

# Impact Of Microfinance On The Socio - Economic Development In Chennai, India - An Empirical Study

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## **ABSTRACT**

This paper analyses the impact of microfinance on the standard of living and the socio-economic development of the clients of microfinance living in the urban district of Chennai. It takes into consideration the effect of microfinance on the level of income, savings, entrepreneurial activity and the rate of interest charged by the moneylenders in this district. The statistical tool of Chi-square test has been used in order to determine whether the impact of microfinance on the recipients of microfinance is significant or not.

## **SECTION - I MICROFINANCE - AN INTRODUCTION**

In the past decades microfinance has received a lot of attention both from policy makers as well as in academic circles as it has been considered as an important and effective tool to combat the widely rampant poverty in the world.

Micro credit has been introduced by Muhammad Yunus, a Bangladesh banker and economist. He introduced the Grameen bank system of group lending which has become highly popular due to the relative absence of interest and subsidies in micro credit/finance programme, the high repayment performance deriving from the adoption of appropriate lending technologies and peer monitoring mechanism, as well as the reduced transmission costs to lenders have earned micro credit accolades globally as a market-based, finance led solution to the problem of poverty and development.

To support the view that micro finance can be an important tool to combat poverty, the United Nations declared 2005 to be the “International Year of Micro Credit”. Recently, the attention for micro finance and its rate in reducing poverty was further increased when Mohammad Yunus received the Nobel Prize.

## **OBJECTIVES OF THE STUDY**

The following are the objectives of the study:

- To analyze the relationship between micro credit and the interest rates charged by moneylenders.
- To analyze the effect of microfinance on the entrepreneurial activity of the clients of microfinance.
- To determine whether the loan amount is being used in a productive manner that yields income to the clients.
- To determine whether microfinance has any impact on the level of savings of the people.

## **AREA OF THE STUDY**

This study has been carried out on the clients of microfinance belonging to various institutions dealing in microfinance. The urban district of Chennai has been selected for the study.

## **PERIOD OF STUDY**

The period of the study spanned from November 8<sup>th</sup>, 2019 to February 4<sup>th</sup>, 2020 for a total period of 3 months.

## HYPOTHESES

**H01**→There is no change in the income level in Chennai district after availing micro finance facilities.

**H02**→There is no change in the working pattern in Chennai district after availing micro finance facilities.

**H03**→There is no change in the number of clients who save before and after microfinance in Chennai.

## SCOPE OF THE STUDY

The scope of the study is limited to finding out the effect of microfinance on the lives of the clients of micro finance in the urban district of Chennai, Tamilnadu.

## SECTION - 2 RESEARCH DESIGN OF THE STUDY

This section presents the design of the study, which includes the sources of data and the methodology of the study.

### SOURCES OF DATA

Primary sources of data/ information have been used by the researcher in order to conduct the study. The sources of information are:

- The questionnaires which were filled in by the researcher through interviewing 631 respondents from Chennai district belonging to 3 different MFIs (microfinance institutions) namely :
  1. Equitas
  2. DPG (Development Promoters Group)
  3. Asirvad
- Direct interviews from:
  1. Mr. A. Ramanathan, CGM (Retd.), Micro Credit Innovation Department, NABARD, Mumbai.
  2. Mr. R.M. Nair, General Manager, Chennai Micro Finance Branch Office, SIDBI, Chennai.

3. Mrs. Shanti Joshua, NABARD Regional office, Chennai.
4. Mr. Chandra Shekhar Ghosh, MD, BANDHAN, Kolkata.
5. Mr. Raghavender Anand, CEO, Asirvad Micro finance institution, Chennai.

## RESEARCH DESIGN AND METHODOLOGY

The methodology chosen by the researcher was systematic random sampling. A questionnaire was designed and administered to capture data and responses on various parameters in accordance with the objectives stated.

The study is mainly focused on micro finance and its impact on the clients of microfinance. For this, basically a descriptive cross sectional analysis research was adopted.

To test the statistical significance regarding changes accrued in the income level, working pattern of the clients and savings of microfinance clients, the statistical tool of chi square test had been used and accordingly null hypotheses that were developed were either accepted or rejected.

The field survey undertaken was designed for collecting the data related to the clients of microfinance. In the process of the study, observation and field visits were done on the women who were clients of microfinance in the urban district of Chennai, Tamilnadu.

### SAMPLE SELECTION

The researcher used random sampling (lottery method) to select the names of the institutions dealing in microfinance for the urban district of Chennai. The researcher wrote the names of these institutions on small slips of paper and selected 3 institutions out of these by lottery method.

