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MICROFINANCE IN INDIA: LITERATURE REVIEW

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Abstract: Indian economy is characterized by low rate of growth, dominance of rural population, heavy dependency on agriculture, adverse land mass ratio, highly skewed distribution of income and wealth beside, high incidence of poverty and unemployment. The last two factors poverty and unemployment pose major challenges to the growth and prosperity of the country. To overcome this problem, some newly developed sectors like micro finance are playing a vital role. Microfinance has been considered a powerful tool to fight poverty through the provision of basic financial services including savings, insurance, credit and transfer of funds. The objective of microfinance institutions is to serve poor people and enable them to access credit and fight poverty. Against such improvements, the present study has been carried out to study of review literature in microfinance sector.

Keywords: Microfinance, poverty alleviation, NABARD, MFIs, SHGS, Literature Review

INTRODUCTION

The field of micro finance has grown in size and stature since its humble origins in 1976 in Bangladesh. The Micro Finance world of today is a world of fast growth, changes in the market and most importantly stiff competition. In this environment achieving and staying in tune with the mission is a real challenge. The SHG (Self Help Group) Bank Linkage Programme of NABARD has emerged as the primary model for providing microfinance services in the country. Encouraged by the success of the programme, NABARD promoted the linkage of Micro Finance Institutions (MFIs) with the banking sector. The uniqueness of the micro finance through SHG is a partnership based approach which encouraged NGOs to undertake not only social engineering but also financial intermediation especially in areas where banking network was not satisfactory. The rapid progress achieved in SHG formation, which has now turned into an empowerment movement among women across the country and laid the foundation for emergence of MFIs in India. Micro Finance institutions have expanded the frontiers of institutional finance and have brought the poor, especially poor women into the formal financial system and enabled them to access credit and fight poverty. Though some significant studies have been made in upscalling the purveyal of micro finance, it is observed that micro finance has had an asymmetric growth across the country with diverse rate

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of interest being charged to the members which are areas of concern. Against such improvement the present study has been carried out to study of review literature in Indian Microfinance sector.

Sane, R. and Thomas, S. (2013)[1] focus on the appropriate regulatory stance towards microfinance and analyses the puzzles of financial regulation in this field from first principles and argues that mainstream mechanisms of consumer protection and micro-prudential regulation need to be modified. The research findings suggest regulatory strategies that need to be adopted for dealing with micro credit and financial distribution should focus on the poor.

Nasir, S (2013)[2] tries to outline the prevailing condition of the microfinance in india in the light of its emergence till now and its aim is to provide a cost effective mechanism for providing financial services to the poor. The research finding discovers the prevailing gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, customer overlapping and with practicable suggestions to overcome the issues and challenges associated with microfinance in India.

Kamath, R., Dattasharma, A and Ramanathan, S (2013)[3] analyze how the daily household cash flows get impacted with or without MFI loans by using the financial diary methodology with 90 poor household in Ramanagaram, Karnataka, India. The finding shows that the microfinance movement in India still has a long way to go in being truly "bottom-up".

Barinaga, E (2013)[4] describes the first year of efforts to introduce microfinance as a tool to work with vulnerable groups in Sweden and to discuss whether microfinance can be seen as a tool to analyze social change in developed welfare states such as Sweden. The analysis shows the mobilization and generation of social capital and the frame alignment process set in motion by microfinance.

Duflo, E. *et al.* (2013)[5] studied on the first randomized evolution of the impact of introducing the standard microcredit group-based lending product in a new market. They found no changes in any of the development outcomes that are often believed to be affected by microfinance including health, education, and women empowerment.

Ranjani, K. S. (2012)[6] outlines the need for conceptual framework for regulation of MFI in India. The research findings suggests that like every other financial intermediary, microfinance institutions will benefit the customer as well as the industry at large when they subject themselves to both self and statuary regulations.

Vichore, S. (2012)[7] discuss how the giant microfinance company (SKS) after taking a transformation root to commercialization has focused only on the promoters profit and not the investors and the study also focuses on understanding what caused microfinance in India to trip. For analyze of MFI, the study of M-CRIL, NABARD and relevant publication on the development of related area in the country is been studied. The findings that postulate the idea there the MFIs to ensure more measured growth and better control system. It also requires more informed investor behavior to ensure that capital flows to socially responsible institutions in support of long term economic benefits of financial inclusion rather than in pursuit of short term financial gains.

