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A SURVEY ON THE WORKING OF MICRO FINANCE INSTITUTIONS

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ABSTRACT

The international aid and development community is always on the lookout for fresh concepts and methods with which to combat poverty. Beginning in the early 1980s, microfinance received widespread praise as an efficient method that might help reduce poverty. As a result, its use quickly extended throughout the majority of developing nations. It makes an appealing and straightforward promise to development partners and poor households that poverty reduction is possible via the inclusion of the poor in the financial system.

keywords: Working, Micro, Finance

INTRODUCTION

The international aid and development community is always on the lookout for fresh concepts and methods with which to combat poverty. Beginning in the early 1980s, microfinance received widespread praise as an efficient method that might help reduce poverty. As a result, its use quickly extended throughout the majority of developing nations. It makes an appealing and straightforward promise to development partners and poor households that poverty reduction is possible via the inclusion of the poor in the financial system. As urged in the G8 Declarations of 2004 and 2005, the UN 2005 World Summit, the Commission on Private Sector Development, the Brussels Programme of Action, and the Africa Commission Report, microfinance is at the top of the public's (Servet, 2009, CGAP, 1997) and development partners' agenda (UNCDF, 2005). According to Helms (2006), microfinance is "one of the world's most efficient solutions to alleviate poverty, as well as the wars, diseases, and suffering that poverty ignites." The expansion of microfinance has received significant financial support, most notably grants and subsidies from development partners and foreign governments (Cull et al., 2009). This is because development partners and foreign governments believe that microfinance is an effective tool for alleviating poverty (Datar et al., 2008). Microfinance institutions (MFIs, henceforth) deliver financial and non-financial services and products to low-income households (UNDP, 1999). This is typically done with the intention of supporting the development or expansion of activities that generate income. These services and products are delivered through private companies or non-governmental organizations (NGOs, henceforth).It may be argued that microfinance, conceptually and technically speaking, encompasses advancements in the commercial sector as well as the development sector. (Aktaruzzaman and Guha-Khasnobis, 2008; Hashemi, 1997; Zeller et al., 2001) The geographical remoteness of the rural poor, combined with the significant lack of information regarding their financial behavior, represents high risks and costs for private banks (Aktaruzzaman and Guha-Khasnobis, 2008; Zeller et al., 2001). According to de Aghion and Morduch's (2005) and Matin's (1997) research, it is hard to determine a person's creditworthiness because of "hidden information," "hidden acts," and "enforcement restrictions." The marginalization of those who are economically disadvantaged and their exclusion from

It is a commonly held belief that formal financial institutions contribute to a self-perpetuating cycle of poverty (Hulme, 2003). Microfinance is a significant step forward because it allows financial goods and services to be provided to those who were previously seen as "unbankable" poor consumers. This has the potential to enhance the quality of life for these individuals. In spite of the poor's reputation for being unreliable (no credit history), unable to save money, and therefore risky clients, microfinance aims to empower the poor and help them build sustainable and resilient livelihoods through a business-like model that is scalable to millions of poor people (Morduch, 1998). This is done in response to the fact that microfinance can be applied to millions of poor people. Local moneylenders have a significant advantage over formal lending institutions in informal financial dealings because they enjoy "more detailed knowledge of the borrowers," which enables them to distinguish high-risk clients from low-risk clients and to define interest rates accordingly. This gives them an advantage over formal lending institutions (Stiglitz, 1990:352). MFIs get around the problem of impoverished people's

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lack of a credit history and the hazards associated with information asymmetries by inventing instruments to monitor the extent of their operations and the amount of loans that are given out (the number of clients served). The use of staff control methods to obtain a high level of loan payback from customers allows for a reduction in the expenses of providing loans to each customer (Sievers and Vandenberg, 2007).

It is claimed that microfinance can bring about a reconciliation between market mechanisms and the alleviation of poverty (Duvendack et al., 2011, Bateman, 2010, Bateman, 2012). Microfinance offers a market-based solution to the problem of poverty by reducing the vulnerability of households and smoothing out their consumption through either an increase in income or an improvement in the regularity of their earnings. The double bottom-line of microfinance consists of the industry's capacity to be financially sustainable while also reaching out to those in need. Many people believe that microfinance takes a multi-faceted approach to the problem of poverty by engaging with those who are poor through a group-lending methodology that involves both financial tools and social mechanisms (such as trust, peer screening, coercion, and mutual help among group members) (Matul, 2009, de Aghion and Morduch, 2005). Peer monitoring techniques, such as solidarity groups, are fundamental to the innovative microfinance concept known as the Grameen model, which is also known by its original name.

