

Major Research Project
On
**Study on Factors Affecting the Role of Micro-
Finance in The Development of Startups in India**

Submitted by:
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Under the Guidance of
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CERTIFICATE

This is to certify that Ms. Mehak Aggarwal, have completed the project titled “**Study On Factors Affecting The Role Of Micro-Finance In The Development Of Startups In India**” under the guidance of Dr. Shikha N Khera as a part of Master of Business Administration (MBA) curriculum of Delhi School of Management, New Delhi. This is the original piece of work and has not been submitted elsewhere.

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DECLARATION

I, Mehak Aggarwal student of Delhi School of Management, Delhi Technological University hereby declare that the Major Research Project on **Study On Factors Affecting The Role Of Micro-Finance In The Development Of Startups In India** is submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) is the original work conducted by me. I also confirm that neither I nor any other person has submitted this project report to any other institution or university for any other degree or diploma. I further declare that the information collected from various sources has been duly acknowledged in this project.

Mehak Aggarwal
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ACKNOWLEDGEMENT

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Mehak Aggarwal
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EXECUTIVE SUMMARY

For Indian citizens and small enterprises without access to standard banking systems, microfinance is an important source of financial services. For small businesses and independent entrepreneurs, microfinance institutions offer relationship-based banking. They also offer group-based models, in which a number of entrepreneurs apply for loans and other services together. Despite the fact that microfinance firms charge interest on loans, their rates are often lower than those of conventional banks. Many people think that granting access to microfinance will help people overcome poverty and manage their finances better while minimizing risks, despite claims made by some critics that these institutions profit from the money of the poor. Through their provision of financial services to individuals and small enterprises without convenient access to banking services, microfinance organizations play a critical part in India's growth. Small loans from microfinance programs are used by low-income borrowers for a variety of things, including self-employment, housing, consumption, and housing. Microfinance programs give customers access to loans, insurance, and savings choices, as well as marketing networks and training for skill improvement. In order to reduce poverty, microfinance programs must support sustainable livelihoods. The term "financial inclusion" is increasingly frequently used to express the objective of providing financial services to all persons and enterprises, including those who are customarily underserved by traditional banking services. Microcredit has developed into microfinance.

Purpose:

To study the Concept of Micro finance India

To study the role of Micro finance In India

Approach/Methodology:

The reports of the Role of Microfinance in India serve as the study's primary and secondary data sources.

This chapter's goal is to detail the study's methodology, including the approaches that were employed. Both the study area and the study population are included. Additionally, it specifies the approaches and processes that will be utilised to choose the samples and data gathering methods.

Research techniques: Descriptive Analysis

Findings:

As a component of a dynamic sector. The microfinance industry in India advances quickly, there are now strong hopes for the contribution it will make to the country's economic growth and reduction of poverty. The study focuses primarily on eastern Uttar Pradesh. We took into account the district of Gorakhpur for our investigation. To arrive at the correct conclusion further described in another chapter, the data was compiled from many sources. This study demonstrates the important role that MFIs play in the lives of a sizable portion of their clients and how they support the growth of emerging countries' economies. This will make it easier to comprehend and value the potential contribution that MFIs can make to improving the situation of the underprivileged and the impoverished.

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CHAPTER-1

INTRODUCTION

Small business owners and firms without access to regular banks and related services depend on microfinance institutions to provide them with financial services. For individual business owners and small businesses, these organisations provide relationship-based banking services. They also provide "group-based models," in which a number of business owners band together to seek for loans and other services together. This study aims to investigate the empowerment of small business owners using microloans. Background information on the function of microfinance, its objectives, and its relationship to entrepreneurship and financial inclusion is provided in this chapter. The paper outlines the importance of the study while simultaneously attempting to fill a research gap and solve an issue.

Microfinance is a practise that gives low-income people who make just enough money to live over the federal poverty line and poor people who live below it access to financial services like credit, savings, and insurance. In order to provide financial services to rural areas without banks, this activity is a helpful instrument.

Microfinance offers a wide range of financial services, including as deposits, loans, payment services, and money transfers, to underprivileged people, low-income families, and their microbusinesses. For sole proprietors and small enterprises, relationship-based banking and group-based models are the two primary methods utilised to deliver financial services to these clients. These methods serve customers with high transaction costs who do not have access to conventional banking services. Through the provision of financing for microbusiness, insurance, and savings for risk mitigation and consumption smoothing, the production of social value through microfinance entails lowering poverty and enhancing livelihood prospects.

To sum up, this chapter gives a general summary of the study's goals, historical context, and significance in filling a knowledge gap. It also covers the various methods utilised to offer financial services to poor people and microbusinesses and specifies key words associated with microfinance.

The supply of financial services to low-income employees, which is more comparable to the retail finance model utilised by major banks, is referred to as "microfinance" in some places, particularly Southern Africa. Many promoters of microfinance claim that helping the underprivileged escape poverty is the main goal of the industry. According to some, the goal of the microfinance movement is to give as many poor and nearly poor households access as possible to a suitable selection of high-quality financial services, such as credit, savings, insurance, and cash transfers. Others see microfinance as a way to aid in the development of small enterprises and microentrepreneurs while also fostering economic growth. The supply of money to underprivileged consumers is referred to as microcredit, and it is a subset of the larger category of services known as microfinance. Although microcredit is a part of microfinance, the two terms are occasionally used synonymously in casual speech. Microcredit is regularly criticised by opponents who arbitrarily use the terms "microcredit" or "microfinance."

1.1 COMPANY OR ORGANISATION PROFILE

1.1.1 EXPLAIN IN DETAIL THE MISSION AND BUSINESS OF THE ORGANISATION.

Microfinance refers to financial services offered to people with low incomes or those who do not have access to traditional banking services. Microfinance shouldn't be viewed as the lone solution, despite some research' findings to the contrary. With access to financial services, persons with modest salaries can escape poverty, according to the philosophy of microfinance. These financial services, which aim to create social benefit, include credit, savings, and insurance. Numerous players in India offer microfinance through a range of distribution methods. NGOs have sought donor funds for on-lending, governments have tried with national programmes, and some banks have collaborated with charities or made minor ventures into providing such services themselves. A wide range of activities are included in microfinance, such as group lending, private lending, the provision of savings and insurance, capacity building, and services for the growth of agricultural businesses. Regardless of the form an activity takes, the creation of social value is the overarching goal that all microfinance providers share. In developing countries, both in rural and urban areas, microfinance refers to small-scale financial services for both credits and deposits that are given to people who farm, fish, or herd, run small or micro

businesses where goods are produced, recycled, repaired, or traded, provide services, work for wages or commissions, earn money by renting out small amounts of land, vehicles, dragged animals, machinery, and tools, and to other people and local groups.

1.1.2 INDUSTRY AND COMPANY TYPE

The history of microfinance dates back to the turn of the 20th century, however the focus here will be on the years following 1960. Microfinance had become a notion by the late 1970s. The "chit funds" in India, "tontines" in West Africa, "susus" in Ghana, and "pasanaku" in Bolivia are a few examples of credit institutions that have been active in many nations.

The underprivileged in Bangladesh, Brazil, and other nations received small loans in the early 1970s to invest in microbusinesses. These loans were provided in accordance with the idea of solidarity group lending, in which each group member guaranteed the repayment of the loans taken out by the other members. After 1970, the following banks and financial institutions were the forerunners of the microfinance programme:

A Latin American law student founded Accion International to aid the underprivileged in both urban and rural Latin American nations. With a network of lending partners that includes countries in Latin America, the US, and Africa, it is one of the most major microfinance institutions in the world.

In order to make it easier for women to receive financial services, the Self-Employed Women's Association (SEWA) in Gujarat, India, founded the Mahila Sewa Cooperative Bank in 1973. Over 30,000 women are already active clients, and nearly 4,000 women contributed to the bank's initial capital.