Tiwari, A. (2012)[8] conducts a comparative study between India and Bangladesh in terms of loan lend by institutes to customers, clientele, financial sustainability of MFIs in order to understand how MFIs in India are performing as against those MFIs in Bangladesh as it is considered to be the originator of microfinance. The findings discover that no doubt Indian MFIs are more profitable and operating more efficiently than those in Bangladesh.

Vadde, S. (2012)[9] analyses the operating system of SHGs for mobilization of saving, delivery of credit to the needy, management of group funds, repayment of loans, in building of leadership, establishing linkage with banks and social benefits derived by the members. The findings shows that the Self-Help Group (SHG) bank linkage programme in past eighteen years has become a well known tool for bankers, development agencies and even for corporate houses.

Sarmah, G. N and Das, D. K. (2012)[10] attempt to analyze the rule of microfinance and Self-Help Groups (SHG) for the socio economic development of the poor people in Lakhimpur District of Assam. For collecting the primary data a total of 50 SHGs and five (5) members from each SHG (50*5=250 respondents) were randomly selected covering the entire Lakhimpur District. From the study it has been found that after joining the SHGs the poor rural people can increase their income and improve their standard of living by performing economic activities independently.

Vijender, A. *et al.* (2012)[11] stresses on improving farm level efficiency through micro financing and micro insurance in achieving their economic and social goals, which at present find have largely identified only limited success. The finding shows micro finance institutions (MFIs) have to become steady profitable to trim down poverty and role of state government in crucial in augmenting farm investment, micro financing, micro insurance, facilitating private investment and spreading institutions to help the poor in realizing inclusive growth of the India.

Mula, G. *et al.* (2012)[12] attempted to examine the growth and promotion of SHGs and performance of financial institution in micro finance in Cooch Bihar District, west Bengal. The study revealed that District took the second position in credit linkage in spite of being slower physical growth of SHGs (seventh position) in the state. The study also revealed a skewed growth of SHGs in different stages of promotion among the different blocks.

Vichore, S and Deshpande, S (2012)[13] analyses the financial performance of independent micro finance institutions (MFIs) in terms of cost efficiency, cash constraints and net portfolio in India and the role of micro finance in the Indian economy. It also focuses on the current performance of the sector in relation to financial services in general. The data used for the research is supported by NABARD, M-CRIL and RBI. The finding shows that primarily the regulations improvisation which is caught in the head light of draconian regulation is uncertain which way to go and the crisis not only had the effect of bringing micro finance in Andhra Pradesh to a halt it also caused a sudden rash of prudence in commercial bank lending to MFIs resulting in an increase in lending rates.

Nair, T. (2012)[14] starts with an analysis of the growth trends in SHGs and MFIs followed in the second section by the examination of the changes in the flow of bank credit to the two channels. Then some of the newer forms of funding that have emerged along with the transformation of MFIs as profit seeking will be discussed in the third section. The concluding part summarizes the main arguments in the paper and raises some fundamental questions about Indian approach to financial inclusion using commercial MFIs. The finding shows that in general the banking system had steadily shifted its patronage to big MFIs since the mid-2000s, such increased appetite among banks for MFI financing during the latter half of the 2000s need to understood in light of the increase flow of equity investment to the micro finance system. The micro finance institutions (development and regulation) bill 2012 currently awaiting approval by parliament is widely believed to moderate the conduct of MFIs both in non-profit and for-profit sectors.

Padama K. M. S. *et al.* (2012)[15] stated about the framework to help MFIs to adopt the systematic way of risk management practices in order to capitalize new opportunities and also to minimize the risks in their operations. The finding shows the micro finance industry has experienced dramatic growth during the last two decades, in general and the last decade, in particular. Such growth is not only sought by many MFIs but also needed in most countries because the un-served and undeserved market continues to remain large. However, pursuit of growth in terms of breadth, depth and scope of outreach does not mean that MFIs can ignore risk management.

Arora, S. and Meenu (2012)[16] studied the role of the micro financing intervention to analyze how far it has been successful to meet the financial needs of the rural poor in terms of their preference for formal and informal sources of finance, their financial awareness and the level of satisfaction with regard to micro financing services. The study has been carried out in the rural areas of Punjab, For this purpose three Districts have been selected namely Amritsar, Jalandhar and Ludhiana. Further the respondents were selected block wise (Four blocks from each District). A convenient randomizes sample of 120 respondents from the aforesaid blocks has been selected. Percentages, weighted average score and chi-square have been used to draw the meaningful inferences from the study. The study found that good saving habits among the rural poor, maximum of them save regularly and that too in formal financial avenues, similar in the case of credit utilization, majority of the respondents

(55.56%) were using bank micro credit that breaks that the old myth about rural people to approach their personal contact for credit. The study also observed that no doubt, the formal sector of finance specially the banking sector has marked a significant progress in achieving the financial inclusion target but still a lot of efforts are required to pave the way for the micro financing movement among the banking sector.

