moments when pressures between women were brought on by group payment. Many women prioritized personal goals over social ones.

Methodology:

Both Secondary and primary data were used for this study. Considering the geographical difference between the author of this study and the areas where these organizations for the primary data are located, virtual interview calls were scheduled and the data from the Self-help groups situated in Pune, Maharashtra, India were gathered.
This SHG offers women who are interested in starting small enterprises small grants or loans (free or low interest). Loans and grants will be given based on existing small enterprises or well-defined new concepts. In Pune, Prime Trust already operates a fair-trade shop where goods produced by members of our self-help groups are sold. These ladies have stated that they require more money to grow their enterprises.
In connection with my research, the data was collected by ways of virtual platforms available in the form of questionnaires. And survey Self-Help Group in Maharashtra, India. This was not a continuous study, but throughout two and a half months, Multiple interviews were conducted with their team lead and women who benefitted from the microfinance loan. The information in this thesis is based partially on what I learned during these phone interviews, and partly on literature and reports with which I am familiar. During the interview, I was able to digitally meet with SHG members, volunteers, managers, competent scholars, and MFI leaders.
The fundamental goal of the Pragati Foundation is to increase members’ financial security. Various common interests include local development, awareness, leadership, motivation, training, and participation in other social intermediation programs for the good of the entire community. This program encourages women, in particular, to organize into groups for their mutual benefit. They help women essential for boosting credit and savings, as well as for lowering poverty and social inequality.
According to the secondary survey women, entrepreneurs make up the middle-aged (30-45) category in the Pune district. They are engaging in low-risk, low-investment enterprises. Most business owners are married women who want to support their families, provide their kids a nice life, and gain independence through self-study. The number of entrepreneurs from lower castes is increasing. SC/ST make up about half of the respondents who participated in various income-generating activities. Women join SHGs to support their families financially. They are engaged in income-generating occupations like dairy, nursing, and tailoring according to the resources and opportunities available. The study claims that although SHG members can read and write, they only have a basic education. The group includes married, single, and widowed members. The fundamental motivation for joining an SHG is to improve one's social position. In order Toe income-generating activities, obtain loans, encourage savings, and maintain household expenses, members join SHGs. Most of the respondents are members of the organization and joined about three years ago. The women become economically and socially empowered after joining SHG.

The study has shown that various food and product processing SHGs, which are categorized into four groups: milk making and processing, incense stick making, woven handicrafts, and ready-to-eat item manufacturers, behave differently in their socioeconomic and group characteristics. According to the article, experience rather than education level has a greater indirect influence on SHG performance. It becomes apparent that group stability is affected. Analysis has shown that management-oriented socioeconomic characteristics are important for group success in general.

Formulation of hypotheses given the objectives of the study

Of whether SHG has led to a beneficial resource provider to these women to build a new life over 3-4 years.

A comparative study was conducted for this research where the actual data from the government official websites and bulletins documents were studied, and a questionnaire was presented to the Self-help group members. For this research, 2 Self-help groups were targeted. A formal set questionnaire was provided samples were collected.
The main target questions were to know if the loan procedures hassle-free as the government claims them to be.

The members of the group who have started their business approx. 2 years back were interviewed to understand how their entrepreneurship journey has been and what challenges they have faced till now.

- Were there any changes in the interest rates over some time
- Any encounter with political interference
- The investment and profit earning ratio data
- If the members are literate about the financial policies
- Was the banking procedure hassle-free
- Availability of raw materials for the business
- Can they still avail government assistance if required
- What changes have been seen post-businesses setup in the lifestyle

No Financial records for the loans were available to be shared for the privacy regulation purpose

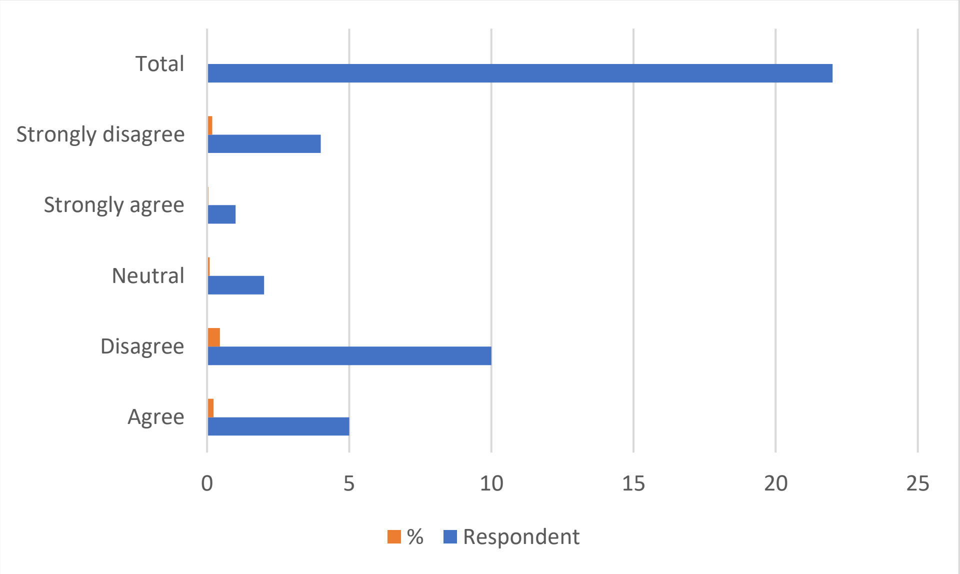
Considering the data received from the 22 Samples below are two hypotheses generated.