MICROFINANCE IN INDIA

Microfinance facilitates the provision of a variety of financial and non-financial services, including savings, credit, insurance, payment services, and social intermediation in the form of, for example, the development of groups (Ledgerwood, 1999). The term "microfinance" has been given the following definition in the context of India: "... an instrument of economic development whose goal is to aid the impoverished in working their way out of poverty." It encompasses a wide variety of services, the supply of which includes not only the granting of credit but also many other services, such as savings, insurance, money transfers, counseling, and so on. Accordant to the Reserve Bank of India in 2011 In spite of the fact that India has had greater GDP growth rates over the past decade, approximately 350 million people living in rural India are still affected by persistent poverty (NABARD, 2015). The goal of the Indian government's 11th Five Year Plan was to achieve growth that was more equitable and to reduce poverty more quickly. In addition, the 12th Five Year Plan (2012-2017) has the goal of

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reducing the level of poverty in the country by 10% (2% per year). (Planning Commission of the Indian Government, 2013)

The Central and State Governments, Microfinance Institutions (MFIs), Non-Governmental Organizations (NGOs), Self Help Groups (SHGs), Banks (commercial, Rural, and cooperatives), and Governing/Promoting Agencies like the Reserve Bank of India (RBI), NABARD are the major players in the microfinance ecosystem in India. Subsidized bank loans, self-help group–bank connections, microfinance institutions–joint liability groups, direct benefit transfers, and community-based microfinance institutions such cooperatives and post office-based programs are the primary forms of microfinance in India (Chidambaranathan, Premchander, & Raj, 2013). According to NABARD (2015), there are now 76.97 lakhs SHGs operating in India, and 58% of them have credit outstanding. In addition, there are over 268 different microfinance institutions that are known to be active in the nation. (Sa-Dhan, 2014) reports that there are 91 non-banking financial companies and 132 societies and trusts. West Bengal (45), Tamil Nadu (33), and Odisha (29), are the three states with the largest number of microfinance institutions (Sa-Dhan, 2014).

The Eleventh Five Year Plan was implemented in India with the goals of achieving equitable growth and a more rapid decrease in poverty (Planning Commission, Government of India, 2013). According to the findings of the planning commission, "Microfinance may help tremendously to the financial inclusion of the poor, without which it will be impossible for them to emerge out of the vicious cycle of poverty." [Citation needed] The fact that there is a need to strengthen all of the available channels of providing credit to the poor, such as SHGBank Linkage programmes, Microfinance Institutions, Cooperative Banks, State Financial Corporations, Regional Rural Banks, and Primary Agricultural Credit Societies, in order to enable the poor people to access credit is a fact that has been acknowledged by the planning commission report of 2013. The planning commission report of 2013 stated that this fact.

REVIEW LITERATURE

In this article, Urmila Moon (2012) investigates the role that the Self-Help Group–Bank Linkage Model plays in the empowerment of women. The author conducted research into the current situation, recent developments, and future directions of Self-help Groups' (SHGs)

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linkage with banks in India. The purpose of this research was to investigate the function of microcredit as an instrument for the advancement of women's rights.

Jigna Trivedi, P. K. Priyan, and Vinay Bhinde (2011) conducted research on the topic of women's empowerment through the use of dairy cooperatives. They made an effort to research the role that district cooperative dairies play in assisting women in becoming self-sufficient, self-employed, self-diligent, and empowered in the article that they wrote. According to the findings of this study, the quantity of milk produced does not fluctuate in a way that is directly proportional to the number of cattle that are being raised, but the income of the responder does rely on the number of cattle that are being reared.

In this article, Swain R. and Fan Yang Wallentin (2009) claim that women's empowerment occurs when women question the preexisting societal norms and culture in order to successfully increase their welfare. This idea was presented in the context of this study. The essay demonstrates, both theoretically and practically, that the SHG programs' provision of microfinance services makes a beneficial contribution to the ongoing process of change and contributes to the empowerment of women. The hypothesis has been verified via the use of empirical evidence by employing quasi-experimental household sample data gathered from five different states in India during the years 2000 and 2003. In order to estimate the effect of the Self-Help Group (SHG) on women's empowerment for the years 2000 and 2003, a general model was used to do the estimation, and the necessary procedures were utilized in order to address the ordinal variables. The information for the year 2000 comes from a recall. The members of the SHGs at the district level served as the pool from which the responses were drawn at random. The participants in the control group were selected to be representative of a socio-economic category that was analogous to that of the SHG respondents. There were 961 female respondents included in the sample of households. A control group and a group of members of SHGs who took part in the program make up the sample. The total number of participants in the program is 805. (156). In order to investigate the 'problem of attribution,' they used the data from the household surveys in conjunction with a methodology that was quasi-experimental. As a result, the information is gathered on the homes that are part of the SHG, in addition to a control group, which includes information on families who are not participating but have similar characteristics. The findings provide compelling evidence that, as a whole, there has been a discernible rise in the level of autonomy enjoyed by women who are participants in the SHG members group. On the other hand, the members of the control

