
Review of Literature

The review of literature broadens knowledge about the topic and provides foundation for new research. It seeks to describe, clarify and put together the content of earlier studies relating to the current study. It gives a strong theoretical foundation for the research problem and identifies a research gap for the study. This chapter presents the various studies contributed by several authors relating to “Sustainability and Outreach of Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) in Promoting Women Micro Entrepreneurs”, both conceptual and empirical studies organized under the following heads;

2.1 Theoretical Background of the Study

Non-Banking Financial Companies are companies which are registered under the Companies Act 2013 in India and engaged in various businesses like loans and advances, acquisition of shares, stocks, bonds, insurance business, hire purchase business and chit fund business. Microfinance Industry in India is largely dominated by Non-Banking Financial Company-Microfinance Institutions (NBFC-MFIs), regulated by Reserve Bank of India RBI (Das and Palai, 2019). These companies are providee various financial services to those sector people who are not eligible and fulfilling the terms and conditions of banking sectors and due to their lack of creditworthiness. In recent decades, microfinance emerged as a successful sector in many countries providing financial services such as savings, credit remittances and insurance to the poor and playing an important role globally (Sagar and Chaturvedi, 2023).

The triangle of microfinance helps us to see the trade-off between the level of financial sustainability, outreach, and the impact on the living standards of the borrowers. Having assessed the customer’s social, wealth, and business status, the MFIs sustainability and outreach can be measured (Zeller and Meyer, 2002). MFIs sustainability is determined by its financial proficiency and ability to utilise funds for business expansion. The borrower's financial literacy is crucial to the success of the institution (Mali and Sayankar, 2022). A microfinance entity plays an essential role in achieving the growth and success of the MFI by improving the social and economic status of women borrowers. It enhances

their social wealth, self-confidence, and financial independence (Kalla,2021). Growth and Development in terms of social and financial influence on women entrepreneurship reflects the borrowers standing. Utilizing funds leads to financial empowerment (Khursheed, 2022). Social, financial, and economic development of women investigated empowerment through MFI outreach. The highest outreach has been found in Tamil Nadu, and women's empowerment is a powerful tool against reducing poverty among poor households (Laha and Kuri, 2014). Sustainability of MFIs is determined by the performance of micro entrepreneurs business operations. There is no significant association between loan disbursement and MFI sustainability (Kayembe et al., 2021). The performance of MFIs was measured by loan amounts disbursed and active borrowers. Interest rates and varied services given by MFIs result in a non-significant link in the performance of MFIs, however the number of branches and the lower number of defaults resulted in a significant association (Tunio et al., 2020).

NBFCs credit to Gross Domestic Product (GDP) ratio increased from 8.6 percent in 2012-13 to 12.2 percent in 2018-19 before moderating slightly to 11.6 per cent in 2019-20 in the wake of the pandemic as per Reserve Bank of India reports (Guest, 2023). Thus, in a developing region like India with a huge population, microfinance has provided promising results in better outreach to the micro entrepreneurs in providing formal financial services which were otherwise difficult with mainstream banking structure. In view of the burgeoning outreach of the MFI model, the concern is focused on the sustainability of the institution. Sustainability and outreach are widely discussed issues in the field of microfinance and two strands of thought emerge in this connection are “The Poverty Camp” and “The Sustainability Camp”.

The theories relating to sustainability and outreach of microfinance institutions were important to study the research topic. The implication of the various theories gives the conceptual framework for the research study. The following are the theories about the research ;

Using **Life Cycle Stage Theory (Jasmi, 2021)** MFIs funding patterns are identified in each phase, as well as their institution's life cycle. Funding at this early stage is critical for MFIs operational self-sufficiency in meeting the poor's needs through loan distribution. Life-cycle theory is used as a lens to assess the impact of MFIs chosen financing sources at each stage of their life cycle, to meet their dual objective of outreach and financial

sustainability. The sustainability of the institutions is critical to the country's economic growth and the continuation of its objective to alleviate poverty and improve living standards for the poor

Agency Theory (Laher and Proffitt, 2020) plays an important role in explaining the behaviour of managers of microfinance institutions. In the case of MFIs, a fundamental conflict occurs as management attempts to balance the organizations social mission against the organizations need for financial viability. The theory develops quantitative measures of financial stress, a wealth of borrowers, and the number of loans in the MFIs loan portfolio.

Institutional Theory (Magali, 2023) is essential for promoting the performance of microfinance institutions. The analysis demonstrates that institution theory linked with loan repayment because it is a major problem threatening microfinance institution operations. The findings indicate that institutional theory partially covers sustainability, interest rate, efficiency, profitability, outreach, and credit risk management. Applying institutional theory to diverse MFI variables will enable exhaustive policy recommendations and overcome microfinance institutions challenges. The study exposed that most studies link institution theory with loan repayment because of poor repayment, which threatens MFI performance and sustainability.

The **Welfarist Theory (Aslam and Thiagarajan, 2018)** emphasizes that the ultimate goal of the MFIs is to reach as many needy beneficiaries as possible for their well-being, regardless of who pays for this service. Outreach and profitability may exist together, microfinance must be extended as the fund provides social and economic obligation to eradicate or reduce poverty to promote a just and equitable society. It is critical that microfinance institutions must serve the poor while also achieving self-sufficiency. Welfarists focus on reaching out to a broad range of poor people and elevating them out of poverty.

2.2 Research Studies Pertaining to the Problem Selected

- 2.2.1 Growth and Development of NBFCs and MFIs
- 2.2.2 Awareness of Lending Terms and Use of microcredit
- 2.2.3 Empowerment of Women Micro Entrepreneurs
- 2.2.4 Sustainability of Microfinance Institutions
- 2.2.5 Outreach of Microfinance Institutions
- 2.2.6 Sustainability and Outreach of Microfinance Institutions

2.2.1. Growth and Development of NBFCs and MFIs

The study examined the performance of microfinance institutions in India and their role. As a result of this research study, it has been identified how microfinance was made available in rural areas to the most vulnerable and poorest sections of the population as well as how microfinance institutions are able to reduce poverty through the provision of microcredit assistance. Secondary data were obtained from NABARD, Bharat Microfinance, Sa-Dhan, and Annual reports from SIDBI. The study is descriptive in nature, tools used for the study were percentage analysis, annual growth rate and compound growth rate. A progress and growth analysis was conducted by examining loan outstandings, loan disbursements, and the number of MFIs. The study reveals that microfinance institutions play an important role in the delivery of microcredit services to people who have poor incomes and who are in need of financial assistance to start a business (**Jana,2023**).

The study attempts to understand the growth of NBFC-MFI in India since 2010. Primary data has been collected through questionnaire at Punjab in India. Statistical tools mean, standard deviation and t-test were used for analysis. The study results inferred that though the growth rate in Punjab was not so well in the initial years but from the year 2014 its client base is increasing at a rapid rate and it will soon reach around 10 lakhs to match the client base of other states. The reasons for the slow growth of NBFC-MFIs are financing that is of obtaining resources, the process of obtaining NBFC license is quite complicated and cumbersome, there is also no adequate statutory recovery tool available to NBFC-MFIs which has hindered their growth over time (**Bhatia and Gill, 2022**).

