

Analyzing the Performance Indicators of Microfinance Institutions in Madhya Pradesh

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Abstract – India is one of the developing countries on the planet where poverty is figured as serious issue. Since freedom, the nation put weight on giving financial services as help to poor individuals. For over 30 years microfinance has been depicted as a key strategy and essential financial initiative for poverty decrease and financial advancement. Microfinance is fundamentally a Nobel substitute for financial services offered to lower income and defenseless individuals in different countries and amazing instrument for poverty decrease. Microfinance is the arrangement for a wide scope of financial services to the poor and low income families and their microenterprises. The services incorporate stores, loans, installment services, cash exchanges, and insurance items. Microfinance plot gives a wide scope of financial services to individuals who have close to nothing or nothing in the method for conventional insurance. It encourages them to develop resources, endure emergencies and to build up private venture to leave poverty. But expanding little loans (micro-credit), microfinance program gives different other financial and non-financial services, for example, savings, insurance, direction, skill advancement training, limit building and inspiration to begin income creating exercises to upgrade the profitability of credit. In this work we will study and analyze the basic performance indicators of the selected MFIs in Madhya Pradesh.

Keywords: Microfinance, Micro Credit, Financial Services, Madhya Pradesh.

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I. INTRODUCTION

1.1 MICROFINANCE

Microfinance is the arrangement of budgetary managements to low-salary customers or solidarity ups including buyers and the independently employed, which generally need access to managing an account and related managements. Amid the 1980s, the microenterprise development prompted the rise of nongovernmental associations (NGOs) that gave little advances to poor people. During the 1990s, some of these organizations changed themselves into formal monetary establishments so as to get to and on-loan customer investment funds, in this way improving their effort [1].

Microfinance isn't just about giving small scale credit to the poor rather it is a monetary improvement instrument whose goal is to help the poor to work out of destitution. It covers a wide scope of managements like credit, reserve funds, protection and settlement. In the writing the terms microcredit and microfinance are regularly utilized conversely, yet it is essential to feature the distinction between both the terms. After

the incredible accomplishment of Grameen Bank of our night exhausting nation Bangladesh, the idea of microfinance has picked up force. Small scale credit/microfinance have been characterized as the projects that give credit and other money related and business management's (counting reserve funds and specialized help) to exceptionally poor people. Along these lines, microfinance alludes to the arrangement of money related managements to low pay families, including oneself - utilized. These money related managements incorporate investment funds, credit, installment offices, settlement, protection and furthermore non-monetary managements like preparing, advising and so forth. Microfinance has been an improvement and financial device which has helped in achieving Money related consideration in India (Marguerite, 2001)

1.1.1 Definition:

Microfinance refers to small-scale financial services, including both credits and deposits provided to people who farm, fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work

for wages or commissions; gain income from renting out small piece of land, vehicles, draft animals, or machinery and tools; in both rural and urban areas (Muralidhara, 2004).



Figure 1: Key Features of Microfinance

1.2 AIMS OF MICROFINANCE

1. To offer financially savvy way to deal with formal establishments for growing their effort to poor people.
2. To create security substitutes.
3. To center around the rustic and the urban poor for the most part and especially on woman.
4. To test other small scale acknowledge conveyance components as elective channels to the formal banks (Bharti, 2007).
5. To successfully seek after the goals of microeconomic development.
6. To bring Social Empowerment.
7. To bring the Economic Empowerment through:
8. To advance limit assembling (a procedure and an end in itself)
9. To improve Political Empowerment
10. To build the utilization limit of poor people

1.3 MICROFINANCE IN INDIA

In five years designs, the improvement methodology embraced by free India was institutional acknowledge, which was seen as a ground-breaking instrument for upgrading creation and efficiency and for easing destitution. The formal view was that loaning to poor people ought to be a piece of the ordinary business of banks. The institutional vehicles picked for this were cooperatives, business banks and Regional Rural Banks (RRBs). Somewhere in the range of 1950 and 1969, the pressure was on the moving of cooperatives. The nationalization of the fundamental modern banks in 1969 imprints a watershed in light of the fact that from this time onwards the center moved from the cooperatives as the sole suppliers of country credit to the multi-office approach (Mahajan and Ramola, 2003). The key issue regions envisioned for under favored portion incorporates absence of credit, nonappearance of present day technology in the field

of farming just as enterprises, low reserve funds limit in country and urban town territories and predominance of usurious moneylenders. The development of microfinance cultivates salary age, decrease destitution through independent work. For the most part, low-pay amass individual who don't approach formal money related foundations, are turned towards miniaturized scale financing. Microfinance customers incorporate independently employed, family unit based business visionaries particularly woman business visionary. In provincial territories, there are generally little agriculturists or other people who are occupied with little salary producing exercises (Thorat, 2006).

