

# A Study of the Impact and Role of Microfinance Institutions in Selected Districts of Maharashtra

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**Abstract – Microfinance focuses on economic development at a minute level. Microfinance is adopted to reduce the poverty level in the economic system. This study is conducted to investigate the microfinance institutions' outreach, its growth; Microfinance is a category of financial services targeting individuals and small businesses that lack access to conventional banking and related services,. Microfinance Institutions' long-term viability is under doubt. An all-out effort is needed to assist build the embryonic Microfinance Industry while addressing the trade-off between outreach and sustainability." Financial services in rural areas and long-term national financial development are used to examine this problem in detail. The study which discussed about, need of microfinance, Microfinance institution-presence in rural sectors, Microfinance and financial inclusion-two important dimensions of rural financing, Rural financing scenario in Maharashtra with special reference to microfinance and financial inclusion, Data analysis of micro financial institutions client's responses, Informal financial organisations and rural financing in Maharashtra with special reference to microfinance ,Impact of microfinance services on poverty alleviation**

**Keyword – Microfinance, Microfinance Institutions**

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## INTRODUCTION

The concept of microfinance is one of the tiniest concepts with the greatest impact. As a business strategy, microfinance is aimed at helping the poor build their way out of poverty by giving them with loans and a secure place to keep their tiny savings. (Source: Deutsche Bank's online presence) For those who have historically had limited access to conventional financial institutions, this programme aims to address the issue of financial exclusion by offering financial services. It's being hailed as a revolution in the fight against poverty and social inequality. A paradigm change is what microfinance is all about. According to (Robinson, 2001) Because they lack collateral or a credit history, they are unable to get finance from their local banks, There are several different types of microfinance, all of which focus on delivering small-scale financial services to the world's poor. Its goal is to increase economic development while decreasing income disparity. Households benefit from increased access to responsible financing, which helps them accumulate assets, manage risks, and maintain a steady flow of income. As a result of financial services, families are able to spend more time at home, send their children to school for longer periods of time, and eat more often. Micro, small, and medium-sized businesses (MSMEs) are well-served by this kind of financing since they face funding restrictions. Due to a shortage

of credit and savings services, their expansion is typically stifled. A funding deficit of \$2.1 trillion to \$2.6 trillion exists for small and medium-sized enterprises (SMEs) in developing nations, affecting an estimated 200 million formal and informal enterprises. One-third of the MSMEs in developing nations now have outstanding loans. There has been a significant rise in the MFI model in India, since the SBLP model is the most popular in India. This concept is based on borrowing significant amounts of money from financial institutions, donors and banks, which are then used to give out money directly to people or organisations. There are several MFIs that provide financial services to individuals or groups, such as SHGs. Through the Joint Liability Group idea, these organisations provide assistance (JLG). Diverse institutional and legal frameworks define the Indian MFI model. Non-banking financial institutions (NBFIs) in India include trusts registered under the Indian Trust Act of 1882 or the Public Trust Act of 1920, societies established under the Mutually Aided Cooperative Societies Acts of the States, and NBFCs registered with the Reserve Bank of India. These MFIs are dispersed around the nation because of the several recording agencies. Despite the fact that most MFIs only joined the microfinance market after SBLP had become well-established, their operations move considerably more quickly than those of the former. To reach rural

impoverished people, MFIs use more aggressive and inventive methods than traditional banks, such as well-oiled distribution networks.

### Need of Microfinance

There are several programmes aimed at eradicating poverty and the working age at both the federal and state levels. Similarly, a number of strategies are carried out by a big collection of organisations that represent various divisions. There is a great deal of waste and duplication of effort due to a wide range of organisations focusing on the same target groups. Rather of providing him a few benefits spaced out over a long period of time, we now demand a "indicative strategy" to creating sustainable work and eradicating poverty that focuses on meeting the requirements of the person or family unit and does so within a reasonable timeframe. There are several organisations in Gujarat that promote SHGs via various programmes and strategies. Provincial Development Department encourages SHGs via the Sakhi Mandal Yojana, SGSY, Watershed Program, Shram Yogi Program, and certain Special SGSY Projects implemented by NGOs. Women's and Children's Development has its own SHG plans. SHGs are used to implement SJSRY in urban areas by the Urban Development Department. SHGs have taken part in a number of initiatives for the Ancestral Welfare Department. NABARD and the banks use NGOs to set up SHGs.

