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RESEARCH ARTICLE

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RESEARCH ON MICROFINANCE SECTOR OF BANGALORE

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ABSTRACT

Microfinance is seen around the world as a valuable.

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INTRODUCTION

Microfinance is not a new concept. It dates back to the 19th century, when lenders operated illegally as legitimate financial institutions. Over the past two decades, policymakers, international development organizations, NGOs and other institutions have developed many development programs aimed at reducing poverty in developing countries. One such strategy, very popular since the early 1990s, involves microcredit programs which provide financial services to the working poor in the form of savings and credit facilities (Johnson and Rogaly, 1997). According to World Bank data, India falls under the low income group. It is the second most populous country in the world. 70% of population lives in rural areas. 60% of the population lives from agriculture; hence the high unemployment rate of rural populations have very little access to institutional debt (from commercial banks). Poverty reduction has been a priority area since the 1990s, both in national and international development. Among these, there are programs of various types approved by the government. Microfinance has received attention as an effective tool for poverty reduction and socio-economic development. Thus, microfinance can play an important role in improving the quality of life of poor people. The beginnings of the small business movement in India can be traced back to the Self Help Group (SHG) - Bank Linkage Program (SBLP) started by NABARD in 1992 as the pilot project. This scheme has become a very successful and popular microfinance model in developed countries in India. India's regulatory framework for microfinance is not comprehensive.

Commercial banks, rural banks (RRBs), SHGs, branches, and institutions of all kinds, including NGOs and non-banking financial institutions (NBFIs), can use microfinance funds. Banks and NBFIs are regulated by the Reserve Bank of India (RBI), SHG is regulated by NABARD and cooperatives are regulated by the Register of Cooperative Societies (RCS) among others. Microfinance, also known as microfinance, is a means of providing loans to small businesses, owners and contractors access to capital. These small individual businesses often do not have access to the traditional financial resources of large institutions. That means it's harder to get loans, insurance, and investments to help your business grow. Microfinance has helped 4,444 economically marginalized people, providing them with the capital they need to start businesses and strengthen their financial independence. These loans are important because they are granted even if the borrower does not have collateral. Microfinance is important because it provides access and access to capital resources to those who do not earn them, such as those who do not have access to checking accounts, lines of credit or loans from traditional banks. Without microfinance, these groups can get loans or payday advances at very high interest rates, and even borrow money from family and friends. Microfinance helps them to invest in their business and therefore in themselves.

Characteristics of Microfinance

- Loans are unsecured.
- People below the poverty line have access to loans
- Ts and Cs that NGOs decide to give people
- Simple and very simple

OBJECTIVES

This study prioritizes how microfinance has been widely accepted as a strategy for economic revitalization. In addition, it aims to assess the impact of microfinance on the respectful improvement of livelihoods and access to resources. Finally, the status of economic activities facilitated by microfinance institutions organized by SHGs and NGOs (Karnataka NGOs) was reviewed in rural areas of Karnataka, particularly in Bangalore. There are specific research objectives. Research on group dynamics and the effects of pattern changes in SHGs is an aggregation of business activities among SHG members. Evaluate the graduation process for SHG members both financially and socially and assess its impact on small business employment. Research the financial performance of small business promotions. SHG members, and assess the impacts of small business on the productive income/activity of SHG members. The objective of is to examine the financial efficiency and challenges of microfinance and to examine the graduation process of MF members in the economic and social sectors. The objectives relate to different aspects of financial performance. The first paragraph describes the structure, holding meetings, accounting, management qualifications, savings, loan operations etc.

LITERATURE REVIEW

Vipin Kumar, Monu Chauhan, Ritesh Kumar (article on the microfinance sector) - India 70% of the population live in villages and 60% of their income comes from the agricultural sector. Thus, microfinance plays an important role in providing loans and financial assistance to the poor. The objective of this study is to understand the current situation of microfinance and its role in the economic growth of the country. Thus, microfinance plays an important role in improving the standard of living of the poor and helping them earn money. It is an effective tool to reduce poverty and the socio-economic conditions of the country. Therefore, the Indian government should focus on microfinance to ensure sustainable and inclusive economic growth. Susy Cheston (2002) explores how microfinance can have a powerful impact on women's empowerment. Although microfinance does not always empower all women, most women experience some degree of empowerment as a result. Licensing is a complex change process, and everyone experiences them a slightly different way. Women need, want and benefit from credit and other financial services. Strengthening women's economic base and their economic contributions to their families and communities is an important part of their empowerment. Product design and program design must consider the needs and strengths of women. By increasing awareness of the potential impacts of their programs, MFIs can design products, services, and service delivery mechanisms to reduce negative impacts and increase positive impacts.

