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# "Micro - Finance in India"

**Context** The Financial Services Secretary recently emphasized need for responsible lending practices by Microfinance Institutions (MFIs) during a recent conference organized by Sa-Dhan, the national body of MFTs.

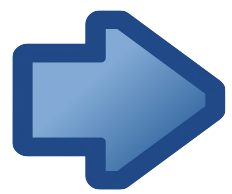


## Microfinance in India

➔ Microfinance refers to financial services provided to low income individuals, small-scale entrepreneurs and micro-enterprises.

### MICROFINANCE Salient Features of Microfinance





Share of women borrowers : 99%

Top states : Tamil Nadu, West Bengal and Bihar.

Average loan size : ₹ 35000.

Total loan portfolio : ₹ 2.05 lakh crore in 2023

Number of MFI borrowers : 5.8 crore

## Evolution of Microfinance in India

1970s

Self Help Groups (SHGs) movement inspired by Grameen Bank Model in Bangladesh, initiated by Muhammad Yunus.

1992

NABARD's SHG - Bank linkage Programme.

2000s

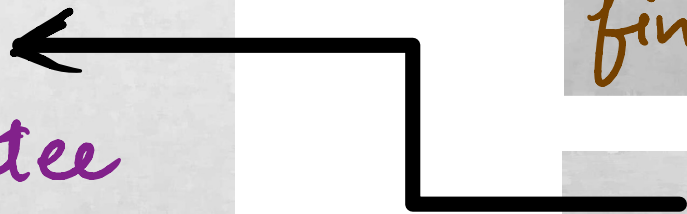
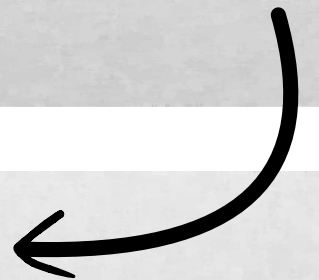
Emergence of Non-Banking Financial Companies - Micro finance Institutions (NBFC-MFIs).

2011

The Malegam Committee formed to study issues faced by MFIs.

2009

Establishment of MFI Network (MFIN)



## Types of MFIs in India

- **Self-Help Groups (SHGs)**  
Informal group of 10-20 individuals who save and provide loans to members.
- **Joint Liability Groups (JLGs)**  
4-10 individuals who mutually guarantee each other's loans often for agricultural purposes.
- **Non-governmental Organizations**  
Registered under various acts, focused on social development and providing microcredit.
- **NBFC-MFIs** : regulated by RBI, constitute about 80% of microfinance market; loans sourced from banks.