Belgaroui, H. M. and Belgaroui, E. I. (2012)[17] attempts to analyze performance of micro finance institutions in Tunisia and evaluates the micro credit on different basis like jobs created, promoter's education, sector credits and gender basis. The study shows that credits are generated to promoters with academic level and even to illiterates. Promoters having a secondary level of education are generally the most beneficiaries and the statistics reveal that TBS has been efficient in resources utilization through targeting several categories of deprived citizens as well as maintaining a certain financial viability through funding and self-refinancing.

Maurya, R. (2011)[18] provides some perspective to elaborate the empowerment of women through micro fiancé. The finding shows that the success of financial inclusion would ultimately depend on a collaborative strategy wherein there is an adequate supply of correctly price and appropriate financial products and services accompanied by an efficient delivery mechanism along with financial awareness and a co-operation between financial institutions, government and civil society organizations.

Kulshrestha, A. C. (2011)[19] examines the problem of measuring the unorganized sector and explains the approach taken by the Indian Central Statistical Office in terms of the employment it generates and its contribution to value added. The finding shows that it is essential to strengthen surveys on informal sector activities to provide more reliable information in order to facilitate a proper analysis of the dynamics of unorganized sector.

Moses, E. (2011)[20] focus on the origin and concept of micro finance, features and role of microfinance in India, reviewing the progress and weakness followed by suggestion for making micro finance as an effective instrument of poverty elevation, women empowerment and rural development in India. The finding shows micro finance is being viewed as one of the most powerful tools for uplifting the economic conditions of the asset-less poor through group approach that ensures active participation and involvement of the beneficiaries in effective implementation of the program.

Kundu, A. (2011)[21] studied microfinance program through joint liability credit contract with the help of a two-stage game when the program is operated by a non-motivated NGO with the help of a commercial bank and government. It also discusses the possible outcomes of government subsidized microfinance program in total absence of social sanction. The finding shows that even in the presence of public-private cooperation and back-ended subsidy provide by the government, both individual sanction as well as social sanction play an important role of security against credit for proper functioning of the program. It is also proved that the non-motivated NGO, who itself plays the function of the self-help group, can offer credit to the group members at lowest possible rate of interest and arrange sufficient training for the group members for skill improvement after group formation, if and only if, it gets sufficient financial support from the government in the initial period and if the linked commercial bank charges low lending rate to the group in credit-linkage program.

Turvey, G. C. (2011)[22] studied about the systematic risk, index insurance and optimal management of agricultural loan portfolios in developing countries. It also determines whether it is best to issue risk-contingent credit to farmers with and without loading and subsidy or whether it is best for lender to ensure its portfolio directly. The finding shows that lenders should take out index insurance on their own behalf; there is some critical value of disposable wealth below which the agent will default on all of the repayment of his existing loan. This is too simple and probably a bit too far removed from real-world observations on strategic default amongst the poor.

Samuel, J. *et al*. (2011)[23] examined the impact of microfinance on the rural women. The study revealed that majority of the SHG members were middle aged, married and belonging to nuclear families from backward castes. The impact was 45.59, employment was 112.48, the asset position of members after joining the self-help group was 53.43 and the consumption change in member household was 25.8 percent. The regression analysis revealed that income of the members increased by 0.50 from one rupee investment, savings increased to Rs 4.92 and employment increased to the income by Rs 40.37. The finding also shows that the major constraints faced by members were conflicts among group members, improper savings or procedures involved and lack of training or skill up gradation as moderate problems.

Regi, E. M. (2011)[24] examines the empowerment impact of microfinance program of neighborhood groups (NHGs) in Kerala and is based on primary data collected from 200 respondents in 30 (NHGs) functioning in 11 Gram panchayats in Nilambur block in Kerala. The finding revealed that part from providing savings and credit to its members; NHGs were instrumental in bringing desired social change among the members. The ability to contribute to household income as a result of the credit access and increased income from income generating activities helped the members to get respected in their family and community as well. This acceptance in turn helped to gain confidence, increased role in household decision-making, and control over resources, ability to freely interact with members of the group as well as outsiders, ability to deal with adversities and involvement in community activities.

