CHAPTER - 2

REVIEW LITERATURE

2.1 GENERAL REVIEW OF LITERATURE

Microfinance is buzzing world, used when financing to micro entrepreneurs used when financing for micro entrepreneurs Concept of microfinance is emerged in need of meeting special goal to empower under privileged class of society, women, and poor, down trodden by natural reasons or cast, creed, religion or otherwise.

The principles of microfinance are founded from the philosophy of co-operation and its central values of equality, equity and mutual self help. The principle of co-operation and its central values of equality, equity and mutual self help for Microfinance are required.

The principle concept of human development and the brotherhood of man expressed through people working together to achieve a better life for themselves and their children by getting M.F. Micro enterprises make an important contribution to economic output and employment in developing economies. Those institutions like to provide microfinance to needful persons, known as micro enterprises.

From the basis of the recent work by the World Bank suggests that almost 30% per cent of employment in low income countries is generated by
the informal economy. Microfinance small and medium term enterprises together contribute 63 percent of the GDP.

In the 1920s, Malcom darling remarked that the Indian person is born in debt, lives in debt and dies in debt”, sixty year after independence, this is still true the national sample survey (NSS) on the situational assessment of farmers undertaken in 2003 reported that on an average 48.6% of farmer households, in the country were indebted, with the percentage being as high as 82 percent in Andhra Pradesh.

Despite of major structural changes in credit institution and form of rural credit in the post independence period, the exploitation of the rural masses in the credit markets is one of the most pervasive and persistent feature of rural life in India. There is a vast literature documenting the imperfections of the rural credit market and its impact on access to credit particularly among the more disadvantaged. The credit needs of rural households are multiple and include credit for procedure purpose, and microfinance for meeting basic consumption needs including food, housing, health and education.

Micro Finance has been received a significant amount of attention all over the world, especially in developing countries if it felt that by providing micro credit to the poorest of the poor”. The gap in the formal rural credit sector can be filed. A majority of such projects are now being controlled by non government organizations in the hope that they will be able to overcome the weaknesses in the banking system. However, while small – scale rural
credit is necessary, overall credit policy must build on the strengths of the banking system in India as its main stay.

With reference of M.F. there have been major policy changes in the sphere of rural banking since the institution of liberalization in 1991. Specifically the policy of “social and development banking”, which sought to extend banking to unbanked rural areas, unreached activities, and disadvantaged groups, has been just in favor of commercially oriented banking. The consequences have been direct and dramatic: rural branches of commercial banks have closed down, the aggregate credit deposit ratio for rural areas has fallen, and share of credit to priority sectors including agriculture has declined, and so on.

In M.F. gains made during the period of social and development banking by regions that were underdeveloped in terms of banking, such as east and north – east India have since been lost. In last few years in the face of a widespread crisis, some policy statements have been made by the united progressive. Government declared intention to increase the flow of rural credit. However, in policy terms, it appears that the government envisages only one policy instrument to fill the gap left by the formal credit sector in the countryside the establishment of micro credit (M.F.) projects in rural India.

Microfinance has expanded in a big way over the last few years; it is still a minuscule scale player in the rural credit scene in 2000-01. The terms microfinance and micro credit have risen spectacularly to fame in development literature in the last decade and a half. The declaration of
microfinance summit held in Washington DC in 1997 defined microfinance programs at those “extending small loans to poor people for self employment projects that generate income allowing them to care for themselves and their families” the declaration also stated that, “in most cases, microfinance projects offer a combination of services and resources to their clients in addition to credit for self employment. These often include saving facilities, training, networking and peer support (micro frame, summit 1997).

In India, the task force on supportive and regulatory frame work for microfinance (NABARD2000) defined micro finance as the “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural semi – urban or urban areas enabling them to raise their income levels and improve living standards”. The reserve bank of India (RBI) uses the same definition (RBI 1999).