In addition, NGOs themselves collect donor monies from worldwide headquarters and build and maintain their own SHGs, which they then distribute to local communities. Additionally, there are a variety of job programmes that are run by different groups. 'As an example, the Rural Development Department's own initiatives include SGSY, Sakhi Mandal Yojana, Shram Yogi Yojana, and Special Projects implemented by NGOs, IWMP, and MGNREGS (for a single beneficiary). Consequently, we see that there is a massive amount of duplication in the efforts of many people. One office often fractures current SHGs to create new SHGs and distinguishes a comparable group of beneficiaries. As a result, it is having an impact on the activities of other organisations. To address these challenges, the first step is to create a meeting place where all SHGs moulded by a few offices may come together under one tent. This would foresee the need to do the same thing again.

### Microfinance Institution-Presence in Rural Sectors

The goal of a microfinance programme is to help the poor, and rural regions are where it is most prevalent. Various researchers' perspectives are presented here. For example, the effectiveness of the SHG Bank Linkage Program was examined in detail by Basu P. et al., (2005) in their study of the present state and pattern of financial access among rural Indians. Researchers surveyed more than 6,000 families in India and determined that the rural poor had limited access to official sources of financing. Rural regions

have seen an increase in the SHG bank linking program's reach, although its share of poor beneficiaries remains low. High-quality SHGs must be promoted in order for the rural poor to have mass access to financing, as stated in the authors' paper. According to Verma R., (2008), 87% of India's poor do not have access to official financial services, and as a result, they are heavily reliant on payday lenders. Microfinance has either shifted to an in-house banking model or is now headquartered in the community. Support for the poor is needed in order for them to make better use of their financial resources. Using microfinance programmes properly may maintain financial stability and substance in the economy and aid India's growth on their route to attaining developed countries, according to the authors. researcher also observations that rural people and small farmers are still unable to grasp and profit from numerous credit facilities given by commercial banks, RRBs, cooperative banks, microfinance organisations, etc. To him, the coordination between states and financial institutions working in rural regions is an essential function of NABARD.

### Microfinance and Financial Inclusion-Two Important Dimensions of Rural Financing

The theory and methods of microfinance are aimed at eradicating poverty and reaching out to the excluded sections of society, particularly in rural regions. In underdeveloped nations, however, microfinance is still an unfinished project that requires stronger government participation in the form of financial inclusion regulations. According to the Millennium Development Goals, which were established by the United Nations in 2000, global poverty eradication is being supported by international policies today. Consequently, it is an intriguing and relevant idea to investigate the financial outreach patterns and methods aimed to serve the economically disadvantaged populations, particularly in rural locations. This is the driving force for this research into microfinance and financial inclusion, the two-pronged approach aimed at bringing the financially excluded people into the mainstream of the economy. This may ensure their participation and contribution to the recent spurt of economic growth that the country so proudly boasts of, but which in reality might be akin to basking in an unrealistic euphoric glory as the consequences of a lopsided economic growth have only too well been exhibited by history. In light of these historical lessons, it is even more critical to ensure that resources are distributed fairly.