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group do not show any such substantial change over time. The beauty of the result lies in the fact that the group of SHG participants show clear evidence of a significant and higher empowerment, while at the same time allowing for the possibility that some members might have been more empowered than others. This allows for the possibility of an elegant result.

In this thesis, Amanda M. Heter (2018) examines the Fundación Paraguaya's Comité de Mujeres Emprendedoras (village banking) program and evaluates its potential as a vehicle for reducing poverty, empowering women, and bringing about social change in Paraguay. The information used in this thesis came from interviews with CME program participants as well as data taken from their case files. The research for this thesis took place over the course of three months in 2007. The client's employment histories, their roles as micro-entrepreneurs and caretakers, and their experiences inside the CME program are the primary foci of the research. This thesis argues that in order to comprehend the significance of village banking in Paraguay, one must take into consideration the importance of self-employment for women who balance family and work, as well as the impact of capital and non-financial services. Additionally, one must take into consideration that in order to comprehend the significance of village banking in Paraguay, one must take into consideration the significance of village banking in Paraguay. This thesis contends that although the CME program appears to be contributing to the alleviation of poverty and empowerment in Paraguay, Fundación Paraguaya could create a more complete development tool by adopting a more gender oriented approach, and incorporating aspects of the "feminist empowerment paradigm." This would increase the potential benefits to women and promote greater social change. The CME program appears to be contributing to the alleviation of poverty and empowerment in Paraguay.

RESEARCH METHODOLOGY

The approach that was used in the course of the research is the topic of discussion in this chapter. Following an analysis of the existing research, research gaps have been identified, and research objectives have been established. The researcher has developed certain hypotheses, and these hypotheses have been founded on the aims of the investigation. The researcher has provided an explanation of the sample characteristics as well as the data sources. In addition, the methodologies of research that were utilized in the construction of the thesis are broken down in this chapter. It should be noted that during the course of this research, the words "microcredit" and "microfinance" have been utilized

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synonymously.

DATA ANALYSIS AND INTERPRETATION

The findings of an ordinary least squares (OLS) analysis that was performed on the entire sample have been reported in this chapter. Here are presented the inferences that can be drawn from the outcomes of testing hypotheses for each individual metric. Because of these interpretations, we were able to arrive at the conclusion of our research more quickly. The survey was administered to a total of 250 female respondents, and we received complete responses from 190 of those female respondents. Only 126 of the total number of respondents, which came to a total of 190, took advantage of the microcredit offered by the firm Grameen Koota. 64 of the respondents had their applications for the loan approved; however, they had not yet accessed the microcredit that had been made available to them because the process would take a few weeks. Grameen Koota, Bangalore, counted each and every one of these replies as a customer. The purpose of this study is to investigate the effects of microcredit on the economic independence of women. In addition to this, each of the respondents is a participant in the same microfinancing program. Therefore, no investigation has been conducted out to demonstrate the differences in the consolidation of around microfinance organization. The following are some of the many parameters that have been investigated:

Table 1 -Demographic Profile Of Respondents Showing Various Parameters

Parameter	190 respondents		126 respondents who received microfinance		64 of the respondents who were sanctioned but were yet to be disbursed	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Age	34.0	10.6	36.1	10.3	29.8	10.1
Monthly Expenditure	10.9	3.8	10.9	3.8	2.4	1.5
Number of Children	2.6	1.3	2.6	1.2	2.4	1.5
Land in Acres	0.3	0.4	0.3	0.4	0.3	0.2

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Number of income earners	1.5	0.7	1.6	0.8	0.7	0.5
Education	0.8	0.4	0.8	0.4	0.7	0.5

The characteristics of microcredit borrowers and those who are likely to apply for microcredit are outlined in Table 4.1. Borrowers of microcredit are often more experienced and have a somewhat higher average utilization per month than other borrowers. When compared to prospective microcredit borrowers, microcredit borrowers already have a household with slightly more people who bring in an income and a larger number of children. Regarding demography, what is not mentioned in Table-4.1 is the fact that each and every responder was either married, divorced, or a widow or widower. In addition, every one of the responders had at least one child of their own.