Micro credit loans are generally advanced for self employment project, they are sometimes advanced for consumptions as well. A distinction between (consumption and production is, of course, difficult to draw, both on account of the fungibility of cash and the organic links between consumption and production. Nevertheless, the advocates of microfinance do consider it necessary for micro credit institution to get borrowers to make the transition from consumption loans to production loans (or loans for income bearing projects).

The characteristic features of microfinance operations them are small loans to poor households in rural and urban areas for income generation
through self employment. Micro credit institutions may also provide facilities for saving and other financial services.

A country like India, poverty remains to be one of the biggest policy concerns. Amongst various measures to eradicate it, Microfinance, of late, has provided a ray of hope. The Task Force on Supportive Policy and Regulatory Framework for Microfinance constituted by NABARD defined microfinance as the provision of thrift, saving, credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their standard of living. (Sen, 2008).

In numerous studies done across the world, it is generally believed that various microfinance initiatives have been able to make a difference in the target population’s lives. However, increasing doubts have been raised over the financial sustainability of microfinance institutions. MFIs need to be economically viable and sustainable in the long run but economic implications of long term sustainability are not being considered (Srinivasan et al., 2006).

At least in India, it does not seem to be any working model of analyzing the financial performance and thereby sustainability of microfinance institutions. This problem is compounded by the absence of a dedicated legislation on working and management of microfinance institutions. The lack of a regulatory mechanism for financial disclosures by microfinance institutions also abets the problem.
The present study is an attempt to analyze the financial performance of various microfinance institutions operating in India. It assumes significance because it is imperative that these institutions should run efficiently given the fact that they are users of marginal and scarce capital and the intended beneficiaries are the marginalized sections of society. MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objectives, through good financial performance.

Of late many government, businessmen and academicians alike have shown great interest in microfinance for its potential role in poverty alleviation activities. Microfinance Institutions have been expected to reduce poverty, which is considered as the most important development objective (World Bank, 2000). Robinson defines Microfinance as small-scale financial services for both credits and deposits, that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draught animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas (Robinson, 2001). Subsidized credit has long been believed to be the panacea for the eradication of poverty for decades now. But perhaps the only thing subsidized credit could create was Non Performing Assets (NPAs). The realization that the core issue for the poor was access to credit rather than the cost of credit came very late. Microfinance is often credited with putting an end to the interest rate debate for the poor.
A host of players have entered microfinance space, each having a reason of its own. It is believed that, Microfinance, unlike other developmental efforts, gives quick and tangible results (Srinivasan et al., 2006). Many NGOs that were early entrants gradually metamorphosed into full fledged lenders, developmental professionals left their cushy careers to set up microfinance firms. Even many banks have experimented with working exclusively with self help groups and therefore have microfinance branches.

The players range from not-for profits organizations trying to achieve developmental objective through microfinance to commercial banks that view microfinance as good, sound banking, a good source of deposits, and low-risk mass lending. In fact the success of self help groups in microfinance led many to use them to achieve many other objectives as well. Many governmental schemes are being routed through microfinance, including a very large project funded by the World Bank and being implemented in a southern state of India. Similarly organizations like Hindustan Lever has looked at the potential of these groups as a channel for retailing and has launched a program called Project Shakti to tap the smaller villages through the micro-credit. They are also being harnessed as an alternative distribution channel. These amounts almost too free riding since these channels have been developed by the MFIas after a lot of persistent hard work and investment. The companies that initiated this are reputed ones like HLL, EID Parry and Philips etc. The persons engaged in championing microfinance are gaining prominence and it is said that some of the leaders, including many women, have been playing a more active role in other social spheres, to the extent of contesting elections for the panchayat and so on.
Article by David Roodman called 2009 a “milestone year for microfinance.” And it certainly was providing two separate randomized studies on the impact of microcredit. Simultaneously, other studies have also emerged on the broader topic of microfinance. Yet, certainly the literature of microfinance cannot be so new? After all, governments have long known that increasing access to rural and low-income finance was important. India instituted a rural bank expansion program in 1977. Mexico did something similar in 1992. In order to help get some kind of bearing on the impact of microfinance, I present here a short literature review on how microfinance affects the lives of the poor. The selected papers are organized into three categories: the broader context, the impact of microcredit, and the impact of micro savings (surprisingly, there seems to have been more work done on savings than credit).

