

THE SCOPE OF MICROFINANCE IN INDIA AT MUTHOOT FINANCE LTD

,V. LAKSHMI PRASANNAKUMARI

ASSISTANT PROFESSOR, DEPARTMENT OF MBA, ST. MARTIN'S ENGINEERING COLLEGE,
DHLUPALLY, SECUNDERBAD

Vlprasanna527@gmail.com

DESAPATNI CHANDANA

DEPARTMENT OF MBA, ST. MARTIN'S ENGINEERING COLLEGE, DHLUPALLY, SECUNDERBAD

Chandanapinky18@gmail.com

ABSTRACT:

Microfinance institutions in India (MFIs) are crucial to the country's progress. For individuals and small businesses that do not have ready access to traditional banking services, microfinance may be a lifeline.

Relationship banking is the provision of financial services to such customers. Individual entrepreneurs, small enterprises, and firms organised in cooperative structures are the primary beneficiaries of the emergence of based banking. Supporters of microfinance institutions (MFIs) often say this because they think it would aid the impoverished. Other others see it as a means for the poor to take advantage of economic possibilities while minimising the dangers associated with doing so. Micro-credit, micro-finance, and now "financial inclusion" are all concepts that have developed through time. Microfinance and its many variants in India are the focus of this article. Microfinance is the practise of providing loans and savings accounts to low-income people. India's microfinance movement is picking up steam, which is great news for the country's long-term prosperity. Microfinance is widely recognised as a powerful means of helping the underprivileged improve their economic standing and quality of life.

It's also used as a strategy for broadening access to credit in order to boost long-term economic growth. Dr. Mohammad Yunus's discovery in Bangladesh, which is now known as the Grameen Model, raised consciousness about the issue of poverty alleviation in many nations, particularly India. Huge changes are being implemented in the microfinance industry, and its proponents argue that it is now an emergent market.

1. INTRODUCTION:

The philosopher Lysander Spooner, in the middle of the 1800s, was expounding on the benefits of small credits to business visionaries and ranchers as a way of helping people out of poverty, providing a historical context for what is now known as micro financing. However, it wasn't until the Marshall plan at the end of World War II that the concept really took off.

What is Micro financing?

Microfinance refers to the practice of providing a variety of banking and financial services to low-income individuals and small businesses. There are three main providers of microfinancing services.

Rural banks and cooperatives are examples of formal institutions; NGOs and moneylenders fall into the semiformal category; while individuals and small business owners make up the informal category.

To be clear, the term "institutional microfinance" refers to the provision of microfinance services by either fully or partially established organizations. Businesses whose primary focus is on extending microloans are considered microfinance institutions.

MFIs often take one of two tacks. One kind of minimalism is the "credit only strategy," which holds that if impoverished people are given access to credit, they would utilise it to start businesses. Second, the maximalist strategy is also known as the "credit plus approach," and it involves MFIs assisting in capacity development via the supply of loans and other services, such as business-related training and access to a market. Demand for microcredit from both consumers and small businesses is significant. Microcredit is needed by low-income families in the Region to pay for things like starting a business, paying for school supplies, making repairs to their homes, or even moving to a new area. Microfinance services are needed by the operators of the many small farms that dot the landscape in many Asian nations. Nonfarm microenterprises account for additional demand, and they include industries as diverse as food processing, weaving, ceramics, mat and basket manufacturing, furniture construction, and petty commerce.

2. REVIEW OF LITERATURE:

Author name: Mohammed Anisur Rahaman's - Published year: 2012

Our hypothesis is essentially summed up from the perspective of the customer (the poor people who obtained loans from microfinance foundations) and our investigation is shaped by this. Therefore, the purpose of this research is to demonstrate how microfinance operates via the use of the group loaning technique to reducing poverty, and what this implies for the hope of basic necessities (income, savings, etc.) among the poor in Bangladesh. Poor people's lifestyles are profoundly impacted by microfinance. It has helped the poor cross the poverty line and has also given them a hand up to stand on their own two feet.

Author name: - Ms. Susy Cheston Published year: (2012)

Research indicates that microfinance may have a positive influence on women's empowerment. Though not all women will benefit equally from microfinance, the vast majority will find financial support of some kind. Consolidation is a complex path to development that may be taken by everyone equitably and in an unexpected manner. Credit and other monetary systems are essential for women, and they often provide significant benefits.

Increasing women's access to financial resources and encouraging them to invest in their social networks are two strategies for attracting and retaining female employees. Women's needs and available resources should be taken into account throughout all stages of product and programme development. MFIs may mitigate unintended repercussions and amplify desired outcomes by anticipating how their initiatives will be received and using that information to inform the development of products, services, and channels for delivering those benefits.

