International Journal of Research in Management
www.managementpaper.net
Online ISSN: 2664-8806; Print ISSN: 2664-8792; Impact Factor: RJIF 5.44
Received: 18-03-2020; Accepted: 06-04-2020; Published: 13-04-2020
Volume 2; Issue 2; 2020; Page No. 08-14

A study on status of microfinance in India

Sadhana Shukla[1], **CP Gujar**[2]
[1] Research Scholar, Department of Business Management, MGCGV, Chitrakoot, Satna, Madhya Pradesh, India
[2] Associate Professor & HOD, Department of Business Management, MGCGV, Chitrakoot, Satna Madhya Pradesh, India

DOI: https://doi.org/10.33545/26648792.2020.v2.i2a.31

Abstract
In a country like India where 70 percent of its population lives in rural area and 60 percent depend on agriculture (according to the World Bank reports), micro-finance can play a vital role in providing financial services to the poor and low income individuals. Microfinance is a source of finance to the poor segments of society. It includes loans, savings, credit, insurance services, money transfer and other basic financial services to the economically weaker section of society. Delivery mechanism incorporates the systems that can be used to ensure that micro finance products reach remote area and poor. It is considered as an effective tool for eliminating poverty in India. It provides credit and other financial services of small amount to the economically disadvantaged segment of society in urban as well as rural areas. Micro finance institutions include N.G.Os, Credit Unions, N.B.F.Cs. Cooperatives and banks. In India, the future of microfinance is largely depending upon the self-help groups (S.H.G.). The emphasis of present paper is to study the performance and role of microfinance institutions in the development of India.

Keywords: microfinance, MFI's, growth of microfinance, poverty, SHGs

Introduction

Microfinance is not a new concept. It dates back in the 19th century when money lenders were informally performing the role of now formal financial institutions. Over the past two decades, various development approaches have been devised by policymakers, international development agencies, non-governmental organizations, and others aimed at poverty reduction in developing countries. One of these strategies, which have become increasingly popular since the early 1990s, involves microfinance schemes, which provide financial services in the form of savings and credit opportunities to the working poor (Johnson and Rogaly, 1997) [2] According to the records of World Bank, India falls under low income class. It is second populated country in the world. 70 percent of its population lives in rural area. 60% of people depend on agriculture; as a result, rate of under employment is high. Rural people have very low access to institutionalized credit (from commercial bank). Since 1990s, poverty reduction has taken priority at both national and international development levels. Within this framework, various initiatives have been taken by government. Microfinance has caught the attention as an effective tool for poverty reduction and socio- economic development. Hence Microfinance can play a vital role for improving the standard of living of poor. The Indian Microfinance Sector has witnessed a phenomenal growth over the past 20 years. The number of institutions providing microfinance services has gone up from a few to several hundreds. The quantum of credit made available to the poor and financially excluded clients has reached `94,391 crore and number of clients benefitted crossed 43 million as of March 2019. The SHG bank linkage programme has equally grown to touch the lives of individuals through more than 1 crore SHGs with an outstanding loan portfolio of `87,098 crore. In addition to MFIs, microfinance customers are being served by a wide range of providers such as Banks, SFBs, NBFCs. As on 31 March 2019, the combined micro credit portfolio of 204 lenders has reached `1, 78,531 crore through 865 lakhs active loans.

Review of literature

Maruthi Ram Prasad, Sunitha and Laxmi Sunitha (2011) [7] conducted a study on Emergency and Impact of Micro-Finance on Indian Scenario. After the pioneering efforts by Government, Banks, NGOs, etc the microfinance scene in India has reached in take off stage. An attempt could be initiated to promote a cadre of new generation micro-credit leaders in order to strengthen the emergence of Micro-Finance Institution (MFIs), so as to optimize their contribution towards the growth of the sector and poverty alleviation. Each Indian state could consider forming multi-party working group to meet with microfinance leaders and have a dialogue with them about how the policy environment could be made more supportive and to clear up misperceptions. With one state leading the way, we need to build on a successful model. By unleashing the entrepreneurial talent of the poor, we will slowly but surely transform India in ways we can only begin.

Idowu Friday Christopher (2010) [1] conducted a study to find the Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria. The fundamental objective of this study is to assess the impact of Microfinance on Small and Medium Enterprises (SMEs) in Nigeria. Simple random sampling technique was employed in selecting the 100 SMEs that constituted the sample size of the research. Structured questionnaire was designed to facilitate the acquisition of relevant data which was used for analysis. Descriptive statistics which involves simple percentage graphical charts and illustrations was tactically applied in data presentations and analysis. The findings of the study reveal that significant number of the SMEs benefitted from the MFIs loans even though only few of them were capable enough to secure the required amount needed. Interestingly, majority of the SMEs acknowledge positive contributions of MFIs loans towards promoting their market share, product innovation achieving market excellence and the overall economic company competitive advantage. Other than tax incentives and financial supports, it is recommended that Government should try to provide sufficient infrastructural facilities such as electricity, good road network and training institutions to support SMEs in Nigeria.