H0: There is no difference between sanctioning a loan from an MFI and SHG program.
H1: There is a significant difference between sanctioning a loan from an MFI and SHG program

Using the chi value to find the results at a 5% level of significance

Column and Row Totals						
	respondent	%				***Row Totals***
agree	8	36				44
disagree	2	9				11
neutral	6	27				33
strongly agree	4	18				22
strongly disagree	2	9				11
Column Totals	22	99				**121 (Grand Total)**

Results						
	respondent	%				*Row Totals*
agree	8 (8.00) [0.00]	36 (36.00) [0.00]				44
disagree	2 (2.00) [0.00]	9 (9.00) [0.00]				11
neutral	6 (6.00) [0.00]	27 (27.00) [0.00]				33
strongly agree	4 (4.00) [0.00]	18 (18.00) [0.00]				22
strongly disagree	2 (2.00) [0.00]	9 (9.00) [0.00]				11
Column Totals	22	99				**121 (Grand Total)**



Hypothesis one

The chi-square statistic is 0. The p-value is 1. The result is not significant at p < .05. Hence, we fail to reject the null hypothesis here which states that there exists no difference between the MFI schemes and SHG schemes.

Hypothesis 2

H0: There is no meaningful change and increase in the standard of living after loans given by MFI
H1: There is no meaningful change and increase in the standard of living after loans given by MFI

Column and Row Totals						
	respondent	%				*Row Totals*
agree	5	23				28
disagree	10	46				56
neutral	2	9				11
strongly agree	1	5				6
strongly disagree	4	18				22
Column Totals	22	101				**123 (Grand Total)**

Chi- Calculation: at 5 % level of significance

Results						
	respondent	%				***Row Totals***
agree	5 (5.01) [0.00]	23 (22.99) [0.00]				28
disagree	10 (10.02) [0.00]	46 (45.98) [0.00]				56
neutral	2 (1.97) [0.00]	9 (9.03) [0.00]				11
strongly agree	1 (1.07) [0.00]	5 (4.93) [0.00]				6
strongly disagree	4 (3.93) [0.00]	18 (18.07) [0.00]				22
Column Totals	22	101				**123 (Grand Total)**

The chi-square statistic is 0.0081. The p-value is .999992. The result is not significant at p < .05.
Hence, we fail to reject the null hypothesis here.

CHAPTER 4

DATA STUDY

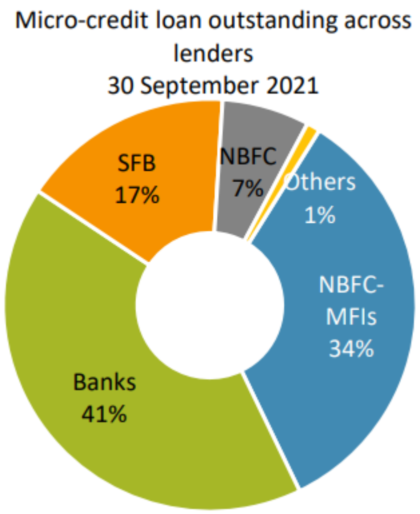
4.1 Role of RBI and its associated institutions in the microfinancing sector:

MFIs encompass a host of financial institutions engaged in advancing loans to low-income groups. The essential features of microfinance loans are that they are of lesser amounts, with short tenures, extended without collateral and the frequency of loan repayments is greater than that of traditional commercial loans. These loans are generally taken for income-generating activities, although they are also provided for consumption, housing, and other purposes (RBI, 2011). The overall Gross Loan Portfolio (GLP) of MFIs, i.e., the outstanding amount of loans extended to microfinance borrowers, grew from ₹1.79 lakh crore as of March 31, 2019, to ₹ 2.32 lakh crore as of March 31, 2020
As of March 31, 2020, NBFC-MFIs, and Scheduled Commercial Banks (SCBs) held a combined stake of 72% of the microfinance portfolio. Small Finance Banks (SFBs), NBFCs, and others hold the balance (including not-for-profit MFIs). While NBFC-MFIs were in the lead in terms of GLP as of March 31, 2019, they lost market share to SCBs during 2019–20. This is partly because a sizable NBFC-MFI and an SCB2 merged. A pioneer in the Self-Help Group-Bank Linkage Program (SHG-BLP), which also adds to the entire microfinance universe, is the National Bank for Agriculture and Rural Development (NABARD). This model is not MFI-led.

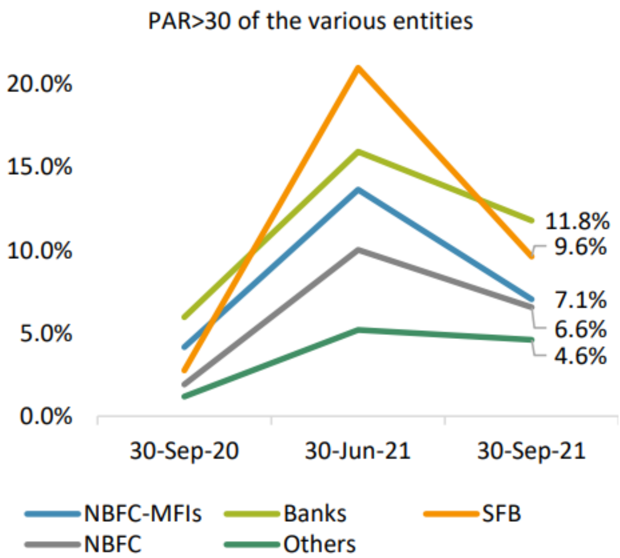
"Microfinance Universe" provides an overview of the portfolio and reach of the microfinance (micro-credit) sector as of September 30, 2021. This section examines industry-wide data from Equifax on several types of financial institutions active in the microfinance business in India. NBFC-MFIs, Banks, Small Finance Banks (SFBs), NBFCs, and Others are among them (including Non-profit MFIs)