Effects of Financial Access on Savings by Low-Income People by Fernando Aportelo, Bank of Mexico in the year December 1999 in this article includes an assesses the impact of increasing financial access on low-income people savings. Effects on households’ saving rates and on different informal savings instruments are considered. The paper uses an exogenous expansion of a Mexican savings institute, targeted to low-income people, as a natural experiment and the 1992 and 1994 National Surveys of Income and Expenditures. Results show that the expansion increased the average saving rate of affected households by more than 3 to almost 5 percentage points. The effect was even higher for the poorest households in the sample: their saving rate increased by more than 7 percentage points in some cases. Furthermore, the expansion, in general, had no effect on high income.
households. In the case of informal savings instruments, evidence of crowding out of these instruments caused by the expansion is limited. Results do not rule out the possibility that a considerable fraction of the increase in households’ savings could have come from new savings.

Do Rural Banks Matter? Evidence From The Indian Social Banking Experiment by Robin Burguess & Rohini Pande; LSE, Yale University in the year August 2003 in this article includes a Lack of access to finance is often cited as a key reason why poor people remain poor. This paper uses data on the Indian rural branch expansion program to provide empirical evidence on this issue. Between 1977 and 1990, the Indian Central Bank mandated that a commercial bank can open a branch in a location with one or more bank branches only if it opens four in locations with no bank branches. They show that between 1977 and 1990 this rule caused banks to open relatively more rural branches in Indian states with lower initial financial development. The reverse is true outside this period. They exploit this fact to identify the impact of opening a rural bank on poverty and output. Those estimates suggest that the Indian rural branch expansion program significantly lowered rural poverty, and increased non-agricultural output.

The Economic Lives of the Poor by Abhijit V. Banerjee and Esther Duflo; Abdul Latif Jameel Poverty Action Lab, MIT in the year October 2006 in This Article includes a uses survey data from 13 countries to document the economic lives of the poor (those living on less than $2 dollar per day per capita at purchasing power parity) or the extremely poor (those living on less than $1 dollar per day). They describe their patterns of consumption and income generation as well as their access to markets and
publicly provided infrastructure. The paper concludes with a discussion of some apparent anomalous choices.

Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila by Dean Karlan, Jonathan Zinman; Yale University, Dartmouth College, IPA, Financial Access Initiative, MIT Jameel Poverty Action Lab in the year July 2009 in this article includes the Microcredit seeks to promote business growth and improve well-being by expanding access to credit. They have use a field experiment and follow-up survey to measure impacts of a credit expansion for micro entrepreneurs in Manila. The effects are diffuse, heterogeneous, and surprising. Although there is some evidence that profits increase, the mechanism seems to be that businesses shrink by shedding unproductive workers. Overall, borrowing households substitute away from labor (in both family and outside businesses), and into education. They also find substitution away from formal insurance, along with increases in access to informal risk sharing mechanisms. Thier treatment effects are stronger for groups that are not typically targeted by micro lenders: male and higher-income entrepreneurs. In all, thier results suggest that microcredit works broadly through risk management and investment at the household level, rather than directly through the targeted businesses.

The Miracle of Microfinance? Evidence from a randomized evaluation by Abhijit Banerjee, Esther Duflo, Rachel Glennerster, Cynthia Kinnan; MIT Jameel Poverty Action Lab, Indian Centre for Micro Finance, Spandana in the year October 2009 Hyderabad, India in this article includes Spandana chose 104 areas of the city to expand into eventually, rejecting some districts as having too many construction workers, who come and go
and might take Spandana’s money with them. In 2006—07 Spandana started lending in a randomly chosen 52 of the 104. Researchers followed up by surveying more than 6,000 households between August 2007 and April 2008, restricting their visits to families that seemed more likely to borrow: ones that had lived in the area at least three years and had at least one working-age woman. The surveyors made sure not to visit an area until Spandana had been there at least a year. They surveyed in “treatment” areas (ones where Spandana worked) and control ones (where it did not yet).

