



## FINANCIAL INCLUSION STATUS OF NON-BANKING FINANCE COMPANIES – MICRO FINANCE INSTITUTIONS (NBFC-MFIS) ECONOMIC EMPOWERMENT IN INDIA

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### KEYWORDS :

#### I. INTRODUCTION: INTRODUCTION

Microfinance in informal system was in vogue in India in the form of chit funds, etc., since time immemorial. It came into existence under formal system with the advent of cooperative movement in India in the beginning of the last century. The microfinance is primarily based on the principles of co-operation namely, mutual help, democratic functioning etc. Though, the co-operative movement was initially envisaged with unlimited liability and small size of societies consisting of homogenous groups, over the years in the quest for improving the viability of co-operatives, large societies with limited liabilities were organized. This apart, the evolution of State partnership in co-operatives with entrenched bureaucracy etc., distanced co-operative movement from the spirit of microfinance movement. The microfinance industry's loan portfolio stood at Rs.1.79 trillion in FY19, a growth of 40 per cent over the preceding fiscal year. Of this share of Non-Banking Financial Companies-Micro Finance Institutions (NBFC-MFI) was the highest at 68,156 crore, 38 per cent of the portfolio; banks came next with Rs.59,999 crore with a share of 34 per cent. NBFC-MFCs also have highest number of unique live customers and they top on parameters like the number of active loans, size of the portfolio and amounts. Economic empowerment as NBFC-MFI microfinance as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban areas enabling them to raise their income levels and improve living standards in India. Status of Micro Finance in India information from various sources on the sector has over the years come out as a credible document well received by policy makers as well as practitioners are availing loans from this microfinance institutions from as a group, take loan from the bank collectively, promote saving habit and develop self and community assets among themselves.

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In the process, India has become the fourth largest economy in the world. In the last two decades, a significant proportion of the population across the Country has reaped the benefits of this economic growth. They have become part of the global economy and market, and their lives have been transformed with all the comforts and luxuries of modern nascence. Apart from this burgeoning middle class in the Country, the economic growth seemed to have touched the lives of the poor also. According to the National Sample Survey results, the number of people living below poverty line has dramatically come down during the post economic reform era. People living Below Poverty Line (BPL) came down from 36 per cent in 1993-1994 (50th Round, NSSO) to 26 per cent in 1999-2000 (55th Round, NSSO). In the Eleventh Plan the target of reducing poverty ratio to 20 per cent by 2012 and 5 per cent by 2017. Poverty is characterized by the vulnerability, powerlessness and dependency as well as by lack of income. Collective organization and ownership of wealth-the capital fund and thus of a significant economic and social structure both address the psychological consequences of being poor and challenged the wider structures of society.

#### II. IMPACT OF ECONOMIC GROWTH IN NBFC-MFIS

The fruits of economic growth have not benefited everyone uniformly. Some are left behind and some others are not touched by the benefits of economic growth. It is proved globally that the so-called trickledown effect does not work in all the societies and India is no exception to this. There are various reasons for this uneven development in the society. Modern Economy is Technology driven and not labour-intensive. High volume of high quality goods and services are produced with fewer hands. In short, the modern economy is not generating much employment and sometimes it displaces and replaces labour with machines and tools. The period of 1999-2000 to 2017- 2018 saw rapid economic growth in the Country but it has not impacted on the unemployment problem of the Country. During this period, the unemployment rate remained almost same for rural males and decreased by just one percentage for urban male. On the other hand, unemployment among females increased by one percentage for both urban and rural females. One-third of the Country's population is still illiterate and the majorities are not educated up to the age of 15 years. Even among the educated, all do not have employable skills needed by the modern economy. Further, poverty is not uniformly spread in the Country. States like Orissa, Bihar and Madhya Pradesh have high level of poverty and the levels have not come down significantly in the post economic reform era.

It is also pertinent to understand that some of them are unable to be part of the economic reform and do not have the capacity to participate in the economic development process. Such groups need government intervention to ensure that they are not left behind in the development process and deprived of the benefits because they do not have the capacity to be part of the global economy. The government needs to develop safety nets for such groups and try to mainstream them in the development process. They need welfare measures in the form of poverty alleviation programmes to ensure that they survive, if not prosper, in this era of economic reform. Further, the poor are not a homogeneous population and their capacity to survive the economic reform varies from one group of poor to another. Especially, those who are below the poverty line or the poorest among the poor need more government help.

#### III. NON-BANKING FINANCE COMPANIES – MICRO FINANCE INSTITUTIONS

The microfinance industry's gross loan portfolio (GLP) stood at Rs 1,87,386 crore at the end of March, up 38 per cent year-on-year. The total number of microfinance accounts was 9.33 crore at the end of March 2019, showing a growth of 21.9 per cent, Microfinance Institutions Network (MFIN), an RBI-recognised self-regulatory organisation and industry association of the microfinance industry. Non-Banking Finance Company-Microfinance Institutions (NBFC-MFIs) hold the largest share of portfolio in micro-credit with the total loan outstanding of Rs 68,868 crore, which is 36.8 per cent of total micro-credit universe. As on March 31, 2019, aggregated GLP of NBFC-MFIs stood at Rs 68,207 crore, 47 per cent year-on-year growth compared to March 2018, said MFIN. In 2018-19, microfinance in India showed rapid, regionally-balanced and resilient growth.