### Rural Financing Scenario in Maharashtra with Special Reference To Microfinance And Financial Inclusion

Maharashtra's rural population relies heavily on agriculture. Agriculture advances made by banks in the state accounted for 34.6 percent of the state's priority sector advances in the year 2013-14. Farmer financial assistance in Maharashtra has been

provided via the Kissan Credit Card (KCC) programme, which has issued 15.87 lakh KCCs as of March 2017. A total of 5,89,268 SHGs in the state were bank-linked as of the end of March 2017. Of them, 2,69,851 SHGs were able to take out a loan. A total of 1.39 million SHGs were covered under the SGSY programme as of March 2017. By March 2017, organisations like NABARD and the North East Development Financial Institution (NEDFi) have made significant contributions to Maharashtra's microfinance sector. It has been a successful year for Maharashtra's two rural banks, Maharashtra Gramin Vikash Bank (AGVB) and Langpi Dehangi Rural Bank. In reality, AGVB has played a significant role in the state's financial inclusion efforts to raise villagers' financial literacy. In 2013-14, AGVB held 7163 Financial Literacy Camps in communities throughout the state. To foster financial inclusion, it created 53,781 Basic Savings Bank accounts in rural areas. As of December 2014, 2, 98,819 families in Maharashtra were covered under the Prime Minister's Jan Dhan Yojana (PMJDY). The state's equivalent of the National Rural Livelihood Mission (Maharashtra State Rural Livelihood Mission) is also boosting microfinancing in the state. There have also been remarkable efforts made by the Co-operative Banks and Societies. ASSM Economic Survey 2014-2015. There is still a lot of work to be done. Introspection is needed in a state plagued by regular floods and a feeling of separation from the rest of India's mainland. There is a considerable portion of the population that lives in rural areas, which slows down the deployment of funds and other development activities. As a result, this project was launched to investigate rural funding in further detail.

## LITERATURE REVIEW

**Mahanta et al. (2012)** microfinance has been discussed in three ways: the rise of microfinance in India and other countries, the involvement of national banks in the growth of SHGs and Grameen banks, the role of the government in regards to policy formulation for micro-borrowers. They found that if the programme is pushed to increase capacity, it may help alleviate poverty. Only if they get the necessary skill training, such as weaving, handicrafts, carpentry, and other nonagricultural activities, may the money be utilised for personal use and charitable purposes. After a loan is approved, customers should get technical and professional assistance

**Dr. Ravi Kumar (2016)** Women-owned businesses in Amravatia, India, have benefited greatly from microfinance. International journal of quantitative management and business economics. The ISSN is 2349-5677. Number 98 in Volume 2, Issue 8 in January 2016 For the field study, the researcher conducted interviews with 50 female entrepreneurs from various businesses, using an interview schedule and personal interview. Karnataka state's Amravatia city is where the research is taking place. For the sake of time and money, the researcher has opted for an

easy sample approach. The study's major goal is to get insight into how well-known microfinance organisations are among the participants. The study concluded that the conventional role of a mother and housewife has been replaced by a new one: entrepreneurship. Women entrepreneurs are empowered in a variety of company activities and even transform their social position thanks to microfinance institutions,

**Jena and Das (2012)** The importance of micro-enterprises, which empowers women by placing capital in their hands and enabling them to make an independent income and contribute financially to their families, was also supported. In this research, the authors support the idea that microfinance programmes empower women economically by providing them with the means to accumulate productive assets over time. An additional finding of the research is that, even if women's share of family income is minimal, earning their own money affords them the ability to lessen their reliance on men financially and improve their „centrality within the home."

**K. Swapna (2017)** Kalinga University, Raipur, Ph.D. Thesis: Microfinance and Women Entrepreneurship. From trade publications, academic journals, annual reports from banks and the internet, the researcher has gathered secondary data for the study The researcher has attempted to examine "Microfinance as an instrument for the development of Women Entrepreneurship" using the most recent resources. Short-term support programmes aimed at boosting women's productivity by providing them with skills training, financing, and technology, as well as custom-made items that are appealing to their businesses and families should be the subject of future study, according to the researcher. Women entrepreneurs have a number of obstacles, including family duties, when it comes to selling their goods, which they must overcome in order to get access to the market.

