

**A systematic review of microfinance role in poverty alleviation
literature in India: direction for future research**

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1. BACKGROUND OF THE STUDY

In the developing timeframe of India, microfinance has evolved as a need-based program for Promoting inclusive growth by providing micro assistance to borrowers at the bottom of the economic pyramid to the so far neglected target groups (poor, women, deprived etc.) Study of Microfinance role is progressive field of research in the last two decades. Literature review on microfinance to understand what has been done and what can be done always drawn attention of the researchers. The aim of this paper is to shown a clear picture of a status or various Dimensions of microfinance over the last two decades. The study is based on 97 Research papers on microfinance published in last 17 years. These papers are identified from the publications regarding microfinance through a systematic search of electronic databases by focusing on the major keywords i.e., Poverty, Sustainability and India, from such field several sub-fields are emerged during the review. The objective of this review is to conclude the findings from the published literature which are focused in this field. Past literature suggests that microfinance is an effective approach for economic and social well-being but the fact is significant gap remains in this field of study which require detail research and publication attentions. Due to the major range of microfinance services as financial assistance, it is difficult to assess the impact, and very few studies have attempt to tried to assess its full impact, the present research attempts to shown the current trend and pattern of changes in microfinance in India over the period in last two decades.

2. OBJECTIVES OF THE STUDY

- i) To examine the trends and patterns of Microfinance in India.
- ii) To know the impact of microfinance institutions on poverty reduction.
- iii) To study the role of microfinance on social well-being.
- iv) To examine sustainable microfinance towards poverty alleviation might be viewed as complementary or a contradictory concept.

3. RESEARCH DESIGN

The research is descriptive research with qualitative in nature. In the work, qualitative research methods will be used to address the research questions and objectives. Multiple methods will allow different research objectives and questions to be fully explored. In the first phase, the conceptual research method will be adopted to get a detailed literature review and a deeper understanding of the subject. Further, studies will be carried out to understand the concept and past efforts that have been done in the concerned field and literature made available by past researchers to be study in detail. Supporting literature review will enable to strengthen the objectives of the study. The research will be conducted in with the consultation and in the proper guidance of the supervisor.

4. SOURCE OF DATA

The research into this area relies heavily on secondary data. Primary focus on research papers of google scholar and Scopus will be the major source. Data available in the form of annual reports of public and private sector industries, government policies of both central and state, will be a source of information and theoretical support. Further, books, articles from leading business journals, magazines, newspapers, social media and researches are done by past researchers will be an important source of secondary data collection. The result of the analysis is not necessarily to be a yes or a no, it may be a rethink the concept, followed by repeated analysis after changes have been made.

5. IMPLICATIONS FOR POLICY AND PRACTICE

This dissertation report of literature review paper has importance for both practitioners and academicians. Nascent and rural entrepreneurs can get motivation and find idea which helps in decision making and enhance their knowledge in conducting activities. Educators of microfinance can use this review to provide their student manifestation of microfinance. Policy makers can find relevant area where there is need to improve policy implementation. Policy framework need to be designed keeping in mind the various elements of micro finance.

6. DIMENSIONS OF MICROFINANCE

The study identified the sub-theme that has emerged after detail systematic literature review of all the paper related to role of microfinance in India. The sub themes provide a clear picture of what microfinance done this field in detail individually. It also highlight research gap that need to be studied for future direction. Sub heads emerged from the theme Microfinance were women empowerment 15 paper (in which detail discuss of their various dimensions i.e., Economic independence, Supply of credit to women, Family violence, Household gender equity, Assets Position, Socio-emotional well-being and Exploitation of women were point out), self- help group 4 paper (SHGs bank linkage program, Regional disparity, Federation of SHGs), Financial inclusion 8 paper, Andhra Pradesh Crises 6 paper, Sustainability 5 paper, Microfinance in India 32 paper (economic growth and development, issue and challenges, performance and sustainability, productivity and efficiency) and poverty 27 paper detailed study and concluding the result on that basis.



7. LIMITATIONS

This study had its some limitations :

- Few papers might be left from the review by default.
- Only the Google Scholar and Scopus paper were used for the review.
- The search was limited to English language articles only due to researcher own knowledge of other language.