Female Empowerment: Impact of a Commitment Savings Product in the Philippines by Nava Ashraf, Dean Karlan, Wesley Yin; HBS and Jameel Poverty Action Lab, Yale, University of Chicago in the year March 2008, this article includes the Female “empowerment” has increasingly become a policy goal, both as an end to itself and as a means to achieving other development goals. Microfinance in particular has often been argued, but not without controversy, to be a tool for empowering women. Here, using a randomized controlled trial, they examine whether access to and marketing of an individually-held commitment savings product leads to an increase in female decision-making power within the household. they find positive impacts, particularly for women who have below median decision-making power in the baseline, and they find this leads to a shift towards female-oriented durables goods purchased in the household.

Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya by Pascaline Dupas and Jonathan Robinson; UCLA, UCSC, NBER in the year March 2009. In this article includes a conducted a field experiment to test whether savings constraints prevent the self-employed from increasing the size of their businesses. They
opened interest-free savings accounts in a village bank in rural Kenya for a randomly selected sample of poor daily income earners. Despite the fact that the bank charged substantial withdrawal fees, take-up and usage was high among women and the savings accounts had substantial, positive impacts on their productive investment levels and expenditures. These results imply that a substantial fraction of daily income earners face important savings constraints and have a demand for formal saving devices (even for those that offer negative de facto interest rates).

Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines by Nava Ashraf, Dean Karlan, Wesley Yin in the year July 2005 in this article includes the designed a commitment savings product for a Philippine bank and implemented it using a randomized control methodology. The savings product was intended for individuals who want to commit now to restrict access to their savings, and who were sophisticated enough to engage in such a mechanism. They conducted a baseline survey on 1777 existing or former clients of a bank. One month later, they offered the commitment product to a randomly chosen subset of 710 clients; 202 (28.4 percent) accepted the offer and opened the account. In the baseline survey, they asked hypothetical time discounting questions. Women who exhibited a lower discount rate for future relative to current tradeoffs, and hence potentially have a preference for commitment, were indeed significantly more likely to open the commitment savings account. After twelve months, average savings balances increased by 81 percentage points for those clients assigned to the treatment group relative to those assigned to the control group. They conclude that the savings response represents a
lasting change in savings, and not merely a short-term response to a new product.

2.2 RELATIVE REVIEW OF LITERATURE

“Poverty alleviation is peace”

Dr. Mohammad Younus, Nobel Peace prize Winner, 2006

Managing Director & Founder, Grammeen Bank, Bangladesh.

Microfinance has finally been recognized by the developed world by honoring, Dr. Mohammad Younus of Bangladesh with Nobel Peace prize for the year 2006. Dr. Younus pioneering work setting up the Grammeen Bank in Bangladesh has been the source of inspiration for economist’s researchers working in the area of microfinance the world over. Dr. Younus on being given the news of the Nobel Prize equipped that for hundreds of millions of people peace comes only through poverty alleviation. Grammeen Bank Bangladesh is a winner of the Noble prize for peace in 2006. The Bank has women as 94% of its patrons who display a repayment rate of 98% in India; too the story is no different.

As a young economics professor at Chittagong University in Bangladesh in 1976, Muhammad Younus lent $27 out of his own pocket to a group of poor craftsmen in the nearby town of Jobra. To boost the impact of that small sum, Younus volunteered to serve as guarantor on a larger loan from a traditional bank, kindling the idea for a village-based enterprise called the Grammeen Project. It never occurred to the professor that his gesture would inspire a whole category of lending and propel him to the top of a powerful financial institution. Younus runs Bangladesh's Grammeen
Bank, a leading advocate for the world's poor that has lent more than $5.1 billion to 5.3 million people. The bank is built on Younus' conviction that poor people can be both reliable borrowers and avid entrepreneurs. It even includes a project called Struggling Members Program that serves 55,000 beggars. Under Younus, Grammeen has spread the idea of microcredit throughout Bangladesh, Southern Asia, and the rest of the developing world.