**Malleswari, B. (2010)** Involving Women in Micro-Finance., Serials Publications is based in New Delhi. Individuals or communities may acquire power and control over their life via the process of empowerment. People's well-being, access to resources and enhanced self-confidence, self-esteem and respect are only some of the advantages they obtain. 231 may be considered as a technique of establishing a social climate in which individuals and groups can take choices and make a choice either individually or collectively for social change.

**L. Vachya (2015)** Microfinance initiatives have also helped to the social empowerment of women in six villages of Andhra Pradesh by providing them the confidence to shape their life and the lives of their families. It has been discovered that SBLP has a good influence on women's decision-making in home

concerns when compared to pre-SHG scenarios. Even more importantly, it has helped them to push for equal property rights, education, equitable treatment of females as well as the remarriage of women who have been divorced. Income/employment producing activities are influenced by SHG members' expertise, marital status, and income, as well as the education of their husbands, their family's income, the amount of loan issued, and total household assets. SHG members' age, marital position, income, family type, and other economic aspects have a beneficial impact on the involvement and decision-making of women members.

## OBJECTIVES

- To study the present scenario of micro financing in India
- MFIs from Maharashtra and Bangladesh were compared for their performance in assessing MFIs in Maharashtra
- To assess the impact and role of microfinance institutions in selected districts of Maharashtra
- Microfinance based on SHGs may play a significant role in the state's overall growth
- Study the difficulties that microfinance organisations in Maharashtra confront in helping the poor while also being financially sustainable in order to achieve the "double bottom line
- Microfinance has to be analyzed in order to find out what is wrong and what can be done about it

## RESEARCH METHODOLOGY

The research has started by understanding the concepts of microfinance and how it has started and developed, SHG involvement in microfinance and NABARD support for the development of microfinance in rural India to be more precise its impact in Amravatia which stands as an important area in Karnataka where microfinance development needs to happen a lot. The organizations involved in microfinance in the interiors of Amravatia had to be studied. Hence secondary data analysis was very essential.

### Primary and Secondary Data

As the topic is of a recent origin, both primary and secondary data is essential to make effective evaluation of Microfinance in poverty alleviation.

The study is an empirical one based on sample survey method. The study is basically dependent on primary data. The required primary data was collected by means of a questionnaire distributed in Amravatia

division. The secondary data was collected from the national and international E-journals, Research articles, books and reports published by RBI, NABARD, and Newspapers etc. The sampling method used in the research is stratified random sampling method. Research study will be conducted with structured questionnaire by interviewing the managers of microfinance banks and questionnaire is designed for Microfinance Clients. The type of research to be used for the study would be Survey Research Technique. Primary data collected from the sample of clients from Microfinance institutions by adopting simple random sampling method through structured questionnaire. An initial pilot study was run for pre- testing the questionnaire. The questionnaire has been edited in the light of the result of the pilot survey. The reframed and modified questionnaires were used for the survey.. Observation method was used to gain first hand insights into various aspects of Microfinance Industry

### Sample Design

Determining the sample size is a difficult task. In general, the more precise the required information has to be the bigger the sample size should be. Statistical approaches based on confidence intervals can also be used in setting the appropriate sample size. In the literature, a rough range of 200-2500 is suggested for a typical sample size. (Malhotra & Birks 2000, 346-390). For this study the researcher selected 485 respondents as sample size

The total samples selected for the study was 485 respondents. Respondents were selected randomly irrespective of age, education and income level. Respondents are selected from Amravatia district.

The actual study was based on the empirical evidence gathered from 485 respondents. I have distributed 700 questionnaires. Questionnaires were given to respondents during their "leisure" hour so as to not disrupt their daily routine. Researchers collected completed questionnaires from the respondents at the end of the week. A 74 per cent response rate was achieved (518 questionnaires). Of questionnaires returned, 485 were deemed usable for further analysis

## DATA ANALYSIS

### Data Analysis of Micro Financial Institutions Clients Responses-

Amravatia division, which includes Amravatia, Latur, Palghar, and Nagpur districts, was the source of the data studied from January 2013 to September 2013. The 485-person sample includes 200 Amravatia residents, 150 Latur residents, 80 Palghar residents, and 55 Nagpur residents.