Dutta, P (2011)[25] studied the contribution of SHG-bank linkage program initiated by NARABRD in poverty reduction and social empowerment of the people, by comparing the pre-SHG and post-SHG scenario. It also studies the regional and intra-regional disparity in the development of SHG-Bank linkage program among the states. The finding shows as a result of collective effort of the Indian government, banks, NGOs and SHGs, more numbers of rural people now have access to the benefits of the modern financial system. The SHGs-bank linkage program is yielding promising outcomes in terms of availing new loans, repeat loan and repaying the loan. Though there is rapid increase in the number of SHGs all over India, but the growth is not uniform throughout the country. The growth of SHGs is dominant in the southern region of India. The ongoing process of training and consultation by NABARD and other organization will help in the development of the other regions of India, to a great extent, the program is successful in poverty alleviation and it uplifted the income and savings of the poor, especially of women.

Manoharan, P. *et al*. (2011)[26] studied to analysis the financial performance of various microfinance institutions operating in India based on their operating profile, financial health and performance. The period employed for the study is from 2005-2006 to 2009-2010, five years. The statistical tools such as mean, standard deviation and analysis of variance are used. The finding shows that MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objective, through good performance and vivid functioning. Thus there is a urgent need to widen the scope, outreach as also the scale of financial services to cover the unreached population.

Priyadarshee, A *et al.* (2010)[27] attempts to investigate the reasons for such levels of financial exclusion and means and mechanisms that may make the financial inclusion drives more meaningful for the poor. The research findings suggest that social protection programs operate in favorable political environment in India and are being increasingly employed as a means to fight poverty.

Vetrivel, S. C. *et al*. (2010)[28] get an insight of the role of microfinance on women employment through Self Help Groups (SHGs) Bank Linkage Programs which has been successful not only in meeting financial needs of the rural poor women but also in strengthening collective self help capacities of the poor leading to their empowerment. The research presents some findings the microfinance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programs.

Jothi, V. N. (2010)[29] talk about an overview of evolution of microfinance for socio economic development. The research findings suggest that the Self Help Groups contribute substantially in pursuing the conditions of the female population up and through that chip in poverty eradication as well.

Khavul, S. (2010)[30] stated about micro financing to a wider audience of the management researchers and to identify opportunities for future research in this new and growing area. The finding shows microfinance has the appeal of bringing financial power to the people who need it must and whose resourcefulness and ingenuity it will fuel.

Imhanlahimi, E. J. and Idolor, J. E. (2010)[31] studied the recent microfinance policy and attempts by the Nigerian government to encourage private sector led establishment of microfinance banks (MFBs) as a potent means of poverty alleviation. The objectives of the study are to examine the inherent strengths and limitations and proffer solution. The methodology adopted is a clarification of extant concept, explication of rational for the government's policy, and a brief review of the development micro financing in Nigeria. The findings identified vital constraints to the policy as including weak infrastructures and fraudulent persons in the process and some of the recommendations to improve the success of micro financing to reduce poverty in Nigeria are more efforts at institutionalizations of MFBs and financial liberalization.

Battilana, J. and Dorado, S. (2010)[32] explore how new types of hybrid organizations (organizations that combine institutional logics in unprecedented ways) can develop and maintain their hybrid nature in the absence of a "ready-to-wear" model for handling the tensions between the logics they combine, the findings of the comparative study of two pioneering commercial microfinance organization suggest that to be sustainable, new type of hybrid organizations need to create a common organizational identity that strikes a balance between the logic they combine.

Tom, R. T. and Selvam, V. (2010)[33] studied to understand the need and expectation of the policy holders in connection with microfinance, its products, services, and the behavior of public to it and sustainable rural women development through micro insurance in Vellore Division, Tamil Nadu, India. The data was collected from primary as well as from secondary services. Primary data was collected from respondents using questionnaire and interview method. Secondary data was collected from NABARD, LIC, Journals and other published and unpublished records. The study aims to find out how micro insurance is fostering rural growth. The finding shows that must be proper development of products that respond to the need of the clients and in a way that is commercially viable, they should have proper delivery channels. There is a need for market education which will help to demystify micro insurance so that when agents come, people are willing to engage with them.