While lending cooperatives and credit unions have been around for decades, Dr. Muhammad Yunus, a professor of economics at Chittagong University in Bangladesh, started experimenting with lending to disadvantaged women in the village of Jobra in the 1970s. Later, in 1983, he established Grameen Bank. In 2006, he was given the Nobel Peace Prize. Nearly 400,000 underprivileged individuals in Bangladesh are today served by Grameen Bank, and its success has sparked the expansion of rival microfinance organisations.

1.1.3 HOW THE BUSINESS RUNS

The Reserve Bank of India issued a banking licence to Bandhan Financial Services Limited, a microfinance organisation with offices in Kolkata, in April 2014. The business serves 2.01 crore consumers and operates 4,559 banking locations. In spite of the fact that India has over 3,000 microfinance organisations, more than 74% of all loans outstanding are held by the top 10 microfinance firms.

The International Labour Organisation (ILO) defines microfinance as a strategy for economic development that entails offering financial services to people with low incomes through institutions. Microfinance is described by India's National Microfinance Taskforce as "providing thrift, credit, and other financial services and products of very small amounts to the poor in rural, semi-urban, or urban areas to enable them to raise their income levels and improve living standards."

Contrary to popular belief, those who are poor still need financial services, albeit in different ways. The underprivileged frequently take part in informal savings groups where members make regular little contributions in exchange for lesser amounts of building materials, gold, jewellery, domestic animals, or other items that may be quickly converted to cash. In their homes, they can also save up harvests or money for later use. However, there are also serious disadvantages to using informal savings methods, such as the possibility of losing money due to fraud or poor administration. Different from regular banks, microfinance offers poor people savings, loans, and other financial services, frequently in modest amounts. Several different partnerships, the most of which are unofficial, are used to deliver financial services. Studies have demonstrated that microfinance has benefitted women by fostering gender equality and economic involvement, boosted the stability and growth of their companies, and assisted low-income families in meeting their basic needs.

Microcredit refers to very tiny loans made by legally recognised institutions to unemployed borrowers with little to no collateral. Financial services, such as microcredit, savings, insurance, money transfers, and other offerings for the underprivileged and low-income, are referred to as microfinance.

According to research, only about half of loan proceeds—if any—are used for commercial objectives; the remaining is used to assist home cash management requirements including controlling consumption and spreading out big bills. Most microcredit borrowers operate microenterprises, which are unpaid, unofficial sources of income.

Commercial and state-owned banks that offer microloans typically devote a portion of their resources to providing financial aid to the underprivileged. Some microfinance organisations additionally offer non-financial services like business development or healthcare.

Microfinance activities encompass a range of financial services provided by banks and other organizations to customers with limited access to traditional banking services. One such service is microcredit, which involves the provision of small loans without requiring collateral. Microinsurance is another offering that provides entrepreneurs with coverage to reduce business risks. Additionally, remittances, which involve the transfer of money across borders, are a reliable source of funds for many individuals.

When designing microfinance products, organizations must consider various factors, such as the types of risks they want to cover, whether to bundle benefits or keep products simple, and how much customers are willing to pay for additional perks. Costing studies are also necessary to determine the commission required to cover administrative costs.

Understanding the cash patterns of borrowers is essential when designing loan products that meet their needs. Organizations must also consider whether to make products mandatory or optional, as well as the potential benefits and drawbacks of each approach. Combining mandatory products with optional features can make services more customer-focused while still ensuring compliance.

1.1.4 VISION, VALUES, AND MISSION

The primary objective of microfinance is to provide access to financial services to disadvantaged individuals and communities, particularly women in rural areas, in order to improve their standard of living and enable them to become self-sufficient. The aim is to become a leading financial institution that benefits its customers, shareholders, and society as a whole, by providing top-notch financial services to all segments of the community.

Another objective is to offer interactive entertainment to a global audience with the help of clients and employees.

Public libraries create opportunities for people.

The goal of microfinance is to act as a resource centre for microfinance, financial inclusion, and impact investing, catering to both professionals and students.

The mission is to promote human dignity by providing loans at reasonable interest rates, promoting savings, and specifically focusing on women and low-income families to help them achieve greater incomes. The ultimate aim is to develop self-reliant, participative financial institutions and improve the quality of life for micro, small, and medium entrepreneurs.

The goal is to improve the overall well-being of poor communities and help them become self-reliant, self-managing, just, and peaceful living communities.

The aim is to provide high-quality financial and non-financial services that enable rural banks and the prosperous underclass to succeed.

The objective is to meet the financial needs of the majority of rural people while ensuring the long-term viability of the microfinance institution.

1.1.5 ORGANISATIONAL SIZE AND STRUCTURE

Many mfis use one of these models, and in India, the mfi structure is either the SHG model or the JLG model.

India groups organized by microfinance institutions

- Joint Liability Organization (JLG): consisting usually of 4–10 people, this informal organization searches for loans with joint guarantees.
- SHGS (Self-Help Groups) are a useful resource.
- A Grameen model bank.
- Agricultural cooperatives.

Organizational Structure of MFI Clients

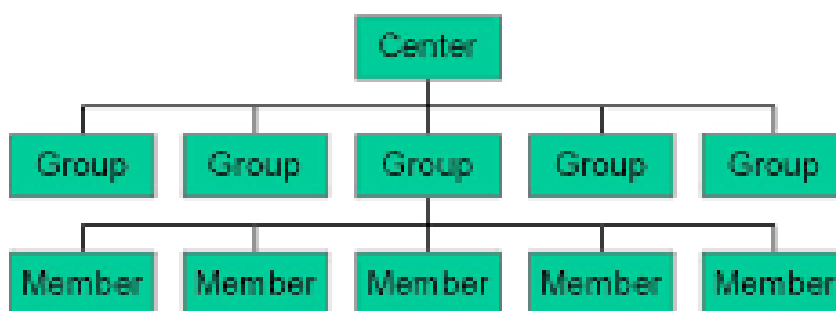
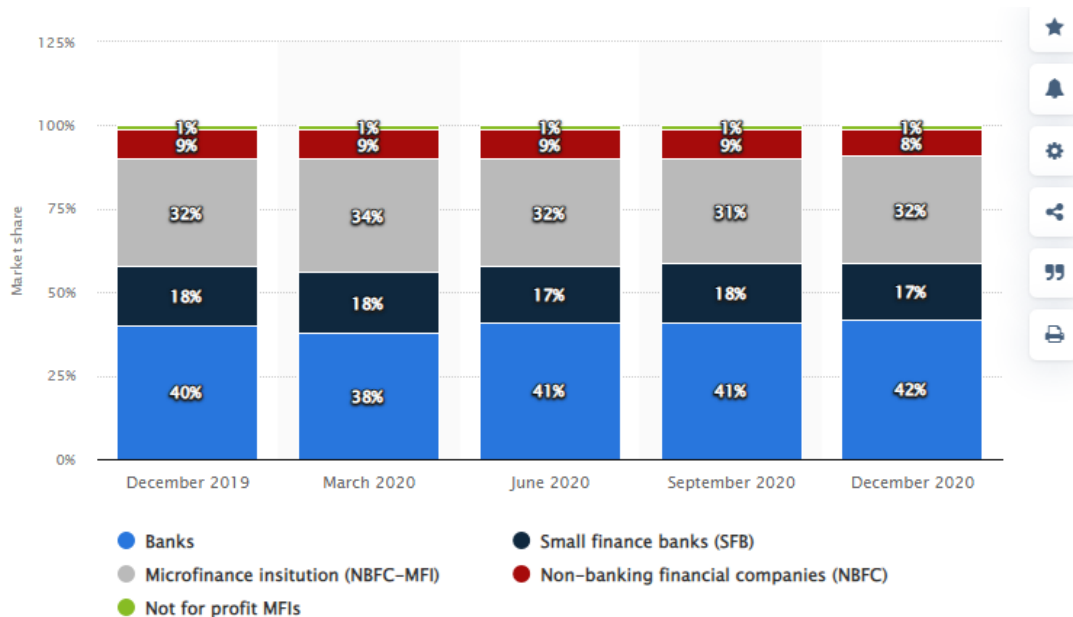


Fig 1.1 Organisational structure of MFI

1.1.6 MARKET SHARE & POSITION OF THE COMPANY IN THE INDUSTRY

According to a report published on June 17, 2021, by Statista Research Department, the scheduled commercial banks held the highest market share in India's microfinance sector in 2020, accounting for 42% of loans. This figure represented a 2% increase compared to December 2019. Microfinance organizations operating within non-banking financial organizations held the second-highest market share at 32%. Small financing banks accounted for 17% of the market. The total market value of outstanding portfolios was over two trillion Indian rupees. As of September 2020, the gross loan portfolio of NBFC-MFIs in the microfinance sector was 2.27 lakh crore, representing just over 30% of the market.