Presently in the sphere of financing, Non-Banking financial companies are considered as one of the leading and emerging sectors. This study has been conducted taking panel data from 15 top ranking NBFCs, listed in BSE on the basis of market capitalization, for the period taken from 2010-11 to 2019-20 and after subsequent screening sample size has been determined at 126. Fisher's test, Fixed Effect Model, Random effect Model and Hausman test have been used as statistical tools to interpret the results. This study makes an endeavour to shed light on determinants of NBFCs profitability both from the micro and macro aspects as this study primarily focused on the identification of different aspects on NBFCs, profitability in India and to measure the Panel regression. Empirical findings exhibit despite of having fixed effect among panel data there exists a significant

positive relationship between company specific variables namely, Equity Share Capital, Net Sales, Earning per Share and Finance Cost and macro determinants has a negative and salient impact on profitability (**Ghosh et al., 2021**).

The study entitled "Growth and Development of Non-Banking Financial Companies in India," revealed that Mahindra & Mahindra company financials outperformed in terms of income, total income, revenue, total revenue, other income, and total expenses, Power Finance Corporation outperformed in terms of profit before tax, profit after tax, loans and advances, current assets, and net worth, Muthoot Finance had a better financial performance in terms of return on capital employed, Centrum Capital outperformed in terms of asset turnover ratio and Shriram City Union Finance outperformed in terms of equity per share. All the NBFCs performance showing a positive financial aspect. (**Jain et al., 2021**).

This study analyses the growth of NBFCs over the past few years and map the changing face of NBFCs in India. This research study covers a period of five years i.e. from financial year 2015-2019 and is based on secondary data. Average rank and compound annual growth rate (CAGR) were used for analysis of data. The result revealed that the profitability ratios, investors relation ratios, efficiency ratios and performance of NBFC sector have shown a continuous and consistent growth in the sector, whereas solvency ratios have shown negative sign for the sector. Based on the analysis NBFCs have shown an excellent growth trend in past few year (**Chandratreya et al., 2020**).

The study analysed the profile of the NBFCs based on the hypothesis formulated to test it. The data relating to NBFCs have collected from the "PROWESS" database and "CAPITALINE" data base. The study covers a period of six financial years starting from 2014 to 2020. The NBFCs listed in National Stock Exchange have been taken for the present study. Different statistical tools like arithmetic mean, standard deviation, ANOVA, and correlation were used to analyse the data. The study concluded that there exists a significant difference in the profitability ratios, leverage ratios, liquidity ratios and risk indicator ratios of selected NBFCs. When all companies were taken together the significant difference does not exist for only two ratios i.e. Price Earnings Ratio and Current Ratio. The ratios for all the selected NBFCs were differing significantly from one another. The proportion of external liabilities such as secured loan and unsecured loan out of the total liabilities were high for the selected NBFCs (**Rajasekaran and Premalatha, 2020**).

The study on the role of NBFCs in development of Indian economy and their importance in the financial inclusion has carried over based on secondary data. The study developed SWOC analysis of NBFCs sector and examined the challenges faced by NBFCs. SWOC analysis revealed that NBFCs themselves can take steps to minimize their vulnerability and face all threats by making better use of their defined strengths and opportunities. The areas that need effective action are the debt recovery area that requires policy support and encouragement. Besides, NBFCs were heavily challenged by way of their funding requirements. NBFCs were dependent on the commercial banks for the majority part of the debt requirement besides equity from promoters or other investors. Finally, the study concluded that NBFCs play a supportive role in the economy and as well in financial inclusion and therefore need to be encouraged (**Shah and Chacharkar, 2020**).

The study looks at the performance analysis of Indian Micro Finance Institutions (MFIs). This study is primarily based on secondary data. The MFIs which have been selected for the analysis were Bank, SFBs, NBFC-MFIs, NBFCs, Not for Profit MFIs. The descriptive statistics has been used namely, mean, standard deviation and coefficient of variation. The result revealed that Non-Banking Finance Company-Microfinance Institutions (NBFC-MFIs) hold the largest share of portfolio in microcredit (**Garg, 2019**).

The study reviews the growth rate of both the private and public sector MFIs, it analyse the role of rate of interest in repayment among the debtors, analyze the influence of education in repayment of loans and compare the status of refund between banking and non-banking institutions. The study examined debt performance of both the banking and non-banking institutions. Variables like rate of interest, loans lend and loans recovered have compared. The findings revealed that the rate of interest was low in NBFCs than banking sectors which encourages the customers to rush to NBFCs than to Banks. EMI was also very low in NBFC comparing to banking sectors. In terms of amount lend and repayment of loan NBFCs performed much better than banks(**Maheshvari and Meenakshi, 2019**).

The study attempted to trace the series of events that lead to the Indian NBFC crisis. This study has used descriptive research to gather preliminary information, observed the series of events that led to the crisis, recorded the actions that have taken by various stakeholders, and described the consequences of the regulations. Secondary data sources were used to collect the information necessary for this study. The findings revealed that Indian financial intermediaries and institutions appear to be working more closely than ever

before to avoid a potential crisis. However, the higher importance has attributed to the regulatory approach over creating a liquidity window for NBFCs. At end of the crisis, only the fittest NBFCs have survived the crisis (**Manda and Rani, 2019**).

NBFCs have a prominent role in the development of Indian economy. The study investigated the competition level of NBFC-MFIs in India by using an assessment methodology which focuses on analyzing the overall competitiveness of the NBFC-MFIs in India in accordance to the standards of market concentration ratio. In the study, the competition level of NBFC-MFIs in India was analyzed using Herfindahl-Hirschman Index. The study also estimates the Concentration Ratio for the industry. The analysis was done for the NBFC-MFIs registered with RBI as on 2018 for the period from 2000-2017. The research results highlighted that the Non-Banking Financial Companies in India has been characterized, during the year 2017, by an oligopoly competition with the dominant company with competitive edges or monopoly (**Ramesh et al., 2018**).

NBFCs have been playing a very important role in the Indian financial system. NBFCs are emerging as better alternatives to the conventional banks for meeting the financial needs of various sectors. NBFCs primarily lend to the industrial sector. The study aimed to present the performance of NBFCs in India. It has included assets quality, profitability, exposure to sensitive sector and capital adequacy of NBFCs. The study found that there has been some deterioration in asset quality of NBFCs in recent years, but it was better than that of banks. NBFCs also reported better profitability and capital positions. (**Shanmuganandavadivel and Devi, 2018**).

Client outreach and loan portfolio were the two key indicators of an MFIs contribution to financial inclusion as well as the depth and breadth of financial deepening. The research made an attempt to study the outreach of microfinance in India through the client base trends available secondary data has extensively used for the study. The findings revealed that the most important revolution in microfinance operations has been lending based on peer pressure and moral collateral. Using this technique, MFIs have started bringing more and more clients in their books even if the clients did not have sufficient collateral. Hence, client outreach of MFIs had grown substantially from 2005 to 2011(**Kaur, 2016**).

