A Critical and Comprehensive Analysis Focusing On the Role and Performance of Microfinance Institutions (MFI's) In the State Of Haryana

Bharati, Associate Professor in Commerce, S.A.Jain (PG) College, Ambala City

Abstract

The number of individuals living in chronic poverty has been rising for a number of years, despite increased global wealth production. Micro business development programmes have been launched to tackle the problem of poverty alleviation. Over half of all jobs and between 60% and 70% of all industrial output and exports are held by SMEs, which make up an estimated 90% of all firms worldwide. Poverty decrease plan founded on micro loans and micro companies have been undertaken in various nations as well as India. The purpose of this research is to draw attention to positive effect that micro-enterprises connected with SHGs in the Indian state of Haryana have had on the economic independence of women.

Keywords – Microfinance, Haryana, performance, SME sector

Introduction

Microfinance institutions (MFIs) provide a critical need by making banking services available to low-income people and communities. Their success depends on their ability to help more people get access to financial services and reduce poverty. The function and effectiveness of MFIs are summarised here. The Function of Microfinance Organisations: Microfinance institutions (MFIs) help people and companies get access to formal financial markets by providing them with microloans, savings accounts, and insurance. This facilitates the use of credit for the purpose of earning revenue and protecting personal savings. Miniature finance institutions (MFIs) help alleviate poverty by providing loans to people with modest incomes so they may set up shop or grow an existing company. Microfinance has the potential to greatly affect economic growth and poverty levels.

Women Empowerment: Many MFIs target women as their customers, seeing the good influence on gender equality and women's financial enablement. Access to credit and monetary facilities may help women become financially independent and take control of their life. Microloans help small businesses get off the ground, which in turn creates local employment and strengthens communities economically. By helping their customers improve their financial knowledge and management abilities via financial literacy and business training, MFIs typically contribute to community development. Microfinance Organisations' Effectiveness: The quality of a microfinance institution's loan portfolio is a key performance measure. To calculate this ratio, we look at how many loans are not now past due or at danger of default. High portfolio quality shows excellent credit risk assessment and loan management.

The size and scope of a microfinance institution may be gauged by looking at metrics such as the number of customers serviced and the total amount of loans made. The best MFIs keep growing their operations while never compromising their investment quality. Financial viability is essential for MFIs to continue operating and providing their services into the future. This means continuing to serve low-income customers while earning enough cash to pay operational expenses and provide a profit to investors. Cost-Effectiveness: In order to provide its clients with low-priced financial services, MFIs must maximise operational efficiency. By keeping overhead expenses low, MFIs may charge competitive interest rates on their loans and increase their profit margins.

Evaluation of microfinance's effect on customers is essential. Increases in prosperity contribute to higher living standards and happier lives. Microfinance programmes may be evaluated for their efficacy with the use of impact studies. Stability and trust in MFIs rely on their capacity to comply with regulatory standards. They must obey to rules and regulations that regulate microfinance activity in their individual countries. MFIs should also evaluate their social performance to see how well they are fulfilling their mandate to help the world's impoverished and marginalised people. Indicators of social performance monitor how well a country is working to alleviate poverty and increase individual agency.

Successful microfinance institutions (MFIs) have common characteristics in their governance and administration. Strong leadership and governance frameworks are needed to guarantee ethical behaviour and financial transparency. There is a broad range in MFI performance that may be attributed to elements such organisation size, purpose, market focus, and management style. Financial viability, reach, effect, and social responsibility are all factors that should be considered while evaluating their function and performance. Furthermore, the performance and influence of MFIs in contemporary economies are being shaped by the changing microfinance environment, which includes the incorporation of digital financial services.

Review of literature

One of the most effective initiatives in the fight against poverty in developing nations is microfinance programmes. There has been substantial expansion of Micro Finance Institutions in relations of organisations, quantity of customers as well as supply of subsidised contributor money in emerging nations. Therefore, they stress the essential of gauging their work's societal influence. (Makina and Malobala, 2014). Donors, according to Zeller et al. (2021), appreciate not just the monetary components of Micro Finance Institutions, but also, as well as maybe most importantly, their communal dimensions. As a consequence, MFIs now have to consider both financial and social factors when evaluating their success, giving rise to the "double-bottom line" approach to measuring success.

Tucker (2014) claims that Micro Finance Institutions are starting to focus more on better business practises as a result of increased competition and the emerging capacity to compare financial performance with other institutions and against benchmarks. In addition, the idea that Micro Finance Institutions that are more effective and financially viable may ultimately help more of the deprived has helped to combine better commercial practises with communal purpose. He thinks that expanding into new markets is the greatest way for for-profit companies to take advantage of economies of scale. This approach enables the company concurrently overcome the dangers of competition. Attracting more customers or making larger loans are two ways to achieve scale in the microfinance industry.