"At first I didn't think that what I did had any significance in a broader context," he explains. But the mission keeps expanding in scale, and in the meantime, Younus has grown intimately familiar with the unbearable dimensions of global poverty. As many as 1.2 billion people around the planet lack access to basic necessities, he explains, and microfinance could be their pathway out of despair. "Younus and Grammeen have taken a first step, which has inspired others to take a look at [microfinance] as a business," says John Tucker, deputy director of the microfinance unit at the U.N. Capital Development Fund.

Younus' innovation has broad appeal. In 1997 only about 7.6 million families had been served by microcredit worldwide, according to the 2005 State of the Microcredit Summit Campaign Report. As of Dec. 31, 2004, some 3,200 microcredit institutions reported reaching more than 92 million clients, according to the report. Almost 73% of them were living in dire poverty at the time of their first loan.

When Younus started Grammeen, he wanted to turn traditional banking on its head. One of his first moves was to focus on women because they are most likely to think of the family's needs. This was a radical step in
a traditional Muslim society, and it took Younus six years to reach his initial goal of a 50-50 gender distribution among borrowers. Today, 96% of Grameen's borrowers are women. "If banks made large loans, he made small loans. If banks required paperwork, his loans were for the illiterate. Whatever banks did, he did the opposite," by marvels Sam Daley-Harris, director of the Microcredit Summit Campaign. "He's a genius."

In some cases, Yunus has been able to attract private capital to fund socially driven businesses. Grammeen Phone, a for-profit telecom outfit, is 51% owned by Norway's Telenor (TELN). It works with the not-for-profit Grammeen Telecom to provide bulk airtime for so-called village phones. Funded by loans to individual women, these systems -- built from simple handsets and solar chargers -- function as pay phones in many rural areas. Now the idea of a "village phone lady" is catching on, along with other low-cost, high-tech systems, in other parts of Asia and Africa. An energy enterprise, Grameen Shakti, sells around 1,500 home solar-panel systems per month throughout rural Bangladesh and is growing 15% a year without subsidies, says Yunus.

The professor's most recent innovation is still an experiment: Grameen Danone Food Co. is a proposed partnership between Grameen and France's Group Danone (DA) to make a nutritious and inexpensive baby formula. Next on his list are low-cost eye care and rural hospitals with video-conferencing between villagers and doctors in Dhaka. "In Bangladesh, where nothing works and there's no electricity," Yunus says, "microcredit works like clockwork."
BHARGAV HARSH & SHARMA RAJESH: “MANAGING MICROFINANCE A CORPORATE APPROACH”. HERE SOME OF THE IMPORTANT ASPECTS FROM THE BOOK ARE INCLUDED.

They completed many project on Microfinance and published a major volume book. The book includes wide range of Articles on the basis of Microfinance written by different authors on different MFIs with different schemes, aspects, case study, serve etc.. Here, I have mention some them for this study purpose.

The article “Micro finance An Introduction” is by per N. Bondevik. The article provides a basic overview and understanding of microfinance, useful information and tools in dealing with the variety of settings, where microfinance is present or could be. The author refers to microfinance as the provision of a broad range of financial services to the poor. The products of the microfinance include micro credit savings and micro insurance. It also talks about the millennium development goals. Microfinance contributes to the millennium development goals through reducing the vulnerability of the poor, towards income and expense fluctuations., According to the author a well driven microfinance institution providing adequate financial services to the poor will have positive spillover effects on “traditional: development goals. On the other hand, improved health conditions and education have proven to be impotent factors in improving the productivity of the microfinance clients.

The article Microfinance in India: A Critic is by rajarshi Ghosh. The evolution of microfinance in India is powerful to for poverty alleviation and
women empowerment For the sustainable development of the poor and rural economy, the focus should be more on the development of infrastructure and the rural economy otherwise there will be few activities requiring finance. The author hence suggests that there is a need for an all round effort to help develop the fledging microfinance industry, while tackling the tradeoff between outreach and sustainability.