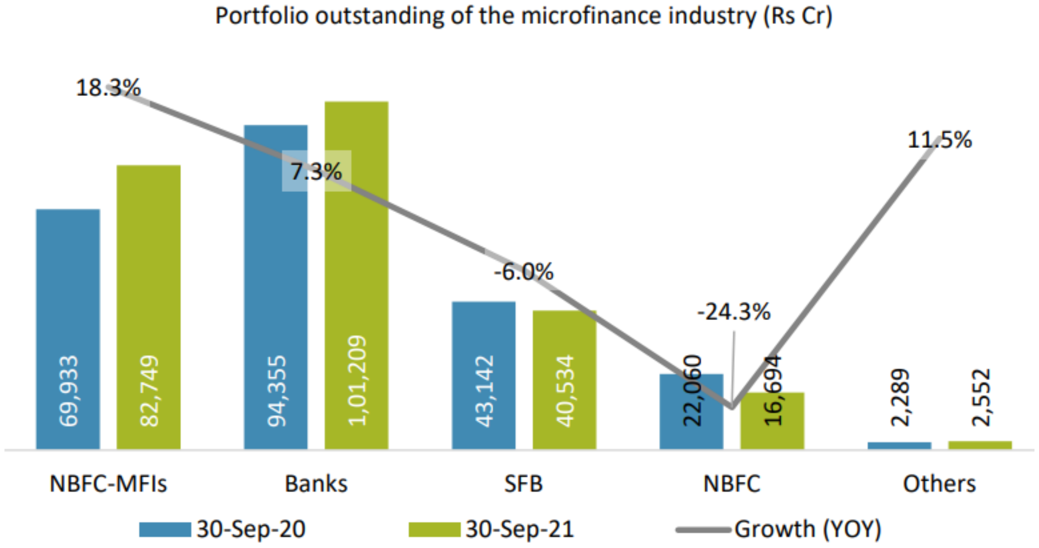
The Microfinance Institutions Network (MFIN), an industry association for NBFC-MFIs, was founded in 2009. The Reserve Bank of India (RBI) recognized MFIN as the nation's first NBFC-MFI Self-Regulatory Organization (SRO) in 2014. The MFIN umbrella has grown over time to encompass the whole microfinance ecosystem as members have graduated as Universal Bank and Small Finance Bank and banks and NBFCs have entered the microfinance industry. The Non-Banking Financial Businesses - Microfinance Institutions (NBFC-MFI), Banks, Small Finance Banks, NBFCs, Banking Correspondents, Credit Bureau, and Fintech companies are just a few examples of the entities under the control of the RBI that makeup MFIN Members.
The percentage of each peer group's total loan amount outstanding is represented in the pie chart.

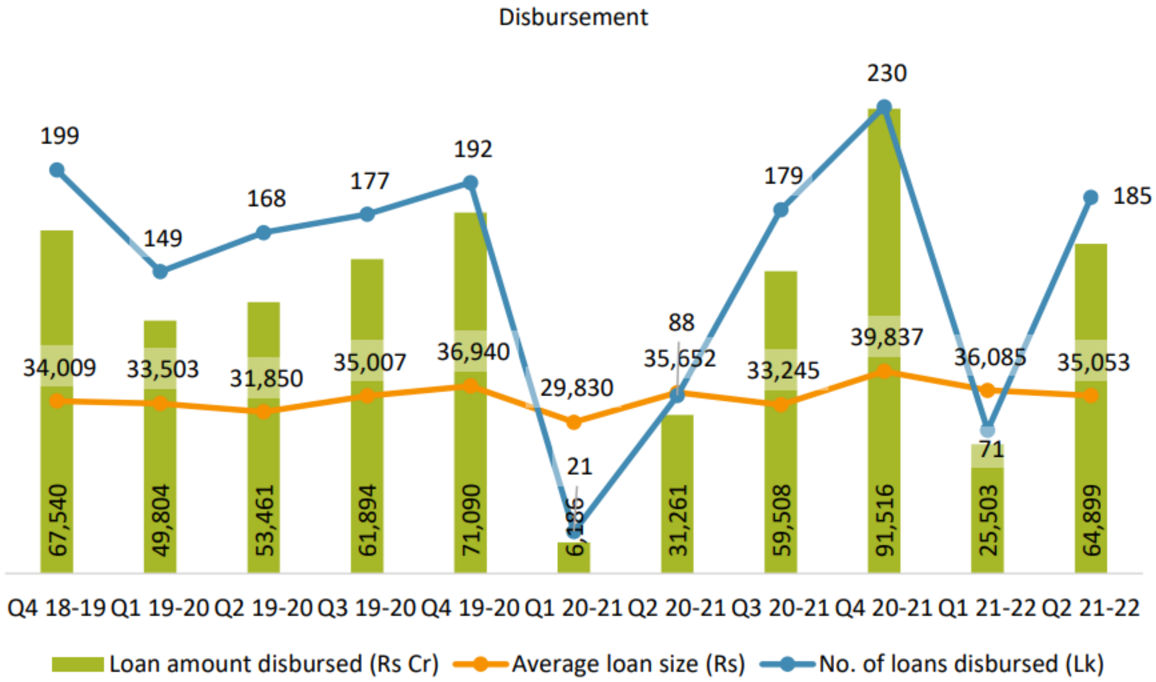
Banks' portfolio climbed by 7.3%, NBFC-MFIs' by 18.3%, SFBs' by 6.0%, NBFCs' by 24.3%, and Other MFIs' by 11.5%, respectively. SFBs' portfolio declined by 6.0%. (Based on loans originated after February 2017).



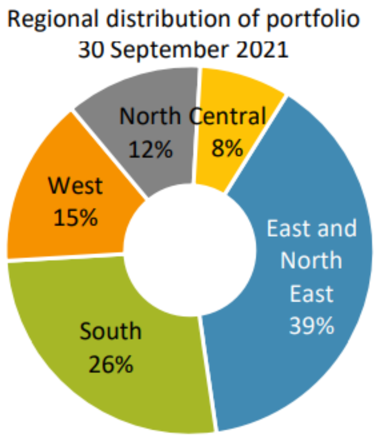
According to the graph of the PAR trend, PAR>30 has demonstrated a falling trend for all entities, indicating a return to portfolio health. To accurately reflect the quality of the portfolio, delinquencies longer than 180 days have been eliminated from the PAR analysis.

