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**Topic: An Analytical Study of Microfinance Institutions in Selected Districts of Uttar Pradesh**

## **ABSTRACT**

The formal financial institution's inability to serve the needs of the poor and the vulnerable resulted in the emergence of microfinance institutions. Although much has been achieved since the 1970s when pioneering institutions like PRODEM, BRI and Grameen Bank began their operations, poverty remains one of the challenging issues before the world. Microfinance offers the promise of innovative, cost-effective paths to poverty reduction and social change. (Armendariz, et al.,2010). The microfinance movement is a movement that is global and growing which is dedicated to expanding access to small-scale loans, savings accounts, insurance and other financial services in poor and low-income communities. (Ledgerwood,2010).

While struggling to achieve rapid growth, serve more clients, improve portfolio quality and become financially sustainable, MFIs with a double bottom line have to ensure that they are meeting their social goals. (Gonzalez, 2008) Though social focus puts pressure on the financials, yet these responsibilities cannot be simply ignored.

The broad objectives of the study include; studying the present scenario of micro financing in India, analyzing the financial performance of NBFC form of Indian MFIs and comparing it with NGO form of Indian MFIs, analyzing the financial performance of NBFC form of MFIs based on their age, assessing the performance of a sample of MFIs in selected districts of Uttar Pradesh and comparing their performance with a sample of MFIs from Bangladesh, assessing the impact and role of microfinance institutions in selected districts of Uttar Pradesh, examining the role of SHG based microfinance in the overall development of the state, examining the challenges faced by microfinance institutions with special reference to Uttar Pradesh in attaining the

double bottom line of reaching the poor and being financially viable and suggesting measures to promote microfinance.

The study aims to look at the performance of microenterprise finance from two perspectives namely outreach and financial sustainability. The performance of MFIs in Uttar Pradesh has been compared with MFIs based in Bangladesh to find any significant difference between the two sets of institutions. The study seeks to contribute to the existing state of knowledge on microfinance particularly in the context of Uttar Pradesh where the number of studies conducted can be counted on fingers. An impact assessment study too has been conducted to understand the role of Microfinance Institutions in the four districts of Uttar Pradesh namely Chandauli, Varanasi, Allahabad and Saharanpur.

The determinants of sustainability have been thoroughly analyzed using regression technique to find empirical evidence on the occurrence of mission drift and the regression model seeks to test various hypotheses on the financial and social performance of MFIs. The research also tests the performance of MFIs based on institutional indicators like Legal form of Organization and the Age of MFIs.

The study is unique in two ways: (i) All three parameters of measuring the performance of microfinance institutions have been used in the study namely Outreach, Sustainability and Impact; (ii) Both Self Help Group Bank Linkage Programme (SBLP) Model and Microfinance Institutions Model have been analyzed to get the true picture of Microfinance. The analytical framework uses an unbalanced panel dataset comprising of 96 MFIs across India from 2008 to 2014. Several statistical tools and techniques have been used in the study to come up with viable results and to fulfill the objectives of the present study.

**Keywords:** Microfinance Institutions, Microfinance, Self-Help Groups, Uttar Pradesh, Outreach, Sustainability, Impact