1.3.1 Progress and Performance of MFIs

Particulars	2010	2016	Growth	2017	Growth
Number of MFIs Reporting	264	166	17.12% (decrease)	168	1.20%
Customer Outreach (lakh)	267	399	49.43%	295	26.06% (decrease)
Gross Outstanding portfolio(Rs. crores)	18344	63853	248.08%	46842	26.64% (decrease)

1.4 MICROFINANCE INSTITUTES IN MADHYA PRADESH

"An overall and comprehensive improvement of the state through which the life of nationals can wind up rich and prosperous and they have open doors for putting in their earnest attempts as indicated by their potential and adding to the country's advancement." – According to Status of Financial Inclusion and Way Forward - Madhya Pradesh (2013-18).

Talking in Indian setting, the idea of microfinance has advanced in past decade with intend to raise the pay levels and expectations for everyday comforts of the general population. The most outstanding exertion is microfinance through Self-encourage gatherings (SHGs) which is an elective arrangement of credit conveyance to poor people. SHGs were spearheaded by NGOs and are presently upheld by the state, to make connects between business banks and NGOs. At present, status of the nation from the point of view of Microfinance isn't sufficient. In a work talked about in writing, it is evaluated that 350 million individuals live beneath neediness line and just 5% of country poor approach microfinance. MFIs right now work in 28 States, 5 Union Territories and 561 areas in India. MFIs with a littler scale or provincial center have packed their activities in 1-2 states just though different MFIs have spread over a higher number of states so as to build their size, scale and all the while relieve focus risk. MFIs working in numerous states, as a rule, are normally bigger in size and pursue the authoritative document of a NBFC-MFI ((Farooqui, 2013).

1.4.1 Principle of MFI in Madhya Pradesh

1. **The poor need an assortment of budgetary managements, not simply advances.** Much the same as every other person, needy individuals require a wide scope of money related managements that are helpful, adaptable, and sensibly valued. Contingent upon their conditions, destitute individuals require acknowledge, as well as reserve funds, money exchanges, and protection.
2. **Microfinance is a ground-breaking instrument against destitution.** Access to practical budgetary managements empowers the poor to expand earnings, construct resources, and decrease their defenselessness to outside stuns. Microfinance enables poor family units to move from regular survival to anticipating the future, putting resources into better sustenance, enhanced living conditions, and kids' wellbeing and instruction.
3. **Microfinance implies building monetary frameworks that serve poor people.** Destitute individuals establish by far most of the populace in most creating nations. However, a staggering number of the poor keep on lacking access to essential budgetary managements. So as to accomplish its maximum capacity of achieving a substantial number of poor people, microfinance ought to wind up a necessary piece of the monetary part.
4. **Money related supportability is important to achieve huge quantities of needy individuals.** Most destitute individuals are not ready to get to budgetary managements as a result of the absence of solid retail money related middle people. Building monetarily reasonable foundations isn't an end in itself. It is the best way to achieve critical scale and affect a long ways past what benefactor organizations can subsidize.
5. **Microfinance is tied in with building lasting nearby budgetary institutions.** Building money related frameworks for the poor methods building sound local monetary delegates that can give money related managements to destitute individuals consistently. Such foundations ought to probably assemble and reuse local reserve funds, broaden credit, and give a scope of managements (Ahmed, 2015).
6. **Microcredit isn't generally the appropriate response.** Microcredit isn't fitting for everybody or each circumstance. The down

and out and hungry that have no salary or methods for reimbursement require different types of help before they can make utilization of credits. Much of the time, little allows, foundation upgrades, business and preparing programs, and other nonfinancial managements might be increasingly proper devices for destitution lightening.