Brijesh Rupapara and Jitendra Patoliya (2012)5 have written book titled 'Problems faced by Microfinance Institutions and measures to solve it'. The book have been divided into seven chapters namely basics of microfinance, self-help group, microfinance institutions performance, urban and rural microfinance, micro insurance, technology and microfinance and lastly business models for microfinance. The book described in dept the history and meaning of microfinance and various terms related to microfinance. Further the objective of the research conducted was to study the current activities, limitations and scope of microfinance institutions in India and lastly to develop a business model for MFIs. Based on the findings of the research, the authors suggested that rural economy must focus on rural infrastructure and economy so that it ensured there existed the activities that were required for financial assistance.

Mahanta *et al.* (2012) [6] Study revealed that lending to the poor through microcredit is not the end of the problem but beginning of a new era. If effectively handled, it can create miracle in the field of poverty alleviation. But it must be bundled with capacity building programs. Government cannot abdicate its responsibility of social and economic development of poor and downtrodden. The absence of any special skills with the clients of microcredit, the fund is being used in consumption and procurement of non-productive assets.

Nikita (2014) [7] The study concludes that for the first time in 2012-13 after the launch of SHG BLP there is a decrease in the number of S HGs that are saving in relation to the banks. The study also finds that there has been an increase in the existing SHG loan and that it was responsible for the increase in the NPA. Finally, it turns out that most belong to commercial banks when the agency's loan was granted to the IFM. He suggested that measures be taken to improve the performance of programs initiated in the area of micro-finance from time to time.

Kumar Vipin *et al.* (2015) [3] the study concluded that SHG and IFM play a vital role in providing micro-finance services that drive the development of poor and low-income people in India. However, slow progress in SHG member graduation, poor quality of group functioning, defection of group members, etc., have also been reported in several study results in different parts of the country, which must be taken into account during the planning of the roadmap for the next phase of the SHG program.

Research methodology

The present study is a descriptive study. This study is mainly based on secondary data only. Secondary data is collected from various sources like journals, magazines and reports. To assess the performance of the microfinance institutions in India, The relevant information relating to loans disbursed, loans outstanding, client outreach, assets, etc. were collected from Status of Micro Finance in India, NABARD report (various issues), The Bharat Microfinance Report (various issues) and other relevant sources for the period 2015-16 to 2019-20. Simple statistical tools like averages, percentage, etc were used to derive the inferences of the study.

Objectives of the study

1. To understand the concept and delivery models of microfinance in India.
2. To study the role and importance of microfinance in India.
3. To study the performance of microfinance in India.

Concept of Microfinance

Microfinance enables the poor and excluded section of people in the society who do not have an access to formal banking to build assets, diversity livelihood options and increase income, and reduce their vulnerability to economic stress. In the past, it has been experienced that the provision for financial products and services to poor people by MFIs can be practicable and sustainable as MFIs can cover their full costs through adequate interest spreads and by operating efficiently and effectively. Microfinance is not a magic solution that will propel all of its clients out of poverty. But various impact studies have demonstrated that microfinance is really benefiting the poor households (Littlefield and Rosenberg, 2004) [8]. The Asian Development Bank (2000) defines microfinance as the provision of broad range of services such as savings, deposits, loans, payment services, money transfers and insurance to poor and low income households and their micro-enterprises. This definition of microfinance is not restricted to the below poverty line people but it includes low income households also. The taskforce on
Supportive Policy and Regulatory Framework for Microfinance constituted by NABARD defined microfinance as " the provision of thrift, saving, credit and financial services and products of very small as very small loans, savings, micro-leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses (Robinson, 1998) amount to the poor's in rural, semi urban and urban areas for enabling them to raise their income level and improve their standard of living." (Sen, 2008). Microfinance is defined as a development tool that grants or provides financial services and products such

In addition to financial intermediation, some MFIs provide social intermediation services such as the formation of groups, development of self-confidence and the training of members in that group on financial literacy and management (Ledgerwood, 1999) [4]. There are different providers of microfinance (MF) services and some of them are; Non-Governmental Organizations (NGOs), savings and loans cooperatives, credit unions, government banks, commercial banks or non-banking financial institutions. The target group of MFIs are
Self-employed low income entrepreneurs who are; traders, seamstresses, street vendors, small farmers, hairdressers, rickshaw drivers, artisans blacksmith etc (Ledgerwood, 1999) [5].