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Fig 1.2 - Market share & position of the company in the industry

Product range

Small business owners and entrepreneurs in India's undeveloped regions can access loans, credit, insurance, savings accounts, and money transfers through microfinance. Those who lack access to these conventional financial resources are the recipients of microfinance.

Microfinance products

Product	Purpose	Terms
Mid Term Loan (MTL)	Available at middle (week 25) of IGL, same as IGL	Loan paid weekly for 50 weeks
Emergency Loan (EL)	All emergencies such as health, funerals, hospitalization	Loan of 20 weeks
Individual Loan (IL)	Income generation, asset development	Loan repaid monthly for 1-2 years

Table 1.1- Microfinance products

Services of Microfinance

Financial Services	Other Financial Services	Non Financial Services
1. Credit Services- Small business credit and Small credit	Micro- insurance, Health insurance, Life insurance, Education, Health, Loan for housing	Family health and sanitation education, Financial education, Micro- entrepreneur training
2. Deposit Services – Voluntari savings, Munday savings		

Table 1.2 - Services of Microfinance

Microfinance institutions supplement the services offered by banks. In addition to microcredit, financial services like insurance, savings, and remittance are also provided. Also offered in the most useful manner possible are non-financial services including training, counselling, and support for borrowers.

Microfinance Services

- Group Loans. ...
- Individual Business Loans

- Agriculture Loans
- Insurance
- Money Transfers
- Energy Loans
- Savings Accounts

1.1.7 POSITIVES AND NEGATIVES

Strength, Weakness, Opportunity, and Threat is referred to as SWOT.

Strengths

- Contributed to the reduction of poverty: The primary goal of microfinance is to provide with loans to those who lie below the poverty line and are unable to get credit from conventional banks. As is well known, more than 350 million Indians live in poverty, and for them, microfinance is more important than their own existence. Micro finance aids in lowering poverty by giving these individuals modest loans.
- There is a sizable network accessible, both for MFIs and for borrowers. There is a large need for MFIs since there are much more than 350 million individuals in India who live in poverty. Additionally, even in rural places, there are several small and medium-sized MFIs accessible to borrowers.

Weakness

- Inadequate regulation: Microfinance institutions in India are not subject to adequate regulations and rules. There would have been a lot more defaults and credit risk if there were no rules and regulations. The necessary laws and regulations must be in place for microfinance to operate effectively.
- Huge number of individuals have access to informal sources of informations : In accordance to World Bank research, 80% of India's poor are unable to access official

sources and must instead rely on informal sources, which have annual interest rates ranging from 40 to 120%.

- Concentrating on a small group of people: With a GDP growth rate of over 8.5% during the previous five years, India is becoming the second fast growing nation after China. But only a select few individuals are responsible for these fascinating statistics. 70% of Indians reside in rural areas, although such areas are not properly serviced.

Opportunity

- Huge demand and supply gap: The demand and supply for borrowers and issuers are vastly different. There are just a few MFIs in India that can provide assistance to the 350 million or so underprivileged people there.

- The MFIs have a great potential to help the underprivileged and raise their level of life. Only Rs 5456 crore of the almost Rs 60,000 crore in yearly demand for microloans is actually disbursed to the borrower.(April 09)

- work Opportunities: Microfinance assists the poor by not only giving them loans, but also by assisting them in starting and running their own businesses, educating them and their children, etc. This increases the number of work opportunities for both the poor and the rest of society.

- Vast Untapped Market: India has a population of more than a billion people, of whom 350 million are considered to fall below the poverty line. Therefore, a sizable window of opportunity for MFIs is there to satisfy the needs of those unsaved clients, and Micro Finance should stop at nothing to seize the untapped market.

- Opportunity for Pvt. Banks: Due to the government's heavy interference, many Pvt. Banks become reluctant to provide large loans to public. However, this area is now available to Pvt. Players due to the government's relaxed entrance requirements.

Threat

- **High Competition:** It poses serious threat to the Microfinance sector because as more and more players enter the market, the competition will tend to increase. Since MFIs already have high transaction costs, the entry of new players will cause those costs to increase even more, posing a serious risk.
- **Neophyte Industry:** Microfinance is essentially not a very new idea in India, although the information came from only unofficial sources. However, microfinance is a newer kind of formal financing, and the regulations are not set up to support it.
- **Excessive government involvement:** This is the main risk confronting many MFIs. Because too much of anything is harmful, too much government participation poses a severe danger to MFIs. The notion of excessive engagement includes things like waiving debts, creating new laws for their own gain, etc.

1.2 STUDY OBJECTIVES

- To study the concept of microfinance in India
- To study the function of microfinance in India

1.3 STUDY'S PURVIEW

The objective of the survey of 100 respondents from Delhi NCR Microfinance is to determine the prerequisites for a very wide range of services which are financial in nature that are given to low-income and poor houses, which includes loans, payment services, deposits, money transfers, and insurance products, to help them increase their income levels and also to improve their standard of living.

1.4 METHODOLOGY

Role of Microfinance In India reports are the study's main and secondary data sources. This chapter's goal is to detail the study's methodology, including the approaches that were used. Both the study region and the study population are included. Additionally, it specifies the approaches and processes that will be utilized to choose the samples and data gathering methods.

Design of the study Factor analysis will be used to carry out the investigation. While using a qualitative technique, the research employed a Likert-type questionnaire to assess the members' perspectives, attitudes, and deep grasp of microfinance.

The study's population is:

First Sources: In order to get relevant replies from the respondents, the major source was questions.

Size of Sample: 100

Representatives from the NCR, Delhi, and UP

Books, journals, Reserve Bank of India reports, and other government publications and non-government publications pertinent to the study's subject are examples of secondary sources.

Data gathering methods

Researchers may use a variety of study tools to collect data, including questionnaires, papers, and guides for interviewing and observing people.

A range of tools have been used to carry out this study in order to acquire data relevant to the research issue. The primary data gathering methods employed in the study were interviews, questionnaires, and documentation.

Research techniques: Descriptive Analysis

CHAPTER-2

REVIEW OF THE LITERATURE

2.1 LITERATURE REVIEW

Any research project must include a review of the literature. Knowing the topics that prior studies had concentrated on and the things that they had ignored is helpful to the researcher.

The review of relevant literature may be warranted since it gives the study a solid and unbiased foundation for finding important topics in the area the researcher wishes to explore. Therefore, in order to do research on a topic and get current knowledge, a researcher must be well familiar with the history of that topic.

Therefore, the researcher believed it was important to evaluate the relevant studies and literature in order to understand the particular issue.