However, once the names of the institutions had been selected for Chennai district, the areas within the district in which the researcher is going to conduct the study has been selected and these are based on the spread of the areas within the district. Areas which are widespread has been generally chosen. Once an area has been covered by the researcher while collecting data from clients belonging to one MFI, that particular area has been avoided when collecting data from the clients

belonging to another MFI as in some areas, more than one MFI tends to function in the same area and hence, a single respondent might be the member of more than one group.

The respondents also have been chosen by the method of systematic random sampling as the researcher had access to the registers maintained by the institutions which are dealing in micro finance.

### SECTION – 3

### ANALYSIS & INTERPRETATION

Under Section 3, the data collected through the method of personal interview were analyzed and interpreted. The following seven parameters were chosen for the purpose of this study:

- Income levels of the respondents before and after microfinance.
- Expenditure pattern of microfinance clients.
- Usage of loan.
- Source of finance before microfinance.
- Working pattern of the clients.
- Level of savings.
- Rate of Interest.

#### Parameter - 1 INCOME LEVELS OF THE RESPONDENTS BEFORE & AFTER MICROFINANCE

The following tables give the income levels of the respondents in the district of Chennai.

#### CHENNAI DISTRICT– INCOME BEFORE MICROFINANCE

This table gives us the income level of the people in Chennai district before microfinance.

NAME /INCOME	None	1000-5000	5000-10000	10000 & above
Equitas	30	94	78	10
DPG	65	117	22	1
Asirvad	31	115	64	4
TOTAL	126	326	154	15

#### CHENNAI DISTRICT – INCOME AFTER MICROFINANCE

This table gives us the income level of the people in Chennai after microfinance.

NAME /INCOME	None	1000-5000	5000-10000	10000 & above
Equitas	30	94	78	10
DPG	65	117	22	1
Asirvad	31	115	64	4
TOTAL	126	326	154	15

Source: compiled from the primary survey data, 2020.

By observing the above two tables, it is crystal clear that there is a shift of people belonging to the low-income category to a high-income level category. There is also a dramatic reduction in the number of unemployed persons as many of them have entered into self-employment schemes.

### TEST OF HYPOTHESIS I

H01→There is no change in the income level in Chennai district after availing micro finance facilities.

#### CHI- SQUARE TEST ON THE INCOME LEVEL OF THE CLIENTS IN CHENNAI DISTRICT

CHENNAI DISTRICT– INCOME	Before	After
None	61%	20%
1000-5000	27%	52%
5000-10000	12%	26%
Above 10000	0%	2%
TOTAL	100%	100%

#### RESULT OF CHI SQUARE TEST FOR HYPOTHESIS I

The change in the income level in Chennai district is confirmed by the statistical test. The calculated chi-square value before and after the programme for the income level in Chennai district is 35.72, which is higher than the table value (7.815). It means that the null hypothesis is rejected and alternative hypothesis is accepted. It shows that there is a significant change in the income level of the people in Chennai district after availing micro finance facilities.

#### Parameter - 2 EXPENDITURE PATTERN OF MICROFINANCE CLIENTS

#### EXPENDITURE PATTERN OF MICROFINANCE CLIENTS IN CHENNAI DISTRICT

The following table gives us the expenditure pattern of the respondents in Chennai district.

Name/ Expenditure	Education	Medical	Rent	Marriages & Family Function	Household expenditure
Equitas	63	27	89	23	11
DPG	90	33	57	16	19
Asirvad	128	33	84	80	16
Total	281	93	230	119	46

**Source: compiled from the primary survey data, 2020.**

From the above two tables, it is clear that in Chennai, education is given more priority as more number of respondents are spending on education in this area. However, the percentage of expenditure on education is less than 50%. This is because around 30% of the members belong to the age category of 40-59 years. Hence, these people do not have any necessity to spend on education.

The medical expenditure is observed to be less. This is because of the lack of health awareness among the respondents.

In Chennai district, most of the clients of microfinance have migrated from other places and hence they do not own a house in Chennai. As a result of this, a very high number of clients live in rented houses. They need to spend on rent and hence, rent happens to be an integral part of their expenditure pattern.

### Parameter - 3 USAGE OF LOAN

In this area, the researcher wants to find out to what purpose has been the loan amount taken from providers of microfinance has been used for.