Apart from the growth in loan size and loan accounts, the growth of the staff of NBFC-MFIs was also heartening at 34 per cent, now totalling to 1,04,973 people. MFIN members constitute 53 NBFC-MFIs and, collectively, they have disbursed 3.25 crore loans worth Rs.82,928 crore during 2018-19. Compared with the financial year 2017-18, there has been a year-on-year increase of 28 per cent in number of loans disbursed and 44 per cent in loan amount disbursed. In 2018-19, NBFC-MFIs received a total of Rs 35,759 crore in debt funding (from banks and other financial institutions). "This represents a growth of 63 per cent compared to 2017-18. Total equity grew by 42 per cent during the same period and is at Rs 14,206 crore. MFIN's current primary members consist of 53 NBFC-MFIs along with 38 associates including banks, small finance banks and NBFCs.

The Muthoot Finance has been recognised as one of the top 30 excellent workplaces in India by CNBC TV 18 and Skill Tree Global Knowledge Consortium. Our employee centric practices such as internal promotions to leadership roles, giving the employees ample opportunities for growth and development, encouraging innovation among others form a significant part of this recognition. With a global presence, 20 diversified divisions and a customer base of over 6 million, The Finance Group provides its employees with infinite growth opportunities. The Finance Group, which serves over 2 Lakh customers on a daily basis, is a multi-dimensional conglomerate and also one of the leading industry players to work with. With its wide scale of operations and overseas presence, not only offers boundless growth but also gives its employees a chance to work beyond Indian geographies. Today over 30,000 employees constitute the ever increasing group Family. The undying efforts and hard work of these employees have been instrumental in taking Group where it stands today. We believe in the simple dictum of "progressing with the people". To become the preferred choice of financial services partner for aspiring classes, meeting the full range of their credit requirements, and helping become a financially inclusive society where every citizen has ready access to formal channels of finance. Manappuram Finance Limited is dedicated to the mission of bringing convenience to people's lives and making their lives easier. We offer secured and unsecured credit to meet their varied financial needs from instant gold loans to microfinance, affordable home loans, vehicle finance and more. At Finance we value our reputation for integrity in our dealings, treat our customers with the utmost fairness. No matter what their economic status is, we offer everyone prompt and courteous service, with high levels of transparency. Micro credit continues to invest heavily in technology to enhance customer experience and drive efficiency in operations. NBFCs believe in tech-led innovations to deliver seamless and responsive financial services of ever greater value to customers.

**IV. WORK PARTICIPATION RATE AND EMPLOYMENT**

There is an old Sanskrit saying in India, Viz., 'Udyogam Purusha Lakshanam'. But in poor families like those of small and marginal farmers, agricultural labourers, where the two hands of husband are not sufficient to meet both the ends, women come out of homes and shoulder the responsibility along with their spouses. But in middle and high class societies women have been largely confined to their homes mainly due to social inhibitions. Even the level of economic production is likely to be higher, other things being equal, in a society where their life is not confined to domestic work.

Studies conducted by the M.S. Swaminathan Research Foundation have shown that most poor women work 18 hours a day. Of this, seven- eight hours go to economic activity, which fetches them a meager Rs.30-35. The remaining time is taken up in household chores and other activities such as collecting fodder and fetching water soon which do not have any

economic value. While the strenuous work of women in household and unorganized sectors largely goes economically unrecognized and unrewarded, the situation in organized sector is a different one. Most women do not get even entry into the employment in organized sector. In fact gross inequalities are manifest in gender-wise employment in organized sector in India. One consoling feature, as could be observed from the table, is that gender disparities in employment seemed to be gradually narrowing down over the years 1997, 2003 and 2018.

**Table-3.5 Gender wise employment in organized sector in India**

Year	Public Sector		Private Sector		Total	
	Male	Female	Male	Female	Male	Female
1997	86.06	13.94	78.02	21.09	83.53	16.42
2003	84.65	15.45	76.20	24.15	81.34	18.64
2018	85.10	19.24	76.09	29.20	87.40	26.35

Source: Govt. of India, Economic Survey 2018, P.S-42 www.eci2018.co.in.

This apart, top administrative and management, positions are largely controlled by males as well as professional and technical cadres. While in industrial countries women accounted for 48 per cent of administrators and managers, and 52 per cent of professional and technical workers, the corresponding figures for India were 6 per cent and 28 per cent respectively.