When calculating the social efficiency of Micro Finance Institutions, Gutierrez-Nieto et al. (2019) used three contributions and four yields. Assets, operating expenses, and headcount were the three inputs they used; gross loan group as well as revenue were the two financial yields; and the number of women debtors and a pointer measuring the microfinance institution's ability to help the poor were the two social outputs. Under the premise that a micro finance institution that lends money to numerous different people is helping to alleviate poverty, Gutierrez-Nieto et al. (2019) have used the number of active borrowers as an outcome. To borrow money, however, one need not be destitute. Therefore, they propose using the 'average loan balance per borrower' to evaluate a microfinance institution's dedication to fighting poverty.

Meyer (2020) observed that outreach is a multifaceted term. Reach may be measured along many aspects, including the total number of people helped, the percentage of those helped who are women, the severity of poverty, and the breadth of financial services provided. Navajas et al. (2020) noted that there are six dimensions of assessing outreach; depth, worth of users, cost to users, breadth, length and scope. "the value the society attaches to the net gain from the use of the micro credit by a given borrower" is the definition of "depth of outreach" here. How much a borrower is prepared to pay for a loan is directly proportional to the value of outreach to users. Lenders recoup some of their outreach costs via interest and other payments from borrowers; nevertheless, there are additional transaction costs associated with loans, such as fees for paperwork, petrol, meals, taxes, etc. A microfinance institution's "reach" may be thought of in three dimensions: the number of people it serves, the amount of time it takes to provide loans, and the variety of financial products it provides. Navajas et al. (2000) believes that the duration of a loan important, since If the Micro Finance Institutions serve the poor just in short term, this would influence the communal wellbeing of the community in long run. Furthermore, there is little motivation for borrowers to return their debts if they know they would not be eligible for any further loans from the microfinance organisation.

The study's objectives

The study's overarching goal is to assess the effectiveness of SHG-affiliated microenterprises in Haryana, with a focus on their performance and growth and their impact on beneficiaries. The precise goals are:

- To analyse the development and function of small businesses in India.
- The goal of this study is to evaluate the effectiveness of Haryana's SHG-affiliated small businesses.
- The goal is to quantify the positive effects of the micro businesses project on its participants.

Methods of Research

The years 2018–19 through 2020–21 have been selected as the assessment period. Primary and secondary sources were used. The primary data came from two sets of surveys, one given to businesses and the other given to those who might stand to benefit from the programme. The biggest number of functioning SHG associated group micro firms is situated in Haryana. That's why we're checking in on Haryana like this. In Haryana, there are 204 group micro companies that have been open for business for at least four years. A random selection was made for 10% of them. The sample for this research consists of 20 group businesses and all 369 people who benefited from the chosen businesses. The application of Empowerment Index, Correlation, and Regression analyses, among others, was made.

Discussion

Microbusinesses get their share of the help money from a number of different sources. Table 1 shows that the State Poverty Eradication Mission established by the administration of Haryana has greatest proportion of micro firms it has helped.

Table 1 - Information about microbusiness funding organisations in Haryana

Funding activity	Quantity of units aided	Percentage
GramPanchayat	1,162	32
Rural Development Departments	1,213	38
Other Government Departments	606	13
NGOs	101	6
Others	152	10

The SHG Bank Linkage Programme (SBLP) provides banking services to all of the aforementioned microenterprises run by groups of people. The majority of SBLP participants are commercial banks, regional rural banks, and co-operative banks. In Haryana, commercial banks support 62% of group micro firms, with Co-operative banks coming in at a distant second with 23%.

Table 2 - Group Microenterprise Financing Across Haryana's Banks

District	Number of micro enterprises	Percentage
Commercial Banks	3,134	62
Co-operative Banks	1,162	23
Regional Rural Banks	404	8
SHGs	202	4
Others	152	3

Co-operative banks in Haryana have just overtaken RRBs to become the second largest participant in SBLP, bucking the national trend. It is strong from the preceding argument that there has been a dramatic growth in both the number of microenterprises and the quantity of loans and subsidies provided to them. Therefore, it is important to assess whether growth in quantity of micro firms is backed by working competence as well as to what extent these businesses prospered in authorizing their disadvantaged micro entrepreneurs. This path is taken in the subsequent section of the article.

Assessing Haryana's Small Businesses' Performance

The key to success and expansion for every company, no matter how little, is sound financial management. The profitability of a business unit is an indicator of that unit's overall financial health. As a result, it is prudent to assess how well these businesses are doing. Here, we try to assess the efficiency of small businesses by looking at financial, managerial, and promotional metrics. For this, Haryana provided 10% of its active microenterprises with an operational history of at least four years. This study's sample size is 20 group micro firms.

Effect on Self-Determination

The term "empowerment" refers to a process that involves the elimination of all forms of oppression. The method must be effective on a personal and societal scale. Individually, impoverished women have no way of gaining influence. Only by working together can they succeed. As a result, it is urged that females should form groups and demand recognition as a political power. Decision-making power, resource management, and maintenance methods must all be shared fairly. In this situation organising women via development of SHGs demand particular consideration. At this time, an effort is done to quantify degree to which beneficiaries have become self-reliant as a result of the establishment of microenterprises.

