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A STUDY ON THE ROLE OF MICROFINANCE IN INDIA AT BAJAJ FINANCE

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ABSTRACT

This research article presents a study on the role of microfinance and Self-Help Groups (SHGs) in promoting entrepreneurship among low-income and women beneficiaries in the Ramanthapur area of Hyderabad, Telangana. A majority of microfinance programmes target women with the explicit goal of empowering them, driven by the recognition that women are among the poorest and most vulnerable sections of society. The SHG-bank linkage model of microfinance enables its members to start and sustain their own businesses by connecting illiterate and low-income women to the mainstream banking system and drawing them into micro-entrepreneurial activity.

The study is grounded in primary data collected from 40 SHG loan beneficiaries through a structured questionnaire, supplemented by secondary sources such as textbooks, journals, and published reports on the microfinance sector. It examines the loans and loan amounts extended to SHG members, the purposes for which credit is utilised, the repayment behaviour of borrowers, and the challenges faced by women entrepreneurs in accessing and productively deploying microfinance. The article concludes with practical suggestions to strengthen financial literacy, reduce over-indebtedness, and improve the effectiveness of microfinance delivery, while acknowledging limitations such as the small sample size, single-location scope, and reliance on secondary data for the industry background.

Keywords: Entrepreneurship, Microfinance, Self-Help Groups, Women Empowerment, Financial Inclusion, Potential Hurdles.

INTRODUCTION

Microfinance refers to the provision of financial services — including credit, savings, and insurance — to low-income households and economically disadvantaged individuals who have limited access to formal banking systems. Its primary objective is to create social value by reducing poverty, improving livelihoods, and promoting financial inclusion. In India, microfinance is delivered through a wide range of institutions and models, inspired in large part by the success of the Grameen Bank model pioneered by Muhammad Yunus in Bangladesh in 1976.

The concept of microfinance is built on the philosophy of cooperation, self-help, and mutual support, and is delivered predominantly through Self-Help Groups (SHGs). It is not merely a financing mechanism but a tool for social change, particularly for women, enabling direct income generation and giving households the means to participate in future economic opportunities. According to the International Labour Organisation (ILO), microfinance is "an economic development approach that involves providing financial services through institutions

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to low-income clients." The National Microfinance Taskforce (1999) in India similarly defines it as the provision of thrift, credit, and other financial services in small amounts to the poor, enabling them to raise their income levels and improve living standards.

In India, the growth of SHGs and Microfinance Institutions (MFIs), supported by government initiatives, banks, and non-governmental organisations, has significantly expanded outreach to underserved rural and semi-urban populations. This article focuses specifically on the Ramanthapur area of Hyderabad, examining how SHG-linked microfinance has translated into real-world outcomes for women entrepreneurs and low-income households.

NEED OF THE STUDY

In India, the microfinance industry has played a significant role in reducing poverty and improving the standard of living of economically weaker sections of society. This progress has been made possible through the efforts of policymakers and the active participation of Self-Help Groups, which have expanded access to financial services for underserved communities. However, while the industry has achieved notable success, it also faces several challenges and limitations — such as over-indebtedness, limited financial literacy, and repayment pressure — that need to be addressed for its sustainable growth and effectiveness. Understanding how microfinance functions on the ground, and the specific hurdles faced by women entrepreneurs, is therefore of direct practical relevance to policymakers, MFI practitioners, and management students alike.

SCOPE OF THE STUDY

- Geographical Scope: The study is confined to SHG loan beneficiaries in the Ramanthapur area of Hyderabad, Telangana.
- Thematic Scope: The study examines the growth, history, and recent developments of the microfinance sector in India, along with its role, significance, and impact on socio-economic development and women's empowerment.
- Respondent Scope: The study targets 40 individuals who have availed loans through the SHG microfinance scheme, covering a range of age groups, family sizes, and income sources.
- Analytical Scope: The study employs percentage analysis, frequency distribution, and descriptive analysis of primary survey data as its principal analytical tools.

OBJECTIVES OF THE STUDY

Primary Objective

To examine the significance of the microfinance industry in alleviating poverty and promoting financial inclusion among low-income households.

Secondary Objectives

- To analyse the impact of microfinance on the socio-economic empowerment of women and its role in fostering social entrepreneurship.