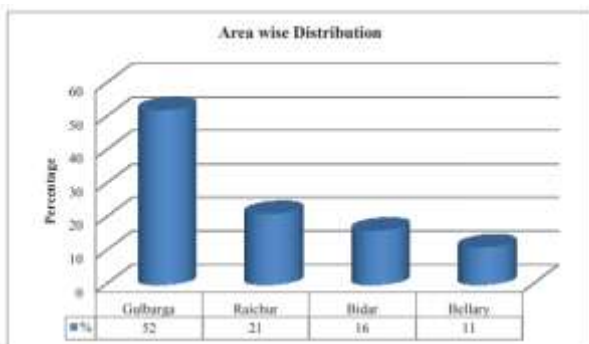
**Profile of the Respondents**

This part aims to explore the demographics of the sample from Amravatia, Latur, Palghar, and Nagpur as a preliminary to further research. Gender, age, education, number of family members, and other factors all fall under the various categories of the respondent's profile in the survey.

**1. Area-wise distribution**

**Table-1: Area-wise distribution**

Area	Frequency	Percentage
Amravatia	250	52
Latur	100	21
Palghar	80	16
Bellary	55	11
Total	485	100



**Graph-1: Area wise distribution of MFI clients**

Using the Table 1. , 52% of the respondents are from Amravatia, 21% are from Latur, 16% are from Palghar, and 11% of the respondents are from Amravatia due of their easy accessibility.

**Informal Financial Organisations and Rural Financing In Maharashtra With Special Reference To Microfinance**

NGOs in Maharashtra were pioneers in the development of self-help groups, were prevalent in the state. The microfinance landscape exploded with the introduction of the SGSY programme and the Maharashtra State Rural Livelihood Mission (MSRLM), an adaptation of the National Rural Livelihood Mission (NRLM). NGO's microfinance journey is examined in the next portion of the article. Prochesta, one of the first informal institutions in microfinance, has been chosen for the research and its path in microfinance has been chronicled over the years to comprehend the changing landscape.

**Funding Of Over the Years in Palghar Rural District**

**Table 2: Operational data**

Sl. No. Indicators	March 2017	March 2018	March 2019
<b>A Institutional Profile</b>			
Number of Branches	7	7	7
Number of Districts	8	8	14
Number Of			
Blocks/Municipality	10	10	150
Total Staff	31	73	68
Managerial Staff	6	6	6
Field Staff	23	65	60
Supporting Staff	2	2	2
Number of Credit Officer	10	49	47

**Table 3: Outreach data**

Sl. No. of Indicators	March 2017	March 2018	March 2019
<b>B OUTREACH</b>			
No. of SHGs	1603	1532	3241
No. of Members	18533	17731	40893
No. of Borrowers	4856	7793	4852

**Table 4: Loan data**

LOAN PORTFOLIO	March 2017	March 2018	March 2019
Cumulative Loan Disbursed(Rs)	166315925	124357256	89739559
Loan Portfolio Out standings (Rs)	35053079	31729402	25456216

**Impact of Microfinance Services on Poverty Alleviation**

It has been determined that microfinance services have a positive influence on reducing poverty. Poverty Alleviation, Groups' Age, Loan Amount (Average Loan Amount), and Training for Skill Development are the factors discovered via literature support. According to several empirical researches, the Poverty Alleviation symbolises socioeconomic progress and has been regarded as the dependent variable. The age of the groups, the average loan amount, and training for skill development are the independent factors.