Features of Microfinance

- It is an essential part of rural finance.
- It deals in small loans.
- It basically caters to the poor households.
- It is one of the most effective and warranted Poverty Alleviation Strategies.

- It supports women participation in electronic activity.
- It provides an incentive to grab the self-employment opportunities.
- It is more service-oriented and less profit oriented.
- It is meant to assist small entrepreneur and producers.
- Poor borrowers are rarely defaulters in repayment of loans as they are simple and God-fearing.

Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Micro credit and micro-finance both are different. Micro credit is a small amount of money, given as a loan by a bank or any legally registered institution, whereas, Micro-finance includes multiple services such as loans, savings, insurance, transfer services, micro credit loans, etc. for poor people.

Micro finance delivery models

India is a home of the largest microfinance system in the world. There are several models of delivering microfinance services. Some of the important and largely practiced delivering models are:

Association Model

Under this model "the target community initiates and forms an association, which carries out various microfinance activities. This model of delivering services is also known as group model". Association or group is composed of youth, men, women formed on socio-religious-cultural issues. The association model turns to a legal entity in many countries and our Indian SHG model is stemmed from this model.

Community Banking Modelϖ

This model treats whole community as one unit. The community banking is a formal or semi-formal institution through which microfinance services are provided to the members. The community banks are initiated and capacitated by intermediaries like NGO and other organizations who engaged in capacity building of the community members to make them expert in performing various financial activities of bank.

Co-Operative Modelϖ

The co-operative model is an autonomous association of people who are the members of cooperatives. These members are united voluntarily to meet their socio-economic and cultural needs. It is a democratic member controlled institution. This includes member financing and saving activities. These financial cooperatives have the characteristics of self-generating capital, self-governed, middle and lower income group clients with financial services.

Credit Union Modelϖ

The credit union is a formal financial institution formed by a particular group, institution or organization with a motive of saving their money together and rented to members with a democratically pre-determined rate of interest. The credit union model is based on two major facts i.e. self-help and member driven nature. Credit unions are known as "not for profit financial cooperatives" or "saving and loan cooperatives" as this model works on principle of co-operatives.

Individual Banking Modelϖ

This is a straight forward credit lending model where micro loans are given directly to the borrower. This model does not include formation of group or generating to ensure payment.

Grameen Joint Liability Group Modelsϖ

This model was derived from grass root level organization Grameen bank, Bangladesh. Under this system, the bank unit itself with field manager and bank workers, covers areas of about 15-20 villages. The field manager with assistant visits the village in order to develop acquaintance for working. Group of five perspective borrowers are formed in the first stage in which only two of them are eligible for and receive a loan. Only when the first two borrowers repay the principal with the interest over fifty weeks, the other member becomes eligible for loan. This restriction helps in maintaining clear records and responsibility to serve as collateral on loan.

SHG Modelϖ

Self-help group model dominates microfinance in India. Under this model, group of 10-20 members are formed basically from same gender or caste, to resolve various socio-economic and other issues. The SHG encourages saving among members and use pooled resource to meet the emergent needs of their members. After maturity of 6 months to 1 year the group becomes collateral for loan. These groups are either supported by government, NGOs, MFIs or other formal and informal agencies. This model gives scope to the members of SHG to participating in decision making process, with four standing pillars of "self-help is the best help", "unity is strength", "united we stand and divided we fall" and finally "we can make our own bank". The group members use collective wisdom and peer pressure to ensure proper end use of credit and timely repayment thereof.

Vllage Banking Modelϖ

This model was developed by FINCA International. The "village banks" are formed by 25- 30 low income individuals, primarily women‟s from villages. These banks perform community based thrift and credit association with a motive to improve the socio-economic and living standard of the members through promotion of self-employment activities. This model is operative at micro level village based bank, which pooled the initial fund from external sources. No financial collateral is required against the loan as they are backed by moral and social collaterals. Market rate of interest is charged from members with the guarantee of repayment.

Rotating Saving and Credit Association (ROSCA)ϖ

Rotating saving and credit association is a type of democratic association formed by 5-50 members for making a regular cyclical contribution to a common fund. Further this fund is again relented to the member in each cycle in the form of loan. Outside financial agencies are not allowed to involve in ROSCA and all organizational activities are carried by members. The major differentiation and the major fault of this model are of having implicit interest rate with level of defaulters, fraud and dropouts.