The study has made an attempt to compare the performance of growth of Non-Banking Financial Companies with Banks and their contribution in the Indian economy. For this study, the data have been collected from secondary sources and simple statistical tools such as ratio analysis, trend analysis and line charts have been used to analyse the data. The results showed that during the study period, i.e. from the year 2006 to 2013, the total assets of NBFCs have been increasing at higher rate than the banking sector in India and also contribution to GDP of NBFC sector has been increasing more steadily than that of banks. Hence, the contribution of NBFC sector to capital formation as well as overall economic growth has been increasing at a higher rate than that of banks (**Mondal, 2015**).

NBFC are latest financial institutions which are meeting the financial requirements of small and medium enterprises. They disburse loans on the basis of hire purchase, mortgage, chits, etc. Few of the recent studies are reviewed in the study to find out the research gap in the NBFCs. The study concluded that NBFCs were playing significant role in meeting financial requirements of the medium sized and small sized industries and development of Indian economy indirectly. On the other hand, policies of NBFCs were also providing investment security for the investors. It was highlighted that due to the regulations of the Reserve Bank of India, still the NBFCs are not extending more credit. The study suggested to the NBFC credit policy to reduce rate of interests, which helps to small enterprises to get loans for their different capital requirements (**Arunkumar, 2014**).

The study analysed the need of NBFCs in Indian economy, their importance in the financial inclusion, challenges they face and measures taken to enhance their effectiveness. NBFCs have turned out to be engines of growth and are integral part of the Indian financial system, enhancing competition and diversification in the financial sector, spreading risks specifically at times of financial distress and have been increasingly recognized as complementary of banking system at competitive prices. The banking sector has always been highly regulated, however simplified sanction procedures, flexibility and timeliness in meeting the credit needs and low cost operations resulted in the NBFCs getting an edge over banks in providing funding. Since the 90s crisis the market has seen explosive growth, as per a Fitch Report, the Compounded Annual Growth Rate of NBFCs has been 40 percent in comparison to the CAGR of banks which had only 22 percent. NBFCs can truly become game changers provided they exhibit and innovative zeal in reaching a complete suite of financial products such as shares, mutual funds, depository services etc., as also insurance

products both life and non life together with their current product offerings to the common man (**Mohan, 2014**).

The study attempted to analyse the evolution, growth and development of Non-Banking Financial Companies in India. NBFCs in India have become prominent in a wide range of activities like hire purchase finance, equipment lease finance, loans, and investments. NBFCs have greater reach and flexibility in tapping resources. In desperate times, NBFCs could survive owing to their aggressive character and customized services. NBFCs were doing more fee based business than fund-based. They are focusing now on retail sector-housing finance, personal loans and marketing of insurance. Nevertheless, the strong NBFCs have successfully emerged as 'financial institutions' in a short span of time and are in the process of converting themselves into 'financial supermarket' – a one-stop financial shop. The growth trend of NBFCs in India is still catching momentum. Thus, their role in the economy cannot be neglected. The study concluded that RBI should also make certain policies which would help them to flourish along with care for its investors (**Singh, 2014**).

It is observed that microfinance organizations have had various degrees of sustainability. One such sustainability is the financial sustainability. Financial sustainability has been defined by various researchers differently. The study the found factors which affect the financial sustainability and thereafter propose a more comprehensive and representative model for financial sustainability and create an index to observe the financial performance of microfinance sector. The result revealed that the capital asset ratio, operating expenses loan portfolio and portfolio at risk greater than 30 days were the main factors which affect the sustainability of microfinance institutions (**Rai and Rai, 2012**).

Non-Bank Financial Institutions in Bangladesh are gaining increased popularity in recent times. The study highlights the different features of NBFIs, their contribution to the overall economy and the product base of NBFIs. The study also describes the performance of NBFIs as measured by different financial indicators, along with the effects of banks entry into the non-bank financing area. Special emphasis has given to identify the challenges faced by NBFIs in Bangladesh. And finally, the development of NBFIs as well as their role in strengthening the financial system of Bangladesh has been discussed. It was found that despite of several constraints, the industry as a whole is performing reasonably well. Given

appropriate support, NBFIs will be able to play a more significant role in financial intermediation (**Ahmed and Chowdhury, 2007**).

2.2.2 Awareness of Lending Terms and Use of microcredit

Microfinance is an effective tool for achieving financial inclusion in India. The study has focused on analyzing the role of microfinance institutions in providing good quality services to satisfy their clients as well as increasing the level of financial awareness among them. Primary data was collected through questionnaire from the clients of microfinance in Jharkhand. Cluster sampling and Random Sampling technique have been used for data collection. Simple descriptive tools, one way and two way ANOVA were used to analyze the data. The findings revealed that micro finance is more inclined towards the upliftment of women as 74% of the respondents were female. Financial awareness related to zero balance bank accounts was good. The employees of microfinance have been able to satisfy their customers through their prompt services. Therefore, the study found that microfinance institutions have been successful in increasing financial awareness and satisfaction level among their clients (**Prakash et al., 2022**).

The study analysed the awareness levels about the microfinance services and identified the problems faced by the borrowers in availing microfinance services. The data collected from 68 women workers through a structured questionnaire using case study approach. The study resulted that all the women workers were aware about the microfinance credit schemes but they were not aware about the other microfinance services like micro insurance, saving schemes and employment schemes. Moreover, the demographic variables were not influencing the factors of women empowerment. It is observed from the study that after availing microfinance loans, there was a greater family empowerment and economic empowerment. The women workers felt that the loan procedure was difficult as most of them were illiterates and they receive very less amount of loan as it was distributed among the group of 10 to 12 members because of which they were not able to meet the needs for which they were taking the loan (**Budampati et al., 2022**).

MFIs serve those who are economically marginalized and traditionally excluded from the formal financial system. This study used the Poisson, logit, and zero truncated Poisson regression models on 6165 unique borrowers to investigate the factors associated with the use of microfinance loans and delinquency among microfinance borrowers. The study found that women were less likely to access microfinance loans, those who took out

small loans, and that there was no evidence of youth obtaining microfinance loans compared to other age groups. Reliable borrowers were more likely to access repeat loans (**Chamboko and Guvuriro, 2022**).

The utilization pattern of microfinance and its economic impact on beneficiary were analysed in the study. The study used a multistage random sampling technique and collected the data from 120 farmers. The end results evident that the respondents primary sources of income for subsistence were crop farming and livestock keeping. Family members were given jobs and a source of income through these businesses. In order to improve the economic conditions of small and marginal farmers, government policies should be developed for popularising microcredit schemes (**Channaviragouda et al., 2022**).