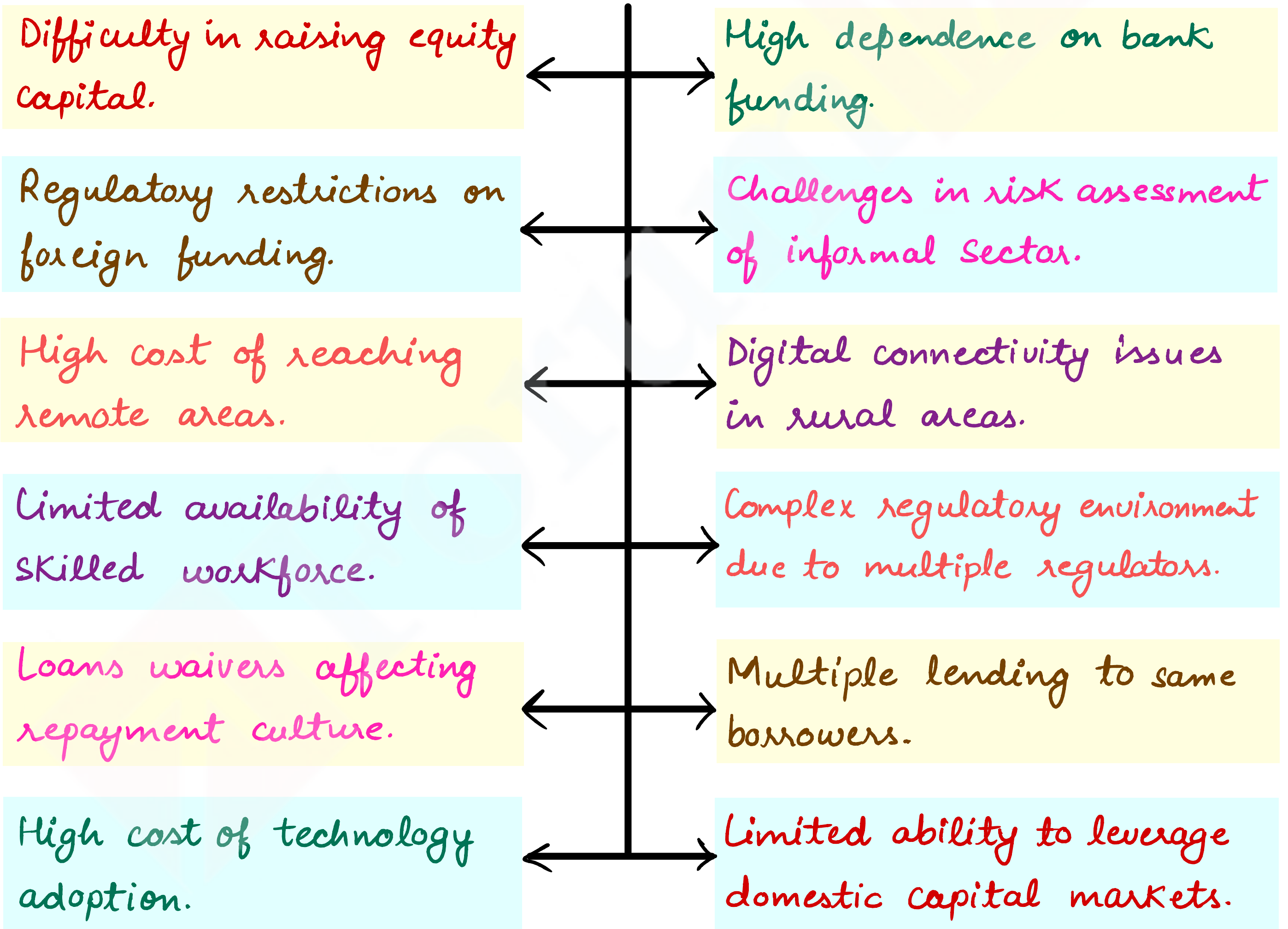
## Government Initiatives

- **SHG-Bank linkage Programme (SBLP).**
- **Priority Sector lending (PSL) Mandate.**  
Lakshpati Didi Yojana.
- **Indian Micro finance equity fund.**
- **Pradhan Mantri Mudra Yojana (PMMY).**
- **Microfinance institutions (Development & Regulation) Bill, 2012.**
- **Pradhan Mantri Jan Dhan Yojana.**

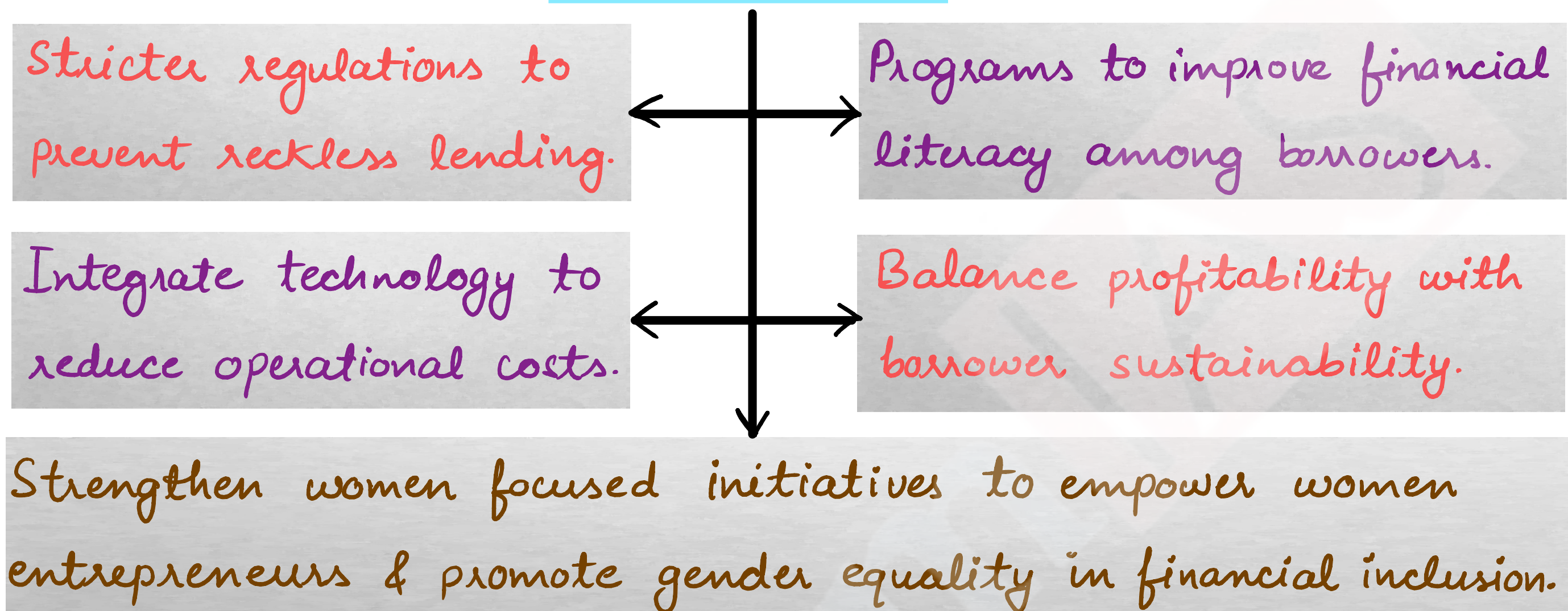
**Note**

Key Microfinance Institutions in India : Bandhan Bank, Bharat Financial Inclusion Limited, Arohan Financial Services, Spandana Sphoorty financial Ltd., BSS Microfinance.

## Challenges Facing the Microfinance Sector



# Way Forward



## Previous year Questions

**Q:** Microfinance is the provision of financial services to people of low-income groups. This includes both the consumers and the self-employed. The service/ services rendered under microfinance is/are (2011)

1. Credit facilities
2. Savings facilities
3. Insurance facilities
4. Fund Transfer facilities

Select the correct answer using the codes given below the lists:

- |                  |                   |
|------------------|-------------------|
| (a) 1 only       | (b) 1 and 4 only  |
| (c) 2 and 3 only | (d) 1, 2, 3 and 4 |

Ans: (d)

**Q:** With reference to the Non-banking Financial Companies (NBFCs) in India, consider the following statements: (2010)

1. They cannot engage in the acquisition of securities issued by the government.
2. They cannot accept demand deposits like Savings Account.

Which of the statements given above is/are correct?

- |                  |                     |
|------------------|---------------------|
| (a) 1 only       | (b) 2 only          |
| (c) Both 1 and 2 | (d) Neither 1 nor 2 |

Ans: (b)