Kisan Credit Card Modelϖ

Kisan credit card scheme was launched in 1998-99 by NABARD. KCC also provides microfinance facility to poor farmers for agriculture purpose. The scheme has been launched to provide timely and adequate credit support to the farmers for their production needs in a flexible and cost effective manner. In order to increase the production and productivity of agriculture sector, there is an urgent need of making loans and advances by different periods. It is an innovative scheme. It facilitates short term credit to farmers. The scheme has gained popularity among the cultivators.

Role and Importance of Microfinance

According to the research done by the World Bank, India is home to almost one third of the world's poor (surviving on an equivalent of one dollar a day). Though many central government and state government poverty alleviation programs are currently active in India, microfinance plays a major contributor to financial inclusion. In the past few decades it has helped out remarkably in eradicating poverty. Reports show that people who have taken microfinance have been able to increase their income and hence the standard of living. Thus Microfinance plays a major role in upliftment of Indian economy in following ways:-
According to the research done by the World Bank, India is home to almost one third of the world's poor

1. **It allows people to provide for their families.** Through microfinance, more households are able to expand their current opportunities so that more income accumulation may occur, says Vitanna.org, a financial services website.
2. **It gives people access to credit.** "By extending microfinance opportunities, people have access to small amounts of credit, which can then stop poverty at a rapid pace," says Vitanna.org. Plan International, a global organization dedicated to advancing children's rights and equality for women, agrees, stating: "Banks simply won't extend loans to those with little or no assets, and generally don't engage in the small size of loans typically associated with microfinancing. Microfinancing is based on the philosophy that even small amounts of credit can help end the cycle of poverty."
3. **It serves those who are often overlooked in society.** About 95 percent of some loan products extended by *microfinance institutions* are given to women, as well as those with disabilities, those who are unemployed, and even those who simply beg to meet their basic needs, Vitanna notes. Microfinance services can help recipients take control of their own lives.
4. **It creates the possibility of future investments.** Microfinance disrupts the cycle of poverty by making more money available. When basic needs are met, families can then invest in better housing, health care, and even, eventually, small business opportunities.
5. **It is sustainable.** There's little risk with a $100 or loan, says Vitanna, adding: "Yet $100 could be enough for an entrepreneur in a developing country to pull themselves out of poverty." Plan International agrees, stating that a $100 loan can be enough to launch a small business in a developing country that could help the benefactor pull herself and her family out of poverty.
6. **It can create jobs.** Microfinance is also able to let entrepreneurs in impoverished communities and developing countries create new employment opportunities for others.
7. **It encourages people to save.** "When people have their basic needs met, the natural inclination is for them to save the leftover earnings for a future emergency," says Vitanna.
8. **It offers significant economic gains even if income levels remain the same.** The gains from participation in a microfinance program including access to better nutrition, higher levels of consumption, and eventually, growing economies, even in small and impoverished communities.
9. **It leads to better loan repayment rates. "**Microfinance tends to target women borrowers, who are statistically less likely to default on their loans than men. So these loans help empower women, and they are often safer investments for those loaning the funds," says Plan International.
10. **It extends education.** Families receiving microfinance services are less likely to pull their children out of school for economic reasons, says Plan International.

Microfinance, then, may involve very small loans and financial services, but it has a worldwide impact over the last four-plus decades. For a small business that needs just a bit of extra cash or credit to secure a new opportunity, microfinance may be just the ticket. And for a small lending or banking business looking for new opportunities, microfinance literally offers a world of opportunities – one small loan or financial service at a time.

Data Analysis and Discussion

Table 1: Progress under MFI-bank linkage Programme (Amount in crore)

year	2014-15		2015-16		2016-17		2017-18		2018-19	
	No. of MFIs	amount	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount
Loan Disbursed By Banks/FI to MFIs	589 8.07%	15190 47.73%	647 9.84%	20795 36.9%	2314 257.65%	19304 -7.1%	1922 -16.9%	25515 32.17%	1933 0.57%	14625 -42.02%
Loan O/S against MFIs on 31st March	4662 92.48%	22500 36.22%	2020 -56.67%	25580 13.69%	5357 165.19%	29225 14.25%	5073 -5.3%	10.53%	5488 8.18%	17760 -45.0%

Table 1 presented progress under MFI-Bank linkages programme. The number of MFIs availing loans from banks during the year 2017-18 decreased over the respective previous year. The number of MFIs availing loans from the banks during the year 2015-16 increased by 9.84% per cent over the year 2014-15. However there is substantial increase in the number of MFIs availing loans from banks during the year 2015-16 and 2016-17 over the previous year.it increased from 9.8 per cent to 257.6 per cent. The total loans to MFIs by banks increased during 2014-15, 2015-16, 2017-18 and 2018-19 over the previous year respectively. It increased by about 47.7, 36.9, 32.17 and 42.02 per cent. The total loans to MFIs by banks decreased during 2016-17 by 7.2 per cent over the previous year. The loan outstanding against MFIs increased in the subsequent years over their previous years except 2018-19. It increased by 36.22, 13.7, 14.3 and 10.53 per cent in 2014-15, 2015-16, 2016-17 and 2017-18 over the previous year. The loan outstanding against MFIs decreased by -45.02% in 2018-19.