In their paper titled "A Study Of Micro Finance Facilities And Analysing The Awareness Level Of Rural People About Micro Finance In Nagpur City" published in 2013, Sharma and Deshmukh examined the level of rural people's knowledge about microfinance in Nagpur. According to this survey, there is a very high degree of public knowledge about microfinance. Additionally, the survey shows that the majority of Nagpur's impoverished residents are aware of micro savings programs and that these programs are the most popular among the customers who are being targeted.

(2012) Dr. Anant Deshmukh This article's goal is to introduce the field of microfinance to the academic community of financial experts. Microfinance institutions (MFIs) discuss themes such as MFI sustainability, goods and services, management techniques, clientele targeting, regulation and policy, and effect evaluation.

In his article "availability and awareness of microfinance in J&K state", DR.Ashok (2012).According to this survey, microfinance organisations have a high rate of microloans and credit.NGO's supply more information on microfinance, and there is relatively little public understanding of fund transfers and insurance.

In Gordon, A.N. and colleagues' (2011) study, the relationship between women's access to microloans and their usage of maternity healthcare services in sub-Saharan Africa (SSA) is investigated.It has been shown that better education and microfinance access for women may increase their use of maternal health services.

R. Kamath and R. Srinivasan (2009) With the aid of a for-profit Non-Banking Finance Company legal structure, Grameen replicators in India have seen a sharp increase in their clientele. Loan amounts are modest as compared to per capita income, yet until recently, portfolio quality was quite good. There is evidence of multiple borrowing, with customers taking out loans from many different lenders at once, including microfinance firms. This study developed a microfinance industry model that explains why such many borrowings lead to the best combination of modest loan levels and good portfolio quality.

(2009) N. Tejmani SinghThis article aims to demonstrate how microfinance may help with the issue of insufficient housing and urban services as a crucial component of plans to fight poverty. Finding a degree of flexibility in the credit instrument that would enable it to satisfy the various credit needs of low-income borrowers without increasing the monitoring costs to end-user lenders to an intolerably high level is a difficulty. According to the growing number of commercial banks that have shown interest in this field, the future does seem promising in the long term.

Anand Kumar, T.S., Praseeda, S., and Jeyanth K. N. (2008) explained in their article titled "Operational guidelines for sustainable housing micro-finance in India" that

housing micro-finance is becoming more and more popular worldwide as a crucial financial activity to assist in addressing the housing needs of those who are economically vulnerable. If microfinance institutions (MFIs) are considering offering housing products, they must carefully consider their management and technical capabilities. This paper's objective is to provide MFIs with useful advice for implementing the housing program in addition to their current portfolio of microfinance services. The study concludes that MFIs must also make sure that housing microfinance aligns with their institutional and financial goals.

Martina Kirchberger and Stefan Dercon (2008) This article's goal is to introduce the upcoming developments in the microfinance industry.

The three phases of SHG progression via microfinance are outlined by Dr. C. Rangarajan (2006) in his subject "Microfinance and its Future Directions" in the book's introduction. First and first, one must take care of their basic needs for survival. Next, they must invest in traditional activities in order to maintain a subsistence level. Lastly, they must establish businesses in order to generate sustainable revenue.

In his article "Microfinance and Sustainable International Experience and Lesson for India," Robert Peck Christen (2006) describes how lenders' perceptions of SHGs as lucrative customers or banks are evolving.

A participatory approach for incorporating women's empowerment concerns into ongoing programs learning is suggested in Lanmdau Mayoux's study on Participatory Learning for Women's Empowerment in Micro Finance Programs (IDS Bulletin, Vol. 29 No.4, 1998), which would be a contribution to empowerment in and of itself. Currently, microfinance programs for women are marketed as a means of empowering women as well as reducing poverty.

Malhotra (2002) compiled a list of the most often utilized aspects of women's empowerment using frameworks created by different writers in various social science domains. These frameworks propose that women's empowerment must take place along a variety of dimensions, including: economic-socio-cultural, familial/interpersonal, legal, political, and psychological, while allowing for overlap. According to the World Bank, empowerment is "the process of enhancing individuals' or groups' capacity to make decisions and to transform those decisions into desired actions and outcomes."

Holt, (1994) The goal of this article is to present Village Banks, which are community-managed credit and savings organizations set up by NGOs to facilitate access to financial services, foster the development of neighborhood self-help organizations, and aid members in saving money.

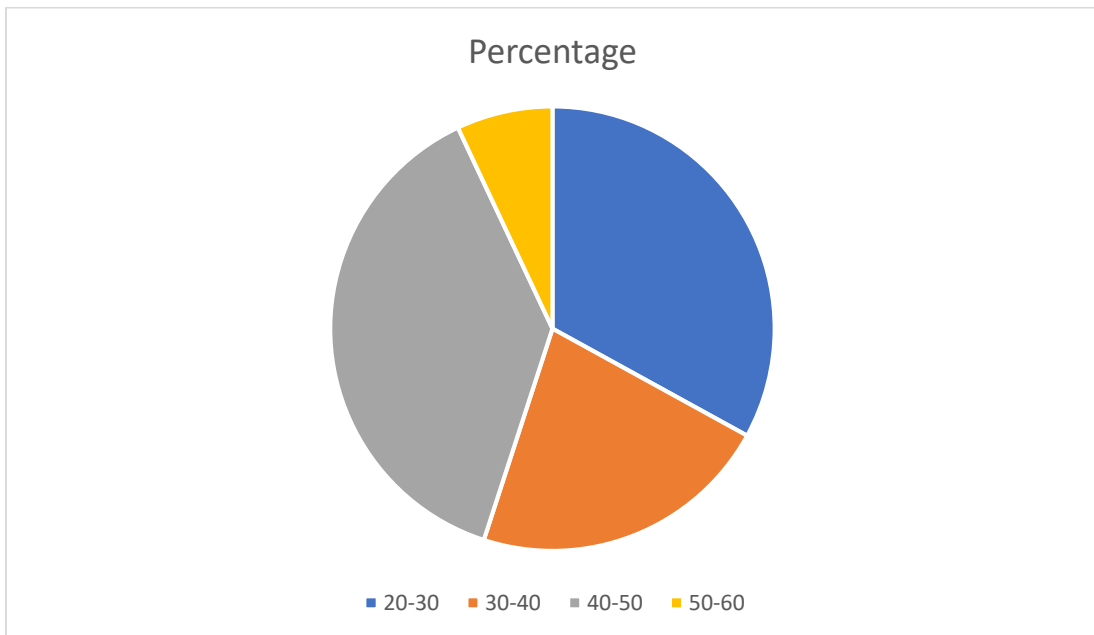
CHAPTER-3

DATA PRESENTATION AND ANALYSIS

QUESTIONNAIRE DATA ANALYSIS AND INTERPRETATION

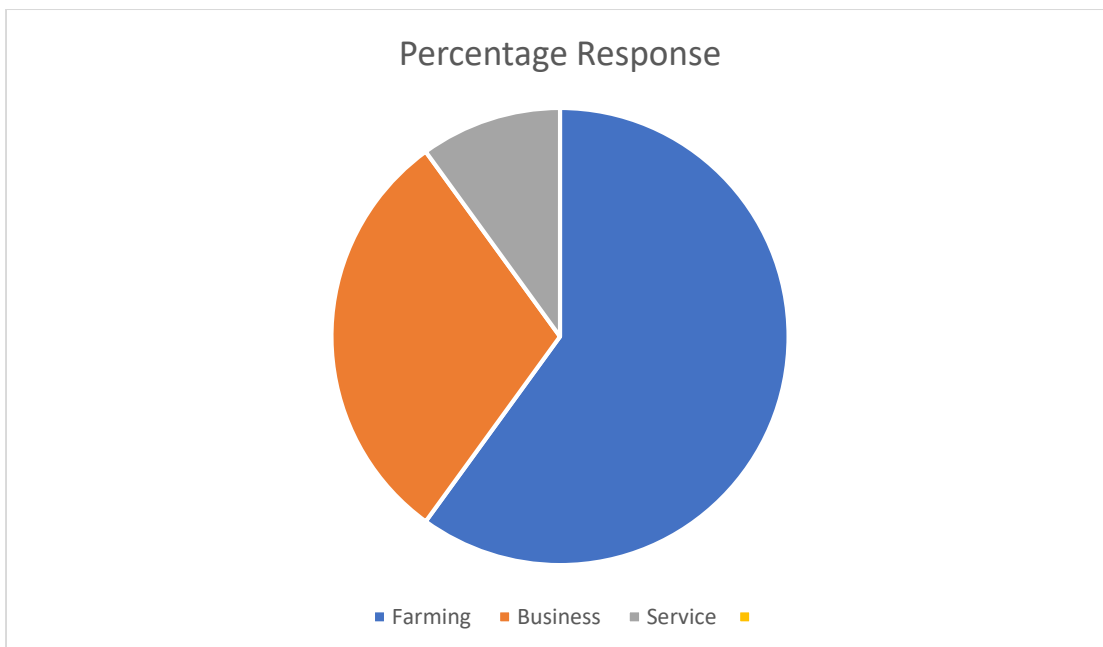
Q1. Age group of people who took the loan