Eoin Wrenn (2005) explores how microfinance creates access to productive capital for the poor, as well as to human capital through education and training, and to social capital through the creation of grassroots organizations, enabling people to escape poverty (1999). Providing material capital to the poor enhances their dignity and can help a person participate in the economy and society. As we have seen, the impact of microfinance on poverty reduction is a hotly debated topic and it is widely accepted that it is not a panacea and generally falls short. expectations (Hulme and Mosley, 1996). However, when implemented and managed carefully and when services are tailored to meet client needs, microfinance can have a positive impact not only on clients but also on their families and the wider community. Srinivasan, Sunderasan (2007) Research shows that microbanks have helped many citizens in developing countries by supporting the creation and growth of microenterprises. However, the microfinance movement has developed 4344 in a context of passive reproduction and must be revived through new products offering innovative services. Renewable energy systems, viz. solar power systems, biogas stoves, etc., improve indoor air quality, provide excellent lighting, and extend work and study time. These applications are essentially non-income generating, and the performance of these investments derives from cost aversion, but

should be eligible for microfinance because these quality of life investments reflect the maturity of the borrower which contributes to the sustainability of microfinance institutions. Kamath, R., Dattasharma, A and Ramanathan, S (2013) Analysis of financial diary method for 90 poor households in Ramnagaram, Karnataka, India Cash flow effects of households with and without loans from microfinance institutions. This observation suggests that the Indian microfinance movement is still far from having truly taken off. There is still a long way to go to achieve a true bottom-up approach. Nasir, S (2013) has attempted to give an overview of the situation of microfinance in India in light of its current emergence and plans to establish a cost-effective mechanism. provide financial services to the poor. The findings reveal shortcomings in MFI operations such as lending practices, lack of product diversification, overlapping clients and practical recommendations to address the issues and challenges facing microfinance in India. Vijender, A. et al. (2012) focus on increasing the effectiveness of agribusiness in achieving their economic and social goals through microfinance and microinsurance, with success generally considered limited nowadays. The results show that microfinance institutions must be committed to supporting poverty reduction and that state governments play a key role in increasing agricultural investment, microfinance, microinsurance, facilitating private investment and institutionalization to help the poor achieve inclusion.

RESEARCH AND METHODOLOGY

Our research methodology consists of collecting significant information from the identified documents and creating a database to analyze this material and compare the deposit services of banks and other financial institutions. In this study, we used primary and secondary data. Primary data was collected through surveys and focus group interviews and secondary data was collected through reference books, journals, reports and the Internet. The design of the study is partly descriptive and partly exploratory. The data for this study was collected from several sources. Information on disbursed loans, outstanding loans, client coverage, financial resources, etc. The performance of microfinance institutions in India is to be assessed. Compiled from The State of Microfinance in India, NABARD Report (various topics), Bharat Microfinance Report (various topics) and other relevant sources for the period 2012-13 to 2016-17. Simple statistical tools such as averages, percentages, etc. Used to draw research conclusions.

ANALYSIS AND FINDINGS

Through this survey, we found that most villagers do not know much about microfinance. They usually contract loans from banks.

- In carrying out this survey, we found that is not known to many people and that borrowers have difficulty obtaining it and repaying it.
- Rural populations are less educated and the fact of cooperation in microfinance is manipulated. They have not received enough orientation and training in this area, which has prevented them from fully introducing the pros and cons of microfinance.
- Most respondents (about 75%) were men, 25% were women
- 40% of respondents were employed and 60% were unemployed.
- When people repay their loans, except for those unfamiliar with financial institutions, 25% repay by taking money from their family and the rest pay from their savings.
- 68% of these respondents did not know about MFIs, so a new system was introduced to raise awareness about MFIs.
- 49% got their information about MFIs from family members and the remaining got their information from other sources.
- 52% of respondents support microfinance and say it strengthens and helps reduce poverty in the country
- Of all respondents, 38% used the loan for agricultural purposes and 48% used for personal purposes.

