

A Study for Developing a Microfinance Product in India

Tejas Sanjay Lad¹, Prof. Pallavi Rahul Gedamkar²

¹Student, ²Assistant Professor

^{1,2}MIT-World Peace University, Pune, Maharashtra, India

ABSTRACT

Microfinance is a sort of banking services given to people¹ with low income, who generally would have no different access to financial services. The objective of Microfinance is to eventually offer the individuals the chance of being financially free. Numerous individuals look to family, companions, or even credit sharks for assistance. Microfinance enables people to assume financial services securely, and in a way that is reliable with moral lending practices.

The researcher after analyzing the research papers, have found that the Microfinance has a long way to go. Microfinance plays a key role in the lives of the individual with low income by giving him access to the capital. India is a developing country and still it faces the problem of poverty and Microfinance can help India curb Poverty² issues. This topic has been chosen by the researcher to study various aspects of Microfinance within the Indian boundaries like, how it can provide sustainable solutions to people with lower income, how it can encourage savings and investments within the community and how it can offer economic gains even after the income levels remain same.

The research design included conducting interviews, carrying out survey about Microfinance and its products, and using the secondary sources to meet the objectives of the research. Grounded Theory Analysis has been used by the researcher to analyze the data. The research may provide the readers, insights on what more is needed to spread the impact of Microfinance. The research will investigate the benefits of collaborating Microfinance with Stock Market and Health Insurance. The research proposes three financial products, which can attract the poor and thus satisfy the ultimate objective of Financial Inclusion.

Cost of providing the services remains bottleneck of most of the Microfinance Enterprises. This study only deals with the necessary aspects³ of services and products required to help people raise their standard of living. Further there is a scope to carry out research on risks associated with Microfinance enterprises and its products and finding out ways to curb those risks.

KEYWORDS: People, Poverty, Necessary Aspects, Children, Appropriate Returns

1. INTRODUCTION

Microfinance has started in the early 1980s with small efforts at forming informal self-help groups to provide access to much needed financial and credit services to the left out section of the society. From this small beginning, the microfinance sector has grown significantly in the past decades and currently gaining momentum all over the world. World Bank has called South Asia, "the cradle of microfinance" and statistics indicate that 45% of all the people in the world who use microfinance services are from South Asia. And still there are much people in South Asia itself who are not included in the financial system till date.

¹Those people who have income below Rs. 600000 per annum.

² One faces poverty issue limited capital when his income is below Rs. 32 and Rs.47 for rural and urban areas respectively (Source: Planning Commission Report)

³Necessary Aspects includes financial literacy and financial inclusion along with financial security.

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Thus there is much scope for microfinance currently to penetrate in the rural areas. With financial inclusion emerging as a major policy objective, Microfinance has occupied centre stage and has emerged as the most promising tool for reducing Poverty in South Asian Countries. Microfinance Institutions and its products are helping the government of developing countries to fulfill their goal of financial inclusion of every citizen of the country, thus which ultimately is helping the GDP to grow. Thus, today as these institution are still as growing stage will fuel the economy by helping the left out people by providing them easy loans and other financial services at very lower rates, so that they can help themselves by starting business and small enterprises to earn their livelihood and come out of Poverty.

After carrying out the review of research papers, the researcher found that, even though Microfinance is meant for financial inclusion, the rate of it is very slow. One of the reasons for it might be lower penetration of microfinance

products in rural areas. But the major reason behind why some poor people in India still find it difficult to uplift themselves is because they are not financially literate. Microfinance Institutions are raising capital after demonetization, from equity market through IPO, but they have not been able to create more wealth out of it. Even though there are good Micro insurance products, very few people that are economically weak have opted for it and only 25% of Indians have life cover. The researcher will try to bridge the above mentioned gap through his research. The researcher will be doing research about the microfinance institutions in different parts of Pune, its impact on poverty reduction, the risks faced by such microfinance institutions, different innovative financial products and schemes, and how these products can make the underprivileged financially literate and overcome the poverty.

2. Objectives

2.1. Objectives

The researcher in wake of doing the essential investigation has discovered that there is a need to highlight existing Microfinance Institutions in India, their financial products and what can be done to expand the utilization of such products in bigger zones of India. To address these needs, the researcher has structured all the following objectives.

1. To determine the relationship of Microfinance Institutions with Equity Markets in India.
2. To determine the relationship of Microfinance Institutions with health insurance in India.
3. To design Micro Finance Product considering the aspects of financial inclusions for Indian Territory.

2.2. Scope

Microfinance, being in nascent stage has a wider scope functionally and geographically as well. With wide range of Indian Territory and population demography, Microfinance has a key task to carry out in elevating the poor population of India. The researcher has attempted to address different significant issues with respect to the following scope.

1. The study is conducted by interviewing the Social Entrepreneurs from Pune and Dhule, Maharashtra, India.
2. This study has also undertaken interviews of laborers at construction sites at Balewadi (Equilife Homes) and Hinjewadi (Paranjape Blue Ridge Project).
3. Questionnaire was circulated to carry out the study among people from Pune region in order to understand the current scenario of Microfinance in the society.
4. Study has undertaken five Microfinance Companies namely; AU Small Finance Bank, Bandhan Bank, CreditAccess Grameen Limited, Equitas Small Finance Bank and Bharat Financial Inclusion Limited.
5. Annual Reports (Management Discussion, Balance Sheet, Income Statement and Notes to financial Statements) of past two fiscal years (2017-2018; 2018-2019) have been studied to carry out the research.
6. One Micro Insurance scheme (Bhagya Laxmi and Jeevan Mangal) of Life Insurance Corporation of India has been studied to carry out the research.
7. Mudra Loan Schemes is also studied for the purpose of the research.