The article “Microfinance in India” coming of Age” s by V. Vipin Sharma “The article focuses on how microfinance in India has demonstrated the potential of building the social capita of the poorest communities. The author provides an overview of the origin linkage M.F. banking and other financial models and the current status and the policy shift of the microfinance in India. One of the models, which have become popular, is the aggregation of self help groups (SHGs). He concludes that the sector of needs to grow beyond meeting survival credit and provide for sustainable livelihoods. While the sector has grown significantly in the last half decade several challenges still remain, Microfinance still reaches only about 10 to 12 % of the poor in the country Sixty seven percent of the population in the country has no bank accounts, and 80% have never taken a loan from a formal source. About 40% continue to borrow from informal sources. The demand and supply gap is still huge.

Apart from SHGs. some of the leading models of microfinance are Grammeen banking, regulated financial institutions, and credit co-operatives. The article Microfinance Sector in India An analysis: explains the distinctive models of microfinance reflecting the fact that microfinance has evolved differently in different environments. The authors, Anshul Bbarti, Harsh Bharganva and Sparna Bellur also discuss the role of the
central banks in microfinance and how central bank can contribute to the microfinance industry. Some of the good practices of microfinance include expanding the sustainability frontier, range of institutional types, more than money and clients. The article also discusses the role of Information Technology and communications (IT & C) in the microfinance sector in India.

The article “Microfinance and the empowerment of women A review of the key Issues is by Linda Mayoux. This article discusses the key issues like the possibility of sustainable microfinance programmes with special emphasis on women and their limitations. It explains the basic linkage between microfinance and women’s empowerment. The author aims to clarify these issues within the context of the debate about the gender mainstreaming. It concludes that women’s empowerment needs to be an integral part of policies. Empowerment cannot be assumed to be an automatic outcome of microfinance programmes, where designed for financial sustainability of poverty targeting.

In the article “Micro credit to Rural women and Rural NGO’s the author Rasheeda Bhagat talks about the status of the rural women. And problems faced by them in getting the finance with low rates of interest. According to the author, to the author all those who are capable of being self employed and running their own small enterprises, such as selling vegetables running poultry venture, making edible products. And crafting can certainly be transformed through micro credit. The micro credit model of financing rural women depends heavily on women’s groups the synergy and vibrancy inherent in these groups, which are first encouraged to save a small sum on
their own on a weekly basis, and lend to individuals from that group at predetermined rates of interest, prevents individual members from defaulting on repayment. Rural women who would tremble before entering a bank are today sitting before branch and regional managers of nationalized banks asking for more loans for bigger ventures. This statement is supplemented by providing an example or case of Tilakavathi of Kanyakumari district. The author concludes by stating that right to credit at affordable interests is the last hope for the poor and should be made a fundamental right.

The article “Paradigm Shift in Rural Banking A case of Microfinance movement in India through SHGs Bank Linkage programs is by A. Ramanathan. The article talks about the case study of National Bank for Agriculture and Rural Development (NABARD) is trying to free the small rural borrowers from the clutches of local moneylenders by providing loans to them at affordable rates through self help groups. The article lists the concerns to reach the unreached based on the existing paradigms, and also the shifts in the paradigms and the solutions. This shift has occurred with the evolution of the Rural Financial Technology. Microfinance is no longer at the periphery of the financial sector in India.

The article “The future of Microfinance in India: The Microfinance India conference and a look at an Expanding Market” by Sakbvinder Singh Arora, reflects on what has changed what may take a long time to change and what India and rest of the world may learn from each other. The Indian microfinance has been expanding and the microfinance programmes have rapidly expanded in recent years. Examples of such programmes are expansion of the Sa-Dhan, introduction of care cashe programmes and the
increasing portfolios of Grammeen replicators. The author concludes that microfinance is not yet at the centre stage of the Indian financial sector. The knowledge capital and technology to address these challenges however now exist in India, although they are not fully aligned. With a more enabling environment and surge in economic growth, the next few years promise to be exciting for the delivery of financial services to poor people in India.