### USAGE OF LOAN

Name/Use	Repayment	Education	Business	Business improvement	Medical	House hold expenditure	Marriage & Family function
Equitas	38	49	138	58	8	28	26
DPG	48	83	40	11	23	50	27
Asirvad	14	18	140	75	5	8	4
Total	100	150	308	144	36	86	57

**Source: compiled from the primary survey data, 2020**

The above table shows us that the majority of the respondents in Chennai have put the loan to good use by investing the loan amount in entrepreneurial ventures. The second highest number of clients used the loan amount for the education expenses of their children by paying for uniforms, books, school fees etc. The third highest number of respondents used the loan amount to improve their existing businesses by investing in capital goods for better productivity.

In one of the earlier tables dealing with the income expenditure of the clients of urban micro finance, we have noticed that a very high number of respondents spend their income on marriages and functions. However, it is really interesting to note that the loan amount has been put to good use by the clients of micro finance in Chennai as the majority of them have invested the loan amount received by them to either start new business ventures or to improve the existing ones.

Repayment of existing loans taken from exploitative money lenders is another good purpose for which the loan has been used for. This frees these people from the clutches of money lenders and hence, they are free from previous debts taken by them at exorbitant rates of interest.

Household expenditure and medical expenditure are some of the other purposes for which the loan amount has been used for by the urban clients.

### Parameter - 4 SOURCE OF FINANCE BEFORE MICROFINANCE

This section determines the major sources of finance for the clients in Chennai district before they became the clients of micro finance.

### SOURCE OF FINANCE

Name/Source	Money Lender	Marwaris	None	Advance
Equitas	58	144	26	38
DPG	139	69	25	11
Asirvad	122	88	44	31
Total	319	301	95	80

**Source: compiled from the primary survey data, 2020.**

From the above table, it is clear that money lenders had been the major source of finance for the respondents in Chennai before they became the clients of micro finance loans. They used to borrow money from money lenders at exorbitant rates of interest thus resulting in the money lenders exploiting the urban poor.

The second highest number of respondents used to go to Marwaris in order to pledge their belongings and thus take money. Some of the respondents expressed that they ended up losing their belongings as they were unable to repay back the money which was borrowed through keeping their belongings as security.

The third highest number of clients responded that they do not borrow money from any one irrespective of whatever difficulty they were and are facing as they are skeptical about borrowing money at exorbitant rates of interest and which would be difficult or even impossible to repay and thus they have a firm belief that borrowed money is bad for them as it will result in trapping them in a debt cycle from which it would be difficult to break. They would rather starve than borrowing money from others.

The fourth category which constitutes the least number of respondents is basically people who work as house maids in various houses in the urban district. They said that if they needed money, then they would persuade their employers to give them money before hand and ask them to adjust that amount in their monthly salary given to them by their employers. These people are of the opinion that this is the best source of money as there are no interest rates involved in this process.

Some respondents take money from various sources simultaneously.

#### Parameter - 5 WORKING PATTERN OF THE CLIENTS

#### WORKING PATTERN OF THE CLIENTS BEFORE AND AFTER MICROFINANCE

Name/Status of employment	BEFORE MICROFINANCE			AFTER MICROFINANCE		
	Not Working	Working	Entrepreneurs	Not working	Working	Entrepreneurs
Equitas	146	26	40	30	16	166
DPG	102	91	12	65	88	52
Asirvad	130	13	71	31	12	171
Total	378	130	123	126	116	389

Source: compiled from the primary survey data, 2020.

From the above table, we can see that before micro finance, the number of people who were not working was very high and that after micro finance, this number has reduced by more than 50%. It is interesting to observe that the number of people who were not working has reduced drastically as more number of people has started working and that the number of entrepreneurs has increased dramatically from just 123 members before micro finance to 389 members after micro finance.

#### TEST OF HYPOTHESIS 2

**H02→There is no change in the working pattern in Chennai district after availing micro finance facilities.**

#### CHI - SQUARE TEST ON THE WORKING PATTERN OF CLIENTS IN CHENNAI DISTRICT

CHENNAI DISTRICT – WORKING PATTERN	Before	After
Not Working	60%	20%
Working	21%	18%
Entrepreneur	19%	62%
TOTAL	100%	100%

Source: compiled from the primary survey data, 2020.

#### RESULT OF CHI SQUARE TEST FOR HYPOTHESIS 2

The change was also confirmed by the statistical test. The calculated chi-square value before and after the program in working pattern of urban district was 42.84, which is higher than the table value (5.991). It means that the null hypothesis is rejected and alternative hypothesis is accepted. It shows that there is a significant change in working pattern after availing micro finance facilities.