2 State-wise Client Outreach

Client outreach in various states is mapped in Table 2.3. It is observed that all states/UTs except for four states in Northeast region, the outreach has increased. Manipur, Mizoram, Nagaland, Arunachal Pradesh have seen a decline in client outreach. Exclusion of a region based SFB is the reason for the fall in client outreach in these states.

Table 2: Outreach (in lakh) of MFIs across States/UTs – 2019 & 2018 (decreasing order)

State	2019	2018	Growth (%)
Karnataka	74.12	69.17	7%
Bihar	45.24	31.23	45%
Tamil Nadu	45.03	37.36	21%
Uttar Pradesh	39.28	32.75	20%
Odisha	37.21	31.16	19%
West Bengal	35.68	29.19	22%
Maharashtra	28.61	25.25	13%
Madhya Pradesh	25.99	24.14	8%
Rajasthan	16.96	10.86	56%
Assam	15.11	8.02	88%
Kerala	11.64	10.20	14%
Jharkhand	10.98	8.61	27%
Chhattisgarh	9.34	7.70	21%
Gujarat	8.43	5.30	59%
Punjab	8.40	6.75	25%
Haryana	6.89	5.28	30%
Tripura	2.29	1.44	60%
Puducherry	2.11	0.76	178%
Uttarakhand	2.09	2.10	0%
Andhra Pradesh	1.33	1.28	4%
Delhi	0.95	0.46	109%
Manipur	0.43	0.84	-48%
Goa	0.29	0.15	91%
Mizoram	0.20	0.62	-68%
Meghalaya	0.17	0.13	30%
Himachal Pradesh	0.16	0.13	30%
Telangana	0.08	0.08	4%
Andaman & Nicobar Islands	0.06	0.04	44%
Jammu & Kashmir	0.05	0.02	148%
Sikkim	0.05	0.01	288%
Chandigarh	0.02	0.02	10%
Daman & Diu	0.0	0.00	0%
Nagaland	0.02	0.02	-35%
Arunachal Pradesh	0.01	0.15	-92%
Total	429	351	

***Source*:** Bharat Microfinance Report 2018-19

Client outreach in various states is presented in Table 2. Out of total client's base of 429 lakh in 2019,
sikkim state contributed highest number of clients base (288%) followed by puducherry (178 %),jammu kashmir (148%), assam (88%), goa (91%), West Bengal (7.17%), M.P. (6.96%) etc. The Contribution of Daman & Diu (0.0%), uttarakand (0.0%), telangana (4%), Andhra Pradesh (4%), Karnataka (7%) and Madhya Pradesh (8%) was least.

Comparison of client's base of different states/UTs in 2019 with 2018 has increased, except Manipur (-48%), Mizoram (-68%), Nagaland (-35%), Arunachal Pradesh (-92%).

Rural – Urban Share of MFIs Borrowers

2014-15 can described as watershed year as far as the rural-urban divide in Indian microfinance is concerned. Hitherto Indian microfinance was touted as basically a rural phenomenon as compared to microfinance in Latin America as also in large parts of Africa and Asia. But that statement is no longer valid. A very interesting trend is seen in the rural-urban focus of MFIs. The share of rural clientele which was 69 % in 2012 decreased to 56 % in 2014 and has drastically come down to 33 %. The proportion of rural to urban clients for the year 2014-15 was 33% to 67%. In the year 2015-16, there was a slight improvement in the share of rural clientele which increased to 38% because of exclusion of Bandhan. In 2016-17, the trend of rural to urban is the reverse of trend of 2015-16 because of exclusion of 6 SFBs. In 2017-18 and 2018-19, the trend of rural over urban is continuing although there is decline in share of rural clients. One of the key findings from our research shows that small sized of MFIs are rural centric.

