



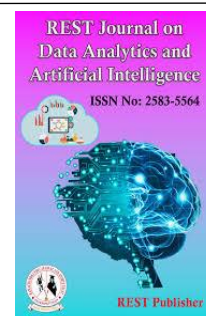
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A Study on Micro Finance System with Reference to Canara Bank.

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Abstract: India is one of the highly populated countries in the world currently. Reason being unawareness, illiteracy, avoidance or disinterest; in turn leading to economic downfall and almost 30-35% of the people are under the Below Poverty Line (BPL). These people are not even able to meet their consumption need. Therefore, there is a need of a tool that not only serves them but also make them self-capable, Microfinance is such an approach that would result in the better standard of living for them.

Keywords: Microfinance, Below Poverty Line, economic downfall.

1. INTRODUCTION

Microfinance, as a concept and service offering many products has seen many changes in the development which can be traced back to 1970 and 1980. After independence and until late 70's, financial assistance to the borrowers in unorganized sector inclusion was a business only by government through subsidised schemes for rural development. It became very famous during 80's only when the Grameen Bank proved that companies can also be profitable by giving out the loans and other financial services to the poor women, but now, it has become the world 's biggest mechanism in disbursing the loan and credit services to the poor. It can also be understood that the MFIs emergence as a service-market offering financial products profitably are in line with the works by Prahalad who emphasises the size of market at the bottom of pyramid. It was only credit synonym with —Microfinance, during 1970's but now it is a combination of credit, services, insurance, skill upgradation, training and other financial and non-financial services is brought under the brand umbrella of MFIs.

2. REVIEW OF LITERATURE

Sheokand (2000) discussed the evolution of Indian banking and its failure to provide credit facilities to poor people. NABARD started Self Help Group – Bank Linkage Programme in 1992, which was considered as a landmark development in banking with the poor. It was observed that Regional Rural Banks' security-oriented individual banking system was replaced by the delivery of credit to focused groups. According to him the government sponsored programmes had occupied much of the economic space but did not achieve the objective of alleviating poverty. Self Help Group- Bank Linkage Programme has proved very successful for the socio-economic empowerment of hard-core poor, providing financial services to them and preparing them to take up economic activities for poverty alleviation. Although this programme was not a panacea for the problems of rural poverty, yet it had the potential for becoming a permanent system of rural lending in the country with full participation from the formal banking system and without any interference from the government. **Gurumoorthy (2000)** explained the Self-Help Group (SHG) as a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. It was an organised set up to provide micro-credit to the rural women on the strength of the group savings without insisting on any collateral security for the purpose of encouraging them to enter into entrepreneurial activities and for making them enterprising women.

3. OBJECTIVES OF THE STUDY

To study the concept and importance of micro finance system The objective of this study is to an overview of Microfinance Industry in India.3.To study the microfinance services offered by CANARA Bank (CB)

4. METHODOLOGY OF THE STUDY

The methodology adopted to study and collect information regarding the study is as follows:Sources of data
I primary data II secondary data

Primary Data:

The data required for the survey is primary in nature. A questionnaire method was adoptedfor data collection in this regard, a structured questionnaire was created and run among the sample participants.

Sample size = the sample size of the respondents is 100

secondary data: The Secondary Data was collected from the different sources. Which are as follows:

- Company profile/ reports/ records.
- Website
- Books, journal's & other materials

5. LIMITATIONS OF THE STUDY

- Most of the respondents may not give corrected information
- Major limitation is for the time duration of the project that is 45 days.
- Study was focused mostly on Canara Bank.
- Study was focused mostly on Canara bank , Dilsuknagar branch.

6. DATA ANALYSIS

TABLE 1. Q1- Are you aware about Microfinance

S.No	Result	No. of respondent	Percentage
1	Yes	88	88
2	No	12	12

Interpretation : From the above chart we interpreted that 88% people aware about the microfinance & 12% people who unaware about the microfinance. A depth study is required to look at the channels where microfinance can communicate to 12% of people.

TABLE 2. Q2- If yes, does Microfinance provides the better service than traditional bankservice?

S. No.	Result	No. of respondent	Percentage
1	Yes	65	74
2	No	23	26

Interpretation: From the above graph we interpreted that 73.86% people consider that microfinance provides the better service & 26.14% people consider the traditional system of bank service.

TABLE 3. Q3- Purpose of loan is taken through Microfinance

S. No.	Purpose	No. of respondent	Percentage
1	Small business	25	28.41
2	Tiny/cottage industry or service activity	15	17.04
3	Artisan activity	12	13.63
4	Agricultural & Allied activity	20	22.73

5	Transport sector activity	16	18.18
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Interpretation: From the above graph we interpreted that 18% people take the loan for the purpose of transport sector activity, 23% people take the loan for the agricultural & allied activity, 14% people take the loan for the artisan activity, 17% people take the loan for the tiny/cottage industry & 28% people take the loan or the purpose of small business. Number of loans given to small business is highest among other sectors.