#### Parameter - 6 SAVINGS LEVEL

#### SAVINGS OF MICROFINANCE CLIENTS

SAVINGS	Before Microfinance		After Microfinance	
	Not saving	Saving	Not saving	Saving
Equitas	192	20	0	212
DPG	197	8	0	205
Asirvad	202	12	138	76
TOTAL	591	40	138	493

Source: compiled from the primary survey data, 2020.

The above table shows us the number of persons who are saving money in Chennai before and after microfinance. By observing the above table, it can be observed that prior to becoming the clients of microfinance, the number of people who were saving is just 40 out of 631. It can be clearly observed that the number of people who were saving is very less.

When we observe the savings situation after microfinance, we can observe that out of the total sample size of 631 members, 493 members have started saving money.

#### TEST OF HYPOTHESIS 3

**H03→There is no change in the number of clients who save before and after microfinance in Chennai.**

### **CHI- SQUARE TEST ON THE NUMBER OF CLIENTS SAVING IN CHENNAI**

SAVINGS (No. of persons)	BEFORE	AFTER
Not saving	94%	22%
Saving	6%	78%
Total	100%	100%

### **RESULT OF CHI SQUARE TEST FOR HYPOTHESIS 3**

The change in the saving pattern in Chennai after availing microfinance facilities has been confirmed by the statistical test. The calculated chi-square value before and after the programme on the number of people saving is 106.4, which is higher than the table value (3.841). It means that the null hypothesis is rejected and alternative hypothesis is accepted. It shows that there is a significant change in the number of people saving in the urban district after availing micro finance facilities.

#### **Parameter - 7 RATE OF INTEREST**

This section shows whether there are any differences in the rate of interest charged by money lenders before and after micro finance in the urban district of Chennai.

Rate of interest	Chennai
Before Microfinance	8 - 10%
After Microfinance	8 - 10%

**Source: compiled from the primary survey data, 2020.**

By observing the above table, it is clear that microfinance has not affected the rate of interest being charged by the moneylenders in any way. The rate of interest being charged by the money lenders continues to remain the same both before and after microfinance. Hence, we can conclude from the above table that microfinance did not have any influence on the rate of interest charged by the money lenders in Chennai district. This is because of the fact that there is a gap between the supply of and the demand for loans in Chennai and the institutions providing microfinance are not able to bridge the gap and hence, the onslaught of microfinance has not brought about any difference in the rate of interest charged by moneylenders as the demand for loans has not decreased and still a

lot of people who are outside microfinance continue to go to moneylenders if they require immediate loans.

However, during the process of data collection, it was observed by the researcher that many of the clients of microfinance do not borrow from moneylenders as the SHG (Self help group) in which they are part of comes to their rescue whenever they require loans. Many of the clients of microfinance repaid their earlier loans which they took from moneylenders using the loan amount which they got through micro finance.

## **SECTION – 4 MAJOR FINDINGS, SUGGESTIONS AND CONCLUSION**

### **SALIENT FINDINGS OF THE STUDY**

- It has been observed that there is a shift of people belonging to the low income category to a high income level category. There is also a dramatic reduction in the number of unemployed persons as many of them have entered into self-employment schemes.
- The change in the income level is **confirmed by the statistical test. The calculated chi-square value before and after the programme for the income level is 35.72, which is higher than the table value (7.815).** It means that the **null hypothesis is rejected and alternative hypothesis is accepted.** It shows that there is a significant change in the income level of the people in the urban district after availing micro finance facilities.
- It has been observed that before micro finance, the number of people who were not working was very high and that after micro finance, this number has reduced by more than 50%. It is interesting to observe that the number of people who were not working has reduced drastically as more number of people have started working and that the number of entrepreneurs has increased dramatically from just 123 members before micro finance to 389 members after micro finance.
- The change in the working pattern was also confirmed by the statistical test. The calculated chi-square value before and after the

programme on the working pattern was **42.84**, which is higher than the table value (**5.991**). It means that the **null hypothesis is rejected and alternative hypothesis is accepted**. It shows that **there is a significant change in the working pattern of microfinance clients after availing micro finance facilities**