Bcchetti, L. and Pisani, F. (2010)[34] analyses equilibrium borrower's effort and cost of micro credit loans in the presence of moral hazard, project correlation and subsidies under group lending conditions. It also analyze the effects of subsidized lending (and asymmetric correlation) on the relative convenience (in terms of borrower's effort) of the alternative (1) between group lending and individual lending with notional collateral and (2) among three different market structures of the microfinance industry. The finding shows that under the assumption of endogenous effort, project correlation has significant effects on borrower's effort only when it is determined by asymmetric (positive or negative) shocks. These findings indicate that the well known negative effect of within-group (symmetric) project correlation on group lending with joint liability disappears once endogenous effort is taken into account.

Rubach, J. M. *et al*. (2010)[35] examine the difference micro lending efforts in Iraq and the US and compare the specific reasons for the success of the USAID programs in Iraq and the general failure of micro lending and micro credit efforts in the US. The finding shows that despite the prior lack of government interest and support for micro lending in the US, government support for micro lending in Iraq stands in sharp contrast. Structural differences in market are not the only answer US regulation of financial lending institutions severely restricts micro lending however, the operational and regulatory structures of the US MFI industry have impeded its efficiency and effectiveness.

Tripathi, K. K. and Jain, K. S. (2010)[36] studied to assess the governance issue in the operation of Self Help Groups (SHGs) in rural India in two Districts each of Haryana and Orissa States, varimax analysis of the performance parameters identifies the underlying factors which have an impact on the governance of SHGs and the performance of micro finance ventures. The main problem areas are found to be low financial base due to the absence of appropriate credit linkage, non-provision of socio economic incentives to members and the lack of group commitment to task accomplishment. The findings underline the need for an integrated approach to program governance in rural areas which can help in improving the implementation of rural self-employment programs.

Shylendra, S. H. *et al*. (2010)[37] examines how the concept of SHG has been adopted under the linkage program and in what ways SHG are able to help the poor obtain access to savings and credit facilities from the formal institutions in a relatively backward districts (Sabarkantha) of Gujarat state in western India. The finding reveals that the linkage program has given a fillip to the formation of SHGs in the study district. It also reveals a few potential strengths as well as some inherent constraints of SHGs. An adoptive behavior of SHGs could seem especially in tackling challenges relating to the monitoring and enforcement of loan transactions. Social backwardness of members, including poor development of skill and ability in self managing group affairs and the varied response of FIs to the needs of SHGs are identified as major factors influencing the performance of SHGs.

Anuradha, P. S. and Ganesan, G. (2010)[38] focus on social and economic issues and the use microfinance as a strategy for inclusive growth and sustainable development. The finding shows that microfinance is a powerful tool for sustainable development and helps in attaining inclusive growth by creating productive employment, reducing gender and geography differences which led to the expansion of economic, thereby contributing to the growth of economy. Inclusive growth is key for equitable and sustainable future. The ability of individuals to be productively employed depends on the opportunities to make full use of available resources as the economy evolves over time. The role of government is that of an enabler and private sector participation could catalyst inclusive growth through initiatives like microfinance and microfinance has paved the way to create a centre for inclusive growth by identifying and replicated the best practices and models that are economically viable and sustainable.

Davis, I. (2009)[39] stated about an effective legal framework for microfinance and the various aspects of it. The finding shows as countries undertake efforts to establish a framework for microfinance, the Microcredit Regulatory Act of 2006 is an example of an effective law that will provide a favorable legal frame work for microfinance.

Shastri, R. K. (2009)[40] talk about the dynamic growth of the microfinance industry which has been promoted not only by market forces but also by conscious actions of national governments, on-governmental organizations (NGOs) and the donors who view microfinance as an effective tool for eradicating poverty. The finding shows creating self employment opportunities in one way of attacking poverty and solving the problems of unemployment. The scheme of microfinance has been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self employment opportunities and making them credit worthy.

Haque, M. A. and Harbin, J. L. (2009)[41] stated about the micro-credit approach to get money in to the hands of the poor by extending credit to the "have-nots" .The finding shows that the issue of micro credit in other countries proves that the have-nots can be just as credit worthy as the haves. An essential ingredient to make it a success is for the micro credit establishments to work with the borrowers and make them feel they can be part of success.

Lucas, C. E. (2009)[42] studied about the profitability and productivity of micro finance funded honey production projects in South Africa were evaluated in terms of their profitability and factor productivity. The cost and production data of a sample of twenty MFI financed honey production project in South Africa were collected during the summer of 2008. The finding shows that these microfinance funded honey production project are neither profitable nor productive.