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- To identify and evaluate the challenges and barriers that hinder the growth and development of women entrepreneurship.
- To study the pattern of loan utilisation, repayment behaviour, and the extent of difficulties faced by SHG beneficiaries in meeting their repayment obligations.

REVIEW OF LITERATURE

Microfinance has emerged as an important tool for promoting financial inclusion, poverty reduction, and socio-economic development among low-income communities. Researchers have studied microfinance from different perspectives, including poverty alleviation, women empowerment, income generation, and access to formal financial services.

Muhammad Yunus (1976): Introduced the concept of microfinance through the Grameen Bank model in Bangladesh, demonstrating that small, collateral-free loans to poor individuals — especially women — could encourage self-employment and reduce dependence on informal money lenders.

Armendáriz and Morduch (2010): Examined the role of Microfinance Institutions (MFIs) in providing financial services to households excluded from traditional banking systems, emphasising credit, savings, and allied services.

Khandker (2005): Found that access to microcredit contributed to poverty reduction, increased household income, and improved living standards, while also highlighting its positive role in empowering women.

S.L. Shetty (2012): Reviewed the growth, challenges, and impact of microfinance in India, noting improved financial access alongside concerns over interest rates, repayment pressure, and sustainability.

Gambhir (2017): Observed that microfinance institutions contribute to economic empowerment by supporting small businesses, while identifying high operational costs and repayment difficulties as ongoing challenges.

Shanmugan and Baria (2019): Analysed the impact of microfinance in India across poverty reduction, women empowerment, and financial inclusion, noting that measuring its actual long-term impact remains an important area of research.

LIMITATIONS OF THE STUDY

- Sample Limitation: The sample size of 40 respondents, while sufficient for a focused, location-specific study, cannot fully capture the diversity of SHG beneficiaries across Hyderabad or Telangana more broadly.
- Time Constraint: Data collection was constrained by academic timelines, limiting the ability to track longitudinal changes in borrower behaviour or loan performance over time.
- Dependence on Secondary Data: The industry background relies substantially on secondary sources such as textbooks, journals, and published reports, given the difficulty of accessing detailed internal MFI records.
- Geographic Limitation: The study is restricted to the Ramanthapur area and may not be representative of SHG dynamics in other urban or rural parts of India.

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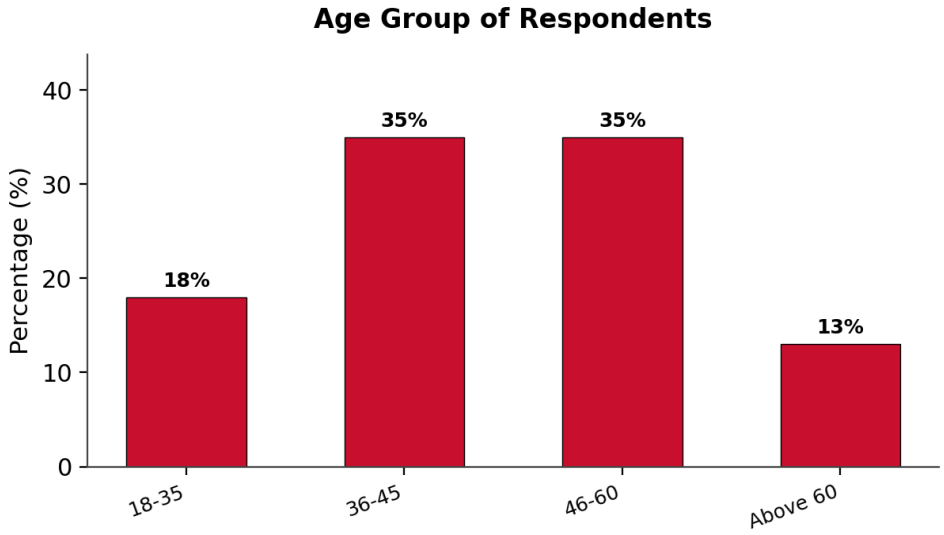
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DATA ANALYSIS AND INTERPRETATION

This section presents the analysis of primary data collected from 40 SHG loan beneficiaries in the Ramanthapur area of Hyderabad. The data was collected through a structured questionnaire and is analysed using percentage analysis and frequency distribution, supported by graphical representation of key findings.