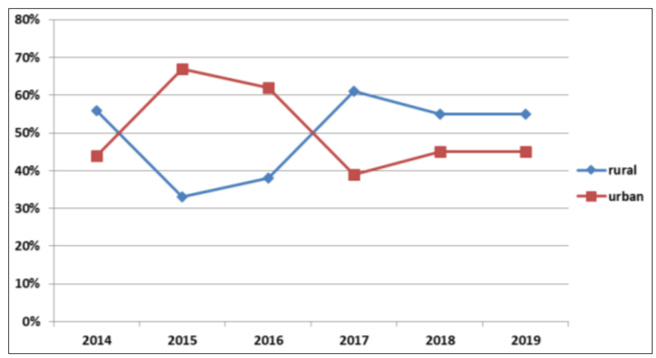

Fig 1: Trends in Rural - Urban Share of MFI Borrowers

Rural-urban distribution of MFI borrowers is shown in Table 3 and figure 1. Indian microfinance was basically considered as a rural phenomenon. The share of rural clientele was 56% per cent in 2014 which decreased to 33 per cent in 2015. During the next year i.e. in 2016 the share of rural client slightly increased to 38 per cent. After that in 2017 (61%), 2018 (55%) and in 2019 (55%). It is first time that urban client base outpaced rural client base.

Purpose of Loan

Traditionally, MFIs have been lending for both consumption and productive purposes. It is believed that poor people use their loans for their emergency and consumption needs more than for livelihoods. In 2015, RBI regulation stipulated that a minimum of 50% of the MFI loans are to be deployed for income generating activities. Analysis of the loan portfolio held by reporting MFIs for 2018-19 shows that the proportion of income generation loans to non-income generation loans is 89:11. Loan usage under different sub sectors is presented in Figure 2.20 for both income generation and non-income generation loans. Agriculture, animal husbandry and trading are major sub-sectors where income generation loans are deployed. Non income generation loans are used for consumption, housing, education, water & sanitation, health etc.

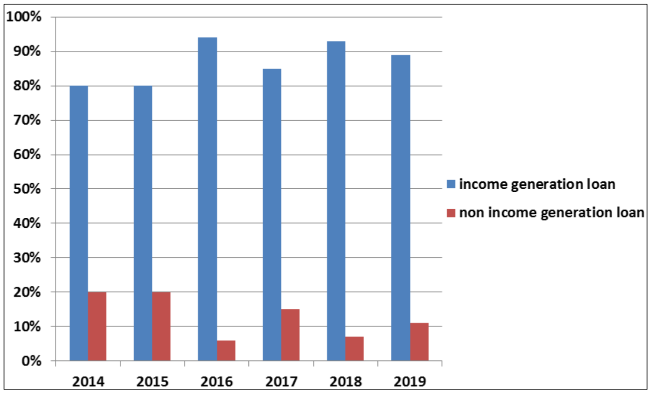

Fig 2: Share of MFIs Income Generation Loans under Different Sub-sectors as of March 2019

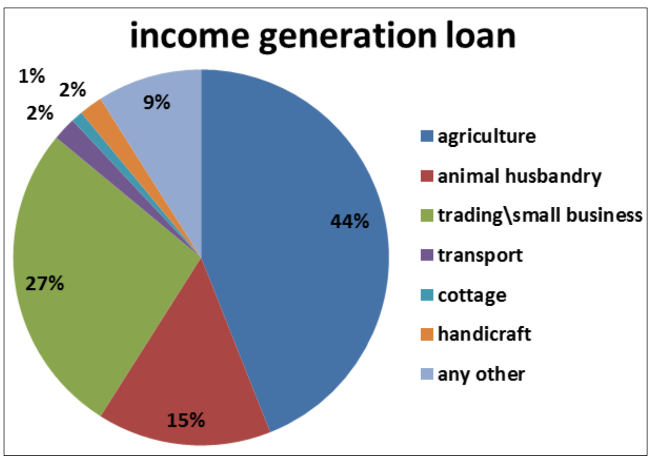

Fig 3

Purpose of MFIs' loans has assumed significant importance after the RBI regulation which stipulates that aggregate amount of loans, given for income generation, should not be less than 50 per cent of the total loans given by the MFIs. An analysis of the loan portfolio held by reporting MFIs under different sub-sectors of income generation loans is portrayed in Figure 2.

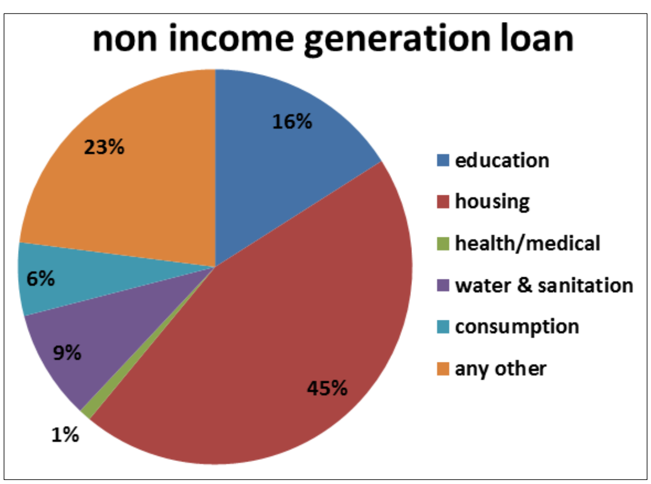

Fig 4

The Figure 3: confirms that among the non-income generation loans, Housing loans are predominent with 45%. It may be noted that even amongst non-income generating loans 71% are towards purposes like education, housing, health/medical, water-sanitation which life enhancing investments and generally contribute to family well-being and strengthen the income earning capabilities of the households in long term.