3. Literature Review

Microfinance has made world think about various ways to reach out to the bottom of the pyramid and address their

issues. Many studies have been carried out and results shows that Microfinance has a wider impact on the lives of the underprivileged. Thus, in order to address the objectives of the study within the defined scope, following research papers have been referred by the researcher.

3.1. Analysis of Potential Demand for Microfinance Services in West-Java by District Areas, Muhammad Nashihin, The 5th Indonesia International Conference on Innovation, Entrepreneurship and Small Business (IICIES 2013).

The objective behind referring this paper is to analyze different financial services across Indonesia, which has a long history of Micro financial Services both in urban and rural area. Even though financial inclusion in Indonesia is quite low, this paper was studied to study how Microfinance Institutions have demand in Indonesia, how it affects the economy of Indonesia, how the Institutions are working on Financial Inclusion and how it can be implemented in India, to help the families in India come out of Poverty.

The objective of the Author was to access the potential Demand to ensure that microfinance is feasible and its sustainability is assured. This study was aimed at analyzing the potential demand in West Java District of Indonesia. The author has used the secondary data obtained from bank of Indonesia, about credit disbursed by Rural Banks to supplement the previous collected data. The Author has also taken help of SEON Foundation to carry out his research and also collected data from SUSENAS report on national socio-economic data. Author's results were concluded with potential demand for micro-credit was RP 16,669 BILLION and potential demand for microfinance institutions is 513 units. Thus he concluded that market for microfinance services in West Java is widely open.

India also faces the problem of poverty and the results of paper shows that such institutions are in demand in regions where people are still not included in financial system to help them overcome poverty. Thus, such study can also be carried out in India to estimate the demand and RBI can then form norms accordingly.

3.2. Effect of combining health programs with microfinance based self-help group on health behaviors and outcome, S. Saha, M. Kermodé and P.L. Annear, Public Health Journal 129 (2015) 1510-1518.

Insurance companies only covers life and only the ones financially literate can take advantage of it. Bancassurance is new concept, combining bank and insurance services. So if traditional banking can be linked to insurance, then microfinance can also be linked. The only objective to carry study this paper was to find the linkage between health insurance and microfinance.

Author's objective to carry out this research was to bridge the gap between women's participation in self-help groups and social capital for good health attainment of those womens and their children. The research methodology followed by the author was interview, individual survey and group discussion across districts of Gujarat and Karnataka. Author concluded that such programs helped the individual womens, but still a lot of work was needed in the area as the

objective of covering the expenditure of hospitalization was not attained.

There is good scope for such synergies in India. India still is not saturated with MFIs and thus such innovative synergies can create business opportunity and attain the goal of poverty reduction as well. A much research based on Indian context can be conducted and applied to the rural areas of country.

3.3. Financial Development and Poverty reduction in Developing Countries: New Evidence from Bank and Microfinance Institutions, Ficawoyi Donow-Adonsou and Kevin Sylwester, Review of Development Finance 6 (2016) 82-90.

The objective behind studying this paper is to study how the financial system and its development can impact the financial literacy and ultimately how it can reduce the poverty, to use the study further and develop some financial instrument to attain the objective to the fullest.

Author's sole objective behind carrying out this research was to check the extent to which bank and other financial institutions reduce poverty. For which instrumental variable approach is used along with secondary data from Microfinance Information Exchange. And the result of the research indicate that the bank credit reduces poverty, but at the same time author has also concluded that the bank can fail to reach the poorest and MFIs being in its infant stage, has a long way to go.

MFIs are in infant stage and are the opportunity of research and make it penetrate into the rural areas of country. This can help to develop the effective Microfinance Model.

3.4. Financial Literacy- the urgent need today, Bohuslava Mihalcova, Adriana Csikosova and Maria Antosova, 2nd World Conference on Business, Economics and Management - WCBEM 2013.

The objective behind studying this paper was to determine the relationship between financial literacy and financial inclusion along with the effects of financial literacy on poverty reduction.

Authors thinks that the ability to understand financial products which normally people come into contact is the reflection of financial reflection and the global problem is inadequate level of financial literacy and thus with the objective to research the issue in depth and find out the indicators of financial literacy and define it in real terms, author has carried out this research. For the research Author has carried out surveys and conducted face to face interviews along with the secondary collected from National Standard of Financial Literacy and Slovak Banking Association. From the research, he has found the results that over 70% of the sample tested don't know about the investment avenues and risk associated with them and almost half of them don't save anything from their monthly income.

Financial literacy and its awareness can become a good business venture, if properly investigated and further research in topic can help to know about the requirement of the general public and design the financial product accordingly.

3.5. Impact of Microfinance on Income Generation and Livelihood of members of Self-help Groups- A case study of Mandya District in India, Dr. K. Sivachithappa, PSU-USM International Conference on Humanities and Social Sciences, Procedia-Social and Behavioral Sciences 91 (2013) 228-240.

The objective of studying this paper is understand the effect of self help groups on livelihood and rural economy and how these groups have changed the socio-economic structure of rural India. This will further help to understand the requirement of rural India and design the financial Product accordingly.

The objective of Author to carry out the research is to study, analyze and generate information of the extent to which these microfinance programs have helped self help group for forming capital asset at rural level, reducing poverty , expanding employment opportunities and improving the accessibility of other financial services at community level. Research Methodology used for this purpose was simple random sampling and collecting primary and secondary data from various sources where the sample size was 186 beneficiaries. And the results stated that there was increase in income of women participant of Self help groups and also Self help groups have effectively helped to reduce poverty. Also results stated that maximum borrowers were women and still lacked some financial knowledge.