- All 15% had loan issues such as cooperation from representatives and 19% had excessive documentation.
- 52% of respondents said they would be willing to borrow again because it helped their business and made them stronger.

Table 4.3. Representing the profession of the respondent

Profession				
	Frequency	Percent	Valid Percent	Cumulative Percent
EMPLOYED	24	38.7	40.0	40.0
Valid UNEMPLOYED	36	58.1	60.0	100.0
Total	60	96.8	100.0	
Missing System	2	3.2		
Total	62	100.0		

The above data reveals that 60% are unemployed and 40% are employed out of the total sample.

Table 4.4 Representing the housing status of the respondent

Housing Status				
	Frequency	Percent	Valid Percent	Cumulative Percent
RENTED HOUSE	26	41.9	43.3	43.3
Valid OWN HOUSE	34	54.8	56.7	100.0
Total	60	96.8	100.0	
Missing System	2	3.2		
Total	62	100.0		

The above table shows that 56.7% respondents have their own houses while 43.3% respondents doesn't have and live in rented houses or living in other ways.

Table 4.8 Representing the monthly income of the respondents

Monthly Income				
	Frequency	Percent	Valid Percent	Cumulative Percent
BELOW RS. 5000	1	1.6	1.7	1.7
RS. 5000-15000	27	43.5	45.0	46.7
Valid ABOVE THAN RS.15000	32	51.6	53.3	100.0
Total	60	96.8	100.0	
Missing System	2	3.2		
Total	62	100.0		

The above table shows that 53.3% respondents are having monthly income of above 15000 Rs. and below Rs. 5000 are 1.7% and respondents having income between Rs. 5000-15000 constitute 45% of the total sample.

Table 4.9. Representing the sources of income

Source of Income				
	Frequency	Percent	Valid Percent	Cumulative Percent
SALARY	10	16.1	16.7	16.7
PENSION	2	3.2	3.3	20.0
WAGES	10	16.1	16.7	36.7
Valid INCOME FROM BUSINESS	10	16.1	16.7	53.3
INCOME FROM AGRICULTURE	28	45.2	46.7	100.0
Total	60	96.8	100.0	
Missing System	2	3.2		
Total	62	100.0		

The above table shows that 46.7% respondents are deriving their income from agriculture, 16.7% are deriving from business and wages both, 3.3% are depending on their pension and 16.7% are receiving salary as a source of income.

CONCLUSION

We would like to say that research in the field of microfinance is an interesting undertaking. Microfinance is seen around the world as a valuable tool for poverty reduction. There is no doubt that IMF has great potential for the future. Also, they should provide people with knowledge about various services such as loans, savings, insurance, etc. Financial institutions also created 4,444 self-employment jobs, which is the best way to fight poverty and solve 4,444 unemployment problems. The growth potential of microfinance in India is very significant. If the microfinance program becomes a reality, India will certainly derive new developments from it.

This will raise India's level and make it one of the strongest economies in the world. The economic development achieved through microfinance programs has a significant impact on the development of human capital and therefore on poverty and privilege. Institutions such as NABARD and SIDBI call for coordinated efforts to strengthen future microfinance activities and mainstream them for the benefit of the poor and all segments of society. NABARD and SIDBI improved the microfinance sector, allocating 4,444 large redundant funds to meet the credit needs of the poor. The network of banks has experienced an unprecedented expansion phase in the world, and above all, the poor benefit from a variety of financial services. These two institutions brought the concept of monetization to the microfinance industry in India. The availability of financial services significantly affects the economic development of any country. Microfinance is a broad financial service such as deposits, loans, payment services, remittances, insurance, savings, microfinance, etc. For the poor and needy.

A developed financial system facilitates investment opportunities in the economy. So the first priority is the government. India needs to expand its attention to financial services in rural and urban areas to ensure sustainable and inclusive economic growth. Over the past two decades, the activities of Indian microfinance institutions have played an important role in rural areas. There are necessary actions to be taken by the central government and RBI to support the growth of the microfinance sector in India. State governments are also taking the necessary steps to sensitize people to use the services of microfinance institutions to strengthen their financial situation and improve their livelihoods.

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