Table 1: Age Group of Respondents

Age Group	No. of Respondents	Percentage (%)
18–35	7	18%
36–45	14	35%
46–60	14	35%
Above 60	5	13%
Total	40	100%



Interpretation: The majority of respondents fall within the 36–60 age bracket (70% combined), indicating that women in the middle-adult years are the primary participants in SHG-linked microfinance activity in this area, while both younger (18–35) and older (above 60) age groups show comparatively lower participation.

Table 2: Nature of Business Activity

Options	No. of Respondents	Percentage (%)
None	27	68%
Agriculture	4	10%

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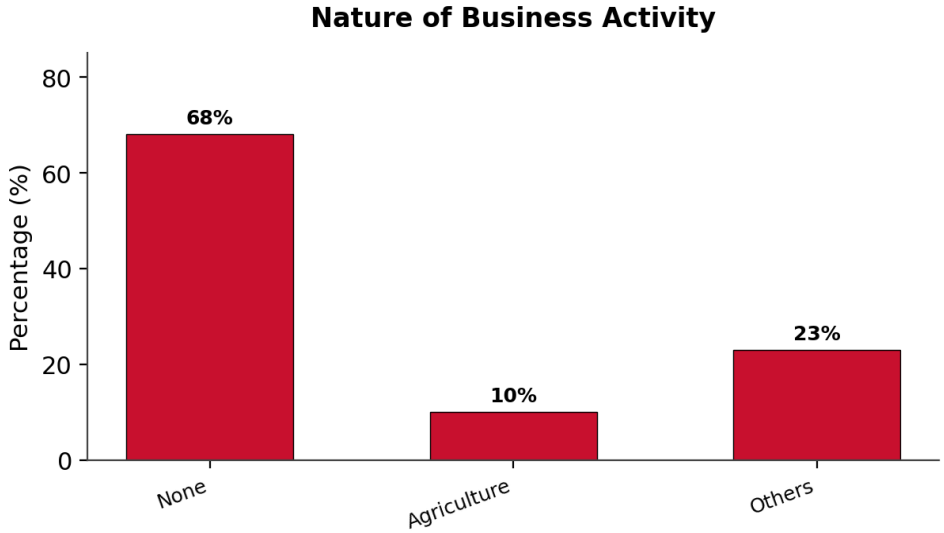
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Options	No. of Respondents	Percentage (%)
Others	9	23%
Total	40	100%



Interpretation: A majority of respondents (68%) are not currently engaged in any independent business activity, suggesting that a large share of loans are being used for purposes other than direct enterprise creation, while agriculture and other activities together account for 33% of engagement.

Table 3: Source of Family Income

Options	No. of Respondents	Percentage (%)
Wage	26	65%
Pension	2	5%
Income from Business	8	20%
Income from Agriculture	4	10%
Total	40	100%

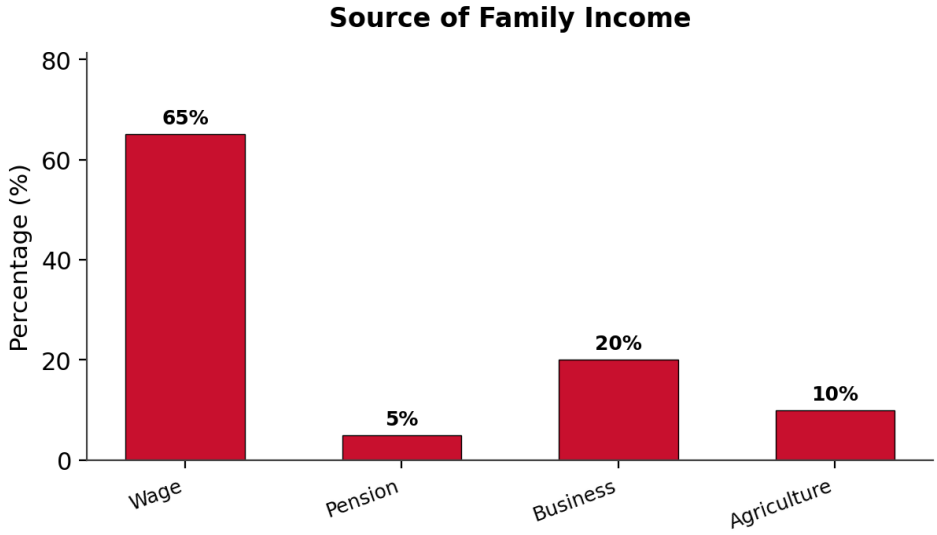
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Interpretation: Wages remain the dominant source of household income (65%), followed by business income (20%). This indicates that most SHG beneficiary households continue to rely primarily on wage labour rather than self-owned enterprise for their livelihood.

