

## **Reaching the unbanked through Microfinance**

With 1.3 billion people and the world's fourth – largest economy, India's recent growth and development has been one of the most significant achievements of our times. The Finance Minister, Ms. Sitharaman has also recently emphasized on India becoming a global economic powerhouse which is in line with the PM Modi's vision of making India a \$5 trillion economy by 2024-25.

Contributing towards this significant economic growth, the role of microfinance sector through factors corresponding to poverty alleviation, woman empowerment and financial inclusion is proven. Microfinance is being considered as a powerful tool for uplifting the low-income individuals making them financially independent. Since its inception in the 1970s, Microfinance Industry has been effectively providing access to employment opportunities, capital and other resources and has served as a tool to realize the ambitions of the sector.

As per Micrometer report by MFIN, the entire microfinance industry has witnessed a growth of 42.9% in Q1 FY 2019-20 over Q1 FY 2018-19 with the total loan portfolio (GLP) at Rs 1, 90,684 crores as on 30th June 2019. The total number of microfinance loan accounts stood at 9.27 crores in Q1 FY 2019-20 (as on 30th June 2019), as compared to 6.68 crores account in Q1 FY 2018-19. The fundamental reason for the growth of the Microfinance sector has been the rising needs of the borrowers, the ease of accessing loan in easy installments and thereby the ability of the borrower to maintain a high repayment rate.

Today, the largest share of portfolio in micro-credit with a total loan outstanding of Rs 78,060 crore is held by the banks, which is 40.9% of the total micro-credit universe. NBFC-MFIs are the second largest provider of micro-credit with a loan amount outstanding of Rs 57,601 crores, accounting for 30.2% to total industry portfolio. Small Finance Banks have a total loan amount outstanding of Rs 32,406 crores with total share of 17.0%, NBFCs 10.8% and other MFIs account for 1% share in the microfinance universe.

In Odisha, a case in point would be district like Nabarangapur where CRISIL Inclusix, India's first comprehensive measure of financial inclusion in the form of an index, shows a score of 30.6 which is below average. The depth of outreach has now increased to 39.2% through microfinance intervention. The Clients also increased to 27.10 lakhs in Q1 2019-20 from 20.8 lakhs in Q1 2018-19, reflective of the demand for credit to improve livelihoods.

In 2008, the Rangarajan Committee had issued a set of recommendations which over the years has seen additional recommendations for strengthening the role of the microfinance sector in the process of financial inclusion. This include the growth of regulated NBFC MFIs - a special class of RBI regulated entities carrying out microfinance, the recognition of the first ever Self-Regulatory Organizations (SRO), MFIN by the RBI, and transformation of some of the entities into universal and small finance banks.



Further, from the perspective of uplifting the status of women in the society, Microfinance initiatives have played a major role in bringing the unbanked women to form JLG – joint lending groups to avail of microfinance loans. These small income generating loans go a long way in improving their livelihoods.

Microfinance over the past decades, have helped women from the grassroots to gain financial independence, earning a livelihood to support their family and themselves, over and above managing their respective households.