7. **Loan fee roofs can harm needy individuals' entrance to monetary managements.** It costs substantially more to make numerous little credits than a couple of huge advances. Except if small scale moneylenders can charge financing costs that are well better than expected bank credit rates, they can't take care of their expenses, and their development and manageability will be restricted by the rare and unsure supply of sponsored subsidizing.
8. **The management's job is as an empowering agent, not as an immediate supplier of monetary managements.** National governments assume an essential job in setting a strong arrangement condition that animates the improvement of budgetary managements while securing destitute individuals' funds. The key things that an management can improve the situation microfinance are to keep up macroeconomic dependability, maintain a strategic distance from financing cost tops, and cease from mutilating the market with unsustainable sponsored, high-misconduct advance projects.
9. **Giver sponsorships should supplement not rival private part capital.** Contributors should utilize proper allow, advance, and value instruments on a transitory premise to construct the institutional limit of money related suppliers, create supporting foundation (like rating organizations, credit authorities, review limit, and so on.), and bolster test managements and items. At times, longer-term benefactor appropriations might be required to reach scantily populated and generally hard to-achieve populaces.
10. **The absence of institutional and human limit is the key limitation.** Microfinance is a particular field that joins keeping money with social objectives, and limit should be worked at all dimensions, from budgetary establishments through the administrative and supervisory bodies and data frameworks, to government improvement elements and giver organizations. Most interests in the area, both open and private,

should concentrate on this limit building (Manish & Johari, 2010)

11. The significance of budgetary and effort straightforwardness.

Precise, institutionalized, and similar data on the monetary and social execution of budgetary organizations giving managements to the poor is basic. Bank directors and controllers, benefactors, financial specialists, and all the more critically, poor people who are customers of microfinance require this data to satisfactorily evaluate risk and returns.

II. REVIEW OF LITERATURE

Mr. Sibghatullah Nasir and Mr. Saleem Akhtar Farooqi (2016) [10] in their examination on "Effect of microfinance on woman strengthening with unique reference to locale Aligarh (India)" found that microfinance program significantly affects woman strengthening as it expanded the salary level and decrease neediness dimension of the members.

Dr. H. G. Joshi and Mr. Sotish Kumar (2016) [11] in their investigation on "Monetary mediation and woman smaller scale business enterprise: A contextual analysis of NAVODHAYA" laid accentuation the one microfinance organization that is NAVODHAYA is giving preparing and aptitude advancement endeavors to expanded chances and rights to provincial woman.

Mr. Human Rehman and Mr. Amani Moazzam (2015) [12] in their examination on "Job of microfinance establishments in woman strengthening: A contextual analysis of Akhuwat (Pakistan)" found that age, training, conjugal status and family type are persuasive variables that were dissected in connection to their effect on monetary, social and political, wellbeing and instruction strengthening of woman.

III. OBJECTIVES

The main objectives of the research paper re as follows:

1. To find the overall performance of the MFIs in Madhya Pradesh
2. To find out the Performance Indicators between young and mature MFIs
3. To find out the Performance Indicators between young and old MFIs
4. To find out the Performance Indicators between mature and old MFIs

IV. RESEARCH METHODOLOGY

For the research study we selected MFIs working in Madhya Pradesh and then analyzed the performance

Indicators of the Firms. Statistical analysis was done using T-test between various performance indicators to find out the key insights of the study. The analysis represented using below mentioned statistical tables. All the data collected was primarily descriptive in nature and focuses on selected MFIs of Madhya Pradesh.

The MFIs selected for the study are as follows:

- ▶ Annapurna Micro Finance Pvt. Ltd,
- ▶ BASIX, Belstar Investment and Finance Pvt. Ltd,
- ▶ Bharat (SKS) Microfinance Ltd,
- ▶ ESAF Microfinance and Investment Pvt. Ltd,
- ▶ Fusion Microfinance Pvt. Ltd,
- ▶ Grama Vidiyal Microfinance Pvt. Ltd. [GVMFL (IDFC Bank)],
- ▶ Janalakshmi Financial Services Pvt. Ltd, L and T Finance Ltd,
- ▶ Muthoot Microfinance Limited,
- ▶ Sonata Finance Pvt. Ltd,
- ▶ Ujjivan Financial Services Pvt. Ltd and Utkarsh Microfinance Pvt. Ltd

V. ANALYSIS AND RESULTS

Table 1: Performance indicators (Efficiency & Productivity, Profitability and capital adequacy, Outreach, Infrastructure) between young and mature MFIs

Performance Indicators	Young MFIs (Mean Value)	Mature MFIs (Mean Value)	t-value	Significance level p-value
Efficiency & Productivity	1842305583	1796401454	0.022005	0.9831
Profitability and Capital adequacy	3,6828	3.072333	0.67327	0.5224
Outreach	8573.412	1521.944	1.8412	0.1082
Infrastructure	1525.154	5123.6	-3.0638	0.01823

The above table shows the performance indicators i.e. efficiency & productivity, profitability and capital adequacy, outreach, infrastructure. Statistical figures of the performance indicators are as follows

Efficiency & productivity-the mean value of Young MFIs was found 1842305583 while the mean value of Mature MFIs was 1796401454, the t-value is

0.022005 and the Significance level p-value is 0.9831.