Self-help groups still has a long way to go and this can be the opportunity to create new avenues of investment for them and reduce poverty at root level with the help of these already established groups. But a major work on financial literacy and women empowerment is needed in rural area.

3.6. Informal Business and Microcredit- Evidence from financial diaries: A study in Ramanagaram, India, Rajalakshmi Kamath and Smita Ramanathan, IIMB Management Review (2015)27, 149-158.

The objective of studying this research paper was to create relationship between unorganized and informal business and their credibility for acquiring microcredit. As India still has a large sector which is unorganized and seeking loans and even some have subscribed to loans, but at the same time it carries risk with it. The objective is to determine the risk and check feasibility of providing micro credits to informal businesses.

Author thins that the informal sector has the key role in growth, employment, and poverty reduction and thus it is necessary to understand the participants of this sector and the activities carried out by them and the type of credit they are seeking to expand themselves. With this objective Author has carried out the study in Ramanagaram. The research was carried out by interviewing the respondents and collecting data from standard journals and National Commission for Enterprises in the Unorganized Sector and also conducting group discussions. The finding of the research stated that it is very difficult to track the informal sector and such informal businesses are heavily leveraged and thus these businesses are the ready customers for MFI loans.

Even though many regulations and introduction of various laws and technologies, informal sector still exists and it is really necessary to give them a helping hand before they face hardships. And thus Microfinance Institutions find the scope

here, as traditional banking can't reach the bottom of pyramid.

3.7. Innovative Flexible Products in Microfinance, Carolina Laureti and Michael Hamp.

The objective to study this paper was to see the effect of flexibility and discipline on microfinance products and check whether the similar concept can be applied in Indian context. The objective of Author to carry out research on this topic was to study various flexible and discipline approach provided by the services provided along with their micro credit services and creates the tradeoff between them. The author has therefore carried out detailed study of the products offered by well known MFI In Kenya, Indonesia, India, Ghana and some other places and conducted the qualitative study of the clients of the Institutions to find the tradeoff point between flexibility and discipline. And the results states that flexibility serves the objectives by reaching to masses and coping with risk, which eventually help to maintain discipline.

In globalized world flexibility is very much necessary and this can be achieved with introduction of relative technology to bring in discipline also.

3.8. Microfinance- An emerging financial instrument of Financial Inclusion for Social Upliftment and to eradicate poverty: A case study based approach, IOSR Journal of Business and Management, e-ISSN: 2278-487X, p-ISSN: 2319-7668. PP 68-75.

Microfinance being at early stage has a lot of scope of development and penetration in India. And thus the objective of studying this paper was to understand the financial instrument of two different MFIs and how they have impacted poverty and social inclusion.

The objective of the author was to carry out detailed study of the products developed by MFI and steps taken to eradicate poverty at the grass roots level. The objective also included understanding the performance and trends of MFIs and how they have served the bottom of the pyramid. The research methodology used was case study methods and the outcomes were detailed. Author concluded by stating that MFI sector is still growing and there is need to curb challenges and ensure regulatory measures for smooth processing.

In India already there exist the MFIs; the need of an hour is developing the product which will benefit the masses and help in curbing poverty. Also there is need to study the need of policies and measures needed to face and mitigate the challenge of MFIs.

3.9. Microfinance and Poverty Reduction: A Review and Synthesis of Empirical Evidence, Kamel Bel Hadj Miled and Jalel-Eddine Ben Rejeb, World Conference on Technology, Innovation and Entrepreneurship, Procedia- Social and Behavioral Sciences 195(2015) 705-712.

There are evidences that microfinance has helped to reduce poverty and still there is a lot of scope in poverty reduction. Thus the objective of studying this research paper was to see the effect of microfinance on poverty reduction and what all have been done and can be done more in MFI sector to achieve the goal of United Nation of Zero Poverty.

The objective of the Author was to find the relationship between microfinance and poverty reduction at macro level, for which he collected cross-sectional data covering 596 MFIs and the cross sectional data is supplemented by Panel data as well. The results indicate that South African region is the most poorest and East Asia and Pacific shows lower expenditure of consumption. Author concluded that Microfinance loans per capita are significantly and negatively associated with poverty headcount and higher expenditure of consumption.

Microfinance reduces poverty and much innovations are yet to be introduced in this sector. Research is needed to make innovative products and develop synergies to gain momentum.

3.10. The role of microfinance in household livelihood adaption in Stkhira, District Southwest Bangladesh, Adrian Fenton, Jouni Paavola and Anne Tallontire, World Development Volume 92, pp192-202, 2017, 0303-750X

The objective of referring this paper was to study whether really the microfinance is able to change the livelihood of rural India. And if it is, then how the results of study can be adopted for Indian geography was also the added objective of studying this paper.

The objective of the Author was to determine how microfinance change the livelihood of rural and natural calamities affected areas. Also, Author studied about the impact of limited credit can resist the people from complete adaptations of services. The research methodology used was interview of local people of selected villages and the officials of NGOs. Also Author conducted a single detailed case study related to the topic. The finding shows that credit acts as a source of capital when environmental and climate hazards occur. The result also suggested that microfinance can support adaption by enhancing adaptive capacity through the accumulation assets and diversification of livelihood.

People in rural areas face many natural hazards along with financial problems and thus credit amount must be designed in such a way that it covers their livelihood and financial distress of people as well.