Table 2 Effect Of Different Income Profiles On The Respondents

Parameters	190 respondents		126 respondents who received microfinance		64 of the respondents who were sanctioned but were yet to be disbursed	
	Number	Percentage	Number	Percentag e	Number	Percentag e
Agricultural Work	87	45.8%	51	40.5%	36	56.3%
Non-Agricultural work	12	6.3%	10	7.9%	2	3.1%
Own Business	11	5.8%	10	7.9%	1	1.6%
Husband’s Business	80	42.1%	55	43.7%	25	39.1%

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The information presented in Table 4.2- provides details on the pay gaining characteristics of microcredit borrowers as well as potential microcredit borrowers. The picture that emerges will be that prospective microcredit borrowers appear to be, on average, more included in the agricultural sector in comparison to microcredit borrowers. This is the picture that will emerge. On the other hand, it would indicate that borrowers of microcredit are, on average, more likely to be included in the non-agricultural sector. In addition, borrowers of microcredit tend to be more likely to be included in their own firm, in comparison to borrowers of microcredit in the future.

Table 3 Analysis Of (Sub-Groups) Various Indicators On Respondents

Parameters	190 respondents		126 respondents who received micro credit		64 of the respondents who were accepted for disbursement	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Decision making indicators Make a small purchase Without consulting husband	0.25	0.43	0.29	0.46	0.16	0.37
Have a say if she can purchase major goods for the household	0.72	0.45	0.76	0.43	0.64	0.48
Have a say if they can work outside Home	0.11	0.31	0.14	0.35	0.05	0.21
Have a say in using the loan	0.87	0.34	0.90	0.29	0.80	0.41
Have a say in whether or not to send children to school	0.91	0.29	0.97	0.18	0.78	0.42

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Ownership indicators Land in own name	0.04	0.20	0.06	0.23	0.02	0.13
Valuable owned such as jewellery	0.57	0.50	0.59	0.49	0.55	0.50
Have own operated saving account	0.34	0.47	0.50	0.50	0.02	0.13
Voice indicators People in the village listen toideas and opinions	0.96	0.20	0.98	0.13	0.91	0.29
Comfortable giving opinion to the husband	0.77	0.42	0.82	0.39	0.69	0.47
Mobility indicators Comfortable to the goin glocal market	0.15	0.36	0.17	0.38	0.11	0.31
Comfortable to the goin g neighboring Village	0.01	0.10	0.02	0.13	0.00	0.00

The supporting indicators uncovered by this research are outlined in Table 4.3 and organized according to the four different categories. The indicators are in relation to the queries that were asked about improving in the survey. In order to be able to quantify the respondent's reasons for these questions, a "YES" is altered to a "1," while a "NO" is transformed into a "0." As a result, a responder who was granted a 1 is seen to have a higher level of engagement than a respondent who was given a 0. The overall picture that emerges is that existing microcredit borrowers are often in a better position to repay their

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loans than prospective microcredit borrowers. This is demonstrated by a bigger value being placed on each and every strengthening indicator. In a similar vein, the vast majority of existing microcredit borrowers as well as prospective microcredit borrowers have weakening levels in the areas of portability, choosing to work outside the house, and area possession. This research builds a multivariate linear regression model using the ordinary least squares (OLS) approach in order to provide an assessment of the impact that microcredit has on individuals' levels of agency.

CONCLUSION

The various meanings that may be derived from analysis have been dissected in this chapter. The results have been derived with the use of qualitative analysis. In this chapter, we will discuss the findings and implications of the aforementioned research study. This chapter may be broken down into two distinct sections. In the first section, an analysis of the effects of microcredit on individual empowerment is presented. In the second section, we analyze the effect that microcredit has had on the several subcategories of empowerment that were discussed earlier in the paper . Only the dependent variable empowerment index and the independent variable micro credit borrower are included in the OLS model in its most fundamental form. This is because the empowerment index is a dependent variable. The model was constructed by methodically including one independent variable at a time during the development process. This has been done in order to examine what happens to the link between microcredit and women's empowerment when additional independent factors are considered. The overall picture that comes from the OLS data presented in the following table is that there appears to be a strong beneficial influence that microcredit has on the empowerment of women. Even if the extent of the effect is influenced by the restrictions that are applied, the amount of individual agency is enhanced by the usage of microcredit.

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