Table 3: Performance indicator of MFIs Model in India

Particulars	2015	2016	2017	2018	2019
Client outreach	371	399 ↑	295↓	351↑	429↑
Women client (%)	95%	97%	96%	96%	99%
Gross o/s portfolio(cr.)	48882	63853	46842	68789	94391
Average loan per borrower(cr.)	13162	11425	12751	14700	16576
Income generation loan (%)	80%	94%	85%	93%	89%
Margin (%)	10.20%	10.0%	8.8%	9.55%	9.72%
ROA (%)	1.73%	2.2%	2.41%	1.63%	2.06%
ROE (%)	8.19%	11.6%	13.31%	7.48%	11.49%
OSS (%)	113%	113%	114%	110%	114%
CAR (%)	19.10%	19.39%	21.1%	22.1%	23.09%
NPA (%)	0.21%	0.15%	1.73%	1.48%	0.68%

Table 6 presented an overall performance of microfinance institutions during the year 2015 to 2019. The table shows that the client outreach increased all the years except 2017 decreased by 26.06% per cent in 2017, over 2016. However, the percentage of women's outreach also decreased from 97 per cent to 96 per cent in 2017 over 2016. The gross outstanding portfolio has decreased from Rs. 63,853, crore to Rs. 46,842, crore, i.e. by about 27 per cent during this period in 2017 over 2016. whereas average loan per borrower has shown upward movement during this period, i.e. average loan per borrower has increased by 11.60 per cent during this period except downword movement shown by 13.19% in 2016 over the previous year 2015. Out of total loans the proportion of income generating loan was 94 per cent in 2016 which decreased to 85 per cent in 2017 and 93% in 2018 which is decreased to 89% in 2019. The indicators relating to overall financial structure such as Return on assets is highest in 2017 (2.41%) and Return on equity is also highest in 2017 (13.31%), capital adequacy ratio have increased over this period 2015-19. The average OSS of the Indian MFIs has increased from 113 per cent in 2015 to 113 per cent in 2016, 114% in 2017, 110% in 2018 and 114% in 2019. Operational self-sufficiency measures the ability of an MFI to meet *all* its operational and financial costs out of its income from operations. The profit margin has also declined from 10 per cent in 2016 to 8.08 per cent in 2017. Non-performing assets increased during this period from 0.15 per cent to 0.69 per cent in 2019.

Major Findings

- MFIs availing loans from the banks during the year 2013-14 increased by 28 per cent over the year 2012-13. However there is substantial increase in the number of MFIs availing loans from banks during the year 2015-16 and 2016-17 over the previous year.it increased from 9.8 per cent to 257.6 per cent.
- Client outreach in various states is presented in Table 2. Out of total client's base of 429 lakh in 2019, sikkim state contributed highest number of clients base (288%) followed

by puducherry (178 %),jammu kashmir (148%), assam (88%), goa (91%), West Bengal (7.17%), M.P. (6.96%) etc.