3.11. The role of financial development in poverty reduction, Johan Rewilak, Review of Development Finance 7 (2017) 169-176

Poverty in country exists because the bottom of the pyramid is financially excluded. It is financial development and its outreach across country which can help people to come out of poverty. Thus, the objective behind studying this paper was to study how financial development can help in reduction of poverty.

The objective of Author was to investigate whether financial development is helpful in poverty reduction for which financial development was separated into four categories and both financial deepening and greater physical access is beneficial in reducing proportion of people below the poverty line was found out. The baseline model, cross sectional study and world development indicators were used as the research methodology tools. Results showed that 1% increase in private credit may reduce poverty by 0.24%, being 1% richer may reduce poverty by 0.25% and a lack of

financial infrastructure may result in the poor being financially excluded.

Financial inclusion can reduce poverty, but still a lot is yet to be done for full fledged financial inclusion. And a research can be conducted in this regard.

3.12. The Exposure of microfinance Institutions to Financial Risk, Thomas Gietzen, Review of Development Finance 7(2017) 120-133.

The objective behind studying this paper is to gain the in-depth knowledge about various financial risks that the MFIs are exposed to, and then to check if precautions can be taken to mitigate such financial risks.

The objective of the Author was to examine the exposure of MFIs to liquidity, for which the data was collected manually, from microfinance institutions' financial report, Microfinance Information Exchange and the result said that microfinance sector always faces certain minimal liquidity risk, higher interest rate risk and Foreign Exchange risk.

The takeaway here is that Microfinance institutions must maintain the most balanced asset and liability structure and the systematic actions should be taken for mitigating the financial risk at source.

4. Research Methodology

4.1. Statement of Problem

Determining the relationship of Microfinance institutions with Equity Markets and Health Insurance to design the Microfinance Product considering the aspect of financial inclusion.

4.2. Hypothesis

On the basis of related literature review and on the basis of preliminary discussion among colleagues, senior faculty members and research guides, researcher has collected several aspects and facts related to the topic. On the basis of these initial discussions and learned opinion, researcher has formulated following hypotheses

H = If the percentage of investment by Microfinance Companies in equity market is increased, than return on it will also increase.

4.3. Research Design

In this study, the exploratory research design was chosen in order to explore how Microfinance Institutions are related to Stock Market and Health Insurance, in order to meet the ultimate aim of financial inclusion.

Exploratory research is conducted to address the problems which are not clearly defined. It is conducted to get better understanding about the problem, but will not deliver any conclusive result. Such research is carried out when the problem is at preliminary stage. And Microfinance being at a nascent stage, researcher has undertaken exploratory research to address the objectives of the study

4.4. Sampling

Simple Random Sampling Method takes small portion of the total population to represent entire population. It is one of the simplest sampling techniques. In this study, out of all the known contact some of them are chosen to test the hypothesis and thus simple random sampling technique has been used.

Sample: General Public and Social Entrepreneur.

Table4.1: Sampling

Particulars	General Public	Social Entrepreneur
Universe	1000	60
Sample	125	5
Accuracy: 95%, with Triangulation Method		

Source: Questionnaire

4.5. Data

In this study, the data gathered was subjective in nature. Questions were built on information gathered through secondary sources and existing knowledge about the domain. Data was recorded in written format and documented with the help of electronic media.

Data Collection Tool:

Primary Data - Unstructured Questionnaire and unstructured telephonic Interview
Secondary Interview - Company Annual Reports.

Data Analysis Tool:

Data being qualitative in nature, it is analysed by grounded analysis.

Grounded Theory is used for progressive identification and integration of different categories in the qualitative data. The data obtained by the researcher is qualitative data and as the researcher went on interviewing and collecting data, he came across different aspects. All this aspects were interlinked to one another and grounded theory was the most suitable way of finding out the linkage between those aspects and interpreting the results. Grounded theory helped the researcher to identify category and establish relationship those categories.

5. Data Analysis and Interpretation

5.1. The researcher has deciphered the following information for the objective, "To determine the relationship of Microfinance Institutions with Equity Markets"

Equity Market is the good source to generate more returns in comparison to risk free investments. And more returns will eventually attract more clients to the financial services offered by the companies. Following data is collected to address the current scenario of Microfinance and how it can be more impactful if proper Equity Microfinance Model comes into existence.

Table5.1 Debt/Equity Ratio

Company	Debt/Equity Ratio
CreditAccess Grameen Limited	2.58
Equitas Small Finance	2.53
Bharat Financial Inclusion Limited	2.61

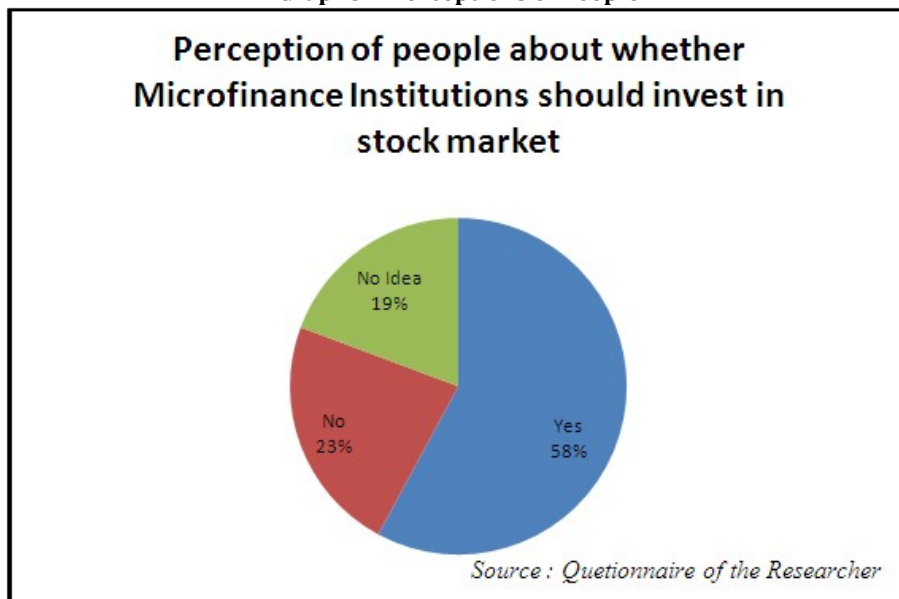
Source: Annual Report of the year 2017-18 of respective companies