Age group of people who took the loan	Percentage
20-30	33%
30-40	22%
40-50	38%
50-60	7%



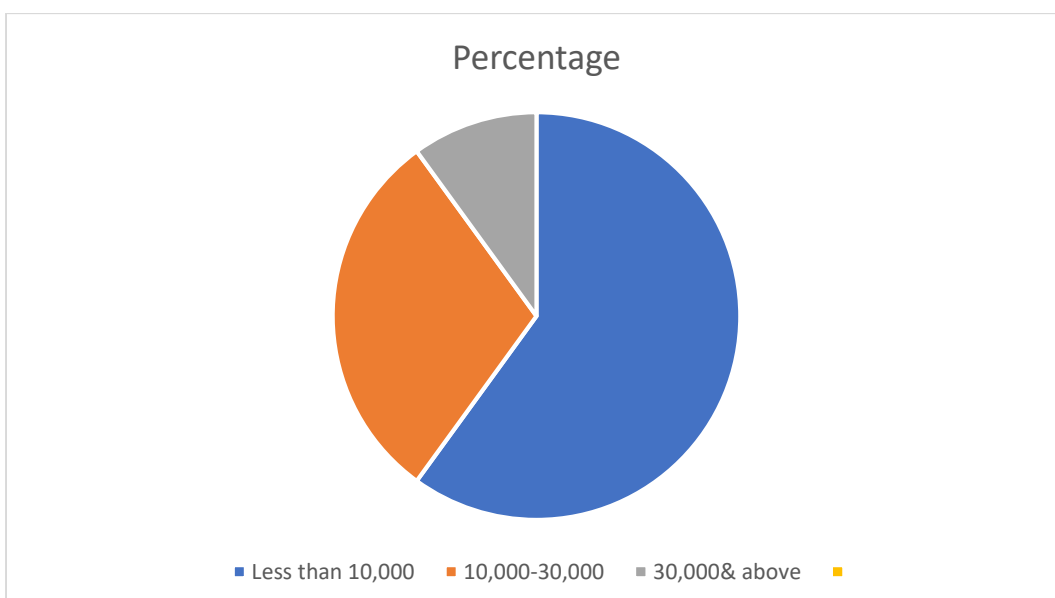
Q2. Occupation

Occupation	Percentage Response
Farming	60%
Business	30%
Service	10%



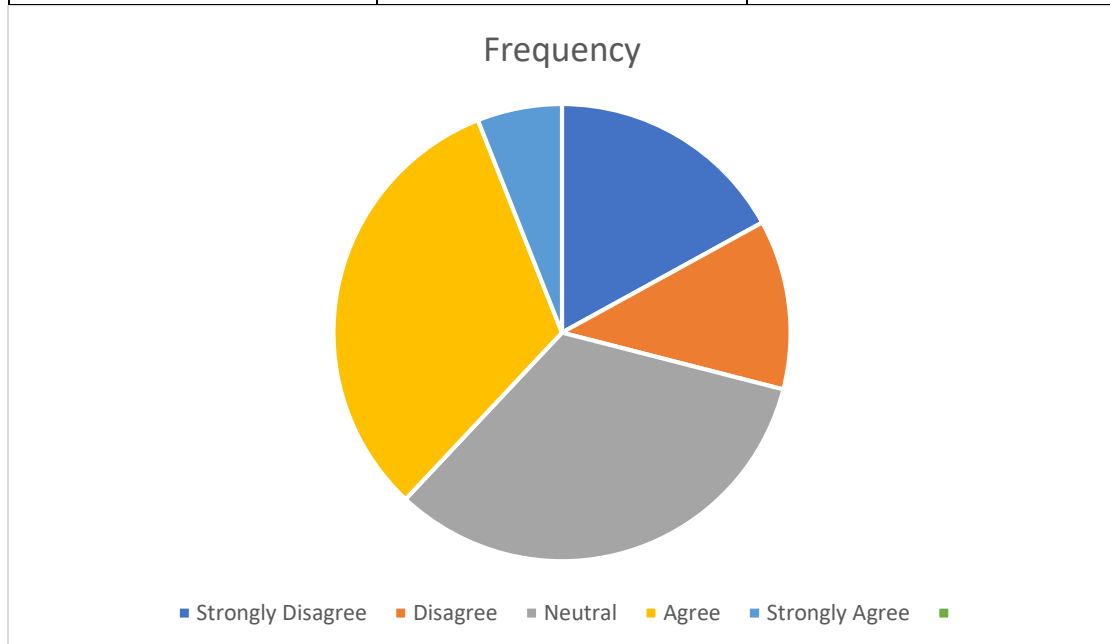
Q3. What is the monthly income of the respondents?

Monthly Income	Percentage
Less than 10,000	60%
10,000-30,000	30%
30,000& above	10%



Q4. Does NGO (Non-Government Organisation) play any role in provision of Micro-credit?

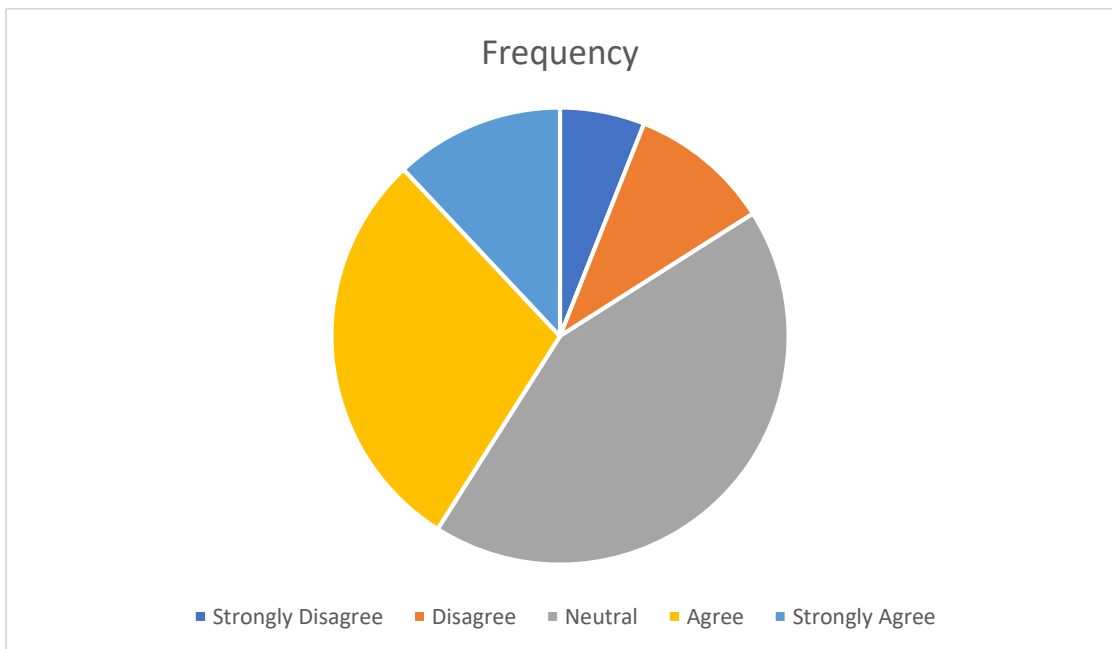
	Frequency	Percentage
Strongly Disagree	17	17%
Disagree	12	12%
Neutral	33	33%
Agree	32	32%
Strongly Agree	6	6%
Total	100	100%



Interpretation: It is observed that 17% of respondents strongly disagree with the statement, 12% disagree, 33% neutral, 32% agree whereas 6% strongly agree.