Shetty, K. N. and Veerashekharappa (2009)[43] examine the nature and type of new institutions that emerged in the Indian financial system to include the excluded. The study finds that SHG-Bank Linkage and MFI models are the two dominating microfinance approaches in the post financial reforms in India and the microfinance sector in India is growing with the genesis of new institutions on the one hand and on the other hand the NGOs are transforming themselves in to financial institutions and entering the business of microfinance.

Webb, D. *et al.* (2009)[44] argues that factor contributing to any such failure in delivery is that formal microfinance institutions such as commercial banks, on-government organizations and cooperatives as well as informal traditional money lenders all suffer from a lack of basic marketing formation about the BOP market. To explore the research objective, survey was administered to a convenience sample of 64 individuals aged 25 or above living in Kedungjati, Central Java, Indonesia. The findings from the study provide information for MFI marketers that may help them close the gap between what the markets is looking for and what they provide in the way of their overall product offering. It also highlight that among others it is the institutional characteristics associated with image and reputation that one of the paramount importance.

Ramji, M. and Tripathi, S. (2009)[45] explores how best to design and provide a housing microfinance product through MFI which is specifically targeted to new home construction by low-income communities, the study also how to do MFIs conduct credit evaluations to determine eligibility of clients who desire housing microfinance loans. The finding shows that demand for housing exists, although in an extremely dispersed manner, demand for housing is also depend upon household income and whether or not housing can be used as a productive asset for the household. Clients' desire for housing can often be much more optimistic than what MFIs are able to offer. The finding also reveals that more in-depth and contextual studies regarding demand are necessary before launching a housing microfinance product.

Shetty, K. N. (2008)[46] attempts to present the new paradigm for the development of micro enterprises through microfinance within the frame work of 'Maximalist Approach'. The empirical study shows that microfinance will be a true lubricant for micro enterprise development only when the finance flows with the non-financial services, which have a greater positive impact the livelihood of the poor.

Anand, (2008)[47] stated about the actual reasons behind the hardships of MFIs' clients, reasons for the high cost of capita causes of inefficiency in operations which have increase the cost of credit further, and problems with the current marketing strategy. The study encompasses all aspects of microfinance at present in Andhra Pradesh (India) and suggests possible solutions. The finding shows that the MFIs should seek out for funds from alternative sources i.e. equity markets, foreign investors, private equity investors- rather than depending on banks. They should go for such fund sources which offer the lowest cost, and to get funds from such sources they must standardize and improve their practices. The government must be persuaded to give a proper regulatory mechanism to this industry. This will then help them standardize their activities, at the same time providing them better acceptance and recognition in the wider financial markets.

Crombrugghe, D. A. *et al.* (2008)[48] study the determinants of self sustainability of a sample of microfinance institutions in India and investigate particularly three aspects of sustainability: cost coverage by revenue, repayment of loans and cost control. The finding suggests that the challenge of covering costs on small and partly unsecured loans can indeed be met without necessarily increasing the size of the loans or raising the monitoring cost. The analysis suggests other ways to improve the financial results, like a better targeting of the interest rate policy or increasing the number of borrowers per field officer especially in collective delivery models.

Emeni, K. F. (2008)[49] examines the problems and prospects of MFIs in Nigeria. The importance of MFIs in Nigeria's economy cannot be over emphasized: this is because it plays a vital role in the financial intermediation process and also in the lives of low income earners whom constitute over 70 per cent of the Nigerian population. The design and technique employed in data collection where cross sectional survey design and data collection through carefully implemented questionnaire. The t-statistics was used to analyze data collected and it was found that the outreach performance of MFIs is discouraging and MFIs in Nigeria experience varying degree of problems. The finding shows that a national policy framework of MFIs should be prepared by the development finance department of the central bank of Nigeria and subjected to stake holders' review so as to enhance the provision of diversified microfinance services on a long term sustainable basis for the poor and low income groups.

Hermes, N. and Lensirk, R. (2007)[50] study about the joint liability group lending and its implications for reducing information asymmetries and the trade-off between the financial sustainability and outreach of microfinance programs. The finding shows that individual based microfinance institutions, especially if they grow larger focus increasingly on wealthier clients whereas this is less so for the group based microfinance institutions. The study strongly underlines the importance of institutional design in considering trade-offs in microfinance.