The study addressed how people learned about utilisation of microfinance in relation to reducing poverty. Accessibility and specific conditions variables reached up to 98 percent, whereas awareness factors that favour the use and updating of information were just 100 percent. Although there was a mixed response about use, the study found that awareness had a significant impact on social security, household spending, education, and wealth development. The findings showed a favourable but not statistically significant correlation between components of awareness and age, education, and occupation levels. However, there was a considerable positive association between the parameters examined in the study for both awareness and perception (**Sajan, 2021**).

In any economy, funding for agriculture is necessary for the growth of the agricultural sector. The application of loan funds by borrowers determines how effective the agricultural credit system operates. The intention of the current study was to identify the variables affecting use of bank agricultural credit in Dakshina Kannada. Multi stage disproportionate stratified sampling method was used to select 1167 respondents from public, private, cooperative and regional rural bank who obtained agricultural credit. The study discovered that characteristics related to agriculture, demographics and agricultural credit had an effect on how borrowers used agricultural credit (**Loksha and Hawaldar 2019**).

The study assessed the level of awareness and satisfaction of NBFC services in Kerala, based on primary data collected through structured questionnaire. The sampling units consist of NBFCs customers non probability sampling technique was adopted for the

selection of sample. The total sample size was restricted to 110. Data have been analyzed by using mean, standard deviation, t test and one way ANOVA. The results of the study revealed that majority of the respondents were fully aware about gold loans while awareness about Small and Medium Enterprises (SME) finance was very low among the respondents. There was no significant difference between level of awareness about various services offered by NBFCs and the demographics of the respondents. There was no significant difference between the level of satisfaction and demographic characteristics of the respondents except for occupation. Level of satisfaction significantly varies among business group and others group (**Nair and Davy, 2019**).

The impact of microcredit on poverty alleviation is widely acknowledged in the field of economic development. The study analysed the impact of microcredit on poverty alleviation in three rural areas in Bangladesh. Data was gathered using a well-structured questionnaire from 100 microcredit borrowers from the Association for Social Advancement (ASA) and Bangladesh Rural Advancement Committee (BRAC), as well as 50 non borrowers. The data was validated using the chi-square test and ANOVA. The study found that microcredit disbursed through BRAC and ASA plays a dynamic role in reducing poverty in the study areas by raising the living standards of the poor women borrowers and generating their income. The study concluded that microcredit improves the income, expenses, housing condition, education, health, and decision-making skills of low-income women borrowers who have been enlisted in BRAC and ASA for at least five years as compared to non-borrowers (**Pomi, 2019**).

Micro Finance Institutions (MFIs) were spread all over India. Though, its operations all over India, majorities of Indians are unaware about the penetration and its outreach. The study analysed the role of microfinance in poverty mitigation by studying the two key indicators i.e. client outreach and loan portfolio of MFIs. The study is based on secondary data. The study results indicated that Southern region dominates and had the highest concentration of MFIs. As compared to other region MFIs were least active in North Eastern and North region. Hence, MFIs can prove to be an effective tool for sustainable development as the client outreach of MFIs is increasing year after year. Also, the trend showed that the MFIs are interested in expanding the urban share as the operational cost was low and operational efficiency was high in urban areas as compared to rural areas (**Singh et al., 2017**).

2.2.3 Empowerment of Micro Entrepreneurs

In terms of socio-economic characteristics like economic, educational, decision-making, and social status, the study investigated how microfinance affected women's empowerment in Afghanistan. In order to reduce poverty, microfinance organizations were established, with a particular emphasis on women and their effect on microfinance. 100 women microcredit users were chosen at randomly as part of a quantitative study. Regression analysis was used to analyse the data, showed women's development is positively and significantly impacted by microfinance. According to the study, microfinance significantly influenced women's social status, education, financial status, and decision-making (Khawari et al.,2024).

Economically empowering rural women contributes to the nation's prosperity, gender equality, and meeting a family's fundamental necessities. The purpose of this study was to identify the variables influencing development practitioners' efforts to empower rural women economically in Wolaita, Ethiopia. A sample size of 100 rural families was obtained through the use of multi-stage sampling approaches. A cross-sectional semi-structured questionnaire was used to gather data, and a descriptive and binary logit model were used for analysis. The dependent variables were measured using the rural women's economic empowerment index. The results of the binary logit model showed that women's age, marital status, educational attainment, motivation, income, perception of economic empowerment, and involvement in decision-making highly empowers rural women in active participation (Kuma and Godana, 2023).

Microfinance plays a role in entrepreneurship development and poverty alleviation. The article presented the current research trends in microfinance for small and medium enterprises (SMEs) and microfinance institutions. The results show that research in microfinance for SMEs and microfinance institutions continue to grow. Data collection shows that a final sample of 338 articles was written by 904 authors and were published in 205 journals. The application of bibliographic coupling revealed that recent research from this area has been organized around eight thematic clusters, including access to microfinance for SMEs microfinance and the empowerment of women, sustainability of microfinance institutions, credit worthiness, technology infrastructure and financing patterns, Islamic financial inclusion, models for evaluating microcredit creditworthiness, innovative business models in microfinance, and gender and equity crowd funding (Lwesya and Mwakalobo, 2023).

The study highlighted the impact of socio-economic factors of the women on the economic status and empowerment of the borrowers. Data were obtained from a questionnaire of a sample of 346 women borrowers of microfinance. The study employed paired sampling t-test and multiple regression data analysis methods. The result of the study pointed out microfinance had significant positive effect on women's economic empowerment by improving women's independent income, asset possession levels, and monthly savings. Variables such as age, education, marital status, credit amount, and number of trainings have a major impact on women's economic empowerment. Participation in microfinance programs has led to greater levels of economic empowerment for women in terms of increase in financial standing, knowledge of business activities, self-confidence in engaging in income-generating activities, social and political awareness, growth in organizational abilities, and mobility (**Mengstie, 2022**).

The study examines how the microfinance institutions influence small and medium businesses as well as how small businesses have benefited from microfinance credit schemes. The study was descriptive based on secondary data. This study concludes that MFIs should offer loans at a concessional rate of interest to assist small businesses in developing and obtaining credit. A continuous training and development program was necessary in order for the staff to provide specialized microfinance services. MFIs also need to be trained in providing technology based products and services to their customers (**Hussain, 2021**).

The study investigated the effect of the Amanah Ikhtiar Malaysia (AIM) microfinancing on the economic, social, and household empowerment of women borrowers in Malaysia. The study used a quantitative approach based on primary data. For this study, the participants comprised 384 AIM borrowers from Terengganu, Kelantan, and Pahang in the east coast region of Malaysia. Purposive stratified random sampling was used as well as the Krejcie and Morgan method to count the number of samples. Descriptive statistics and the Women Empowerment Index (WEI) were used in the analysis. The study findings revealed that AIM microfinancing affects the economic, social, and household status and empowerment of women borrowers in Malaysia. However, in comparing the three categories, women enjoyed more freedom in social and household decision-making than in economic decision-making (**Tasnuba et al., 2021**).