Profitability and capital adequacy- the mean value of Young MFIs was 3.6828 while the mean value of Mature MFIs was 3.072333, the t-value is 0.67327 and the Significance level p-value is 0.5224.

Outreach- the mean value of Young MFIs was found 8573.412 while the mean value of Mature MFIs was 1521.944, the t-value is 1.8412 and the Significance level p-value is 0.1082.

Infrastructure- the mean value of Young MFIs was found 1525.154 while the mean value of Mature MFIs was 5123.6, the t-value is -3.0638 and the Significance level p-value is 0.1082.

Table 2: Performance indicators (Efficiency & Productivity, Profitability and capital adequacy, Outreach, Infrastructure) between young and Old MFIs

Performance Indicators	Young MFIs (Mean Value)	Old MFIs (Mean Value)	t-value	Significance level p-value
Efficiency & Productivity	1842305583	575686648	0.62047	0.5546
Profitability and Capital adequacy	3,6828	7.537213	-1.8136	0.1126
Outreach	8573.412	1521.944	2.7809	0.02726
Infrastructure	1525.154	6728.085	-1.9516	0.09883

The above table shows the performance indicators between young and Mature MFIs. Statistical figures of the performance indicators are as follows-

Efficiency & productivity-the mean value of Young MFIs was found 1842305583 while the mean value of Mature MFIs was 575686648, the t-value is 0.62047 and the Significance level p-value is 0.5546.

Profitability and capital adequacy- the mean value of Young MFIs was 3.6828 while the mean value of Mature MFIs was 7.537213, the t-value is -1.8136 and the Significance level p-value is 0.1126.

Outreach- the mean value of Young MFIs was found 8573.412 while the mean value of Mature MFIs was 1521.944, the t-value is 2.7809 and the Significance level p-value is 0.02726.

Infrastructure- the mean value of Young MFIs was found 1525.154 while the mean value of Mature MFIs was 5123.6, the t-value is -3.0638 and the Significance level p-value is 0.09883.

Table 3: Performance indicators (Efficiency & Productivity, Profitability and capital adequacy, Outreach, Infrastructure) between mature and old MFIs

Performance Indicators	Mature MFIs (Mean Value)	Old MFIs (Mean Value)	t-value	Significance level p-value
Efficiency & Productivity	1796401454	575686648	1.3784	0.2402
Profitability and Capital adequacy	3.072333	7.537213	-1.4409	0.223
Outreach	1521.944	1521.944	0.0066492	0.995
Infrastructure	5123.6	6728.085	-0.34122	0.7554

The above table shows the performance indicators between mature and old MFIs. Statistical figures of the performance indicators are as follows-

Efficiency & productivity-the mean value of Young MFIs was found 1796401454 while the mean value of Mature MFIs was 575686648, the t-value is 1.3784 and the Significance level p-value is 0.2402.

Profitability and capital adequacy- the mean value of Young MFIs was 3.072333 while the mean value of Mature MFIs was 7.537213, the t-value is -1.4409 and the Significance level p-value is 0.223.

Outreach- the mean value of Young MFIs was found 8573.412 while the mean value of Mature MFIs was 1521.944, the t-value is 0.0066492 and the Significance level p-value is 0.995.

Infrastructure- the mean value of Young MFIs was found 1525.154 while the mean value of Mature MFIs was 5123.6, the t-value is -3.0638 and the Significance level p-value is 0.09883.

CONCLUSION

This research article dealt with the statistical analysis on key performance indicators of Microfinance Institutions in Madhya Pradesh. The t-test was applied between Young MFIs & Mature MFIs, Young MFIs & Old MFIs, and Mature MFIs & Old MFIs. Key parameters of the study like efficiency & productivity, profitability and capital adequacy, outreach, infrastructure were statistically analyzed. MFIs have expanded the rate at which they have been embracing innovative arrangements with the goal that they can advance cashless exchanges among their customers. Microfinance sector is quickly developing in India and in the province of Madhya Pradesh it is at an early stage. The microfinance sector in Madhya Pradesh is enhancing financial performance in a few different ways. This division is entirely sloppy and along

these lines there is absence of data about the MFIs working in the state. The investigation has appeared model of understanding the general execution of the example MFIs of Madhya Pradesh as far as financial performance and working elements as far as microfinance evaluation, observing and conveyance components. It is normal that the discoveries of this examination would feature numerous critical issues identified with the financial performance, and elements of MFIs and may open up roads for other pertinent and helpful inquires about in the line of the execution appraisal and the elements of MFIs in India and abroad.

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