Table 4: Cumulative Loan Amount Granted

Loan Amount (₹)	No. of Respondents	Percentage (%)
50,000 – 1,50,000	10	25%
1,50,000 – 3,00,000	20	50%
3,00,000 – 5,00,000	10	25%
Total	40	100%

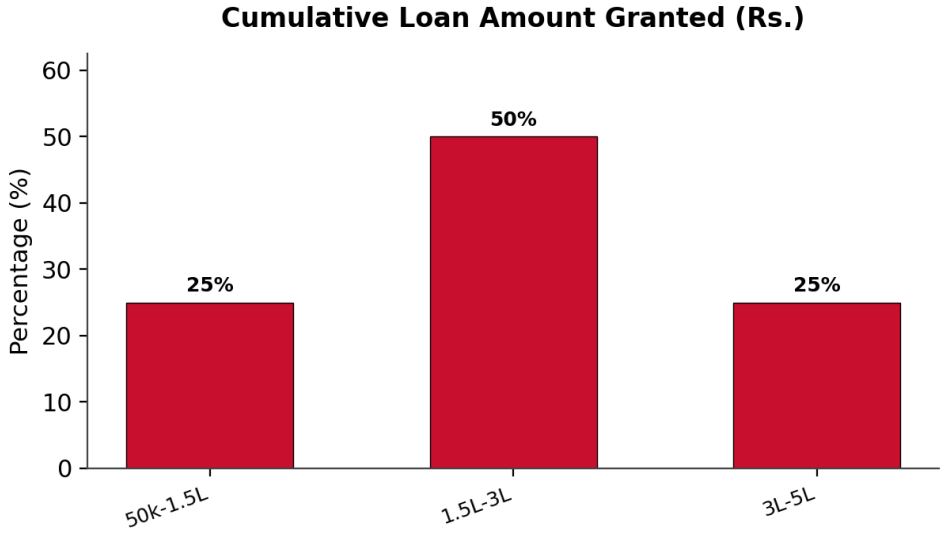
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Interpretation: Half of the respondents (50%) have received cumulative loans in the ₹1,50,000–₹3,00,000 range, indicating that SHG lending in this area has scaled meaningfully beyond small, first-time credit into more substantial, repeat borrowing.

Table 5: Purpose of Loan Investment

Options	No. of Respondents	Percentage (%)
Production Equipment	3	8%
Financing of Health Costs	5	13%
Financing of Education Expenditure	19	48%
Consumption	9	23%
Purchasing of Cattle	3	8%
Total	40	100%