Microfinance helps by promoting and providing a means of saving, lending money, and offering some degree of business guidance. The purpose of the study was to assess how microfinance institutions have aided in the women in Ghana, with borrowers particular attention to the opportunities and challenges. 210 respondents from three different regions of Ghana constituted the sample size. The survey also found that certain MFIs target clients who can afford their loans at the interest rate charged, justifying their actions by stating that it will allow for operational sustainability of the institution. The microfinance industry faced several obstacles, including a high default rate that drives up loan costs, a lack of a suitable regulatory framework, and a fall in public trust. Despite the difficulties, the study found that microfinance offers more opportunities for women to gain economic status through loans and savings (**Ebenezer et al.,2020**).

Microfinance is regarded as a useful tool for socioeconomic upliftment in a developing country like India. It is expected to play a significant role in poverty alleviation and development. The relevant information relating to loans disbursed, loans outstanding, client outreach, assets, etc. have been collected. Simple statistical tools like averages, percentage, etc have used to derive the inferences of the study. The results revealed that the number of MFIs availing loans from banks during the year 2015-16 and 2016-17 increased from 9.8 per cent to 257.6 per cent. It is further found that the business models of MFIs in India were becoming urban centric as indicated by the fact that the share of rural client's base of different states/UTs in 2017 with 2016 has declined, except Assam, Arunachal Pradesh, Nagaland, Jammu & Kashmir and Andaman. The indicators relating to overall financial structure such as Return on Assets and Return on Equity, Capital Adequacy Ratio have increased over this period and found sharp decline in total assets of MFIs (**Badruddin and Anees, 2018**).

Microfinance initiatives are promoted as a crucial tactic for confronting poverty reduction and women's empowerment. The purpose of the study was to examine how microfinance services influenced women borrowers in Ghana in their economic and social empowerment. A sample of 500 female borrowers was chosen using a purposeful non-probability sampling technique. According to the study's findings, women were more likely to experience both economic and social empowerment when they had more access to microfinance. This study additionally illustrates that the importance of the demographics factors rely on empowerment such as the women's education and marital status, however

age had no influence on the economic and social empowerment of women as a result of microfinance. Further the study highlighted the problems in accessing microfinance (Addai, 2017).

Microfinance has become an increasingly popular approach that aim to alleviate poverty by providing new opportunities for entrepreneurship. The study analysed the role of microfinance in poverty alleviation by conducting an ethnographic study of three villages in Matlab district, Bangladesh. The data collection focused on understanding subjective experiences about the qualitative aspects of poverty, such as feelings of vulnerability, deprivation and helplessness. By focusing on the lives of the receivers of microfinance the study, provided a more complex analysis of the experiences and lived realities of poverty than what can be understood from household consumption figures, interest rates, repayment rates and loan disbursement figures. The findings indicated that increased economic, social and environmental vulnerabilities arising from microfinance loans adversely affected both economic and social assets of the communities. The results, however, found microfinance led to increasing levels of indebtedness among already impoverished communities and exacerbated economic, social and environmental vulnerabilities (Banerjee and Jackson, 2017).

The study aimed to focus on the microfinance sector in the South Indian state of Kerala, distinct from the rest of India due to a unique cultural and regulatory environment relative to microfinance sectors in the rest of the world. This research has primarily structured as a qualitative survey conducted through travelling to rural villages in the state and interviewing officers, administrators, and beneficiaries to analyze competition in the sector. The study concluded that microfinance was highly culture and context-specific, with Kerala's communal culture and welfare state being key drivers for the sector's success (Bhaskar, 2015).

The study has emerged with an aim to propose a conceptual framework in the role of Malaysian and Yemeni microfinance on the poor wellbeing. The mixed method of quantitative and qualitative approaches has used to carry out the objectives of the study. The cross sectional survey with the randomized control trait has been used for collecting the quantitative data while the regression logistic with chi-square have used for analysis. In contrast, the semi structured interview was conducted to collect and analysis qualitative data. The intervention of microfinance institutions consists of three major functions namely,

financial, non financial and social intermediation services which have significant impact on the poor wellbeing which manifested in the clients household, and their micro and small enterprises performance (**Al- Shami et al., 2013**).

The study analyzed the women's participation across the variables, namely, legal status pertaining to their profit or non-profit objective, the extent of the MFIs' outreach, the regulated or non-regulated nature of programs, and the variety of clients targeted. The data for this study obtained from a 2007 survey where 1401 MFIs in 105 developing countries. This data set contained both financial and operational data collected from balance sheets, income statements, and other relevant documents pertaining to each MFI. The results indicated that most of the MFIs were located in South Asia, Africa, and Latin America, with more than half of the total MFIs being regulated by an external agency. Moreover, the significant found that women were more likely to participate in NGO or NBFIs microcredit programs that are non regulated by any governmental or regulatory body, and have medium outreach targeting a broad client base (**Bezboruah and Pillai, 2013**).

The study looks at aim of NBFC to alleviate rural poverty by providing small and micro investment to the agricultural and rural sector for generating employment and to raise the income of the rural poor. Primary data were collected from 1,020 clients working across the country. Multistage random sampling method was followed to select the clients. Tabular, graphical, and econometrical methods were followed to analyze the data. The findings showed that microcredit assistance improves women's financial standing, family status, and business status, all of which contribute to socioeconomic development. One crucial development technique to combat poverty and empower rural women comprises a micro financing program (**Rahman and Ahmad, 2010**).

This study uses examples from four development programs to demonstrate the application of the ME framework. Every example explains how the framework directed the development and analysis of indicators of empowerment. A draft module for assessing empowerment level was also presented in the paper. The module can be used independently or integrated into governance or poverty monitoring systems at the national level that aim to include an empowerment component in their analysis. The analytical methodology presented in this research can be used to track and measure the results and processes of empowerment. The end result states empowerment which has its roots in both measurement practice and conceptual discourse, provides guidance on how to achieve (**Alsop and Heinsohn, 2005**).

The primary objective of the microcredit provisions is empowerment and development for a higher standard of living. The study aims to determine the role of microcredit in empowering women, using four dimensions of empowerment: economic, personal, family, and political. Primary data was gathered from 34 women microfinance institutions in Pakistan, and 94 women microcredit customers were selected for data collection. The findings show that microcredit had a positive relationship with women's empowerment, and that women are empowered on economic, personal, family, and political levels after using microcredit from the MFIs, among economic empowerment was being the most influenced (Nawaz et al., 2012).

2.2.4. Sustainability of Microfinance Institutions

Financial literacy has become essential for rural microfinance institutions transformation. The purpose of this study was to look into how microfinance governance mediates the relationship between financial literacy and microfinance sustainability. The survey was carried out from November 2021 to December 2021 among 200 members of the Tapa Walla Badi Women Farmers Group (WFG) in Mbatakpidu village, Indonesia by using the Partial Least Squares-Structural Equation Model (PLS-SEM). Financial literacy involves the factors age, gender, education, and employment condition. The results of this research indicate that financial literacy had a favourable impact on the sustainability of MFIs, either directly or indirectly through governance. The presence of MFI managers and clients fosters better MFI management due to their acceptable literacy level (Atahau et al., 2023).