Author name :- Mayoux , Linda Published year : (Feb 2011)

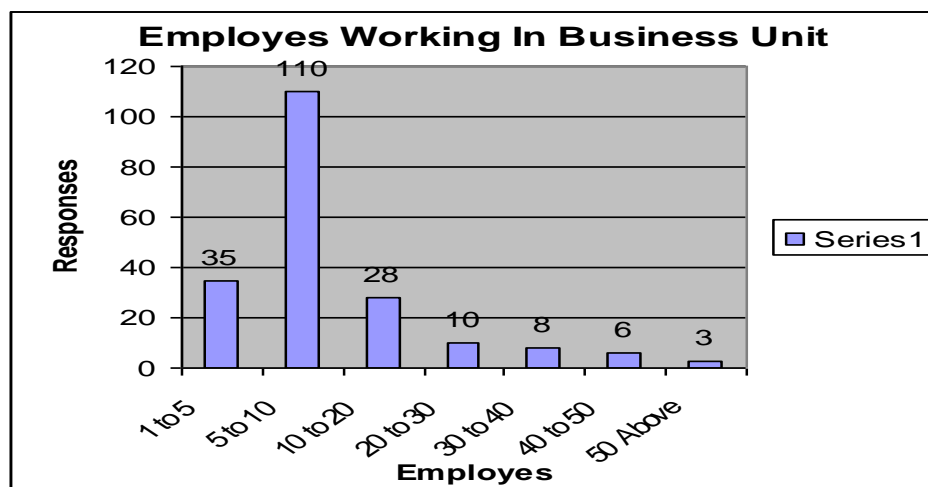
Has researched that microfinance programmes not only provide women with access to savings and loans but also reach large numbers of people, bringing them together on a regular basis in well-organized meetings. Small-scale financial initiatives that support women's access to employment may herald a period of "upright twistings" that bring more economic security, social and political empowerment for women, and financial success for their families and communities at large. Banks often use individual rather than group based loaning and may lack the resources to provide non-financial services. For this reason, it is unrealistic to expect them to use the same kind of targeted-strengthening methods as non-governmental organisations do.

3.RESULTS AND DISCUSSION:

TABLE: 3.1 .Numbers of employs working in these business units

Responses	35	110	28	10	8	6	3
Employees	1-5	5-10	10-20	20-30	30-40	40-50	Above 50

3.1 showing graph



INTERPRETATION:

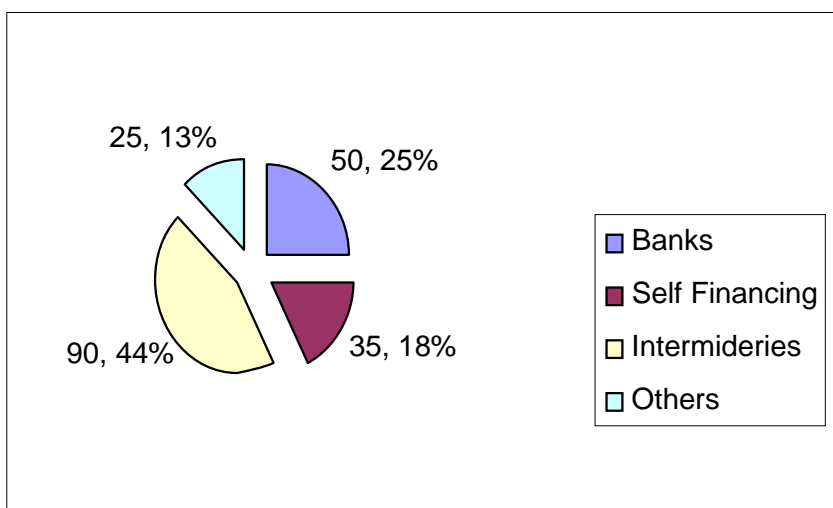
We asked this because we are interested in how many people work in each of these departments. This would help us gauge the scope of their operations. According to the numbers, it seems like a little over half of the companies have a strength of staff between 5 and 10 people. This demonstrates that the micro-credit is appropriate for the demands of the very tiny business units. The remaining percentage of respondents reported a staff strength of between 1 and 5.

There is a lot of potential for funding these firms via muthooth. There's just one thing that has to be done in that situation, and that's to get the word out to those company bosses.

Table: 3.2 . Sources of Financing for Business Units

Banking units	Banks	Self financing	Intermediaries	Others
Percentage (%)	50,13%	25,13%	90,44%	35,18%

3.2showing graph



INTERPRETATION:

This inquiry was undertaken in an attempt to draw attention to the most typical supply of funding employed by these company heads as a source of funding for their operations.