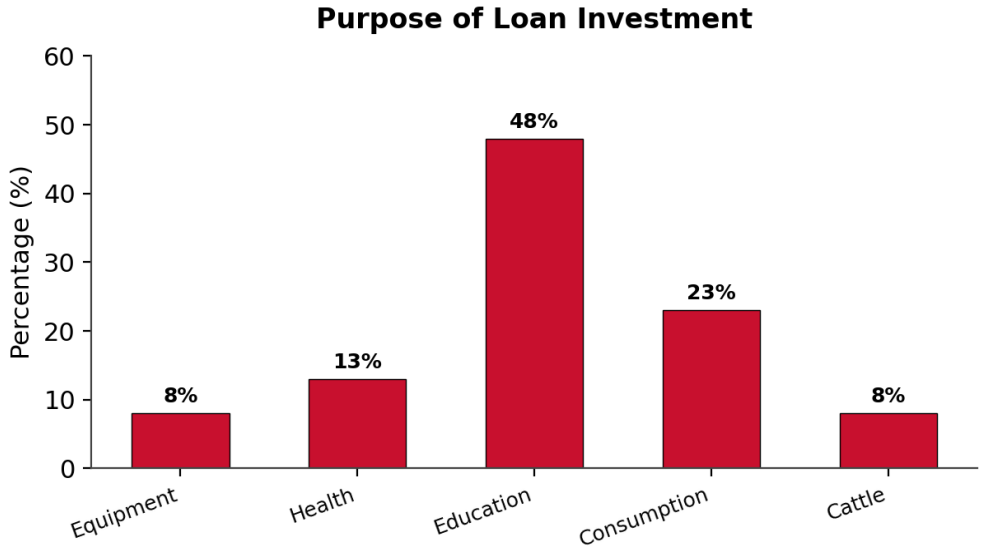
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Interpretation: Education expenditure is by far the leading use of loan funds (48%), followed by consumption (23%) and health costs (13%). This suggests that SHG credit in Ramanthapur is being used predominantly to meet household human-capital and welfare needs rather than being channelled into productive business assets.

Table 6: Difficulty Faced in Loan Repayment

Options	No. of Respondents	Percentage (%)
Yes	13	33%
No	27	68%
Total	40	100%

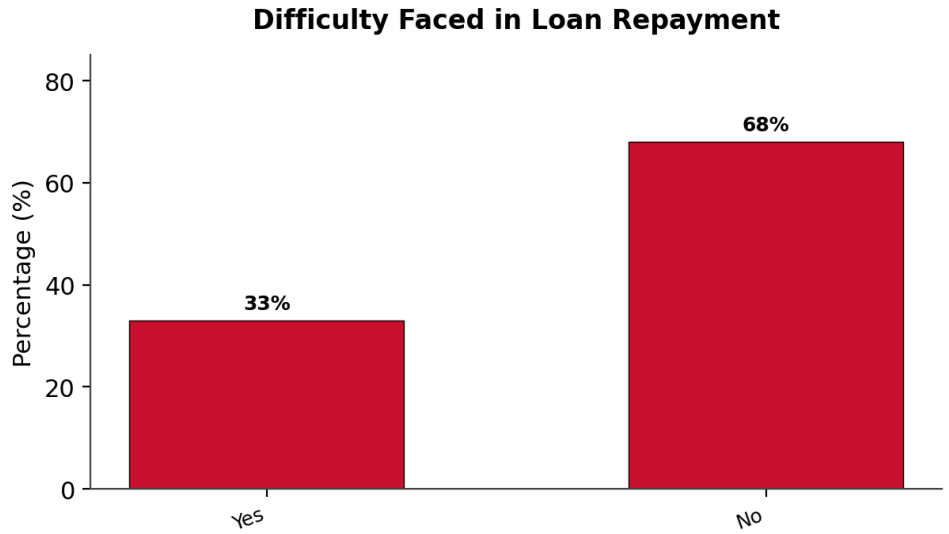
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Graph 6: Difficulty Faced in Loan Repayment

Interpretation: A majority of respondents (68%) did not face difficulty in repaying their loans, though a notable minority (33%) reported repayment challenges — typically resolved by seeking help from others (53% of those affected) rather than defaulting.

Table 7: Perceived Impact of Loan on Business

Options	No. of Respondents	Percentage (%)
Very Good	18	45%
Good	22	55%
Total	40	100%