The article explored the concept of the sustainability of microfinance institutions and the MFI index. The elements include the financial and outreach sides of sustainability. Furthermore, it identifies the elements that contribute to MFIs high or low sustainability scores. Data on Indian MFIs was collected from Microfinance Information Exchange database. An Index of sustainability was constructed by combining numerous metrics such operational self-sufficiency ratio, the average loan balance per borrower and the number of active borrowers to arrive at composite sustainability score of MFIs. A multivariate regression model was used to identify contributing aspects to sustainability. MFIs' sustainability scores range from a minimum of 0.26 to a maximum of 0.80. Important factors that affect MFI sustainability scores in India are return on assets, gross loan portfolio, number of borrowers per employee, and portfolio at risk greater than 30 days (Bhanot and Bapat, 2015).

The problem in Andhra Pradesh microfinance institutions necessitates striking a balance between financial and social performance to ensure sustainability. The study examined the financial and social efficiency of Indian MFIs between 2015 and 2020, which was a critical period because Indian MFIs experienced significant changes. The findings showed that all MFIs endured a high impact on 2016-2017 and 2019-2020 as a direct result of demonetization and COVID-19. The data showed a considerable disparity between financial and social efficiency in terms of overall efficiency, but no significant difference was found in managerial efficiency. The results are expected to be beneficial for MFIs striving to maintain a trade-off between financial and social efficiency (**Bhayana and Sharma, 2022**).

The determinants of Thai MFIs financial sustainability have been studied by using random effect model. The study revealed that the Thai MFI staff members become more efficient at managing borrowers as their number increases, and this leads to greater MFI sustainability. Moreover, Thai MFIs did not benefit from economies of scale and do not reach the very poor households. Dis-economies of scale might occur due to bureaucratic bottlenecks and/or inefficient asset management. To achieve sustainability, MFIs should ensure that their social and financial goals are adequately balanced. It proposed that MFIs use a mixed approach viz., follow profit maximization principles and embrace technology to minimize operational costs (**Hemtanon and Gan, 2022**).

This research investigates the financial sustainability of microfinance providers (MFPs) in Bangladesh using the Profit Incentive Theory as a theoretical framework. A financial sustainability index (FSI) was created using Principal Component Analysis (PCA). This study investigated the impact of organizational structure, growth outreach, women empowerment, liquidity, leverage, and cost-efficiency on financial sustainability by using the data from 30 MFPs of Bangladesh over the 2006 to 2018. The findings indicated that loan size, number of borrowers, percentage of women borrowers, and inflation all have a favourable impact on financial sustainability. The percentage of women borrowers had a strong beneficial effect on financial sustainability of the institution (**Maeenuddin et al., 2023**).

The efficiency of MFIs in terms of social and financial performance located in the Northwest and Southwest regions of Cameroon have been greatly affected due to the Anglophone crisis. The Data Envelopment Analysis (DEA) method and the Tobit Censored

model was used on data of 40 MFIs affiliated to Cameroon Cooperative Credit Union League (CamCCUL) selected from the Northwest and Southwest Regions of Cameroon. The study used cross-sectional data of the CamCCUL network for the years 2017 and 2020. Data has collected from secondary sources. The findings revealed that there has been trade-off between outreach and sustainability of MFIs. However, the results indicated that on average, MFIs affiliated to CamCCUL were inefficient both socially and financially though there was a slight improvement in 2020 as compared to their performance in 2017 when the crisis was at its peak. It has also realised that the size of MFI, its location, subsidies and other related factors have a great influence on their efficiency (**Neba, 2022**).

The purpose of this study was to examine the potential impact of revenue diversification on microfinance institutions (MFIs) ability to remain financially stable. The study looks at the connection between revenue diversification (RD) and the financial sustainability of MFIs using a global panel data set of 443 MFIs across 108 countries from 2013 to 2018. According to the findings, MFIs financial viability was significantly and favourably impacted by revenue diversification. The results revealed a correlation between outreach (depth and breadth) and financial sustainability. However, leverage (commercial debt) had a detrimental influence on financial sustainability (**Githaiga, 2021**).

The microfinance business was long struggled with operational and financial sustainability. A self-administered survey was done to obtain data from managers of microfinance institutions operating in Punjab, Pakistan. Most microfinance institutions believe in social responsibility, but lack funding and approval from the management level. The study highlighted that CSR had no effect on performance in microfinance banks because they have access to capital. The findings revealed a considerable favorable relationship between CSR and the financial performance of MFIs, has a good correlation with customer retention, employee motivation and attraction, and company reputation (**Hussain et al., 2020**).

The influence of various female participation roles such as those of a borrower, board member, manager, and loan officer on attaining MFI financial sustainability and outreach was examined in this research. The investigation was conducted using data from MFIs that operated in 98 different countries between 1999 and 2017. With the exception of the female manager, who has a negligible impact, the overall results support the detrimental effects of female borrowers and loan officers on financial sustainability. The findings

showed that the outreach was more impacted by overall female participation than by financial sustainability (**Memon et al., 2020**).

Capital structure has a significant impact on organizational success. The source of finance for microfinance institutions (MFIs), as well as their performance and financial sustainability, have become critical factors in MFIs' ability to eliminate poverty and fulfill their sustainable goals for development. Secondary data from 187 MFIs in Bangladesh was used in the fixed-effect and random effect models. Return on Asset (ROA) and Net Income to Expenditure (NIER) have been applied as financial performance indicators. The results reveal that the Equity to Asset Ratio (EAR), Debt to Loan Ratio (DTL), Risk, and Size influenced NIER. Furthermore, EAR and DTL have a favourable effect on ROA and Risk has a negative impact. MFIs should construct their capital structure by developing a portfolio of capital sources from market-based funds that will allow them to maximize their financial performance while also reaching out to needy clients without collateral. A properly-designed capital structure will assist MFIs to accomplish both performance and outreach, as well as contribute to SDG goals such as poverty eradication, human sustainable development and corporate social responsibility (**Parvin et al., 2020**).

This study examines the impact of commercialized financing structures on financial sustainability in Southern Africa Development Community (SADC) microfinance institutions, taking into account the trend of commercialization. The selected MFIs were mainly financially unsustainable, and their financing structures and levels of financial sustainability vary for each country. Financing structure were essential in determining financial sustainability. Financial sustainability requires effective cost and risk management, in addition to a strong financing framework. The results of the study indicated that the MFIs financial sustainability improves with more ownership, whereas profit oriented MFIs benefit from limited outreach (**Bayai and Ikhide, 2018**).

The feasibility of microfinance institutions (MFIs) to expand outreach to the poorest while remaining financially sustainable has long been debated. Using data from 206 MFIs in 33 African countries from 2007 to 2011, the study adopted the three-stage least square technique to examine if a trade-off exists between sustainability and outreach depth. The data used for this study has collected from the Microfinance Information Exchange (or the MIX Market) database. The results confirmed the ongoing subsidies for MFIs with the aim of encouraging outreach. In addition, the study examined whether there was an inflection

point beyond which higher interest rates reduce profitability for MFIs. The study found no evidence of a threshold beyond which profitability was reduced (**Churchill, 2018**).