Q5. Should Foreign Investment be allowed in Micro Credit Projects?

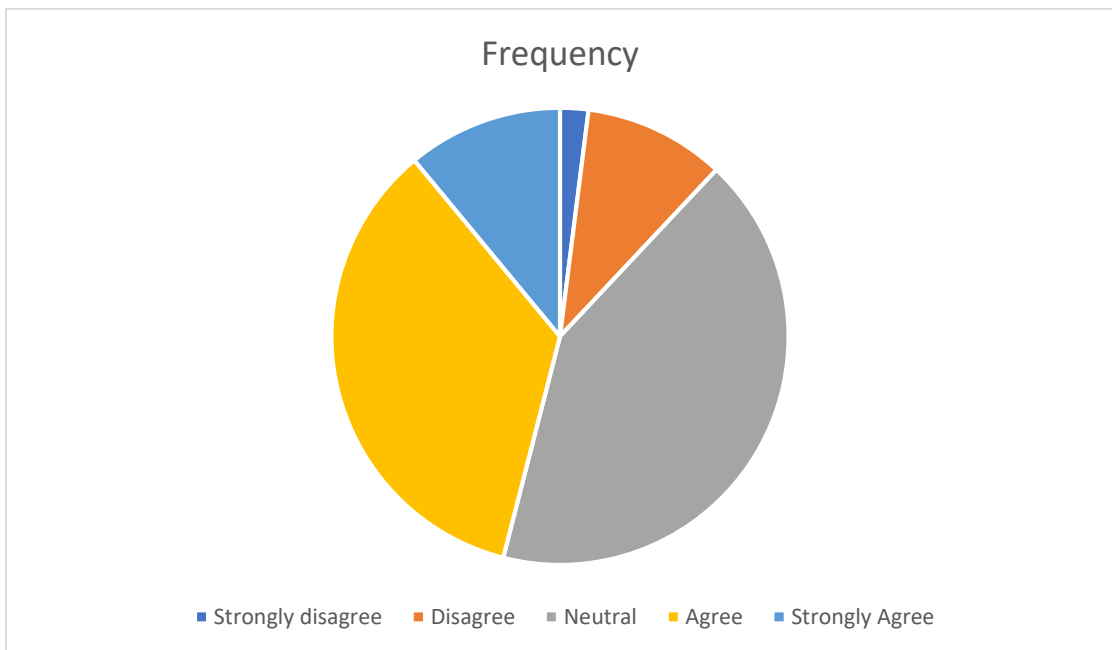
	Frequency	Percentage
Strongly Disagree	6	6%
Disagree	10	10%
Neutral	43	43%
Agree	29	29%
Strongly Agree	12	12%
Total	100	100%



Interpretation: It is observed that 6% strongly disagree with the statement, 10% disagree, 43% neutral, 29% agree whereas 12% strongly agree.

Q6. Is Microcredit the answer to Poverty Eradication in India?

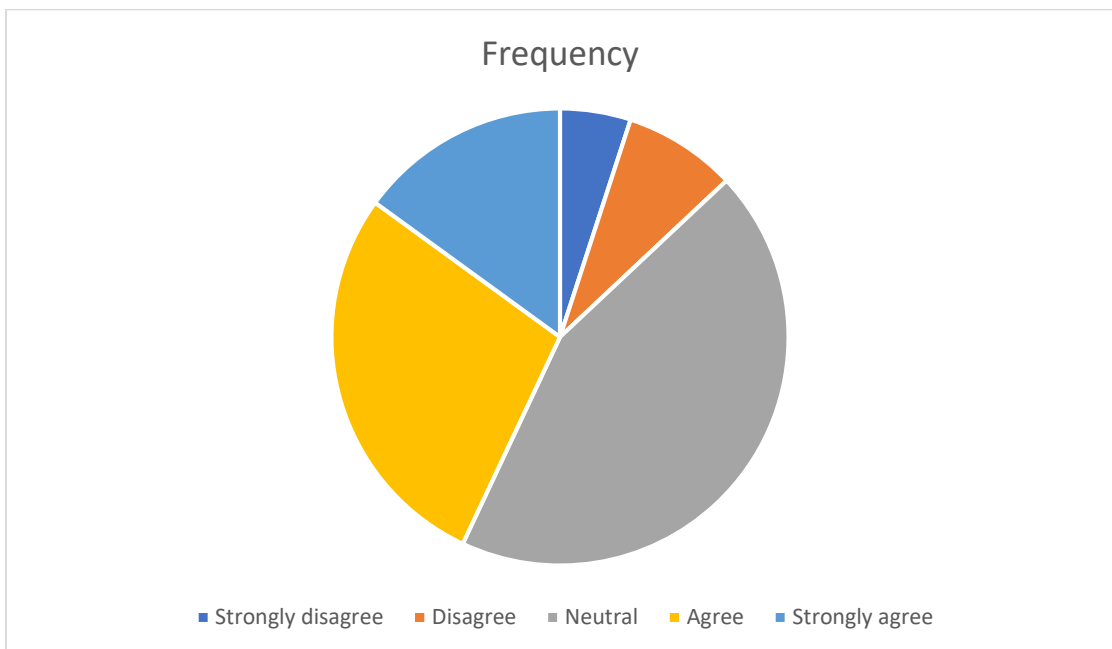
	Frequency	Percentage
Strongly disagree	2	2%
Disagree	10	10%
Neutral	42	42%
Agree	35	35%
Strongly Agree	11	11%
Total	100	100%



Interpretation: It is observed that 2% strongly disagree with the statement, 10% disagree, 42% neutral, 35% agree whereas 11% strongly agree.

Q7. Is it an assumption that credit is the main source of financial service needed by the poor?