If you break down the data, you'll see that just 25% of individuals are using bank funding for their businesses. Almost half of the respondents (46%) relied on funding from intermediaries to operate their businesses. Self-

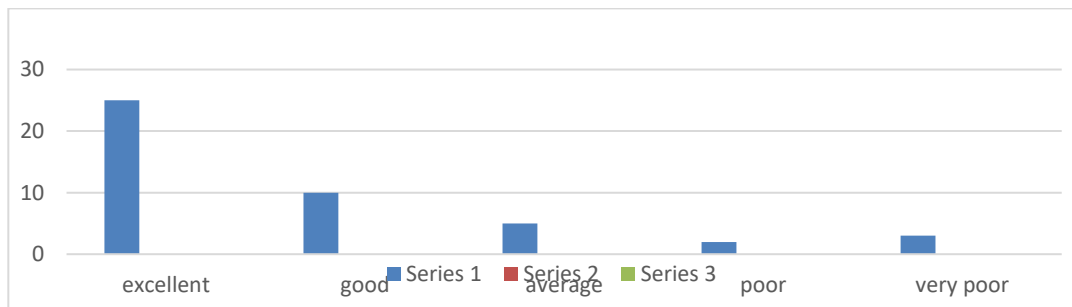
financing and other sources of funding were mentioned by the remaining respondents. This demonstrates that the vast majority of people do not understand the advantages of banking. As a result, the bank needs to properly advertise its services.

Recently, Muthooth Finance has hired over 800 personnel, the vast majority of whom have been assigned to BDPCs (Business Development and Promotion Centre) to promote these services.

Tables :3.3 . How do the Respondents Rate the Performance of Muthoot finance?

Employees	25	10	5	2	3
Performance	Excellent	Good	Average	Poor	Very poor

3.3 showing graph



INTERPRETATION:

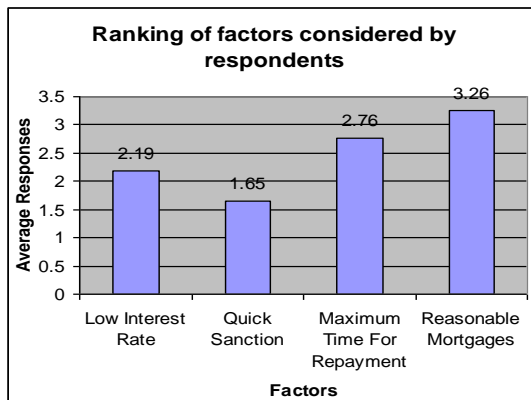
It has been investigated how highly the respondents regard Muthoot Finance's performance. You can tell how happy people are with the bank's performance by looking at the graph. This is measured on a scale from "excellent" (the highest possible score) to "very poor" (the lowest possible score).

From the data shown above, it is clear that 50% of respondents found J&K Bank's performance to be excellent, while 20% found it to be good, and 10% found it to be ordinary. The majority of respondents had low to extremely unfavourable opinions on it. What this demonstrates is that customers are generally pleased with the bank's service.

Table :3.4 .What are the Factors Which Are Considered while Applying for Loans and Ranking of these Factors by Respondents According to their Preferences?

Average responses	2.19	1.06	2.76	3.26
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Factors	Low interest rate	Quick sanction	Maximum time for repayment	Reasonable mortgages
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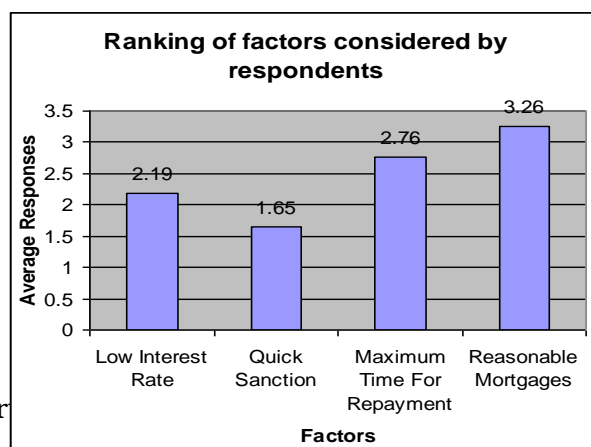
INTERPRETATION:

The aforementioned data demonstrates that speedy loan approval is more important than cheap interest rates. After Maximum period for repayment and reasonable mortgage, reasonable mortgage comes in at number four. The respondents clearly care a lot about being able to get loans quickly so they may make investments at the optimal times to maximize their earnings.

Customers' answers centered on these alternatives, despite the fact that the question was free-form. Therefore, I fashioned it in this fashion.

Table :3.5 .What are the Factors Which Are Considered while Applying for Loans and Ranking of these Factors by Respondents According to their Preferences?

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CONCLUSION:

The following experience of efficient microfinance tasks provides a few key instances. India will remain among the nations created and we should acknowledge the way that destitution easing and decrease of pay disparities, must be the first concern. In this scenery noteworthy increase made by SHG-Bank Linkage Programmed in inclusion of the country populace with monetary administrations offers a beam of trust. The paper advocates for the mainstreaming of impact assessment and the consolidation of neighborhood factors in assistance delivery in order to broaden the impact of the SHG Bank Linkage Program on the achievement of the Millennium Development Goals (MDGs) while not foregoing opportunities.

This study infers that microfinance can add to tackling the issue of deficient lodging and metropolitan administrations as a basic piece of neediness mitigation programmers. The difficulty is in finding the degree of adaptability in the credit instrument that could make it fit the various credit demands of the low-pay borrowers without working on the deplorably substantial price of watching end-use loan experts. An increasing arrangement is to supply multipurpose credits or composite credit for money age, and usage assistance.

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