**V. DETERMINANTS OF ECONOMIC DEVELOPMENT**

Empirical evidence shows that women have important impetus for growth and development of an economy. They have strong ability to save and invest in their families and, thereby, to contribute in the development, especially, of the rural economy. When involvement of women in income generating activities takes place, economic development also takes place. Therefore, we assume that the economic development is a function of the involvement of women in income generating activities, and all factors that may affect the economic development are exogenous, and women have free access in income generating activities. Thus we identify two variables, 'Participation of women in income generating activities', and 'Economic development', and try to assess the impact of income generated by working women on economic development through following Econometric model.

$$Y_i = b_0 + b_1 x_i + e_i$$

Where  $Y_i$  is expenditure, which is poverty for economic development. If the rural areas experience economic development, the standard of living of rural people will increase, and increased amount of household expenditure will reflect higher level of economic development.

$$Y_t = B_0 + B_1 X_t + e_t$$

The variable  $X$  is the monetary income generated by the self-developed working women and is a proxy for income generating activities in selected rural areas. Thus the equation 1 measures the impact of income generating activities in the economic development of selected areas of Nellore district in Andhra Pradesh. Besides we also test the following model to assess how the income generated by rural women accelerates small savings, and thereby, contributes in economic development.

**VI. POVERTY ALLEVIATION**

Poverty is a State of Deprivation. In absolute terms it reflects the inability of an individual to satisfy certain basic minimum needs for a sustained, healthy and a reasonably productive life. Conceptually, any attempt at quantifying the incidence of

poverty in any population requires taking into account the level and pattern of an individual's personal consumption expenditure, as well as his access to social transfers and public provisioning.

However, it is not easy to measure the consumption shares of an individual in the publicly provided goods and services or the benefit he or she derives from the overall social contexts, for often it is not possible to price them or they are provided free of charge, even though it all adds up to the well-being of the concerned individual. In general, therefore, for identifying the poor one looks at the level of personal expenditure (or more) that enables the individual to satisfy a certain minimum consumption level. India has reduced its poverty rate to 12.4 per cent from the 2013-14 estimates of 20 per cent, according to new data released by World Bank, which identified rural electrification as an important driving factor for everything from greater rural spending to schooling for girls.

Against the earlier estimate of 269 million people living below the poverty line, according to government data, India now has 172 million people, although the World Bank revised the line upwards. The proportion of population not able to attain the specified level of expenditure is then segregated as poor. Planning Commission, Government of India, has been estimating the Head Count Ratio of the poor at State level, separately for rural and urban areas for over three decades.

It currently uses a minimum consumption expenditure, anchored in an average (food) energy adequacy norm of 2400 and 2100 kilo calories per capita per day to define State Specific Poverty Lines, separately for rural and urban areas. Poverty, like other macroeconomic variables such as unemployment, can be reduced by economic growth, but requires special programs. Agricultural research can make a contribution to this effort - a critical, albeit small, one. On the basis of the poverty line as defined by India's Planning Commission, more than three-quarters of the poor in India are in rural areas and the severity of poverty, as measured by poverty gap measures, is much greater in rural areas. Moreover, progress in overcoming poverty in rural areas has been slower in recent years, as the focus of economic policy has been shifting toward increased liberalization of the economy. In this way SHGs have an - built mechanism where emphasis has been given over capacity building of women through developing their dialoguing skills. An NBFC-MFI functions through its regular meetings, where members perform transactional activities and discuss over different related issues. This discussion among the group members is the means through which they give voice to their needs and it proves to be a platform for addressing their social and economic problems and enlightening their inner selves as well.

## CONCLUSION

The biological sex differences men and women bring with them in all known societies enormous cultural divisions. In fact women and men see their own lives, from the inside, very differently. Add to this, social institutions and attitudes everywhere divide up kinds of activity between the sexes and deprive women of their true role in society leading to denigration of intelligence, stifling of initiative and blocking of progress of man and women. This invariably gives rise to gender inequality. The gender inequalities build on each other; lower levels of female literacy and female labour force participation lead to significantly higher level of infant mortality and push up fertility levels. These in turn cement circular causal links with low literacy, low female labour force participation, low income and low status of women. Preventing women from participating in social, political and economic life hurts the people as a whole, not just women. Gender inequality is not only a social failure in itself; it also

leads to other social failures. Any attempt to improve the status of Indian women, any attempt to them wean away from the patriarchal bias, any attempt to undo the centuries of injustice meted out to the other half of the society, and aggressive movement towards women autonomy must necessarily carry an economic base. Short of this, it would only be a political platitude. Development is a long process. It has to pass through different stages. In the first stage, women should be trained to look into the situation from different perspectives and recognize the power relations that perpetuate their oppression. At this stage, the women share their feelings and experiences with one another and build a common vision and mission. In the second stage, the women try to change the situation by bringing about a change in the gender and social relations. In the third stage, the process of empowerment makes them more mature to realize the importance of collective action.

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