Table5.2 Equity Exposure of Companies

Company	IPO Size	Percentage of exposure to Equity Market
Credit Access Grameen Limited	1132 Crore	0.2%
Bharat Financial Inclusion Limited	1420 Crore	0.2%
Bandhan Bank Limited	4470 Crore	0.2%
AU Small Finance Bank	1913 Crore	1.47%

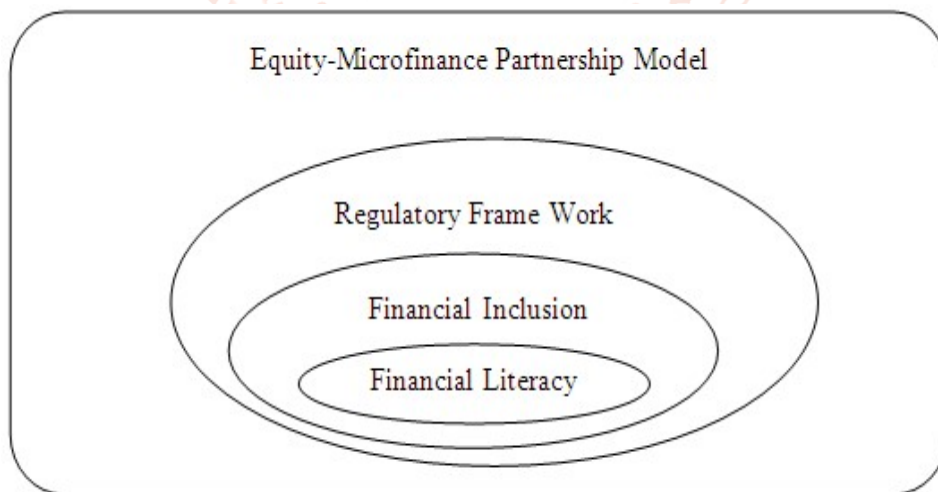
Source: Annual Report of the year 2017-18 of respective companies

Graph5.1 Perceptions of People



Analysis and Interpretation:

The researcher with the help of Questionnaire and secondary sources has conducted the study to find out how equity market can be used by the Social Enterprises in order to generate more returns. With the help of Grounded Theory Analysis, the researcher has found relative parameters which are very much essential to increase the impact of Microfinance.



Grounded Theory Analysis

From the table of debt equity ratio, it is clear that the three Microfinance Enterprises have debt equity ratio almost around 2.5 and the table of exposure to equity markets shows that Microfinance enterprise are very less exposed towards equity markets, only around 0.2 percent. From the answers to the questionnaire, it was found that only around 25% of the population is aware about the Microfinance Institutions and products offered by it. From the graph, it can be seen that maximum population favors collaboration of Microfinance Enterprise with equity markets. After interviewing the people in Hinjewadi, the researcher has found that they are not well aware about the financial products offered by Social Enterprises and the returns they can get through it.

After conducting the survey and analyzing the above result, the researcher has interpreted that lack of financial literacy is hampering the objective of financial inclusion. This is due to the regulatory framework of Reserve Bank of India, which does not allow Microfinance Institutions to collaborate with Equity Markets. And so such enterprises can only raise capital when in need,

through Initial Public Offering. And again after a particular period of time, they find it difficult to sustain due to lack of capital. Thus, the researcher proposes the Equity-Microfinance Partnership Model wherein Microfinance Enterprise will be more exposed to equity markets to meet their capital needs. And introduction of Social Stock Exchanges in Finance Bill 2019 also conforms the positive relationship of Microfinance Enterprises to Equity Markets, which will help Microfinance Enterprises to cut down their debt equity ratio.

5.2. Following data is examined for the objective, “To determine the relationship of Microfinance Institutions with Health Insurance”:

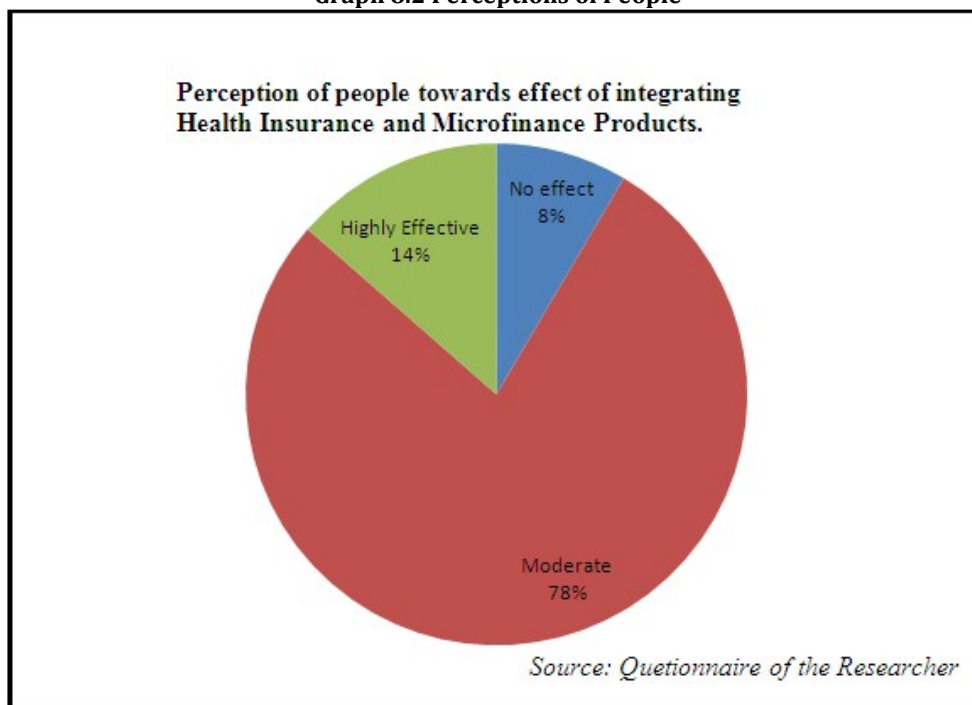
India is the world’s second largest populated nation and still, only 25% of the people in India possess Health Insurance. And so during emergencies, the one who has it, can benefit by utilizing it, but the ones who are not aware has to suffer. The researcher has analyzed following data to address the above mentioned issue and to find out whether this situation can be changed.

Table5.3 List of Insurance Products Offered by Company

Company	Insurance Products
Credit Access Grameen Limited	Kotak Life Insurance, DHFL Life Insurance, Shriram Life Insurance.
AU Small Financial Bank	Future Generali Assured Money Back Plan, Education Plan, Income Multiplier.
Ujjivan	Apollo Munich Health Insurance, Max Bhupa Health Insurance.
Equitas Small Finance	Apollo Munich Health Insurance.
Bharat Financial Inclusion Limited	-

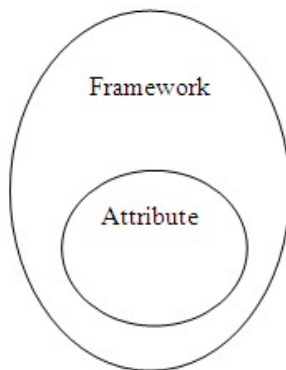
Source: Annual Report of the year 2017-18 of the respective Companies

Graph 8.2 Perceptions of People



Analysis and Interpretation:

During times of hospitalization and other medical emergencies, Health Insurance plays a key role and thus the researcher has conducted the study on how health insurance is penetrating in the market through Microfinance Enterprises. Within the boundaries of scope, the researcher has tried to find the relationship between Health Insurance and Microfinance.



Grounded Theory Analysis

It is found that Microfinance Institutions doesn't have their own Insurance Plans and so they have collaborated with Insurance Companies. Apollo Munich has a least life cover of 5 lakh with Rs.700 premium per month, DHFL has insurance but its products requires you to have annual income of at least Rs. 1.5 lakh and Future Generali also has a health insurance with minimum premium of Rs. 1500 per month. From the interview it was found that Modi Government has launched two schemes; Pradhan Mantri Jeevan Jyoti Yojana and Pradhan Mantri Jeevan Suraksha Yojana and their premium amount is just Rs. 330 per month and Rs. 360 per month respectively for the life cover of Rs. 2 lakh and Rs. 4 lakh respectively. Also there are no proper delivery channels present in the country which can attract the people from rural areas.

From the above data, it can be interpreted that attributes of Insurance Products and the regulatory framework are the two main things resisting the outreach of Insurance Products in India. Microfinance Enterprises offer Micro insurance through other companies and so the ultimate objectives of the two don't converge because one has an objective of Financial Inclusion and other has the objective of profit making. This is the reason why most of the people in rural areas prefer being away from such products. Current framework and regulations of IRDAI imposes much restriction about investment of depositors' premium due to which returns are also affected and so framework which can address all the issues at one place thus attracting the masses towards insurance products is very much essential. As per the study there is no relationship between health insurance and Microfinance Institutions and it cannot be established unless and until Microfinance Institutions have their own Microinsurances.

5.3. Following products are designed to address the objective, "To design a Microfinance Product considering the aspect of financial Inclusion"

Keeping in mind the requirement of the poor individual and ways to enhance his/hers financial freedom, the researcher has proposed the following Schemes. The researcher has tried to address the issues of Objective 1 and Objective 2 while designing the products in Objective 3.

5.3.1. Pension Scheme:

The researcher has found out that many poor people look at such schemes as an expense and so they can not plan for their old age. To attract them it was necessary to design product at low cost and maximum return in comparison to other available products. With this idea, the researcher has designed following pension scheme.

Figure5.1 Pension Scheme



Table5.4 Attributes of Pension Schemes

Age (years)	20-25	26-30	31-35	36-40	41-45	46-50	51-55	55-60
Investment premium on monthly basis (in Rupees)	100	200	300	400	500	600	700	800
Lock in Period	Till 60 th year of age							

Source: Questionnaire of the Researcher

Table5.5 Pension Scheme Sample Description

Age (years)	20	26	31	36	41	46	51
Amount (Rupees)	100	200	300	400	500	600	700
Total Amount Collected (Rupees)	48000	84000	108000	120000	120000	108000	84000
Amount to be disbursed after Lock in period (Rupees)	1440000	1440000	1440000	1440000	1440000	1200000	480000
Percentage Returns	29	16.1	12.3	11	11	10.11	5
Death Penalty	720000	720000	720000	720000	720000	600000	60000

Source: Questionnaire of the Researcher

Analysis and Interpretation:

It was found that other pension schemes didn't give any benefits to the nominee in case of death of the proposer. Also, some existing pension scheme has greater premium amount and thus people with low income don't avail it. To address the above issues, the researcher has designed the Pension Scheme after consulting with the Social Entrepreneur Mr. Shrikant Bhatte.