Hollis, A. and Sweetman, A. (2007)[51] explore how the capital structure affects managerial agencies to impact non-interest expenses using data on Irish loan funds in nineteen-century quasi-bank system. These organizations had no equity holders and were financed by deposits and capital comprising donations and accumulated profits creating problems of managerial moral hazard. Higher net income (before non-interest expenses) is associated with higher salaries and other non-interest expenses. The findings suggest that depositors could assist in controlling expenses in microfinance organization. The capital structure of Irish loan funds had important implication for salary and expenses. Not only did expenses increases when profits increased but even independent of the effect of capital on profits, higher capital ratios where associated with higher salaries and expenses.

Rafiq, B. R. *et al*. (2007)[52] analyzes and identifies the factors affecting women's decision making about the loan use. Using primary data from two microfinance institutions in Bangladesh-Grameen Bank, the pioneer of microfinance institutions and Bangladesh Rural Advancement Committee (BRAC), the largest NGO (Non Governmental Organization) in Bangladesh. The finding shows that higher profit generation makes man more likely to take absolute control over the loan money. At the same time if the loan money is invested in traditional male dominated business, the women often lose control over loan use.

Cassar, A., Crowlay, L. and Wydick, B. (2007)[53] study evidence from filled experiments in South Africa and Armenia, in which subjects participate in trust and microfinance games and present evidence that persona trust between group members and social homogeneity are more important to group loan repayment than genera societal trust or acquaintanceship between members. The finding shows that those who have been helped by other group members in the past are more likely to contribute in the future.

Hartarska, V. and Nadolnyak, D. (2007)[54] explores the impact of regulation on MFI performance using newly released data for 114 MFIs from 62 countries in an empirical model where performance is specified as a function of MFI-specific, regulatory, macroeconomics and institutional variables. The finding shows that regulatory involvement does not directly affect performance either in terms of operational self-sustainability or outreach and also finds that less leveraged MFIs have better sustainability. The policy implication is that MFIs' transformation into regulated financial institutions is may not lead to improved financial results and outreach.

Pollinger, J. *et al*. (2007)[55] study the relationship based financing as practiced by microfinance institutions (MFIs) in the United States, analyze their lending process and present a model for determining the break- even price of a microcredit product. The finding shows that credit is generally being offered at a range of subsidized rates to micro entrepreneurs. This means that MFIs have to raise additional resources from grants and other funds each year to sustain their operations as few are able to survive on the income generated from their lending and related operations. Such subsidization of credit has implications for the long term sustainability of institutions serving this market and can help explain why mainstream financial institutions have not directly funded microenterprises.

Brewer, E. (2007)[56] examine the two different innovations in small business financing: increased usage of credit scoring technology and the introduction of microfinance lending institutions. The finding shows that though these two approaches make use of different technologies, they provide a valuable picture of how lending to small farmers is evolving over time.

Cull, R. *et al*. (2007)[57] explore the pattern of profitability, loan repayment and cost reduction with unusually high-quality data on 124 institutions in 49 countries. The finding shows the possibility of earning profits while serving the poor, but a trade-off emerges between profitability and serving the poorest. Raising fees to very high levels does not ensure greater profitability and the benefits of cost cutting diminish when serving better-off customers.

Dixon, R. *et al.* (2006)[58] stated about an accountability frame work to explain the emerging tensions in accountability and how an intended bottom-up approach became progressively supplanted. The finding shows that tension between vertical and horizontal accountability in practice can be directly translated in to heightened pressure and stress on both the non-government organizations (NGO) and its loan offers, which constrain overall accountabilities to other stake holders and disguise other potential dysfunctions.

Fehr, D. and Hishigsuren (2006)[59] studied about the modern corporate finance techniques to address those questions, what would the market determine required expected rate of return for my FMI investment be? , what return on investment (ROA) do I expect to earn on my FMI investment? Is the difference in the above two returns acceptable given by level of social motivation?, how will I monetize my investment and when?. The finding shows that these proposed financial procedures, while quite common corporate techniques in well developed countries have not been widely applied in microfinance and this may be practically attributed to the lack of comprehensive financial and operating data in MFIs, most providers of donor and grant funding have been satisfied to concentrate on the social benefit of their investment.