The aspect devoted to the social perspective of microfinance and its growth into something resembling modern commercial banking (business) The article in this section Microfinance institutions Delivery Models is by P. Dinakara Rao and swapna Chimancbodkar. This article provides the details of various delivery models and their risk levels. Institutions that wish to take advantage of the opportunities in microfinance should carefully evaluate the various considerations specially their own mission, mission and objectives the potential market size, competition from other MF agencies, the regulatory environment and the availability of infrastructure and systems. The article talks about three models of the SHGs bank linkages. Like SHGs formed and financed by bank, SHGs formed by NGOs and financed by the Banks SHGs financed by banks using NGOs and other agencies as financial intermediates. All these models offer a range of risk levels for MFIs and the ways of managing them. The authors conclude that in spite of a variety of modes that are evolving for the institutions to enter the microfinance market; none will be successful without the vision and commitment of the management and the board.

The article “Microfinance Ratings Turning the Tide “is by D. Satish and V.surender. The article described in detail the process involved in
ratings. With the number of microfinance institutions increasing by the day, banks, financial institutions, and other donors are looking at the rating before they sanction funds. With the aim for the development of a rigorous system of appraising credit risk by an independent third party, Micro Credit Ratings International Ltd. (M-CRIL) was set up in 1998 with the support of CRISIL. Some of the agencies involved in ratings are Micro Credit Ratings International Ltd. (M-CRIL) BASIX, SHARE ASMITHA, SKS, ASA, SPANDANA etc. The article speaks about the benefits of ratings and also the problems involved in it.

The article ‘Commercialization of Microfinance” is by Ansbad Bharti Harsh Bhargava and Aparna Bellar. The article explains in detail the commercialization of microfinance features and models of microfinance commercialization and the challenges to commercialization, some of the major challenges facing the issue of commercialization are policy environment, inadequate financial structure, and limited retail level institutional capacity, inadequate investment in agriculture and rural development and inadequate investment in social intermediation. The authors conclude that there are some other very successful models available from other countries, which can be replicated in India as well.

The article Implementation Issues for Microfinance Institutions” is by Abbinava Mishra and Harsh Bhagavat. In this article, an attempt has been made to study the role of marketing in enhancing the performance of microfinance institutions, (MFIs) applicability of mainstream marketing concepts in the microfinance sector, suggesting marketing strategy for the MFIs in the developing countries, the impact of regulations and budget
decisions on the marketing strategy as well as the industry whole. This article has briefly analyzed some of the success stories of MFIs in India and overseas for drawing lessons from them. The article also speaks about the role of the microfinance in improvement of economy of developing countries and social upliftment Rural India remains inadequately serviced with regard to both chancing savings and extending credit, despite multi agency approach. Financial exclusion of vast realities is a cause of concern. An RBI committee has gone into this question and submitted its report. It recommends the microfinance route through self help groups. With two models namely business facilitator model and business correspondent model. There are many issues in this regard and the article “Rural Credit and Microfinance what RBI Internal Group report says by Katuri Nagesivart Rro. addresses all these issues, like identifying and accepting the facilitators and correspondents, risk mitigation strategies, rating of the correspondents, due diligence, prescription of compensation package etc.

The article “Transaction Costs of Self help Groups: A study of NABARD’s SHGs Banking programmes in India” is by Stefan Karduck and Hans Dieter seibel. The main aim of article is to ascertain the suitability of the SHGs banking approach. The article provides a methodology that can be used in more representative and local samples. The study has shown that transaction costs of a non representative sample of 78 SHGs and their 1160 members are low and decrease rapidly with increasing loan volumes, the study concludes that while there is no urgency to intervene, in the interest of overall efficiency, the TC of the SHGs can, and should be further reduced by simplifying and standardizing the report loan process for groups with a good track record.
The article “Dhan” foundation: Microfinance through community Banking “is by Rajagopalan. This article on Dhan foundation Kalanijam community banking programmes examines the programmes philosophy, its structure and functioning and its outreach and growth. It talks about the composition and functioning of the kalajjam foundation and also highlights the outreach and growth of the programmes. The foundation has also linkages with 32 commercial and regional rural banks through 192 branches and other financial institutions like NABARD, SIDBI and Hudco so far, a total of Rs. 200/- million has been mobilized through these linkages. The way ahead plan of the foundation is to give shape to its objectives of enhancing outreach, strengthening social initiatives, becoming a resource centre for microfinance and playing a major role in aiding policy formulation for development of the weaker sections of society.