- Prior to becoming the clients of microfinance, the number of people who were saving is just 40 out of 631. It can be clearly observed that the number of people who were saving is very less.
- When we observe the savings situation after microfinance, we can observe that out of the total sample size of 631 members, 493 members have started saving money.
- **The change in the saving pattern has been confirmed by the statistical test. The calculated chi-square value before and after the programme on the number of people saving is 106.4, which is higher than the table value (3.841). It shows that the null hypothesis is rejected and alternative hypothesis is accepted. It shows that there is a significant change in the number of people saving after availing micro finance facilities.**
- Microfinance has definitely rescued the poor people from the clutches of greedy moneylenders and marwaris who charge exorbitant rates of interest and thus exploit the poor people. The majority of the clients interviewed for the study responded that after becoming a client of microfinance, they have stopped going to moneylenders and marwaris. Many of the clients have actually used their loan amount taken from microfinance to repay back the loans they have taken from moneylenders. However, It has been observed that microfinance has not shown any impact on the rate of interest charged by the moneylenders in Chennai as the interest rate remained at 8-10% both before and after microfinance.
- Microfinance has led to a definite increase in the standard of living and confidence of its clients and after becoming a client of microfinance, many of these clients have experienced an increased respect and higher importance being given to them at their respective homes as they are contributing productively to the household income and are capable of bringing in additional finance to the family when needed.
- Microfinance has made financial inclusion of the poor people possible whereas previously, these very same people were considered as “unbankable” by the formal banking sector and hence were not considered for credit facilities.
- Microfinance has also given a lot of confidence to the women who have become the clients of microfinance as it enables them to gain confidence in various aspects like maintaining accounts, arranging and organizing meetings for their groups, inculcating leadership qualities etc. All this is being possible because of through increased social interaction and exposure they are getting by being a client of microfinance whereas prior to becoming a client of microfinance, their activities and interaction were limited to their respective houses.

## EXTERNALITIES WITNESSED DUE TO MICROFINANCE

### POSITIVE EXTERNALITIES

Financial inclusion of the poor people has been made possible whereas previously, these very same people were considered as “unbankable” by the formal banking sector due to their inability to provide collateral and hence were not considered for credit facilities by the commercial banks.

As MFIs are in a position to have a greater outreach, they are able to provide access of financial products to a large number of people when compared with the formal commercial banks. Microfinance has led to a definite increase in the standard of living and confidence of its clients and after becoming a client of microfinance, many have experienced an increased respect and importance being given to them by their families as they are contributing productively to the household income and are capable of bringing in additional finance to the family as and when needed. These women have also become adept in taking initiative, setting up entrepreneurial ventures, organizing group activities and meetings, maintaining accounts and records, inculcating leadership qualities etc. All this is being possible through the increased social interaction and exposure they are getting by being a client of microfinance whereas prior to becoming a client of microfinance, their activities and

interaction were limited to their respective houses/kitchens.

Dependence of the poor people on moneylenders has reduced. The poor people used to depend mostly on the moneylenders for their financial requirements and in the process get exploited by them. However, after the onslaught of microfinance, there is a great reduction in the number of people approaching moneylenders for loans.

Due to the increased income levels as well as income stabilization experienced by the recipients of microfinance, it has been observed that more and more children are being sent to schools and this has got a direct bearing on the reduction in the levels of child labor and the promotion of education.

Microfinance has led to the empowerment of women not only in India, but also across the world.

## NEGATIVE EXTERNALITIES

Most of the microfinance institutions are based on a “target oriented approach” and are in search of high profits and high growth rates in order to attract a higher rate of private equity. Hence, they have forsaken their social mission in order to quickly gain market share among poor borrowers, leading to multiple lending practices, over-indebtedness among poor, abusive collection practices and unproductive usage of loans.

We can notice a transition of the microfinance clients from being “risk averters” to “risk lovers” and the unhealthy lending practices which are being followed by the MFIs are leading to the microfinance clients getting addicted to more and more debt with disregard to their repayment abilities as they take debt from multiple sources.

## SUGGESTIONS

However, there are a few aspects noticed during the study which when properly dealt with would definitely help in making microfinance a much more effective tool in reducing poverty.

- Microfinance helps in alleviating poverty and has made financial inclusion of the poor people possible. But even the microfinance sector is excluding and ignoring a section of poor people

who are informally known as “ultra poor” in the microfinance circles. These people are extremely poor and are nomads and slum dwellers. They do not have a permanent residence and hence they are not accepted by microfinance institutions as clients. This has been noticed during the course of the study. Hence, suitable schemes should be evolved thus making the “financial inclusion of all” a reality.