Edward, P. and Olsen, W. (2006)[60] examine quantitative local data on microfinance in Southern Andhra Pradesh to study the mayoux's three paradigms of microfinance and give insights into how the paradigms are playing out on the ground in Southern India. Field research was conducted in 2005 within a triangulation methodological framework; translation support was received from local people during the course of research. A range of secondary quantitative evidence (mainly from Annual reports of a variety of banks and other organizations) was combined with qualitative interviews. The finding shows that micro-finance has expended rapidly and extremely successfully in AP, it brought considerable benefits for many women, particularly among the non-poor and the marginally poor, it has also diverted many NGOs and their aid donors away from their original mission of poverty reduction and empowerment of their disadvantaged and exploited in society.

Mishra, A. (2006)[61] discuss the factors and theoretical position associated with evolution of microfinance and its global acclaim based on it being a win-win proposition for both microfinance institutions (MFIs) and clients. The finding shows that the impressive gains made by SHG-Bank linkage programme in coverage of rural population with financial services offers a ray of hope and it argues for main streaming of impact assessment and incorporation of local factors in service delivery to maximize impact of SHG-Bank linkage programme on achievement of MDGs and not letting go this opportunity.

Ananth, B. (2005)[62] stated about the 'partnership model' of financing microfinance institutions (MFIs) and also discusses building links to capital markets for financing microfinance through securitization. The finding shows certain key enablers for an environment of rapid microfinance growth including regulator support for hybrid models of outreach and investments in training and funding of initial expenses for emerging MFIs.

Volschenk, J. and Biekpe, N. (2003)[63] examine the South African microfinance industry by comparing sector-related differences in the ranking of specific problems. Tests for the significance of difference (in the location of specific populations) indicate significant difference in perceptions regarding certain intra-industry segments within the microcredit industry. The finding shows that the financial industry as a whole (commercial and micro lending sectors) is homogeneous in its priorities and there is no significant agreement between the priorities of the commercial and micro lending industries.

Woller, G. and Parsons, R. (2002)[64] demonstrates how a community economic impact and regional income multiplier might be estimated using the minimum employment requirements approach with the village health bank program of project HOPE in Portoviejo, Ecuador. The finding shows that a more expansive view of microfinance as it is an emerging global industry in which investments in and by MFIs, expenditures by MFIs, and jobs created within MFIs create potentially large and measurable direct, induced, and indirect economic benefit, as do banking, retail, tourism and other industries.

Dyck, B. (2002)[65] provides a brief introduction to microfinance programs in international development and to Nonaka's (1994) four phase organizational learning framework. The four phase learning model is then used to provide a detailed examination of the replication of a microfinance program in Bolivia by the Mennonite Economic Development Associates (MEDA). The finding shows that replicating the learning process may be more important than replicating the microfinance programs and organizational learning will improve the replication of micro financing programs.

Sriram, M. S. and Upadhyayula, R. S. (2002)[66] discuss the growth and transformation of microfinance organizations (MFO) in India and the issue that have triggered transformation include size, diversity, sustainability, focus and taxation as the transformation experiences in India are few. The finding shows that there is no ideal path for spin-off; regulatory changes are needed to allow MFOs to graduate to other legal firms as they grow organically and NGOs must be permitted to invest in the equity of MFOs, as in the case in Bolivia and Africa. Norms are setting up MFOs under current legal firms should not be eased and regulations should ensure that they help genuine MFO and not others masquerading as MFOs.

Lapenu, C. and Zeller, M. (2001)[67] studied about the microfinance institutions (MFIs) exist in the developing world, their current performance and MFIs in Asia, Africa and Latin America in order to offer a new in-depth analysis on the distribution and performance of MFIs at the international level. The finding shows that MFIs provide extensive coverage of Asia, Africa and Latin America have adapted a wide range of innovations to overcome various constraints. However, they require stable macroeconomics and political environment to develop unstable countries are still out of reach of the international world f microfinance.

Nishtar, G. (2001)[68] stated about persistent poverty is a major problem in Pakistan and hence Pakistan has re-engineered its public policy paradigm in order to bring poverty alleviation to the forefront of development action. The banking sector plays a vital role in the development of any economy and as a part of the reform process the government of Pakistan has initiated the restructuring of the banking sector to vitalize it and make it a more productive partner in the development process of the country. The finding shows that microfinance in particular has proven to be an effective tool for poverty alleviation and creation of employment opportunities. The government f Pakistan has formulated a comprehensive Micro Finance Sector Development Program with the assistance of the Asian Development Bank to broaden the microfinance sector. This major initiative will provide a revolutionary opportunity for development of grass-root level, new economic growth and jobs and better access to basic services.

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