

PERFORMANCE OF MICROFINANCE THROUGH MFIs IN RAJASTHAN: AN ANALYTICAL STUDY

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Abstract

The microfinance sector in India has grown into a sustainable and profitable business model to serve low income groups whether they are rural community or urban poor. Micro financing through Self Help Groups is transforming the state of affairs of rural community not just economically but also through providing the required push for gender equality and other social benefits. In this paper, we will try to understand the current status Microfinance and its performance trend through MFIs. Thus, we will examine the trend in number of clients and loan amount distributed. The paper gives an outlook on the gross loan portfolio as well as number of bank branches in rural and urban and semi-urban area. The secondary data has been used in the paper from the annual reports released by NABARD and RBI. This paper focuses on the performance of Microfinance and its trend analysis in state of Rajasthan. The study has that there had been mixed trend in performance of microfinance in the state and there is scope of improvement in application of the policies and disbursement of the fund to the clients. Results had been showed with help of tables and graphs and findings are stated thereof.

Keywords: *Microfinance, Profitable Business Model, Self Help Groups, Loan Portfolio, Rural Dwellers, Outreach.*

Introduction

The concept of microfinance can be denoted as the requirements of financial services to the poor by using the means of savings and disbursement of loan. The microfinance in India is achieving increased momentum in incorporating social as well as economic factors and can lead to attain long term goals of eradicating poverty, women empowerment and financial inclusion of rural dwellers and very poor into financial mainstream. Thus, microfinance can be stated as the provision of financial services to the poor through deposit and credit. The rate at which India is growing is a positive indicator for sustainable development but immense potential for improvement exists. Limited or no access to finance and financial services are frequently referred as key reasons of poor people continuing to be in same circumstance. The Grameen model of Bangladesh was model developed by the Dr. Mohammad Yunus for eradicating poverty came up as innovative model which could help every developing economies fight poverty and in India's case even in both social and financial inclusion of women. As per the latest issue of Micrometer, NBFC-MFI (Non banking financial institutions- Microfinance Institutions) proportions 80% of the total microfinance industry excluding SHGs. RBI looks after the registration of those who seek the license to be registered as NBFC-MFI. In recent years many MFIs are seeking the NCFC status from RBI to get broader access to funding, including bank finance as well as get other extra benefits granted by NABARD in form of less regulation.

Definitions

The National Bank for Agriculture and Rural Development (NABARD, 1999) defines microfinance as, "the provision of thrift, credit and other financial services and products of very small amount to the

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