From the above table it can be interpreted that the scheme designed by the researcher may attract masses as it has less premium amount and also nominee will get the benefits in case of death of the proposer. After doing the calculations on excel, it can be interpreted that if a person starts investing for his retirement from the age of 20, Micro finance enterprises can get an annual premium of Rs. 1200. And out of it, it is suggested to invest Rs. 800 annually in equity market expecting a return of 12%, and thus the enterprise can generate more than Rs. 688914 in 40 years to pay the uncommuted pensions later. The company can still be in profit after 20 years. The same will be the case for other premiums also. This scheme will be successful only if there are high numbers of people availing it and so such benefits are proposed along with the pension. The main objective to design this scheme is to secure future of dependents on the other family member, who is the only earner in the family. . It is suggested that Microfinance Institutions must focus on revenue maximization rather than profit maximization and it will be possible at the lowest possible cost, if planned strategically.

5.3.2. Loan:

Poor people don't get access to capital as banks don't provide them loans due to their creditability. And hence they face many challenges in emergency situation. This make them take loans from the lenders with high interest rates. Thus the researcher felt it necessary to develop the following scheme wherein low cost flexible loans can be made available to the poor people.

Figure 5.2 Loan



A. Occasional Loans:

Table 5.6 Attributes of Occasional Loans

Amount to be disbursed	Rs. 20000
Interest on Principal	5%
Amount Repayable (Payable after 1 year of taking loan)	21000
Duration to repay Amount	1 Year
Repayment Amount (one installment)	Rs. 21000
Repayment Amount (12 installments)	Rs. 1750
Repayment Amount (365 installments)	Rs. 60

Source: Questionnaire of the Researcher

B. Conventional Loans:

Table 5.7 Attributes of Conventional Loans

Loan Amount	Rs. 100000	Rs. 500000	Rs. 1000000
Interest	10%	10%	10%
Amount Payable (After 1 year)	Rs. 110000	Rs. 550000	Rs. 1100000
Duration of repayment	5 Years	5 Years	5 Years
Repayment Amount (5 Installment)	22000	110000	220000
Repayment Amount (60 Installment)	1834	9167	18333
Repayment Amount (1825 Installment)	61	302	603

Source: Questionnaire of the Researcher

Analysis and Interpretation:

It is found that the conventional loan process is very tedious and it can be availed only by those who have credibility. Many Microfinance Enterprises have started occasional loans schemes but then again the system of Equated Monthly Installments (E.M.I.) makes the poor people to pay more interest.

The researcher has designed and proposed this scheme to address the above problems. Many people in rural areas don't have funds in case of emergencies, and to meet the capital requirement during such times, the researcher has designed occasional funds. In this scheme, it is suggested that anyone who requires capital, must be availed with maximum loan of Rs. 20000 with the interest of only 5% and without any collateral. The one who takes the loan will have to repay only Rs. 21000 and that too after 1 year, wherein he/she can repay in monthly installments, daily installments and in a single installment. To attract large masses and meet their capital requirement the researcher has also proposed conventional loans from Rs. 100000 to Rs.

1000000 at interest of 10% on principal amount. Under this scheme, if someone avails for the loan of Rs. 500000, he has to pay back only Rs. 550000 at interest of 10% and that too after 1 year of availing loan. The researcher after interviewing the people who can be the potential customers and interviewing the social entrepreneur Shrikant Bhate, has found that the implementation of this scheme is difficult but possible. And once the scheme has implemented successfully it can benefit the masses.

5.3.3. Gullakh Khata:

Due to conservative upbringing in India, children remain financially dependent on their parents for a long time. And so a teenager¹ is not financially free in India. To change this situation and make the teenagers to invest for their future, the researcher has developed following Gullakh Khata Scheme.

Figure5.3 Gullakh Khata



Table5.8 Attributes of Gullakh Khata Scheme

Age Group		10 – 17 years
Rate of return	If premiums paid by child himself	8% (Compound Interest)
	If premiums paid by parents of the child	10% (Simple Interest)
Return on		19 th Birthday

Source: Questionnaire of the Researcher

Table5.9 Sample Description of Gullakh Khata Scheme (Premium Rs.20-Rs.45)

Age (years)	10	11	12	13	14	15	16	17
Amount to be Invested (Rupees)	20	20	20	25	30	35	40	45
Total Amount Collected (Rupees)	58400	51100	43800	45625	43800	38325	29200	16425
S.I. Returns (Rupees)	105120	86870	70080	68437.5	61320	49822.5	35040	18067.5
C.I. Returns (Rupees)	109095	88576	70505	68038	60589	49278	35058	18739

Source: Questionnaire of the Researcher

Table5.10 Sample Description of Gullakh Khata Scheme (Premium Rs.500-Rs.700)

Age (years)	10	11	12	13	14	15	16	17
Amount to be Invested (Rupees)	500	500	500	500	500	500	700	700
Total Amount Collected (Rupees)	48000	42000	36000	30000	24000	18000	16800	8400
S.I. Returns (Rupees)	86400	71400	57600	45000	33600	23400	20160	9240
C.I. Returns (Rupees)	89845	72981	58128	45080	33652	23675	20596	10072

Source: Questionnaire of the Researcher

Analysis and Interpretation:

Researcher has found through the study that children² in India are not aware about the benefits of investing and thus they stay away from savings in their young age. The researcher has developed the scheme of Gullakh Khata, through which children will be inspired to make some savings for their future. This scheme can give the returns, which can be used for higher education or starting venture or any other similar purpose once the child attains the age of 19 years.