- Many of the respondents said that at present, the cost of education is extremely high and that their entire loan amount from microfinance is being spent on educational expenses like the payment of school fees, uniforms, books etc., for their children and that this is preventing them from investing in entrepreneurial ventures. Hence, it would be extremely beneficial for them if a separate loan for education can be provided by the various institutions dealing in microfinance thus enabling them to set up entrepreneurial ventures.
- It has been noticed that the microfinance institutions are extremely rigid in the aspects of their clients meeting the set deadlines for the repayment of loans and that this sometimes exerts tremendous pressure on the clients. It would be better if the microfinance institutions are a little flexible in their approach with regard to their deadlines regarding the weekly/ fortnightly repayment of installments.
- Microfinance is being effective mainly in the Southern states of India whereas in the other parts of the country, the benefits of microfinance are not being enjoyed by poor people due to the political turmoil present in these states.
- Microfinance has reached only a tiny fraction of the population in Chennai. A huge demand and supply mismatch in the provision of microfinance services has been observed by the researcher during the course of the study in the district selected. If proper steps are taken to meet the huge demand for microfinance services, then a larger number of people can benefit from microfinance. The government should create a conducive environment to develop micro-finance services and encourage the provision of microfinance facilities.

- Savings are not being promoted by all the microfinance institutions. It has been noticed during the course of the study that some microfinance institutions promote micro savings and that the clients of these microfinance institutions who promote savings are much more secure in the knowledge that they have their own savings to fall back on in times of crisis. It is recommended that all the institutions dealing in microfinance should encourage and promote savings.

## **SUSTAINABLE MICROFINANCE IN INDIA**

There is a wide spread criticism as to whether microfinance is sustainable because the agencies dole out only small sums of money for short periods of time and hence they are more likely to finance consumption and low level investments rather than promote sustainable development objectives.

Microfinance institutions themselves might increasingly reach financial self sustainability and attract private capital flows to their mission of poverty alleviation. Private financial flows are attractive for obvious reasons. Private flows instead of government flows mean donor governments are spending less on development aid and the MFIs would not need to rely on fickle donors. Private capital flows dwarf development assistance, and steering some of these flows to the service of microfinance for the poor could make a real difference for millions of households. Moreover, relying on private flows of capital will put greater pressure on MFIs to provide greater transparency and to become more efficient in their operations, which in turn, would be beneficial to donors, the institutions and the borrowers.

MFIs have demonstrated that it is possible to serve poor clients, operate in a financially sound manner, and reach scale. The Microfinance Information Exchange, which tracks performance for about 150 MFIs, has found that about forty percent of the institutions it tracks are financially self sufficient, and many others are nearly so. Financial self sustainability does not seem to be confined to a particular lending strategy, region, or poverty status of the borrower base. Moreover, microfinance programs are increasingly being linked to remittances from abroad as a development strategy. Given the large size of

these flows, which account for a significant part of gross domestic product in some developing countries, remittances may become an important source of capital for microfinance institutions.

While there is enormous progress in this regard, reaching financial self sustainability and scale has proved elusive for many microfinance institutions, and even those that are self sustaining have required significant donor support. This is not surprising because even with high repayment rates, the transaction costs in lending small amounts to lots of poor borrowers are significantly high. Moreover, even if self sufficiency can be realized, private flows can have dangers too. They can flow out, as well as in. Still, the drive towards financial self sustainability can help improve the efficiency, discipline, and transparency of microfinance institutions, all to the good, even if the industry as a whole does not reach financial self sufficiency and always require donor funding. Financial self sustainability is the best case scenario.

## **CONCLUSION**

The advent of microfinance has brought about tremendous changes in the outlook of financial institutions with regard to their opinion on the “creditworthiness” of the poor and it has also proved that the poor are not “unbankable” and that their repayment rate is much higher than that of the repayment rate recorded in the formal banking sector.

The researcher finds that the provision of micro-finance is without doubt, a step towards socio-economic development. There is no doubt that micro-finance contributes significantly to the success of SHG members in improving their economic and social welfare. They utilize the funds in a productive manner and hence generate profits in a sizable manner, after meeting their regular expenses and loan repayment needs. Most of the microfinance clients covered in this research are first generation entrepreneurs. Yet they do the business with reasonable economic sense which is contributing significantly to their socio economic improvement. Micro finance helps in increasing their self confidence and thereby they become socially empowered.

To conclude, this sample study on micro-finance reveals that the provision of micro-finance to poor

people plays an important role in the growth and development of the people below the poverty line. There is sufficient empirical evidence to say that there are significant socio-economic benefits experienced by the clients of microfinance due to the provision of micro finance.

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