- The contribution of Daman & Diu (0.0%), uttarakand (0.0%), telangana (4%), Andhra Pradesh (4%), Karnataka (7%) and Madhya Pradesh (8%) was least.
- Comparison of client's base of different states/UTs in 2019 with 2018 has increased, except Manipur (-48%), Mizoram (-68%), Nagaland (-35%), Arunachal Pradesh (-92%).
- The total loans to MFIs by banks increased during 2014-15, 2015-16, 2017-18 and 2018-19 over the previous year respectively. It increased by about 47.7, 36.9, 32.17 and 42.02 per cent.
- The loan outstanding against MFIs increased in the subsequent years over their previous years except 2018-19. It increased by 36.22, 13.7, 14.3 and 10.53 per cent in 2014-15, 2015-16, 2016-17 and 2017-18 over the previous year. The loan outstanding against MFIs decreased by -45.02% in 2018-19.
- Presented an overall performance of microfinance institutions during the year 2015 to 2019. The table shows that the client outreach increased all the years except 2017 decreased by 26.06% per cent in 2017, over 2016. However, the percentage of women's outreach also decreased from 97 per cent to 96 per cent in 2017 over 2016. The gross outstanding portfolio has decreased from Rs. 63,853, crore to Rs. 46,842, crore, i.e. by about 27 per cent during this period in 2017 over 2016. Whereas average loan per borrower has shown upward movement during this period, i.e. average loan per borrower has increased by 11.60 per cent during this period except downword movement shown by 13.19% in 2016 over the previous year 2015. Out of total loans the proportion of income generating loan was 94 per cent in 2016 which decreased to 85 per cent in 2017 and 93% in 2018 which is decreased to 89% in 2019. The indicators relating to overall financial structure such as Return on assets is highest in 2017 (2.41%) and Return on equity is also highest in 2017 (13.31%), capital adequacy ratio have increased over this period 2015-19. The average OSS of the Indian MFIs has increased from 113 per cent in 2015 to 113 per cent in 2016, 114% in 2017, 110% in 2018 and 114% in 2019. Operational self-sufficiency measures the ability of an MFI to me*et al*l its operational and financial costs out of its income from operations. The profit margin has also declined from 10 per cent in 2016 to 8.08 per cent in 2017. Non-performing assets increased during this period from 0.15 per cent to 0.69 per cent in 2019.

Conclusion

The importance of microfinance in the developing countries like India cannot be undermined it play a vital role for socio-economic upliftment of poor and low income peoples. Since 1990s, poverty reduction has taken priority at both national and international development levels. Within this framework, various initiatives have been taken by government. Microfinance has caught the attention as an effective tool for poverty reduction and socio- economic development.

Hence Microfinance can play a vital role for improving the standard of living of poor. The economic development of any country is severely influenced by the availability of financial services. Microfinance is the form of a broad range of financial services such as deposits, loans, payment services, money transfers, insurance, savings, micro-credit etc. to the poor and low income individuals. A well-developed financial system promotes investment opportunities in an economy. Therefore it is necessary that govt. of India have to focus on extending financial services to both rural and urban to ensure sustainable and inclusive growth. The functioning of Microfinance institutions in India is playing an important role in rural areas since last two decades. The central government and RBI should take necessary measurements to sustain the growth of the microfinance sector in India. The concern state governments also take necessary measurements to create awareness among people to use the services of Microfinance institutions to strengthen their Economic status and improve their livelihood.

References

1. Idowu Friday Christopher. Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria. International conference on Innovation and management, 2010.
2. Johnson S, Rogaly B. Microfinance and Poverty Reduction. Oxfam Poverty Guidelines. Oxfam: Oxford, 1997.
3. Kumar Vipin, Chauhan Monu, Kumar Ritesh. An Overview of Microfinance in India, Abhinav National Monthly Refereed Journal of Research in Commerce & Management. 2015; 4(10):19-26.
4. Ledgerwood J. Microfinance Handbook: An Institutional and Financial Perspective, Washington, DC: World Bank, 1999.
5. Ledgerwood J. Microfinance Handbook: an Institutional and Financial Perspective, The World Bank: Sustainable Banking with the Poor, Washington D.C, 1999.
6. Mahanta Padmalochan, Panda Gitanjali, Sreekumar. Status of Microfinance in India - A Review, International Journal of Marketing, Financial Services & Management Research. 2012; 1(11):142-155.
7. Maruthi Ram Prasad, Dr. G. Sunitha, Laxmi Sunitha K. Emergency and Impact of Micro-Finance on Indian Scenario. KKIMRC IJRFA (1. Nikita (2014) An Analysis of Performance of Micro Finance in India, International Journal of Management Research & Review. 2011; 4(7):715-721.
8. Rosenberg R, Littlefield E. Microfinance and the Poor: Breaking Down Walls between Microfinance and Formal Finance. Finance and Development, CGAP, 2004.
9. Sen Mitali. "Assessing Social Performance of Microfinance Institutions in India", the ICFAI Journal of Applied Finance. 2008; 14(86):77-86.
10. NABARD, Status of Microfinance in India Report, 2012 to, 2017.
11. Bharat Microfinance Report 2016-17.
12. The New York Times "Micro loans for the very poor" (editorial) February 16, 1997.
13. www.indiamicrofinance.com.
14. www.rbi.org.in.
15. http://study-material4u.blogspot.
16. http://www.legalservicesindia.com.
17. http://www.ukessays.com
18. https://www.rbi.org.in/scripts/PublicationsView.aspx?Id=1093 2
19. http://rbidocs.rbi.org.in/r docs/Publications/PDFs/88
20. http://shodhganga.inflibnet.ac.in
21. http://indiamicrofinance.com.