If a child starts saving from the age of 10 by depositing premium himself, and saves Rs. 20 daily, then Microfinance Enterprise will get Rs. 7300 annually out of which it is suggested to invest Rs. 7000 in equity, expecting the return of at least 10 percent annually. It is suggested that if premium is deposited by the parents, return to be computed on the basis of simple interest, but if the child himself deposits the premium, then return to be on the basis of compound interest, thus generating high returns for the same period and same premium.

¹ Teenager means children between age group of 10 to 17 years of age.

² Children mean every individual child with the age of less than 18 years of age.

6. Findings

After conducting the study, analyzing the data, the researcher has found the following results;

1. As per the survey, 40% respondents fared well on budgetary information scale giving every single right reaction to the inquiries posed.
2. 48% respondents detailed that they required some credit over the most recent one year. Among these, 29% looked for credit from institutional sources and got it as well. 14% looked for it from casual sources and got it, while out of residual 2% looked for it yet did not get it and 3% did not look for it regardless of requiring it.
3. Notwithstanding every one of the endeavors, overview of World Bank finds that Indian Microfinance action right now achieves just to 4% of poor.
4. Exposure of Microfinance Institutions to equity market is very much low at only 2%.
5. There are good Microfinance Product already existing in the market, but the returns are less which cannot attract the bottom of the pyramid.

7. Suggestions

The researcher has thoroughly conducted the study and after finding out the results, the researcher is suggesting the following points to increase the impact of Microfinance in India.

1. Interest of poor is required in arrangement, usage and checking of the program influencing poor people. It ought to rather be a free monetary program.
2. There is a need to expand the limit of the Self Help Groups from 20 to 50 or even more than 50. More advancement as business facilitators will be required by Microfinance Institutions for Self Help Groups to guarantee money related consideration.
3. Microfinance Enterprises must establish separate units to look after the investment of premiums in stock market, so that appropriate returns³ can be generated. Such units must be made responsible to decide how much amount of premium should be invested in equity, debt and how much to be utilized for core operations.
4. Insurer mostly invests the premium in debt funds to generate returns, which are very less and cannot attract the masses. Thus exposure to equity must be increased in case of micro insurance.
5. Financial Products addressing three aspects; financial literacy, financial inclusion and long term sustainability must be designed in order to attract the bottom of the pyramid.
6. The products designed by the researcher can be implemented in rural areas but the extent of implementation and marketability of the product will remain the major concern, if products are not delivered through government channels.

8. Conclusions

Microfinance defines the development that says "a world wherein numerous poor and close poor family units, have lasting access to the suitable scope of top notch money

³ With Appropriate returns, the researcher means that returns which can be sufficient to run the household and which are more than the risk free returns.

related facilities, including not just credit but also savings, insurance, pensions and fund transfers." The microfinance part in India has created fruitful and manageable plan of action and it simply needs a decent financial products having effect on masses. Microfinance Business Model in India has been able to address the problems and challenges, traditionally faced by financial services sector in servicing the low income groups by catering to its needs and capacities.

The fundamental conclusion of this study is that, microfinance with its creative items can add to taking care of the issue deficient housing and urban services as a basic piece of poverty elimination program. However, the difficulties lies in finding the degree of adaptability in credit instrument that could make it coordinate numerous credit prerequisites of low income borrowers.

Only spreading the effort of microfinance can cut down the expense of capital and operating expense and will reinforce the bond among microfinance and other variables of Capital Markets in India. Anyway, for sustainable improvement of the poor rural economy, focus must be on advancement of rural infrastructure.

9. Contributions to Host Organizations

The following tasks were completed in the organization:

1. The study has helped the organization to know the real needs of the people with low income.
2. Study has made the organization to check with their financial products, which they offer through Microfinance Institutions and its reliance.
3. The study has made the organization aware about the need of financial inclusion and financial literacy in the society.
4. The product designed during the study were reviewed by the Company Guide and the researcher was assured of its implementation.
5. The objectives of the projects helped the organization to get inputs about the relationship of Microfinance with Insurance Products.

10. Limitations

Although Microfinance is a powerful means to uplift the poor population of the Indian Society, it has the following limitations;

1. Currently, Micro Finance is not aimed at lifting people out of poverty, as money is given only to those who have good credit history.
2. Collaboration of Microfinance with Insurance Providers and other MNCs is destroying the objective of Micro finance Institutions, as MNCs and Insurance provider sell their products through Micro Finance Enterprises with objective being Profit Maximization.
3. Sustainability is the biggest problem in Microfinance Industry, as cost of supervision of credit is high in comparison to loan volume and loan sizes. Thus, Microfinance Institutions are required to increase their loan volume.
4. Except raising capital through IPO, presently there is no mechanism in the country to meet the capital requirement of Microfinance Industry and thus it faces the problem of paucity of funds.

5. Limited delivery channels for the products offered by Microfinance Industry is the reason why many people in the rural areas are not literate about the financial facilities provided to them.
6. Although investing in Equity will help to generate more returns, but there remains a risk of losses.
7. There is a need for market education in India. People either have no information about Micro facilities and thus some people possess negative attitude towards it.
8. This study has not taken into consideration the effect of inflation while computing the returns of Financial Products.

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