The study has attempted to look at the financial and operating performance of Specialized Financial and Promotional Institution (SFPI) at firm level and compared against the Industry Average (I.A) from sustainability, profitability and outreach level perspectives. The study examined the institutional level financial and operating performance of SFPI. Data for the study was taken from secondary sources and various ratios and indicators have used to measure the performance of SFPI. Fifteen years data from 2000 to 2014 was used to see the trend in its performance. Judgmental sampling technique was applied to select the micro finance institutions based on different criterion i.e. geographical distributions and year of establishment to determine the Industry Average (I.A). The major finding of the study indicated that the percent of women borrowers of SFPI is higher than the percent of women borrowers of the Industry Average. The SFPI had been going down the ladder of sustainability and profitability measures during the periods of the study (**Gebrehiwot and Chawla, 2016**).

The research has been conducted to determine the factors that affect the operational self-sufficiency of MFIs in India. This study was based on quantitative research approach using Probit Regression Model as the main data analysis technique. The study relied on nine years secondary data obtained from the mix-market database for 65 selected MFIs in India. The study found that average loan balance per borrower, size of MFI, cost per borrower and yield on gross loan portfolio affect the operational sustainability of Indian MFIs significantly. Therefore, the study recommended to microfinance institutions to increase their economies of scale which will reduce the cost per borrower (**Mahapatra and Dutta, 2016**).

The study investigates the indicators of the profitability of firms in the Non-Banking Financial Institutions (NBFIs) industry of Bangladesh. Profitability of a financial institution basically depends on its operating efficiency, capital structure, fixed charges & income and liquidity position. The research was an endeavor to find out the key profitability indicator variables and their influence over net profit. Statistical techniques of simple and multiple regressions have been used to determine the relationships between variables. The analysis results showed that among the independent variables the liquidity conditions and operating efficiency have a considerable relationship with profitability of Non -Banking sector. So,

this sector can enhance its profitability by improving its liquidity situation and by being more efficient in operations (**Farah and Rahman, 2012**).

This study explored the impact of regulation on MFI performance for 114 MFIs from 62 countries in an empirical model where performance has specified as a function of MFI-specific, regulatory, macroeconomic and institutional variables. The empirical analysis has utilized data collected by the MIX MARKET information platform. The results showed that financial performance was affected by the capital ratio and less leveraged MFIs have better Operational Self-Sufficiency (OSS). The policy implication of MFIs' transformation into regulated financial institutions was not likely to be more financially sustainable or reach more poor borrowers than MFIs who remain unregulated. However, the finding revealed that MFIs collecting savings reach more borrowers suggested that there may be indirect benefits from regulation, if regulation is the only way for MFIs to access savings. Further, the study result reveals that outreach was not affected by the level of capitalization and leverage (**Hartarska and Nadolnyak, 2007**).

2.2.5 Outreach of Microfinance Institutions

The study examined the potential financial distress of NBFCs peculiarly known as shadow banks. While NBFCs aid to improve the economy, they also bring risks too. To analyze the financial danger and risk of the NBFCs, it was necessary to considered whether the application of the bankruptcy model Viz., Altman's Z-Score, and spring ate Z-Score can predict the potential bankruptcy and helps the respective stakeholders in decision making. Hence, the paper suggested the stakeholders, researchers, and regulatory authorities must be watchful of the working of NBFCs. The result of the study discovered a high predictive potential for both Z-score models. These two models had a considerable amount of proper prediction capability of the NBFCs regarding how to categorize companies into three groups Bankruptcy Zone or failed, warning zone, and safe firms (**Rane and Kanetkar, 2022**).

The study examined the comparative performance of non-performing assets (NPAs) among leading NBFCs in India. The selection of three leading NBFCs based on the market capitalization during the period 2011-2015 was concerned. The data on NPA on selected three NBFCs have been mainly taken from the RBI website, Association of NBFCs, "India stat" "Ministry of National Economy", and "money control website". Non-parametric correlation coefficient analysis was used to examine the effect of finances on the NBFCs in

terms of income, profit, and ROA to determine the significant level at $P < 0.05$ for NPA parameters. Moreover, yearly trend analysis revealed that Muthoot Finance showed better concerned revenue generation and lower NPA values compared to Bajaj Finance and Reliance Capital (**Antony and Maheswari, 2021**).

The study represented a comparison of nine NBFIs operating their business in Bangladesh and listed in Dhaka Stock Exchange by using financial ratios. The study has used ratio analysis, such as Return on Asset (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Institutional size, Total assets and Total equity etc., to analyse the data for a period from 2016-2019. The data were collected from the company's annual report as well from their websites. The outcome of the study inferred that NBFIs in Bangladesh were doing well for some ratios while for others it has to improve their performance. The main area where they have to improve was the loan selection. They have to reduce the number of adverse loan selection. At the same time, they have to identify other income generating areas to be more competitive (**Akber and Barua, 2021**).

The study analyzed the financial performance of converted commercial bank from non-banking financial institution through a case study of Bangladesh Commerce Bank Limited as sample organization. The study used secondary data through annual reports of last five years (2015–2019) that were examined by using descriptive statistical tools and panel data regression model. It is observed that the bank was able to achieve a stable growth rate in total deposits, total loans and advances, and net income after tax during the period of 2015–2019. Financial ratio was used and noticed that the financial position of Bangladesh Commerce Bank Limited has not been so strong because bank's Return on Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and other ratios were below standard. Result has shown that Bangladesh Commerce Bank has satisfactory operating efficiency, assets management efficiency, and gives loans to customers (**Gazi et al., 2021**).

The study purported to examine the status of micro finance and outreach of MFIs in India. Research design adopted in the was partly descriptive and partly exploratory. The study was based on secondary data. Simple statistical tools like averages and percentage have used to derive the inferences of the study. The result of the study discussed that in the last decades, micro finance programmes contribute major and significant contribution to poverty elimination and empower people by social, economic and political aspects. The SHG membership contributes remarkable changes in the lives of women. The micro credit

scheme encouraged women to save and can use this micro credit facility whenever they need without having to pay the collateral (**Goel and Aggarwal, 2020**).

Non-Banking Finance companies mainly finance to Industrial sector with small scale business and unorganized sector. The study has been undertaken with the view to evaluate structure and financial position of NBFC from the financial year 2014-15 to financial year 2018-19, mainly secondary data has been used. Selected ratios have analyzed using statistical techniques such as regression analysis and Data Envelopment Analysis. The result revealed that in last few years Non-Banking companies has faced deterioration in their asset quality due to high level of Non-Performing Assets and Non-Performing Investments, still their position was better than that of banks. They were still reporting better profitability and capital adequacy positions (**Kumar, 2020**).