The composite empowerment index was 64.96, which is less than the minimum of 66.67. This suggests that the recipients' sense of agency improved just somewhat. Variable average indices ranged from 29.3 to 90.5. Communication averaged the highest rating, while political and legal knowledge averaged the lowest. Members of SHGs are highly empowered in the area of communication since they are given several opportunities to voice their opinions and ideas, particularly during group meetings. There was a high degree of empowerment across six of the ten factors, a moderate level across three, and a low level across one. The respondents' lack of interest in politics is explained by the pressures of their double roles, according to interviews. However, they want to learn more about the law. However, only a small fraction of these organisations really provide legal education. The empowerment gained by SHG-affiliated micro companies is modest, as the empowerment composite score was below 66.67. Nonetheless enablement is a time overwhelming procedure and it is anticipated that they would acquire high level in the near imminent. The engagement of associates in SHG built micro businesses produced a major influence on their empowerment. The members' quality of life has greatly improved as a result of this kind of intervention.

CONCLUSION

Microbusinesses are widely recognised as the driving force behind global economic expansion and gender equality-promoting development. The government provides aid in the forms of infrastructure, technological financing, and marketing because of the sector's prominence. While there has been some physical improvement in this area, the profitability and viability still have a long way to go. There is intense competition in India's market for micro firms. The sector's viability is constrained by financial and marketing pressures as well as technology obsolescence. The economic and financial crisis made them less competitive. These businesses, therefore, need to be skilled enough to succeed in this environment. If they fail, it will lead to a dramatic increase in poverty and joblessness.

References

- Bandyopadhyay, A study on Poverty Alleviation in Rural India through self employment creation programmes,ARTEP, ILO, 1986
- Chen Marthu, Beyond Credit: A Subsector Approach to Promoting Women's Enterprises, Aghakhan Faudation,Canada, 1996
- Dawson, Elsa L, "Assessing the Impact : NGO's and Empowerment", in (Ed.) Afshar, Haleh, Women and Employment : Illustrations from the Third World, Macmillan Press Ltd., Great Britain, 1998.
- Nagayya, "Enhancing Competitiveness Among Rural Non Farm Small Enterprises", (Ed) in Rao, Narasimha,Rural Development in India, Serials Publications, New Delhi, 2005.
- Pandian, Sundara and G. Saravanan, "Observations of SHG in Micro Enterprise Activity", Empowerment of Women through Entrepreneurship, (Ed) by L.

Radhakrishnan, Gyan Publishing house, New Delhi, 2008.

- Pradeep Kashap, "Livelihood Promotion among SHGS", in (Ed.), Karmakar,K.G, Micro Finance in India, , SagePublications, Delhi, 2008.
- Prasad, C. S. et. al, Sixty Years of Indian Economy 1947 to 2007, New Century Publications, New Delhi, 2007. Somu Griappa, Financing Development of Small Scale Enterprises, Mohit Publications, 2004.
- Anand, Vinod, "Micro And Small Enterprises In Selected Urban And Semi Urban Locations In Botswana: BasicCharacteristics", Indian Journal of Economics, 2004
- Biradar, R R., Growth of Rural Non-agricultural Employment and Poverty Alleviation in India : What does emerging Evidence Indicate", Journal of Social and Economic Development, Vol. 10 (2), July - December,2008.
- Bliss and Garatt, "Supporting Women Entrepreneurs in Transitioning Economics", Journal of Small Business Management, Vol. 39 (4), 2001
- Edward, Millard, "Appropriate Strategies to Support Small Community Enterprises in Export Markets", SmallEnterprise Development, Vol.7 (1), March 1996.
- Gary, B. Hansen, "Using group entrepreneurship to create new enterprises systematically", Small Enterprise Development, vol.7(1), March, 1996.
- Gustave Rayo and Julio Cordoba, "Micro Enterprises Promotion - the case of FOSIS in Chile", Small EnterpriseDevelopment, Vol. 7 (3), September,
- Hyman, Eric and Kirk, Deardan, "Comprehensive Impact Assessment Systems for Non - Governmental organization micro Enterprise development programmes", World Development, Vol. 26 (2), 1998.
- Shaw, Judith, "Micro Enterprise Occupation and Poverty Reduction in Micro Finance Programmes: Evidence from SriLanka", World Development, Vol. 32 (7), 2004.
- Vasantha Kumari,P., "Women Empowerment Through Micro Enterprises Development", Southern Economist,Vol. 47 (15), December 1, 2008.
- Government of India, Report of the Committee on Credit Related Issues under SGSY, Ministry of Rural Development, 2009.
- Institute of Small Enterprises and Development, India Micro, Small and Medium Enterprises Report 2007, ISED,Cochin, 2008.

SHRADHA EDUCATIONAL ACADEMY