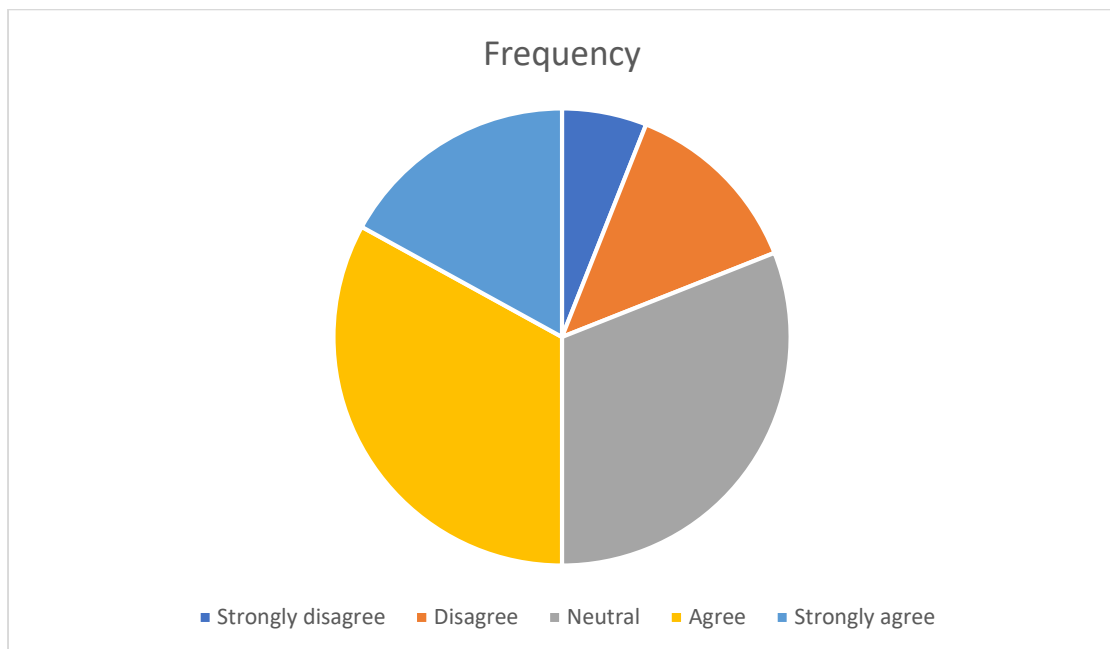
	Frequency	Percentage
Strongly disagree	5	5%
Disagree	8	8%
Neutral	44	44%
Agree	28	28%
Strongly agree	15	15%
Total	100	100%



Interpretation: It is observed that 5% strongly disagree with the statement, 8% disagree, 44% neutral, 28% agree whereas 15% strongly agree.

Q8. Is it an assumption that credit can automatically translate into successful micro-enterprises?

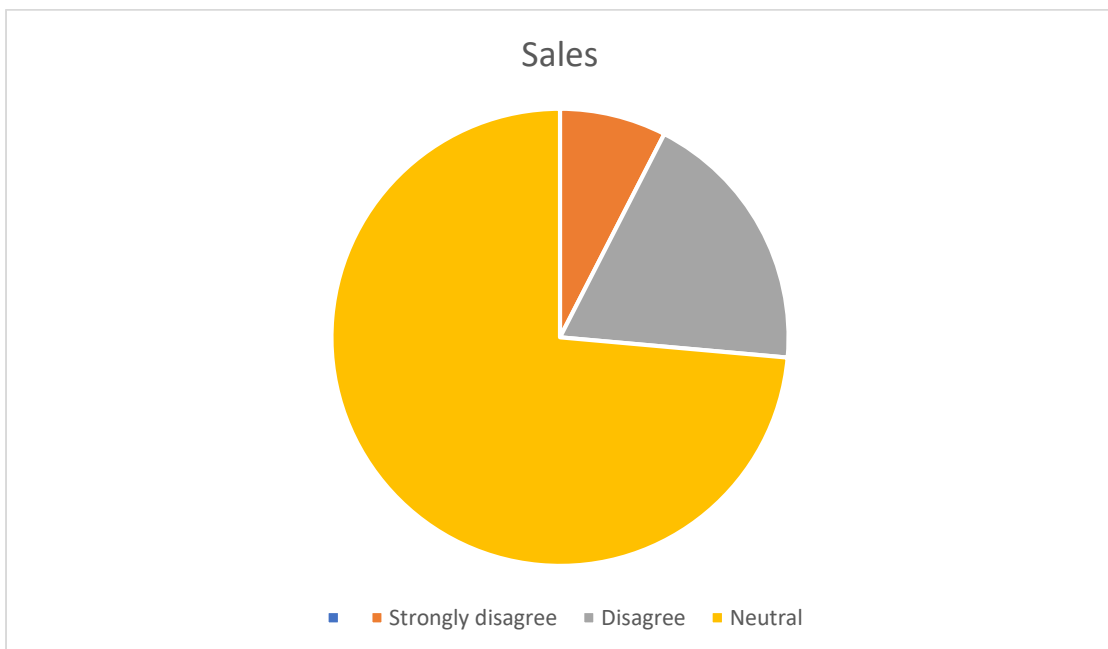
	Frequency	Percentage
Strongly disagree	6	6%
Disagree	13	13%
Neutral	31	31%
Agree	33	33%
Strongly agree	17	17%
Total	100	100%



Interpretation: It is observed that 6% strongly disagree with the statement ,13% disagree, 31% neutral, 33% agree whereas 17% strongly agree.

Q9. Is it an assumption that people slightly above the poverty line do not require Micro-finance Credit and giving it to them might amount to misdirecting?

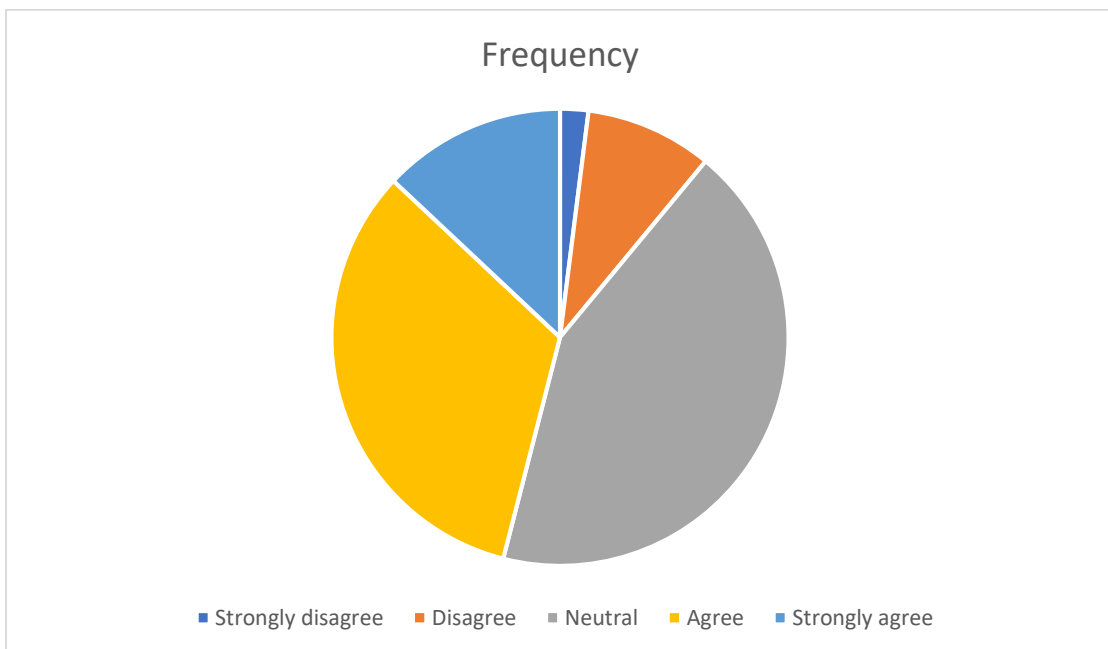
	Frequency	Percentage
Strongly disagree	4	4%
Disagree	10	10%
Neutral	39	39%
Agree	32	32%
Strongly disagree	15	15%
Total	100	100%



Interpretation: It is observed that 4% strongly disagree with the statement, 10% disagree, 3% neutral, 32% agree whereas 15% strongly agree.

Q10. Is it an assumption that microfinance institutions can become financially self – sustaining?

	Frequency	Percentage
Strongly disagree	2	2%
Disagree	9	9%
Neutral	43	43%
Agree	33	33%
Strongly agree	13	13%
Total	100	100%



Interpretation: It is observed that 2% strongly disagree with the statement, 9% disagree, 43% neutral, 33% agree whereas 13% strongly agree.

CHAPTER-4

SUMMARY & CONCLUSIONS

4.1 FINDINGS/RESULTS OF THE STUDY:

The main objectives of this study are to investigate the temporal and cross-state dynamics of growth, poverty, and inequality, and to explore their interrelationships. Specifically, we aim to determine whether the patterns of poverty incidence over time align with the policy changes implemented since independence, and to re-examine the widely accepted hypothesis that economic growth alone is insufficient to reduce poverty across different states.