TABLE 4. Q4-How much loan you have taken?

a) Less than 50000	50000 or more but less than 75000	75000 and above but less than 100000	More then 100000
25	15	12	48

Interpretation: From the above graph we can easily interpreted that mostly people take the loan more than 100000.

TABLE 5. Q5- Do you feel that you become more self-dependent after taking the loan through Microfinance?

S. No.	Result	No. of respondent	Percentage
1	Yes	75	85.23
2	No	13	14.77

Interpretation: From the above graph we interpreted that 85% people consider that microfinance become the people more self-dependent while 15% people consider that microfinance does not help to become the people more self-dependent.

TABLE 6. Q6- Do you have easy access to Microfinance's services?

S. No.	Result	No. of Respondent	Percentage
1	Yes	77	87.50
2	No	11	12.5

Interpretation: From the graph above we interpreted that 87% people consider that services of microfinance are easily accessible while 13% people consider that services of microfinance are not easily accessible.

TABLE 7. Q7- Have you ever heard about SHG?

S. No.	Result	No. of Respondent	Percentage
1	Yes	89	89
2	No	11	11

Interpretation

From the above graph we interpreted that 89% people are aware about the SHGs while 11% people are unaware about the SHGs. People who belong to 11% need to be made aware about SHG and its benefits

Q8- Are you a member of SHG?

S. No.	Result	No. of Respondent	Percentage
1	Yes	82	82
2	No	18	18

Interpretation

From the Above graph we interpreted that 82% people who are the member of SHG while 18% people who are not member of SHG.

Q9- Does the SHGs have provided any training for effective use of loan?

S. No.	Result	No. of Respondent	Percentage
1	Yes	70	85.37
2	No	12	14.63

Interpretation

From the above graph we interpreted that 85% people consider that SHGs provide training for effective use of loan while 15% people consider that SHGs do not provide training for effective use of loan.

FINDINGS

- 88% peoples are aware in Microfinance,
- 74% people consider that Microfinance provides the better service and 26% people consider that traditional system of bank service is better.
- 18% people take the loan for purpose the transport sector activity, 23% take the loan for the agricultural and Allied activity , 14% people take the loan for the artisan activity, 17% poeple take the loan for the tiny /cottage industry and 28% people take the loan for the purpose for small business.
- mostly people take the loan more than 100000
- 85% people consider that Microfinance become the people more self dependent.
- 87% people consider that services of Microfinance are easily accessible.
- 89% of people are aware about the SHGS .
- 82% people who are the members of SHG.
- 85% people consider that SHGS provide training more effective use of loan.

SUGGESTION

- A Depth study is required to look at the channels were microfinance can communicate to 12% of people.
- Microfinance need to provides additional services to its customers like a nationalised bank this can be using innovative products to attract this 26% people.
- This sector is neglected by banks as they ask for collateral security which cannot be provided by these people so they approach Microfinance .
- Loan amout should be increased .
- Proper guidance and Finance literature arr ingredients that will help people result in effective usegae of loan there by increasing repayment of loans.

6. CONCLUSION

The legitimacy of microfinance is beyond doubt. In a context of growing financialization, the poor more than anybody else need microfinance services. In the same vein, in a context where democracy remains mainly formal and inaccessible to the poorest, the collective approach (which is at the core of Indian microfinance through the Self-help-group concept) undeniably represents a tool for democratic practices and therefore for grass roots development, especially for women. In practice, however, real effects are much more limited than what is usually presented. How far and under what conditions can microfinance combat poverty and contribute to grass roots development? The question is all the more acute in India, where microfinance has grown very fast and intensively over the last decade. After a first cycle of growth where the number of clients went from a few thousand to several millions, microfinance is nowadays at the core of many agendas, be they public or private. Indian microfinance, both in terms of the number of clients and the volume of credit disbursed, is not anecdotal any more. Because of the socio- economic, political, even cultural questions it raises, microfinance becomes a societal challenge. If it is indeed urgent not to let oneself be blinded by the surrounding optimism and not to under-estimate the present weaknesses of microfinance, it is equally necessary to identify efficient and innovative experiments in order to better reflect on the future of microfinance. This is why this communication aims to shed light at the process of micro financialization in particular at the spatial dimension and dynamics. Findings on the spatial variation and changes in the development of the microfinance sector can enhance our understanding of the complex processes of current regional development in India and can contribute to the formulation of innovative regional development policies.

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