8. FINDING

- Remarkable social upliftment, poor coming out from social stigmas & traditional issues.
- Increased literacy, average personal income increased and enhanced self-reliance.
- Survival were not affected by passage of time. group failure due to personal conflict and leadership failure
- Small share of credit disbursed to the rural poor.
- Regional disparity in distribution of banking facilities exist, supremacy of southern region on all count.
- Sustainability of SHGs is in suspect, sustainability is possible only if groups were having complete managerial control, financially and institutionally more graduated.
- federation of SHGs bank-linkage programs efficient to gain economic of scale, reducing transportation on cost, promotional cost, enhance empowerment, Obtained value added services etc.
- Number of participation of women in a group increase with enhancing level of education, participants age and with the size of production, which results economically upliftment of members of group.
- Significant growth of participation of members in development programmes, fertility rates, female literacy and economic independence are evident.
- Participants of group are able to raise their voice against violence and exploitation. education, skill and training to participants of group enhance their overall personality by enable participants in household financial decision-making, higher their income level, higher employment rate.

- Need to explicitly design program in order to empower women.
- Participants as a part of group activities enhancing their basic skills like doing basic arithmetic's, able to write their name, filling bank forms, maintaining and understanding financial records as well as passbook entries. Women participants attain greater self-respect and build up self-confidence among them.
- Age of group, credit access, savings and timely repayment had a direct relation with sustainability of groups.
- Corrupt and incompetent local staff, need to build integrated model for long term viability of a group. greater transparency about financial performance must be required.
- Found that Andhra Pradesh crisis not only due to over-indebtedness and extreme lending's, it's a fault of complete ecosystem from rich investors to poor's.
- Challenges faced by the micro finance sectors were limited funds or services for the poor are available, difficult for MFIs to identify the depth of outreach to poor's, ensure reporting and quality services for transparency, face problem to maintain liquidating of funds and overlapping of membership of clients.
- Institutions failed to deliver finance to the poor members at time when they demanded, even the outreach to avail the micro-finance is too small. This put question on the viability of MFIs, so need to put all dimensional efforts to able MFIs to tackle sustainability and outreach issues.
- The reason behind the delay in repayment of loan i.e., Due to more children/ dependents in the family, double dipping of loan, insufficiency of income to maintain their standard of living.

9. SUGGESTIONS

- To available funds in a more productive way to attain SHGs sustainability for passage of time.
- There should be at least one educated member in a group to control financial activities.
- Need to introduce highly effective programs to support self-help group members by improving their financial and social status.
- Need to introduce more efficient financing system to effectively run the micro finance programs on time.

- Need to provide training, proper guidance, skill and knowledge to the group members of the self- help group.
- Size of amount of Loan and savings should be expected to grow.
- Need to reduce the regional disparity among the regions in distribution of banking facilities.
- Borrow money from traditional mode, lenders charges high interest rate on that amount to avoid this number of micro-financing institutions setup in recent year. MFIs is introduce income generation, good health and education to poor members and their dependents.

10. CONCLUSION

On the basis of past literature review it is concluded that for the sustainability of MFIs to support SHGs need to more focus on the potential capital structure. It need to show the potential of bringing positive change in the aspects of social and capability well-being and also to evaluate adding the well-being dimensions make impact on the microfinance a more robust exercise. Only some of the predatory practices in the field of microfinance highlighted positive as well as negative impact of the financial service. It is concluded on the bases of literature study that microfinance does not alone enough to reduce poverty and provide sustainability alone. Once the institutions achieve the sustainable growth, it results increase in annual income, consumption level, reduce the wastage of funds etc. growth and sustainability leads to reduce global poverty. The growth is the combined result of action of government, donors, NGOs, and effort of market forces for poverty alleviation. Financial assistance enable poor to stand on their own feet by setup their self-business, smoothing their consumption, risk management capacity, increase in income level and upgradation of quality life leads to economic growth. Still it take some time to fulfill the expectation to reach at highly less poverty and this will done through carefully managed and implemented the program, required to meet the need of the poor, need to put effort towards strengthening groups, capacity building. A member of self- help group who were trained, having skilled knowledge were get faster progress in their productive or an operational

activities rather than members having no knowledge to work, for this there should be at least one educated member in the each self- help group to deal with financial activities or to guide the group to work in a productive way. Micro financial institutions should follow a uniform channel to distribute fund and services to several regions of India, regional disparity at the time to distribute funds should be neglected also need to ensure is the use of funds in the right hand or not. Provide microfinance to self-help groups is not the solution to reduce poverty also required knowledge, skill, training to work, better banking connectivity of SHGs, infrastructure facilities to empower SHGs. But the result concluding that microfinance enhance to reducing the poverty but need to developed effective policy that results the sustainable development and expansion of the microfinance sector.

Moreover, Micro financial institutions should be efforts towards its sustainability by minimizing their losses or bad debts in order to attain sustainable growth. Government need to innovate their strategies or institutional capital structure to secure the sustainability of members in self- help group