

Financial Independence through Microfinance

Microfinance in India started in the late 1980s in response to the gap in availability of formal sources of credit and lending to the underserved and low-income population. The financial inclusion movement has been gaining momentum since inception with NBFC-MFIs playing a significant role in taking forward the financial inclusion agenda of the Government of India.

Besides NBFC-MFIs, there also exist other entities like Banks, Small Finance Banks, NBFCs in the space. Representing them is the industry association, MFIN. It is also a self-regulatory body, recognised by the Reserve Bank of India for NBFC-MFIs. These microfinance entities provide loans in a responsible and transparent manner to the low-income, financially excluded segment of the population, who otherwise have no access to financial services.

Lack of finance is listed as one of the top reasons for the failure of small businesses in India, especially those run by women. The industry has used market-oriented solutions that encourage self-reliance and entrepreneurship amongst its borrowers. As on 30th September 2019, NBFC-MFIs provided credit to over 2.98 crore borrowers pan India, with a total lending of more than Rs. 63,869 crore. The story of one such aspirational borrower - Anita Ahirwar, is indicative of the circumstances in rural India, where more and more women are standing on their feet and firmly moving ahead, becoming an inspiration and role model for many. The livelihood condition of Anita's family was extremely poor with insufficient income to manage their basic household expenses. It is with the support of ESAF Small Finance Bank that she started a flower farming business and rented acres of land where she cultivated Marigold, Gerbera, Aster etc. to sell it to wholesale and retail dealers. She has been associated with ESAF Small Finance Bank for the past ten years which not only ensured the financial stability of her family but with her earned profits she is planning to buy a house and land of her own. Says Anita, "I am glad that my children are going to good school and I am able to take care of their major needs. My gratitude to ESAF for the good life that we are enjoying".

Asha Manohar Sawant has a similar empowering story. Asha earned her livelihood by selling vegetables through a makeshift roadside vendor. Asha needed capital, often cash upfront, to buy vegetables from wholesale mandis. Unfortunately, businesses like hers do not qualify for any kind of cash credit from traditional financial institutions. "It felt like I was a nobody, and I had no right to ask for a loan!" she says. This is when she learnt about the joint liability group loans being offered by Svasti Microfinance. Asha intelligently spread out each of her loans to buy larger quantities of vegetables at lower wholesale prices, thereby not only increasing her turnover, but also her profit margin. With the profits she now plans to move her vegetable business from her makeshift location, to a larger permanent shop. Asha's growth and aspirations reflected in her personal life with an improved quality of life. She has now enrolled her daughter into school, fuelling her aspirations of an educated life ahead. Asha smiles and shares "The strength to do all this comes from being able to get a loan from Svasti, based on trust in me, my abilities, and my business idea. It feels good that I am getting finance as my right, not someone's charity." This is a feeling shared by over 1,80,000 other women who have benefitted from Svasti Microfinance with portfolio of around Rs. 380 crores.

In Maharashtra, over 24 lakh women borrowers have availed Microfinance loans and many have become successful entrepreneurs. It is noteworthy that Microfinance has been able to positively impact the lives of these women by extending micro-credit for income generation activities thus giving them an opportunity to realize their dreams and improve their quality of life.