The article on “institutionalizing support to SHGs”. The Apmas Experience” by C S Reddy, Jannifer Livingstone and sandeep Manak, highlights some of the key implementation experiences and lessons learned Apmas which has a unique business model. It acts as a support organization to the self help movement. Through its service offerings, it helps to strengthen the self help groups 9 SHGs by assessing their operations and offering advice on capacity building It also has a strong research and advocacy group that has facilitated several key workshops to foster innovation and collaboration in the self help movement. Apmas has begun its operations towards promoting livelihood; Apmasa has begun its operations towards promoting livelihood, taking advantage of its experience of quality assessment and enhancement.
2.3 HYPOTHESES ON THE BASIS OF REVIEW OF LITERATURE

(SPECIFIC STUDY PURPOSE REVIEW LITERATURE)

In Gujarat there are four main institutes working in the field of microfinance. i.e. NABARD, SIDBI, SEWA and Tribhuvandas Foundation out of that four NABARD and SIDBI is working in the all states of India while Sewa is working with 09 state of India but its main focusing on Gujarat and the Tribhuvandas Foundation is working inside the Gujarat.

NABARD is providing services on the basis of two criteria, first is Purpose Wise Microfinance Disbursements by NABARD under Investment Credit to State Of Gujarat. Activities are Minor Irrigation (MI), Land Development(LD), Farm Mechanization(FM), Plantation & Horticulture(PH), Fisheries(FH), Animal Husbandry(AH), Govt. Sponsored Programmes (GSP), Non-Farm Sector(NFS), Self –Help Groups(SHG), and Others second is Agency Wise Microfinance Disbursements by NABARD under Investment Credit to State of Gujarat Commercial Banks, Regional Rural Banks, State Co-operative and Banks State Co-operative Agriculture & Rural Development Banks.

SIDBI is providing Assistance to Gujarat under various Schemes of Microfinance such as Refinance, MSME Refinance, Micro credit, NBFCs, Term loan, Capacity Building grant to MFIs, Risk Fund for smaller MFIs, and No. of beneficent Assisted through partner MFIs.

SEWA is providing various facilities such as first are Employment Generated through Waste Paper-Pickers, Manual Laborers and Home-based workers. it include activity such as New Employment generated, Helped
women regain work, Increase in price of waste, Government assistance, New Employment generate, Assistance to regain work that had been stopped or lost, Wage increases, Welfare assistance, Bonus, New employment generated, and Wage increases. Second is Loans through SEWA Bank for the purpose of To purchase equipment required for work, To purchase stock of raw material for the goods and To purchase sheds and the third is VIMO SEWA or Claims paid Health Insurance, Maternity, Asset (Flood), Natural Death and Accidental Death.

And the Tribhuvandas Foundation provides facilities to No. Beneficial through various Activities. Activities are Urine Pregnancy Tests done for Maternal health care in villages, New pregnancies registered, Total deliveries registered, Lactating mothers provided counseling, Family planning services provided in field, Disposable Delivery Kit Unit to beneficial, Child health care, Newborn put on KMC facilities, Persons contacted for Cancer awareness, Persons motivated for de-addiction from cancer, Cancer patients followed in field, Patients completed treatment of Cancer, Cancer diagnosis camps attended by patients, OPD patients, Sonography Tests, Immunization, Family Planning operations, Distribution of Nirodh to beneficial, Copper-T inserted, Distribution of contraceptive tablets to beneficial, and Beneficial Children’s from Balwadies.

From above Specific study of Review literature some the hypotheses are formulated in the next chapter i.e. third chapter base on research methodology. All hypotheses tested and interpreted in the chapter five.
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