After conducting our analysis, we have found the following key results.

- The statement "Non-Governmental Organisations (NGO) play any role in provision of Micro Credit" is found to be strongly disagreed with by 17% of respondents. 6% strongly agree, 12% strongly disagree, 33% neutral, and 32% agree.
- It has been found that 6% of respondents strongly disagree with the statement that "Foreign Investment Should Be Allowed in Micro Credit Projects", 10% disagree, 43% are neutral, 29% agree, and 12% strongly agree.
- It is noted that 11% strongly agrees with the statement "Microcredit is the Answer to Poverty Eradication in India," compared to 2% who strongly disagree, 10% who disagree, 42% who are indifferent, and 35% who agree.
- It is noted that 5% strongly disagree, 8% disagree, 44% are neutral, 28% agree, and 15% strongly agree with the assertion that "credit is the main financial service needed by the poor."
- It has been noted that 17% strongly agree, 13% disagree, 31% are indifferent, and 13% agree with the notion that "credit can automatically translate into successful micro-enterprises."
- 4% of respondents were found to strongly disagree with the statement. Assumption that individuals who are just over the poverty line do not need microcredit and that providing it to them would be misleading; 15% strongly agree; 10% disagree; 3% neutral; 32% agree.

The Indian economy has experienced high growth rates and significant structural transformation in the post-reform period, with the service sector driving much of the growth. Real per capita NSDP growth rates have varied across states, with almost all states experiencing high growth rates in the post-reform era. However, the relative positions of states in terms of NSDP per capita have changed over time.

There is no consistent correlation between state-specific Gini inequality and growth rates, although most states have had consistently high levels of Gini inequality. There is also a contradictory relationship between Gini inequality and growth rates across states.

The incidence of poverty has generally decreased across states over time, with some exceptions. From 1993-1994 to 2019-20, almost all states showed a falling trend in poverty prevalence. However, there are significant variations in the capacity of states to reduce poverty over time.

There is no clear relationship between growth rates, Gini disparities, or rates of decline in poverty prevalence. There is a counterintuitive relationship between growth performance and regional poverty concentration.

Panel regression findings indicate that SSE, GRPCNSDP, and GPCYS are key explanatory variables for fluctuations in poverty incidence across states over time.

Policy changes aimed at reducing poverty and structural changes that have driven growth in the service sector have had a positive impact on poverty reduction.

To further reduce poverty across all states, there should be greater emphasis on increasing growth rates and social sector expenditures like health and education.

However, state-specific techniques may also be necessary due to the concentration of poverty in certain states.

RESULTS OF THE STUDY:

- The major population living in rural areas are illiterate. They are not financially literate.
- The majority of young people, who are between the ages of 20 and 30, want to borrow money from banks, and they are literate so they can complete all the requirements.
- People in the 30–40 and 40–50 age groups are not interested in taking out bank loans. They like obtaining loans from MFIs or moneylenders.

- We've reached out to a variety of people, although the majority are from rural regions.
- People living in rural areas are less aware of financial services, which is why they don't open bank accounts.

4.2 Limitations:

1. To study the fruits of economic growth would automatically percolate amongst all sections of people irrespective of region, religion and castes etc.
2. To examine the temporal and cross state behaviour of the growth, poverty and inequality and also to examine the relations between them and see whether the temporal behaviour of the incidence of poverty is compatible with the policy evolution followed since independence.
3. To study the effectiveness of Microfinance in improving the standard of living for poorer sections of society with special reference to Lucknow (Uttar Pradesh state).
4. The study will be students only UP and NCR Delhi will be included in the study.

4.3 RECOMMENDATIONS AND FUTURE RESEARCH POTENTIAL:

Under these efforts, almost 5000 skill-upgrading training programmes for nearly 2 lakh members of mature SHGs have been organised. The majority of the SHG members who received training have subsequently begun their road towards becoming potential business owners by obtaining loans from their SHG. However, the available data shows that microfinance has a number of advantages. Particularly, empowering women and teaching the underprivileged good financial habits and discipline would surely have long-term socioeconomic advantages. Thus, for India's millions of impoverished, self-help and microcredit concepts hold the key to economic and sociocultural independence. Below are some suggestions:

- The government's effort is insufficient to create more and more SHGs. As a result, it is crucial to support government functionaries, SHG requirements, and the creation of new groupings. It is necessary to stop private microfinance organisations from charging SHG members excessive interest rates.

- The beneficiaries who are women should have enough training before choosing their economic vocation.
- Sincere and ethical officials must stop the banks' red tape and delays in loan approvals.
- In order to have a continuous manufacturing process, the SHG goods need to have proper marketing facilities offered to them, so they can have enough to operate their operations continually.
- Since a centralised market is required to sell the final goods produced by SHG beneficiaries, centralised marketplaces must be established by the government.
- Because the size of loans is small and the operating cost are high, the cost of money for MFIs is also a source of worry. Interest rates charged by banks are also relatively high.

CHAPTER-5

RECOMMENDATIONS

1. **Appropriate Regulation:** As the microfinance industry continues to grow and mature, it is important to establish an appropriate regulatory framework that protects stakeholders' interests while also promoting expansion. This was not a major concern in the early stages of microfinance, when individual institutions were free to experiment with innovative operational methods.
2. **Field Supervision:** To ensure the effectiveness of ground-level operations and to maintain ethical standards, field trips may be used to monitor the activities of MFIs. This will help to identify any issues and take corrective action if necessary. However, the cost and feasibility of physically monitoring such a large and widespread industry remains a challenge.
3. **Promote Rural Penetration:** To reduce duplicate lending and increase the spread of microfinance in rural areas, MFIs should establish additional branches in regions with low microfinance penetration. This can be facilitated by offering financial assistance and will help to boost the state's rural microfinance penetration. MFIs should offer a range of products, including credit, savings, remittance, financial counselling, and non-financial services such as training and assistance, to provide access to all services for the underprivileged.
4. **Diversification of Funding Sources:** To reduce the dependence on a single source of funding, such as commercial banks, MFIs should diversify their funding sources. This can be achieved by developing relationships with a range of stakeholders, including international aid organizations, social investors, and capital markets.
5. **Interest Rate Transparency:** To increase sector competition and provide borrowers with the ability to compare various financial products, all MFIs should adhere to a standard interest-charging procedure. This will eliminate confusion around interest rates and additional fees, and empower borrowers to negotiate effectively.
6. **Use of Technology to Cut Operational Expenses:** MFIs should leverage cutting-edge IT tools and apps to reduce costs and increase efficiency. NGOs and Section 25 businesses should pursue cost-cutting strategies to reduce their operating expenses and improve their efficiency and transparency. The development of a standard MIS and other software for all MFIs can help to achieve these goals.

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ANNEXURE

Questionnaire

Q1. Age group of people who have taken loan

- 20-30
- 30-40
- 40-50
- 50-60

Q2. Occupation

- Farming
- Business
- Service

Q3. Monthly income of the respondents

- Less than 10,000
- 10,000-30,000
- 30,000 and above

Q4 Non-Government Organization (NGO) play any role in provision of Micro Credit

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Q5. Foreign Investment should be allowed in Micro Credit Projects

- Strongly disagree
- Disagree

- Neutral
- Agree
- Strongly Agree

Q6. Microcredit is the Answer to Poverty Eradication in India

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Q7. Assumption that credit is the main financial service needed by the poor

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Q8. Assumption that credit can automatically translate into successful micro-enterprises

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Q9. Assumption that those slightly above the poverty line do not need Micro-Credit and giving it to them amounts to misdirecting

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Q10. Assumption that micro-credit institutions can all become financially self-sustaining.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree