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A Study on Microfinance in India at Bajaj Finance Limited

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ABSTRACT: A majority of micro finance program targets women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. SHG banking linkage model of microfinance, which helps their members to start their own business also. SHGs in rural areas have empowered illiterate and power women by linking them to mainstream banking system involving members in micro entrepreneurship activities. This study is to analyses the loans and amount given to self-helped groups as well as challenges faced by women entrepreneurs and providing a solution to overcome the challenges. A study explaining potential hurdles in developing women entrepreneurship.

KEY WORDS: Entrepreneurs, Micro Finance, Potential Hurdle, Self-Helped Groups.

I. INTRODUCTION

Microfinance is defined as any activity that includes the provision of financial services such as credit, savings, and insurance to low-income individuals, which fall just above the nationally defined poverty line, and poor individuals, which fall below that poverty line, with the goal of creating social value. The creation of social value includes poverty alleviation and the broader impact of improving livelihood opportunities through the provision of capital for micro enterprise, and insurance and savings for risk mitigation and consumption smoothing. A large variety of sectors provide microfinance in India, using a range of microfinance delivery methods. Since the GRAMEEN Bank in India, various actors have endeavored to provide access to financial services to the poor in creative ways. Governments also have piloted national programs, NGOs have undertaken the activity of raising donor funds for on-lending, and some banks have partnered with public organizations or made small inroads themselves in providing such services. This has resulted in a rather broad definition of microfinance as any activity that targets poor and low-income individuals for the provision of financial services. The range of activities undertaken in microfinance include group lending, individual lending, the provision of savings and insurance, capacity building, and agricultural business development services. Whatever the form of activity however, the overarching goal that unifies all actors in the provision of microfinance is the creation of social value.

II. NEED OF THE STUDY

In India to what extent, microfinance industry is helping in elimination of poverty and to improve the standard of living. We should thank all Policy Makers initiatives and the Self-help Groups who are taking active participation. However, every coin has two sides; there are few problems in the Microfinance Industry as well.

III. SCOPE OF THE STUDY

The present study covers the aspects of Micro Finance Industry. The project study also covers to what extent microfinance is helping the people to improve their standard of living and to what extent it has to eradicate poverty. The study mainly focuses on microfinance industry, history and latest developments in the country in Microfinance industry very fast. The study also keeps a bird's eye view on Microfinance Industry.

IV. OBJECTIVES OF THE STUDY

- To identify importance of microfinance industry in relation to elimination of poverty.
- To study the impact of micro finance in empowering the social economic status of women and developing of



social entrepreneurship.

- To study potential hurdles in the development of women entrepreneurship.

V. LITERATURE REVIEW

Cheston, Susy and Lisa Kuhn (2002), “Empowering Women Through Microfinance”, Unpublished Background Paper for the Micro-credit Summit 15, NewYork,10- 13November.Has examined that Microfinance has the potential to have a powerful impact on women’s empowerment. Although microfinance is not always empowering for all women, most women do experience some degree of empowerment as a result. Empowerment is a complex process of change that is experienced by all individuals somewhat differently. Women need, want, and profit from credit and other financial services. Strengthening women’s financial base and economic contribution to their families and communities plays a role in empowering them. Product design and program planning should take women’s needs and assets into account. By building an awareness of the potential impacts of their programs, MFIs can design products, services, and service delivery mechanisms that mitigate negative impacts and enhance positive ones.

Muhammad yunus, 1998, journal of international affairs, volume no: 52, no: one, the multiple faces of world poverty: conceptions, manifestations and responses (fall 1998), pp. 47-65.Has examined that this approach to poverty reduction at the macro-level is inadequate. The primary causes of poverty are not lack of human capital or lack of demand for labour. Lack of demand for labour is only a symptom, not a cause, of poverty. Poverty is caused by our inadequate understanding of human capabilities and by our failure to create enabling theoretical frameworks, concepts, institutions and policies to support those capabilities. My main argument is that economics as we know it is not only unhelpful in getting the poor out of poverty; it may even be a hindrance. In this paper, I would like to explore those institutions that perpetuate poverty, share my experiences with an effective poverty alleviation institution, and present my thoughts on the future of poverty alleviation. Before addressing these points, however, I would like to provide a useful framework to define the concept of "the poor" more concretely.

Mohammed Anisur Rahaman (2007), “impact of micro finance on poor people of society”, Asia-Pacific Business Review, Vol.V. pp. 67-76.focused on microfinance and to investigate the impact of microfinance on the poor people of the society with the main focus on Bangladesh. We mainly concise our thesis through client’s (the poor people, who borrowed loan from microfinance institutions) perspective and build up our research based on it. Therefore, the objective of this study is to show how microfinance works, by using group lending methodology for reducing poverty and how it affects the living standard (income, saving etc.) of the poor people in Bangladesh. Microfinance has the positive impact on the standard of living of the poor people and on their life style. It has not only helped the poor people to come over the poverty line, but has also helped them to empower themselves.

VI. RESEARCH METHODOLOGY

The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out the truth which is hidden and which has not been discovered yet.

6.1 Types of Research: The study includes the following research methods.

Descriptive Research: Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present

Analytical Research: In Analytical research, the researcher has to use facts or information already available, and analyse these to make a critical evaluation of the material

6.2 Methods of Data Collection: While deciding about the method of data collection to be used for the study, we should keep in mind two types of data viz., primary data and secondary data.

Primary Data: The data which is collected for the first time, and this happened to be Original in character.

Secondary Data: On the other hand, data that have already been collected by someone else and which have already been passed through the statistical process.

Collection of Primary Data: The primary data can be collected using various methods which is explained below as follows



Observation Method: Observation involves taking organized notes about occurrences in the world. The information obtained relates to what is currently happening and is not complicated by either the past behaviour or future intentions or attitudes or respondents.

This method is expensive and the information provided by this method is also very limited as this method is not suitable where large samples are considered.

Interview Method: The interview method of collecting data involves presentation of Oral- verbal stimuli and reply in terms of oral-verbal responses.

- **Personal Interviews:** Personal interview method requires a person known as the interviewer asking questions generally in a face-to-face contact to the other Person or persons. This sort of interview may be in the form of direct personal Investigation or it may be indirect oral investigation.
- **Survey Method:** In this method a questionnaire is sent (usually by post to the persons Concerned with a request to answer the questions and return the questionnaire. A Questionnaire consists of a number of questions printed or typed in a definite order on Alternatively, set of forms. Survey method has been followed for the collection of primary data in the present project study, by canvassing questioner.

Collection of Secondary Data

Secondary data is collected from various journals and websites

6.3 Tools of Data Analysis

The important statistical measures that are used to analyse the collected data are Measures of Central Tendency: Measure of central tendency is also known as statistical average. Mean median and mode are the most popular averages

Mean: Mean also known as arithmetic average is the most common measure of central tendency and may be defined as the value, which we get by dividing the total of the values of various given items in a series by the total number of items

Arithmetic mean: To find the arithmetic mean, add the values of all terms and they divide sum by the number of terms, the quotient is the arithmetic mean There are three methods to find the mean.

Direct method: In individual series of observations x_1, x_2, \dots, x_n the arithmetic mean is obtained by following formula

VII. LIMITATIONS OF THE STUDY

Time Constraint

Shortage of time was a very big constraint due to which some area of micro finance has been included in the study.

Resource Constraint

Availability of data was a constraint due to which only secondary data is considered, which is available, and also there are some MFIs whose data was not available

Secondary Data

All the information available was from secondary sources and data was very vast to analyze properly & accurately

Wide Area To Study

Study being conducted was very wide & analysis require expertise knowledge & skills which was lacking

No Direct Source Of Information Available

The information is collected from indirect sources so in some information data is not available

Future Analysis

The whole study was based on historical data which was not much useful in analysis of present and prediction of future.

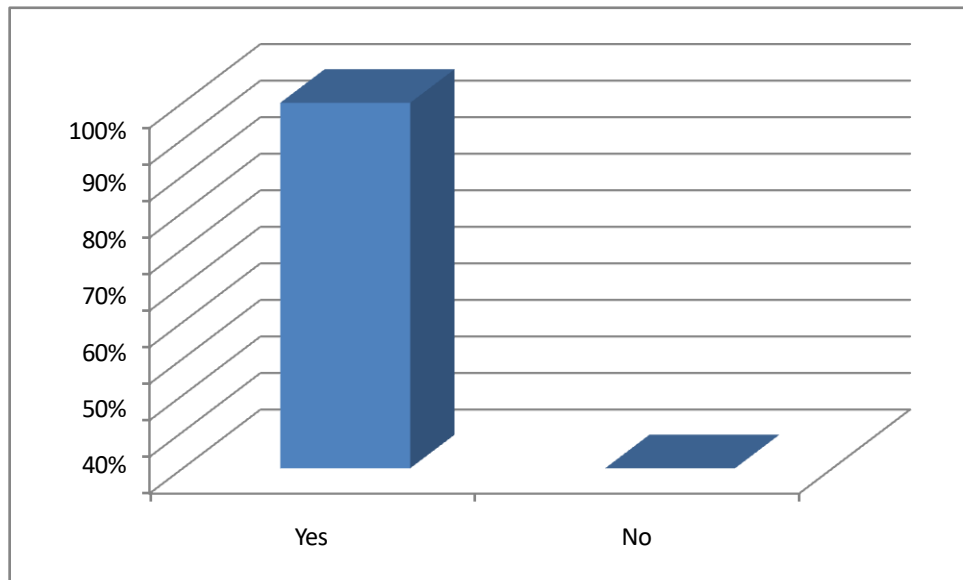


VIII. DATA ANALYSIS AND INTERPRETATION

8.1 Have you been granted a loan under any microfinance scheme for your business before?

Table 1

OPTIONS	NO.OF RESPONDENTS	PERCENTAGE
Yes	40	100%
No	0	0%
Total	40	100%



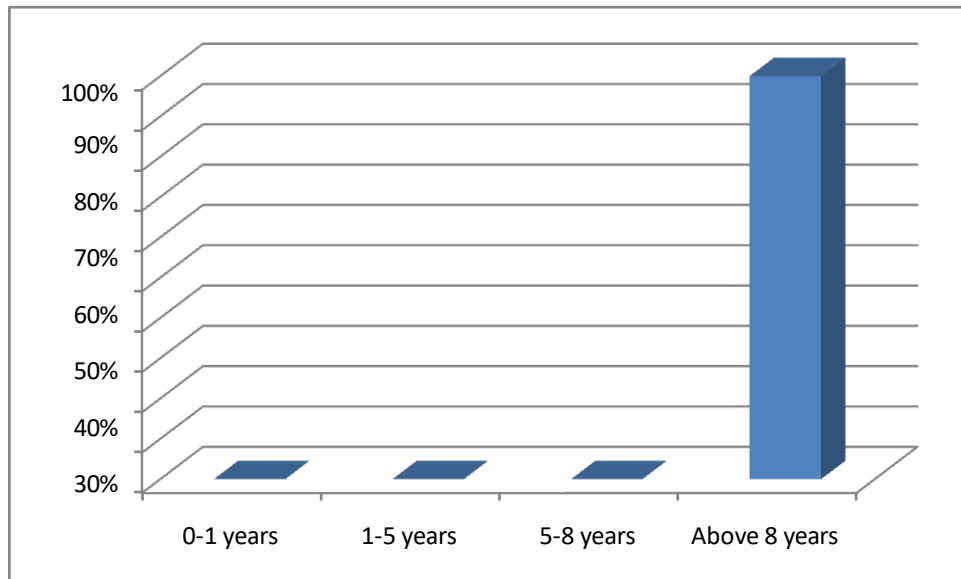
INTERPRETATION

From the above sample we can analyse that all the respondents have been granted loans under self-help groups scheme for their business.

8.2 If Yes, for how long?

Table 2

OPTIONS	NO OF RESPONDENTS	PERCENTAGE
0-1 years	0	0%
1-5 years	0	0%
5-8 years	0	0%
Above 8 years	40	100%
Total	40	100%



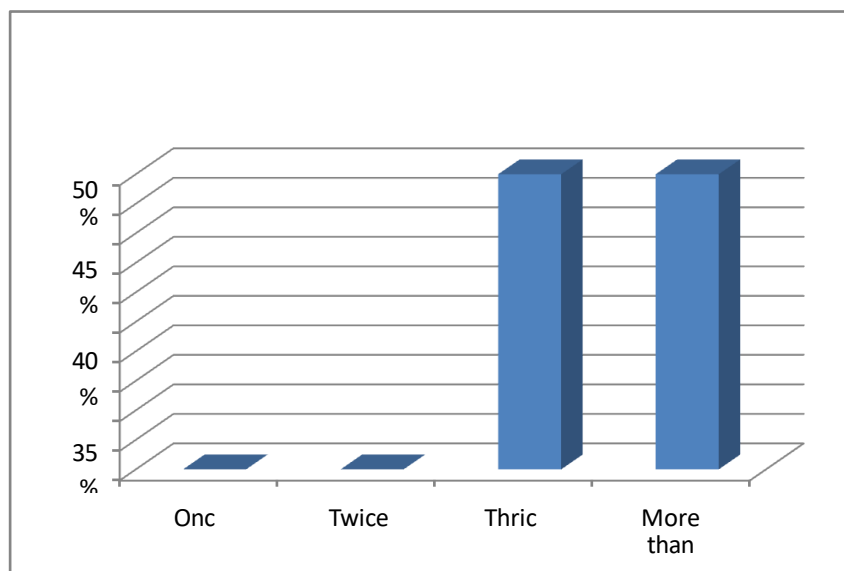
INTERPRETATION

From the above sample we can analyse that all the respondents have been granted loans under self-help groups scheme for their business and almost all the loans which have been granted are of more than 8 years.

8.3 How many times have you been granted a loan under the microfinance scheme?

Table 3

OPTIONS	NO OF RESPONDENTS	PERCENTAGE
Once	0	0%
Twice	0	0%
Thrice	20	50%
More than Thrice	20	50%
Total	40	100%





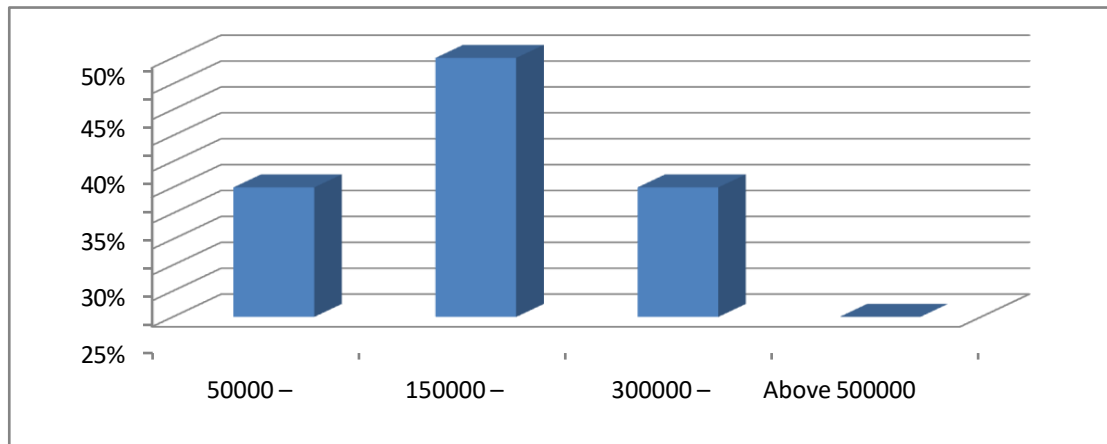
INTERPRETATION

From the above sample we can observe that there are no respondents who received loans once and twice. 20 respondents received the loans for three times and remaining 20 respondents received loans for more than three times. We can analyse that people have been granted thrice and more than that under self-help groups scheme.

8.4 What is the total sum of your loans?

Table 4

OPTIONS	NO OF RESPONDENTS	PERCENTAGE
50000 – 150000	10	25%
150000 – 300000	20	50%
300000 – 500000	10	25%
Above 500000	0	0%
Total	40	100%



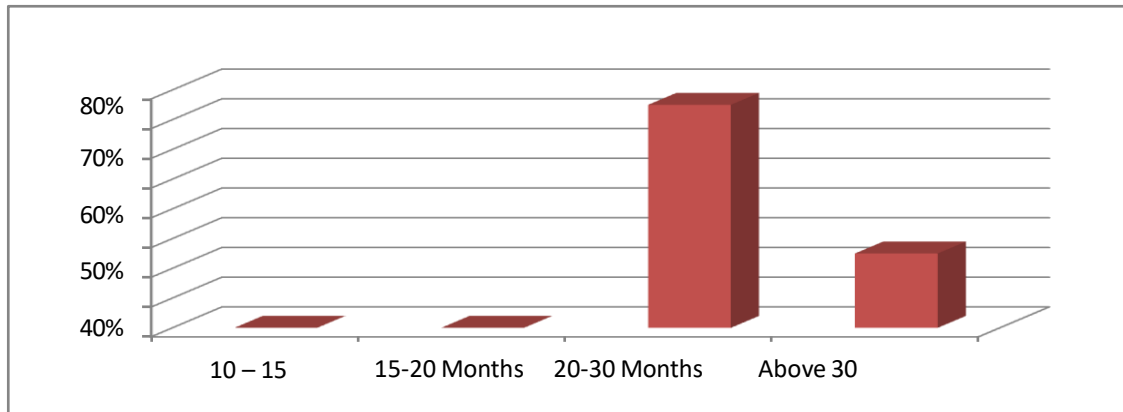
INTERPRETATION

From the above sample we can observe that 10 respondents have been granted loan amount between 50000-150000 and 20 respondents have been granted loan amount between 150000- 300000 and remaining 10 respondents have been granted loan amount between 300000-500000.

8.5 Maturity of the loan?

Table 5

OPTIONS	NO OF RESPONDENTS	PERCENTAGE
10 – 15 Months	0	0%
15-20 Months	0	0%
20-30 Months	30	75%
Above 30	10	25%
Total	40	100%



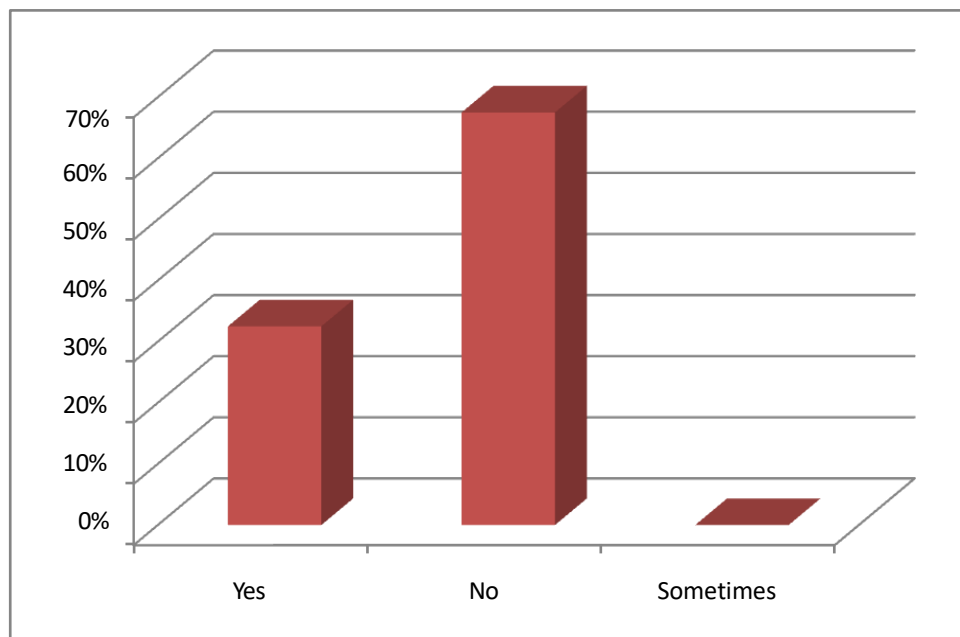
INTERPRETATION

From the above sample we can observe that there is no maturity of loan between 10-15 months and 15-20 months respectively. 30 respondents has the maturity of loan between 20-30 months and 10 respondents has the maturity of loan above 30 months. We can analyse that most of loans maturity is between 20-30 months.

8.6 Did you have any problems paying back?

Table 6

OPTIONS	NO OF RESPONDENTS	PERCENTAGE
Yes	13	33%
No	27	68%
Sometimes	0	0%
Total	40	100%



INTERPRETATION

From the above data we can observe that 27 respondents have not faced any problems in repaying their loan amount and 13 respondents have faced problem for repaying their loan amount. We can understand that most of the respondents

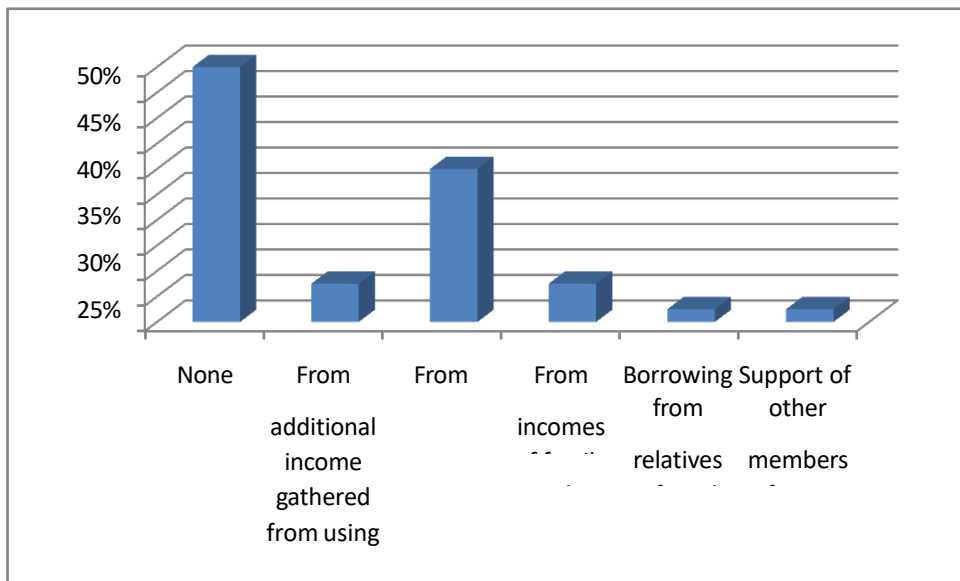


haven't faced any problem in repaying their loan amount.

8.7 If YES, how did you repay your loan?

Table 7

OPTIONS	NO OF RESPONDENTS	PERCENTAGE
None	20	50%
From additional income gathered from using credit	3	8%
From wages	12	30%
From incomes of family members	3	8%
Borrowing from relatives or friends	1	3%
Support of other members of group	1	3%
Total	40	100%



INTERPRETATION

From the above data we can observe that 20 respondents are repaying their loan amount through wages 12 respondents are repaying their loan amount through income of family members ,3 respondents are repaying their loan amount through support of group members and other credit and remaining respondents are repaying their loan amount through various sources.

IX. FINDINGS

- Micro financial institutions play a very important role today to provide the micro finance to the women entrepreneur. Mostly MFI provide the assistance to the women entrepreneur through MFI- bank linkage programme.
- From the current situation we can understand that today the main focus of micro finance industry is to empower the woman that's why more loans are provided to woman and on easy terms.
- From the total SHG more SHG are coming in which only women are member because women can better run a business and his family.
- Narega and SGSY Swaranjyanti Gram SwarojgarYojna are one of the schemes which are introduced by the



government to help the poor people Schemes are provided by the government to poor people but there is less people who avail the benefit from these schemes.

- There are many challenges face by women to doing the business as entrepreneur like lack of capital, networking problems etc. But these challenges can be overcoming with the help of Provide micro credit for livelihood support and to micro enterprises development, establishing sources of credit.
- With the help of relationship data we can see that there are more percentage of women SHGs out of total SHGs. So that is good indicator for women entrepreneur.
- The loan distributed data show increase the % of loan amount to women as compare to last year. This show the economic development of women entrepreneur.

X. SUGGESTIONS

- Credit is important for development but cannot by itself enable very poor women to overcome their poverty.
- Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises.
- In situations of chronic poverty it is more important to provide saving services than to offer credit.
- A useful indicator of the tangible impact of micro credit schemes is the number of additional proposals and demands presented by local villagers to public authorities.
- Globalization will not be allowed to expand the gap between the rich and the poor. Affluent countries cannot continue to dump aid on needy nations; developing countries must not be permitted to ignore the needs of their impoverished population.
- As the poor are vulnerable it is not sufficient for us just to provide micro credit, but to have a series of support systems provided at the appropriate time.
- Government can contribute most effectively by setting sound macroeconomic policy that provides stability and low inflation.

XI. CONCLUSION

Traditionally women have been marginalized. A high percentage of women are among the poorest of the poor. Microfinance activities can give them a means to climb out of poverty. Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. Numerous traditional and informal system of credit that was already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader-in looking at its long-term aspects too.

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders. A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income.

India is the country where a collaborative model between banks, NGOs, MFIs and Women's organizations is furthest advanced. It therefore serves as a good starting point to look at what we know so far about „Best Practice“ in relation to micro-finance for women's empowerment and how different institutions can work together.

It is clear that gender strategies in micro finance need to look beyond just increasing women's access to savings and credit and organizing self-help groups to look strategically at how programmes can actively promote gender equality and women's empowerment. On the other hand, thank to women's capabilities to combine productive and reproductive roles in microfinance activities and society has enabled them to produce a greater impact as they will increase at the same time the quality of life of the women micro-entrepreneur and of her family.



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