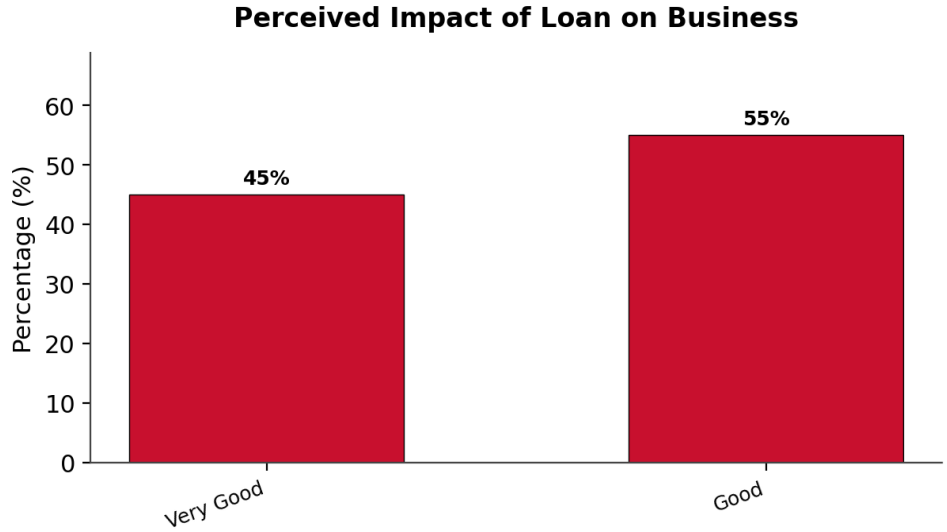
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Interpretation: All respondents rated the impact of their SHG loan as either "good" (55%) or "very good" (45%), with no negative ratings recorded. This overwhelmingly positive perception underscores the perceived value of SHG-linked microfinance among beneficiaries, even where funds are partly directed toward consumption and education rather than pure enterprise investment.

FINDINGS

- A combined 70% of respondents fall within the 36–60 age group, showing that middle-aged women are the primary beneficiaries of SHG microfinance in the study area.
- 68% of respondents are not engaged in any independent business activity, indicating that a majority of loans support household needs rather than direct enterprise creation.
- Wages remain the dominant household income source (65%), with only 20% of income coming from business activity.
- All 40 respondents (100%) had previously availed a loan through the SHG scheme, and all had been beneficiaries for more than 8 years, reflecting strong scheme penetration and retention.
- 50% of respondents have cumulative loans in the ₹1,50,000–₹3,00,000 range, and all loans carry repayment durations of 20 months or more.
- Education expenditure is the leading use of loan funds (48%), followed by consumption (23%) — productive business investment accounts for a comparatively small share.
- 33% of respondents faced difficulty in loan repayment, though most resolved this through informal support (53%) or wages (30%) rather than defaulting.
- 100% of respondents rated the impact of SHG loans on their circumstances as "good" or "very good", with no negative responses recorded.

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SUGGESTIONS

- Strengthen Financial Literacy: MFIs should provide structured financial literacy and awareness programmes to help borrowers understand responsible borrowing, savings, and financial management, given that nearly half of current loan usage goes toward education and consumption rather than enterprise.
- Encourage Productive Use of Credit: Skill development and entrepreneurship training should be bundled with loan disbursement so that beneficiaries — particularly the 68% currently outside business activity — can convert credit into sustainable income-generating activity.
- Strengthen Repayment Support Systems: With a third of respondents facing repayment difficulty, MFIs should build in flexible repayment options and credit-monitoring systems to reduce reliance on informal borrowing to meet obligations.
- Reduce Over-Indebtedness: Multiple lending should be monitored more closely, with proper assessment of a borrower's repayment capacity before extending repeat loans.
- Expand Digital and Institutional Support: Continued adoption of digital tools for disbursement and repayment tracking, along with closer coordination between banks, government agencies, and MFIs, can improve accessibility and transparency in underserved areas such as Ramanthapur.

CONCLUSION

Microfinance, delivered through the Self-Help Group model, has emerged as a significant tool for promoting financial inclusion, poverty alleviation, and socio-economic development in the Ramanthapur area of Hyderabad. By providing consistent access to credit, it has helped SHG members — predominantly women in the 36–60 age group — meet household needs, invest in education, and, in a smaller share of cases, pursue independent business activity. Beneficiary sentiment toward the scheme is overwhelmingly positive, with every respondent rating its impact as good or very good.

At the same time, the study finds that a substantial share of loan funds is directed toward consumption and education rather than income-generating enterprise, and that a meaningful minority of borrowers face repayment difficulty. This suggests that while SHG microfinance has succeeded in expanding access to credit and building trust among beneficiaries, its fuller potential as a driver of women's entrepreneurship will depend on complementary investment in financial literacy, skill-building, and productive-use guidance. With continued regulatory support, technological adoption, and targeted borrower education, microfinance can play an even stronger role in achieving inclusive and sustainable development.

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