Using a Multiple Linear Regression model, researchers were able to determine how microfinance services may help alleviate poverty. In order to analyze the data, we used SPSS 20. A well-designed schedule questionnaire was used to acquire primary data directly from the survey participants.

The questionnaire asks on the evolution of several aspects of poverty, such as income, savings, food expenditure, non-food expenditure, literacy rates, asset increases, food intake capacity, housing conditions, drinking water sources, and sanitary conditions. In order to derive most of these variables, we mined the Ministry of Rural Development's BPL census questionnaire (Bansal, 2011).

The 10 factors stated were used to create an index of poverty indicators. According to Likert's five-point scale, the answers for each parameter were graded from "far too little" to "far too much," with "1" being the lowest and "5" the highest. For each of the factors, data was gathered directly from the respondents. The index was calculated by taking the average of the ratings given to each parameter by the respondents.

**Data Analysis and Testing**

SPSS 20.0 was used to analyze the data gathered via a survey. To begin with, the questionnaire was put through a reliability test to ensure that the results were consistent, and the Cronbach's Alpha value was determined. To put it another way, the Cronbach's Alpha of .860 indicates that the data for the provided variables is credible.

**Pre testing Results**

Assumptions concerning the variables employed in statistical tests are common in most cases. The findings may not be reliable if certain assumptions are not satisfied. Assumptions must be met in order to use a multiple regression model effectively. Pre-testing procedures have been carried out to guarantee that the regression model's assumptions are satisfied before using it, so that unbiased results may be obtained. Q-Q plots and histograms with a normal curve are used to investigate data normality in the early stages. Both dependent and independent variables are shown to follow normal distributions in the pictures. The scatter plot has been used to see whether the model suffers from heteroscedasticity and discovered no consistent pattern in the residuals. To avoid heteroscedasticity, the model does not have this issue. For the purpose of determining whether or not there is a relationship between two variables, the Durbin-Watson test is used. A result of 1.819 (Table 4.25) for Durbin Watson supports the model and is near enough to 2 to be considered acceptable. Thus, there is no association between residuals in the model.

**Table 6 Collinearity and Autocorrelation Test**

Model	Collinearity Statistics		Durbin Watson
	VIF	Tolerance Level	
Groups' Age	4.632	.216	1.819
Average Loan Amount	6.564	.152	
Training for Skill Development	3.269	.306	

**CONCLUSION**

To sum up, it can be noticed from overall analysis that there is significant impact of microfinance activities on improvement of the living standard of the family not only in economic term but also in social term. From this study, the researchers have come to the conclusions that there is a noticeable and positive impact of microfinance activities on the living standards, empowerment and poverty alleviation among the poor people in the society. In the findings of the primary survey conducted in the districts of Nadia. It was also implied that the MFIs act as social intermediators for the SHG members, which means entrepreneurial development, management development and financial training. These services enable the SHG members to overcome poverty. Women empowerment can be done through income generating activities. In the study it has been understood that women play dual roles in the family: the productive role adopted in helping their husbands by taking in to paid work or other livelihood related or income generating activities. The other role that women play is reproductive, While playing such crucial roles for the family these women face problems like low level of asset ownership, illiteracy, restricted livelihood activities, lack of market access, participation in low return activities, etc. Amravatia District has been in the forefront in the adoption of Micro finance operations. Micro finance created a fruitful atmosphere in Amravatia district. Various NGOs/SHPIs have working actively. Financial institution viz., Commercial Banks, Regional Rural Banks and Amravatia District Central Cooperative Bank are also playing the key role of "Credit Purveyor" to SHGs. Government sectors of WCDD 262 are promoting "Stree Shakti" Groups on the basis of sources available about 62% of the households eligible to be covered under SHG. There are about 65,763 Marginal farmers and 130271 small farmers' families in the district. The district has in all 47 NGOs in of which 16 are actively involved in promotion/Nurturing of SHGs. There are six major MFIs operating actively in the district by providing credit to rural people

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