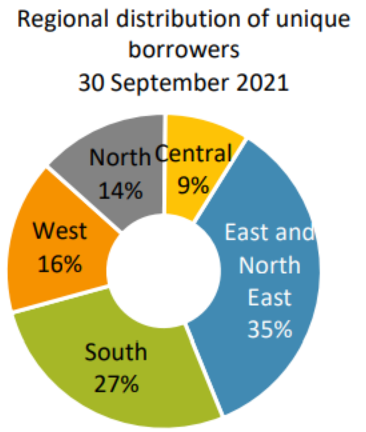






As of September 30, 2021, the industry had 105.2 million in loan accounts and served 5.62 million individual borrowers. The regional distribution is shown in the pie chart below, which reveals that almost 65% of the portfolio is concentrated in the East & Northeast, and South areas. According to universe data, the top ten states account for 81.6% of GLP. In terms of total portfolio outstanding, West Bengal has continued to hold the top rank, followed by Tamil Nadu and Bihar.



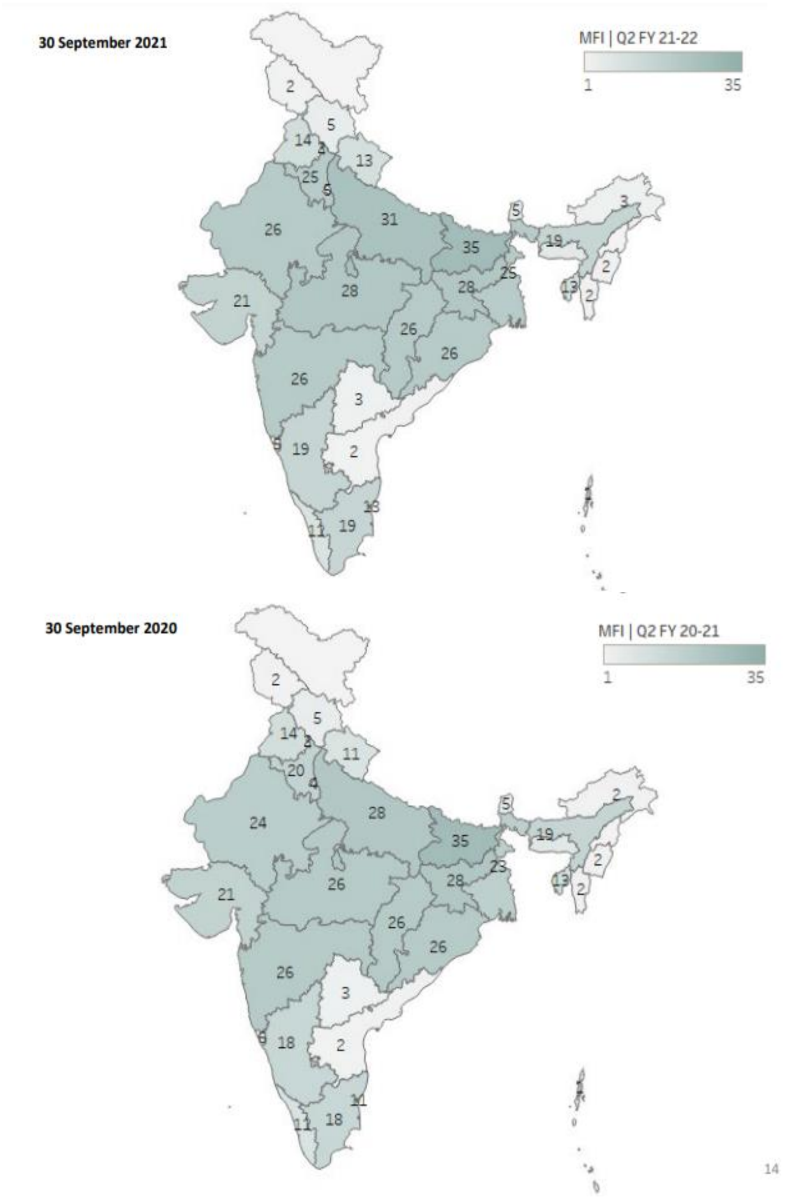


Highlights of MFIs in 2020-2021

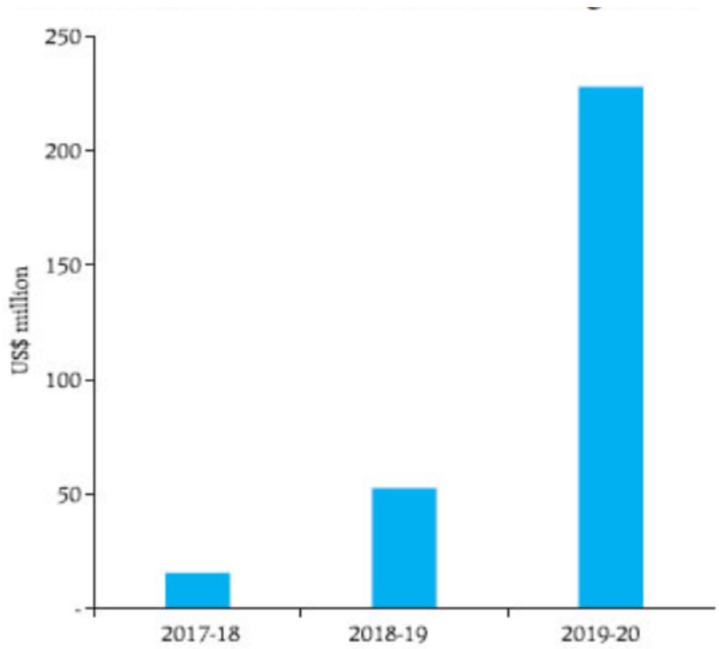
- 3.1 Cr clients* have loans outstanding from NBFC-MFIs as of September 30, 2021, 3.2% more than they did at the same time last year.
- As of September 30, 2021, MFIs had a combined GLP of Rs 81,408 Cr, which consisted of an owned portfolio of Rs 71,010 Cr and managed portfolio (off BS) worth Rs 10,398 Cr.
- About 85.8% of the 82,749 Cr. in the NBFC-MFI universe is owned by MFIN members.
- On a year-over-year basis, GLP has climbed by 7.0% compared to 30 June 2021 and by 15.5% compared to 30 September 2020.

- Through 54.3 Lk accounts, loans of Rs 19,672 Cr were disbursed in Q2 FY 21–22, covering both managed and owned portfolios. This is 141.2% more than the Rs 8,155 Cr in payments made in Q2 FY 20-21.
- The average loan amount disbursed per account in Q2 of FY 21–22 was Rs 36,251, an increase of almost 15.5% from the same quarter in FY 20–21.
- The total outstanding debt as of September 30, 2021, was Rs 65,522 Cr. Of the borrowing's O/s, Other Banks (outside of the Top 5 banks) provided 40.0%, followed by Non-Bank Entities (19.5%), the Top 5 Banks (19.2%), AIFIs (12.8%), Other Sources (4.7%), and External Commercial Borrowings (3.8%). (ECB).
- A total of Rs 14,389 Cr in debt funding was provided to NBFC-MFIs during Q2 FY 21-22, a 46.9% increase over Q2 FY 20-21. A total of 48.9% of the borrowing obtained came from other banks, followed by the top five banks (23.3%), non-bank organizations (17.6%), AIFIs (9.1%), and the ECB (1.2%).
- The total equity as of 30 September 2021 was Rs 19,139 Cr, up 12.2% from the end of Q2 FY 20-21.
- Due to the impact of the suspension during Q2 FY 20-21, Portfolio at Risk (PAR)>30 days as of September 30, 2021, has climbed to 12.1% from 2.5% as of September 30, 2020.
- There are currently MFIs in twenty-seven states and five union territories.
- In terms of geographic portfolio distribution (GLP), the East and North-East make up 32% of the total.

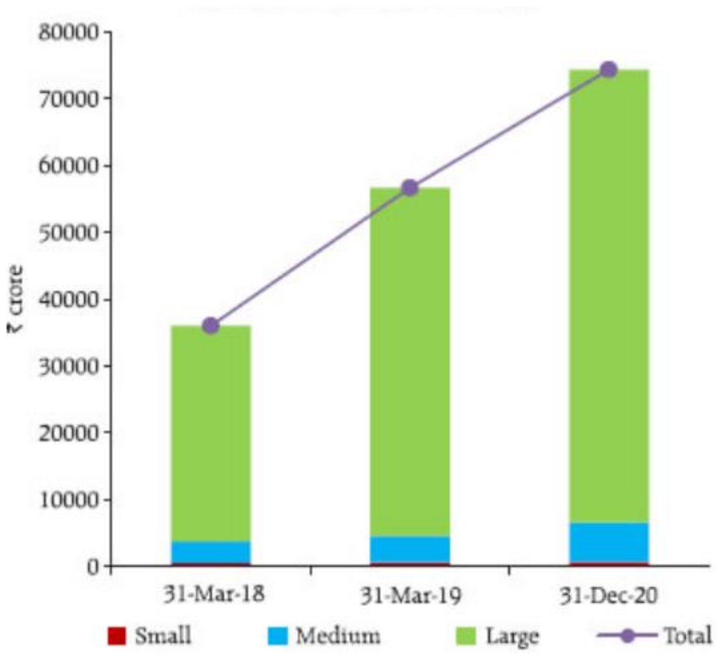
State-wise presence of Micro financing members:



Rural and semi-urban areas are where MFIs primarily operate. In these places, digital infrastructure is not widely used, and internet access is insufficient. Low literacy rates among microfinance borrowers—who typically make a daily wage and prefer to do business in cash—accentuate this lack of access. MFI activities have therefore typically been cash intensive. Consequently, the MFI industry experienced a cash shortage after demonetization in November 2016.



External Commercial Borrowing (Source: RBI)



GLP NBFCs MFIs (Source: MFIN Issue 33)

Small and midsize NBFC-MFIs' ability to build their portfolios was hampered by a lack of supplementary finance. The portfolio of medium NBFC-MFIs increased at an average rate of 35% over the period, while the GLP of large NBFC-MFIs grew at an average rate of 46%. The slowest portfolio growth, at an average rate of 17%, was seen in small NBFC-MFIs. Small and medium NBFC-MFIs' lack of on-balance sheet portfolio growth was partially offset by an increased reliance on fee-based income from serving as business correspondents (BC). As of March 31, 2020, the BC portfolio of NBFC-MFIs was worth 3918 crores.

4.2 Effect of Covid Pandemic on the working of the MFIs:

The Indian economy has continuously suffered losses as a result of the Covid-19 epidemic. The RBI was active all year long, keeping a finger on the microfinance pulse and initiating corrective action to address the loss of income, involuntary default, liquidity stress, and balance sheet effects of the crisis. The RBI was one of the first central banks to respond to COVID globally (not just for the microfinance sector). The regulatory response was based on two key principles: the first was too smooth cashflows at the ultimate borrower level through an EMI moratorium, loan restructuring, declining interest rates, and relief from interest on interest, and the second was to increase liquidity in the hands of MFIs through a moratorium on their loan service, as well as by enhancing new loan flows, cutting the cost of loans, and reducing their EMIs. The banking sector appears to have gotten special attention, among other things, to rescue or restore the Indian economy from the downturn. Ironically, there isn't much awareness of the issues facing microfinance institutions (MFIs), which assist society's most vulnerable groups. In India, MFIs play a crucial role in achieving the much-discussed goal of financial inclusion. They serve as supplementary institutions to banks for reaching out to the economically disadvantaged groups in society. MFI lending significantly contributes to a decline in household informal borrowing rates. Due to the expansion of MFI lending, the share of informal lending has fallen from 33.9% in 2002 to 29.75% in 2013, according to the Debt and Investment Survey Reports (National Sample Survey Office, 2005, 2014). In addition, the MFIs employ about 138 thousand people (Sa-dhan, 2019). In light of the nationwide pandemic-related lockdown measures, the MFI operation, and the perspectives of financial services to the poor require revision. t goes without saying that the MFI's primary methods of operation include physical credit distribution at clients' doorsteps, regular group meetings, and collections. However, the limits brought on by the pandemic make it difficult to continue the operations. Additionally, the majority of financial services offered by MFIs are targeted at low-income households whose incomes are irregular and, to a greater extent, daily. The limitations on economic activity have hurt incomes and household cash flow. The poor seem to be more badly impacted than households with higher incomes. A sizable portion of MFIs' clients works in low-wage employment like rickshaw pullers, vegetable sellers, laborers, porters, artisans, and other jobs in the unorganized sector.
When income sources are limited during a crisis, poor households are more likely to turn to fraudulent moneylenders for assistance with their financial demands.

The amount of funding that MFIs receive, the sustainability of their operations, and the governance all have a significant role in how immune they are to the pandemic. Loan repayments from clients make up the majority of the cash inflows to MFIs, followed by borrowings from lenders and investors. The consumers' ability to repay their loans appears to have decreased throughout the epidemic, nevertheless. Due to limited market activity, the clients are finding it difficult to engage in economic activity and generate income for repayments. Financial institutions and social investors are under pressure to provide funding for MFI operations (Bull & Ogden, 2020).
The MFIs are left with two drastic options in such a situation: (a) raise lending interest rates; or (b) cut current and fixed expenses, which may involve lowering pay or laying off staff. If MFIs consider terminating any of their staff, it may undermine their commitment to the company. These actions may also have other effects. First, the MFIs will lose touch with and availability of information about the clients, which could lead to a breakdown in the MFI-client relationship. Second, after the crisis, the MFIs had to pay for hiring and onboarding new staff. However, the difficulties of going back and forging a bond with the clients may prove to be a challenging endeavour (Chakma et al., 2017). All of the factors contributed to poor client repayments and an increase in non-performing assets. Third, keeping staff on the payroll without paying them salaries will inevitably result in a sense of demotivation and detachment, which resulted in increased inefficiencies in providing microfinance services (Holtmann & Grammling, 2005).

The Indian government has implemented several helpful measures to help MFIs with their liquidity needs since MFIs are crucial in helping the poor obtain financial services, and because MFIs now find it challenging to raise cash from the debt market. For the non-banking financial enterprises, housing finance companies, and MFIs, a special liquidity program worth EUR 4.03 billion has been created (Government of India, 2020a). This should simplify MFI operations and make it easier for those in need to obtain the credit they require to shut down their businesses. The demand for and repayments of MFI loans are anticipated to increase if the clients can restart their economic activity. A financial package of USD 270.42 billion is revealed as part of the government's recently unveiled "Atmanirbhar Bharat" or "Self-Reliant India" initiative to boost the economy (Government of India, 2020c). The economic package includes financial support for MSMEs, home industries, cottage industries, small-scale industries, and other businesses with less than 500 employees. These businesses provide the bulk of low-income and poor households with a means of subsistence. To satisfy their operating obligations, purchase raw materials, and resume the manufacturing processes, these industries are eligible for collateral-free loans under this plan. It does not seem morally appropriate for MFIs to stop providing financial services to the poor at a time when those services are most required during a crisis of this size.

CHAPTER 05
FINDINGS AND DISCUSSION:

Since SHGs are informal organizations and SHG Federations are made up of informal groupings, there is inadequate governance and weak member ability for good governance. The SHG members have little expertise in setting up formal monitoring and evaluation processes or adhering to regulatory requirements. A robust governance mechanism is required to ensure accountability given the increasing magnitude of the loans given to SHGs.
"The concept of microcredit was exploited by some and transformed into a profit-making venture for microcredit institution owners." Many people followed the unavoidable path of loan sharking. It was never expected for microcredit to take such a devastating turn. The beneficiaries also do not fail to state how their rights have been exploited and a higher rate of interest is expected to pay on the loan amount. Before I know it is like borrowing money to pay and pay. It is a never-ending vicious cycle.

Considering the study, it is understood that though microfinancing has been a boon to the economy at the same time it has failed in various sectors such as:

- High rates of Interest lead to pressure on the beneficiaries.
- Non-availability of loans even though schemes are available
- The political influences in the area of the disbursement of the loans
- Migration from places
- Lack of business understanding
- Using loan amount for another purpose than the actual.
- Failing to repay the loan

Most MFIs encountered issues with borrowers delayed or defaulted EMI servicing. Borrowers' lives and earnings were impacted in the majority of cases. During the initial wave of the pandemic, migrant labor, and small businesspeople (both seasonal and long-term) discovered that the host towns may be closed down and returned to their place of origin, resulting in revenue loss. Lockdowns harmed those who ran small enterprises. Some had to find money to cover treatment fees for COVID-related illnesses. MFIs experienced cash challenges as a result of poorly maintained EMIs, with a moratorium being effective for the vast majority of existing loans. While regulatory
forbearance eased the burden on categorization and provisioning for these delayed EMIs, liquidity stress continued. For a time, bulk lenders to MFIs refrained from issuing new sanctions to MFIs, and some lenders refused to allow withdrawals from sanctioned limits. With access to money and loan finance, the larger MFIs performed better. They have also favored customers of banks and financial institutions for the RBI/concessional GOI's funding facilities. Smaller MFIs struggled with retaining employees, balancing money, and keeping consumers motivated. Many MFIs have to spend on enhancing the digitalization of transaction processes and encouraging clients to use the various repayment channels. Over-leverage, poor disclosures, a lack of client awareness, excessive pricing, risks of regional concentration, ghost loans, local-level interferences, and a lack of norms and control were also observed in terms of customer protection.

With a gross loan portfolio at 74,371 crores as of March 31, 20207, NBFC-MFIs account for a sizable portion of the entire microfinance industry. The failure of IL&FS in 2018 and subsequent events exacerbated the sector's liquidity difficulties and made risk perception worse. Better-performing businesses kept raising money, while those with concerns about asset quality or asset-liability mismatch (ALM) had to pay higher borrowing charges (RBI, 2019).

Small ticket loans with a short tenure and high payback frequency make up the majority of the NBFC-MFIs' assets, while long-term borrowings make up the majority of their liabilities. As a result, NBFC-MFIs were in a stronger position than other NBFCs with ALM issues. Additionally, bank credit provided to NBFC-MFIs for on-lending to certain sectors is eligible to be classified as priority sector lending. Banks are therefore often motivated to lend to NBFC-MFIs. Nevertheless, beginning with the 2017–18 fiscal year, the funding profile of NBFC–MFIs did gradually change. It has been noted that small and medium-sized NBFC-MFIs were disproportionately affected by the liquidity constraint compared to major NBFC-MFIs.

SHGs run by women are the foundation of our nation. To enable their activities and ensure their ability to support themselves, a policy should be developed and put into place. However, SHG policies are not established. Traditional wrongdoings and other obstacles that women confront prevent them from engaging confidently in many aspects of the business. Women require institutional assistance in addition to financial resources if the government is to help them reach their full potential.

The situation of women’s SHGs in India needs to be improved, and a multidisciplinary committee should be established. A mentoring program could help SHGs navigate the challenging, competitive market.

CHAPTER:06
CONCLUSION AND RECOMMENDATION:

It is possible to conclude that the relevance of microfinance in developing nations such as India cannot be underestimated, as it plays a critical part in the socio-economic upliftment of the poor and low-income people. Poverty reduction has been a top objective at both the national and international levels of development since the 1990s. Microcredit via self-help groups improves women's standing as participants, decision-makers, and beneficiaries in the democratic, economic, social, and cultural realms of life. Self-help groups urged women to participate actively in our nation's socioeconomic advancement. Women's contributions to national development are critical. These studies on the benefits of microfinance are many and vary, depending on the various components of society researched. MFIs assist families to increase their earnings by expanding production, offering a larger choice of commodities, providing insurance and marketing programs, and optimizing resource utilization. Despite years of rapid expansion, the unrealized potential of microfinance is a testimony to the tremendous opportunity that awaits businesses, particularly among the financially excluded masses in rural regions. By no means does this thesis intend to claim that the microfinance movement in India has failed.

We would not have to worry with a section of a microfinance study dedicated to moneylenders if the Indian rural informal loan market were tiny or if it were huge but characterized by free competition. However, statistics reveal that the vast majority of people in India live in rural areas, where they are also more likely to be denied access to formal financial services due to their poverty. We also know that moneylenders typically do not need or want to be extremely competitive, which is reflected in their high-interest rates, patron-client ties (bonds of loyalty or reliance), political and social networks, and patron-client relationships. There is no disputing the existence of exploitative moneylenders, however not all unofficial lenders fall into this group. This point of view contends that some people are permitted to engage in unethical behavior because customers are unable to obtain financing elsewhere and are forced to comply with the lender's terms and conditions. Additionally, "exploitation is conceivable because moneylenders have a local monopolistic power; that position is "protected" since potential competitors lack the knowledge and connections needed to enter local markets"

There is evidence that many people and especially women have been able to improve their circumstances after participating in microfinance and starting their businesses, and I believe that microfinance can raise people's self-esteem, help some become financially independent entrepreneurs, improve nutrition in a household, change lifestyle, increase decision-making power among the oppressed, and help people break free from bonded labor through debt swap schemes, among other such positive outcomes. In the context of growing focus on innovation, technology, and self-sufficiency, particularly in a post-covid period, economically disadvantaged groups have suffered severe employment and income losses. Even though women have the potential to contribute to household economics, they frequently lack the freedom to participate in decisions regarding opportunities for money creation, often bringing their families to the verge of poverty.

This study suggests the following:
Correct Regulation: When microfinance existed in its initial stages, regulation was not a big issue, and individual institutions were free to implement unique operating models. However, as the industry enters another decade with a robust growth trajectory, an enabling regulatory environment that protects stakeholders' interests while also promoting expansion is required.

Field Supervision: In addition to effective regulation of the microfinance sector, field visits can be used to monitor circumstances on the ground and, if necessary, initiate remedial action. This will keep an eye on the performance of various MFIs' ground workers and their recovery techniques. This will also push MFIs to follow appropriate codes of behavior and function more effectively. However, the availability and cost of physical monitoring of this enormous industry continue to be a challenge in this respect.

Encourage rural infiltration: Instead of lowering the initial cost, MFIs are creating branches in areas where there are already a few MFIs. Encouraging MFIs to build additional branches in regions with low microfinance penetration by providing financial assistance will expand the state's microfinance outreach and reduce duplicate lending. This will also enhance rural microfinance penetration in the state.
Complete Product Line: MFIs should offer a full variety of products such as credit, savings, remittance, financial advice, and non-financial services such as training and assistance. MFIs serve as an alternative for banks in places where the poor cannot access all services.

Although microfinance has contributed significantly to the empowerment of women and the reduction of poverty, some issues need to be addressed. Such as., microcredit interventions do not reach all the underprivileged. A microloan may give some borrowers a reliable source of income that will help them escape poverty, or (perhaps more frequently) it may just be enough to allow borrowers to supplement the household's shared supply of resources and spend money on items that are not absolutely necessary for their survival. A microloan might also be used to purchase a new roof. While this won't help a person escape poverty, it could increase the number of days they have available to work and produce revenue.

It may appear contradictory to conclude that microfinance is truly effective and that I think it is an appropriate tool for socioeconomic development given that this thesis has addressed the sector's shortcomings in order to evaluate the effectiveness of its outreach. The goal of this thesis, however, was to draw attention to the fact that the sector has faults too that prevent the much praised Indian microfinance systems and their enormous outreach from realizing their full potential.

References:

Chetty, P., 2022. *Empowering women through micro-finance*. [online] Knowledge Tank. Available at: <https://www.projectguru.in/empowering-women-through-micro-finance/> [Accessed 2 June 2022].

Bastiaansen, R., Bogaard, H., Gerner, H., Hospes, O., Kormelink, J. and Bouman, F., 1989. *Small, short, and unsecured*. Delhi: Oxford University Press.
Roy, A., 2016. *Poverty capital*. New York: Routledge.

Karmakar, K., 2008. *Microfinance in India*. Thousand Oaks: SAGE Publications.
Minimal, D., 2015. *Banking & Micro Finance in India*. 1st ed. INDIA: New Century Publications.
Nabard.org. 2022. *NABARD - National Bank for Agriculture and Rural Development*. [online] Available at: <https://www.nabard.org/contentsearch.aspx?aid=225&key=result> [Accessed 14 July 2022].

Mfinindia.org. 2022. *OF INDIA*. [online] Available at: <https://mfinindia.org/> [Accessed 8 July 2022].

Lijjat.com. 2022. *Lijjat Homepage*. [online] Available at: <http://www.lijjat.com/> [Accessed 7 June 2022].
mint. 2022. *Lijjat Papad: How 7 women wrote a success story with only ₹80 for seed capital*. [online] Available at: <https://www.livemint.com/companies/news/lijjat-papad-how-7-women-wrote-a-success-story-with-only-80-for-seed-capital-11618490058193.html> [Accessed 7 June 2022].

Kumar, A., 2016. Does microfinance redefine identity, income, and insecurity among rural women? A model of women's empowerment. *Enterprise Development and Microfinance*, 27(3), pp.192-203.

Crifhighmark.com. 2022. *Reports*. [online] Available at: <https://www.crifhighmark.com/insights/reports> [Accessed 17 June 2022].

Prakash, B., 2018. Impact Assessment of Microfinance in India: Survey, Issues, and Challenges. *Indian Journal of Economics and Development*, 14(4), p.734

Bhatnagar, A., 2008. *Rural microfinance and microenterprise*. New Delhi: Concept Pub. Co., in collaboration with MPRLP-Livelihoods Forum, Bhopal.

Bansal, M. and Kaur, M., 2019. Rural Women Entrepreneurs in India: Challenges and Opportunities. *GIS Business*, 14(4), pp.115-121...

Kashif, M. and Sridharan, D., 2012. Microfinance: The Challenges and Opportunities in Rural India. *SSRN Electronic Journal*.

Rural.nic.in. 2022. *Home | Ministry of Rural Development | Government of India*. [online] Available at: <https://rural.nic.in/en> [Accessed 3 July 2022].

Kumar, B., 2022. *Microfinance: Model, Policies, and Experiences*. [ebook] Print/E-mail/Save 100 Pages. Available at: <https://eds.s.ebscohost.com/eds/detail/detail?vid=1&sid=344689a0-5a43-4ac6-aff1-64a709fa079b%40redis&bdata=JkF1dGhUeXBlPWlwLGNvb2tpZSxzaGliJnNpdGU9ZWRzLWxpdmUmc2NvcGU9c2l0ZQ%3d%3d#AN=1103389&db=e020mww> [Accessed 8 July 2022].

Ridwan, E., n.d. *Essays on microfinance, entrepreneurship, and social capital in developing economies*.

Moro Visconti, R., n.d. *From microfinance to business planning*.

Datta, S. and Sahu, T., 2021. How Far is Microfinance Relevant for Empowering Rural Women? An Empirical Investigation. *Journal of Economic Issues*, 56(1), pp.97-112.

Cgap.org. 2022. *Microfinance Solvency and COVID-19 | CGAP*. [online] Available at: <https://www.cgap.org/blog/series/microfinance-solvency-and-covid-19> [Accessed 9 July 2022].

Leach, F. and Sitaram, S., 2002. Microfinance and women's empowerment: A lesson from India. *Development in Practice*, 12(5), pp.575-588.

Swain, R. and Wallentin, F., 2009. Does microfinance empower women? Evidence from self-help groups in India. *International Review of Applied Economics*, 23(5), pp.541-556.

Laha, A. and Kuri, P., 2014. Measuring the Impact of Microfinance on Women Empowerment: A Cross Country Analysis with Special Reference to India. *International Journal of Public Administration*, 37(7), pp.397-408.

Singel, R., 2018. Impact of Microfinance on Economic Empowerment of Rural Women in India: An Empirical Study. *Ramanujan International Journal of Business and Research*, 3(1), pp.17-39.

Rafi, D., Palanichamy, N., Kumar, D., Velavan, C., Anandhi, V. and Murugananthi, D., 2021. Role of Microfinance in Functioning of Women Self-Help Groups (SHG) Under Bank Linkage Programme in the Rayalaseema Region of Andhra Pradesh. *Asian Journal of Agricultural Extension, Economics & Sociology*, pp.168-179.

Swain, R. and Wallentin, F., 2009. Does microfinance empower women? Evidence from self-help groups in India. *International Review of Applied Economics*, 23(5), pp.541-556.

Ul-Hameed, W., Bin Mohammad, H. and Shahar, H.B.K. (2018). Microfinance institute’s non-financial services and women-empowerment: The role of vulnerability. *Management Science Letters*, pp.1103–1116. doi:10.5267/j.msl.2018.7.001.

Samineni, S. and Ramesh, K. (2020). Measuring the Impact of Microfinance on Economic Enhancement of Women: Analysis with Special Reference to India. *Global Business Review*, p.097215092092310. doi:10.1177/0972150920923108.