The study empirically analysed the performance variations among top 5 NBFCs regarding PBDIT, secured and unsecured loan advances, by applying Single Factor ANOVA. The study looked into variation within three performance parameters of top five NBFCs. The study used five years data for profit before depreciation, interest and tax (PBDIT), secured loan advances and unsecured loan advances for five NBFCs. The data had been taken from the secondary source namely, Money control website. The results revealed that the mean PBDIT of the five companies under research scope vary significantly due to differences in market share and operational efficiency. The companies having higher financial market share due to better operational efficiency have higher PBDIT. The mean unsecured loan advances of the five companies under consideration vary significantly, as different NBFCs have different policies and credit appraisal system for granting unsecured loans, hence it varies widely depending upon company perceptions reflected through policies (**Ray et al., 2020**).

The study analysed the performance of the five different categories of NBFCs in India across 2015 to 2019 by examining key indicators like Liquidity, Profitability and Debt to Equity Ratios. The study used secondary information. Tools like ratio analysis, mean, standard deviation and ANOVA have been applied. The variables selected for analysing the performance of NBFCs were Current ratio, Debt-Equity Ratio and Net Profit Ratio. The analysis of solvency revealed a fact that the sample NBFCs does their business taking high risk i.e. they hold very low percentage of total assets as their owned funds and depend more on borrowed funds and holds more current assets with low percentage of liquid assets with

reference to current liabilities. However, the performance of these NBFCs proves that they have sufficient solvency, as they manage the risks and have cash generation capacity. Further, the result indicated that the selected categories of NBFCs differ significantly in terms of Liquidity and Profitability ratios from one another (**Singh, 2020**).

The study measured the performance of the NBFC-MFIs through the Data Envelopment Analysis (DEA) and Malmquist Productivity Index (MPI) over the period of 2015-2019. The study considered financial efficiency in which the input variables taken for financial efficiency were total assets and operating expenses of financial companies and the output variables to measure financial efficiency were income from financial services. The study applied the DEA model of BCC- DEA to benchmark the NBFC –MFI in India. The study also applied MPI to cross validate the benchmark. The scores were calculated for the year 2015-2019. The result revealed that among the 39 MFIs taken for study during 2015-19 on the financial aspect, 14 MFIs are efficient which are doing good enough on both technical and technological aspect. The average technical efficiency score of the firms is 0.835 which shows that average firms reported a regressed relative technical efficiency. The average total productivity score over the year is 0.976 which again shows an inefficient status. The study concluded that the NBFC-MFI in India is not efficient in the financial standard (**Sharma et al., 2020**)

The study found performance of the NBFCs on a sustainable basis as some of the investor fraternity has aversion towards investing in NBFC companies due to the fear of the quality of lending book. DuPont Analysis was used to identify the factor contributing to the maximum growth of the Return on Equity. The ranking was done based on the average of return on equity. The research design applied has been analytical in nature. Secondary data was used in the study collected from various sources like annual reports and concerned website. Various tools like CAGR, Price Earnings to Growth Ratio (PEG), Enterprise Valuation Model and other relevant ratios have used for valuation. The findings revealed that L&T FH has secured the fourth rank in the DuPont Analysis whereas Bajaj finserv showed first rank. The L&T FH has secured the fourth place in PEG ratio based on its earnings and the net profit. Based on PEG ratio, Sundaram finance stands at the top, which indicates that it is undervalued and hence a stock worth buying. The L&T FH has the lowest average ROE. The L&T FH secured last rank as per ratio analysis due to its average performance across various areas. Cholamandalam Finance has the highest average of secured loan percentage during the study period (**Mahesh and Nagarajan, 2019**).

The study analysed the beneficiaries perception towards Muthoot Mahila Mitra, credit utilization pattern and the impact of the scheme among the beneficiaries of Muthoot Fincorp at Mangalapuram Branch in Thiruvananthapuram district of Kerala. The study was descriptive in nature. Primary data was collected from 50 women beneficiaries of Muthoot Fincorp selected on the basis of purposive sampling technique. The findings revealed that majority of the respondents choose MMM because of its disbursement of credit very quickly with simplified procedure. Some of the respondents choose MMM because of group liability. Majority of the respondents agreed that there was very much increase in their social relationship, social prestige, standard of living, independence in the family and employment (**Manu, 2018**).

The study was based on evaluation of the performance of NBFC form of MFIs in India. Among all the legal forms of MFIs microfinance in India is largely dominated by NBFC-MFIs. The study built on the data gathered from MFIN. The underlying objective of this research is to perform the ratio analysis for small, medium and large NBFC-MFIs and to study the level of outreach and portfolio of small, medium and large MFIs. MFIs have been classified on the basis of Gross Loan Portfolio (GLP) as suggested by MFIN. The ratio analysis result showed that smaller MFIs were facing challenges as compared to other categories of MFIs especially in terms of debt funding as depicted by Debt to Equity ratio, in proportion to the equity available to them. Operating Self Sufficiency for all categories was favourable. MFIN in their report mentioned demonetization as the main reason resulting in decline in the Return on Assets (**Badruddin and Anees, 2018**).

A research has been conducted to study the financial performance of each of the entities of NBFIs such as All India financial institutions (AIFIs), Non-banking financial companies (NBFCs) and Primary dealers during 2015-16. The result revealed that NBFCs were expected to play a crucial role in fostering inclusive growth, especially in sectors like MSMEs consolidation within the NBFC sector continued during 2015-16, resulting in a reduction in the number of both NBFCs-D and NBFCs-ND-SI. Their assets continued to register substantial growth. The accelerated growth in credit deployment by NBFCs has been due to their ability to contain risks and tap demand in niche markets. The profitability of NBFCs was significantly higher as compared to commercial banks. The quality of assets of the NBFC sector has, however, showed steady deterioration since 2012, though their NPAs have remained relatively lower than those of the banking sector (**Jency, 2017**).

The study has attempted to evaluate the current status and outreach of microfinance in Andhra Pradesh, India. The result revealed that MFIs have approximately 11687 branches spread across India among all categories of MFIs. The study clearly showed that as of 2014, 97 per cent of clients of MFIs were women, i.e., 320.1 lakhs and only 9.9 lakhs, 3 per cent are men. Further, there were 44.51 lakh SHGs in India by end of FY 2013 and outstanding loans to SHGs amounted to Rs. 394 billion. The SHG Bank Linkage programme forms a sizeable portion of the overall microfinance outreach in India. The total number of clients served by MFIs stood at 330 lakh as on 31 March, 2014. However, in 2014, an astounding rise in clients/borrowers to an all- time high of 330 lakh. Client outreach grew by 20 per cent in 2014 relative to 2013. The majority of these clients were being served by NBFC-MFIs (81.82 percent) primarily the larger ones. MFIs with an outstanding portfolio of Rs.500 crores or above are responsible for reaching out to 74 per cent of the clients in the industry. Thus, the study concluded that NBFC-MFIs are penetrating largest clients (**Sanskriti Singh, 2017**) .

The study empirically analysed the performance of the NBFCs (Auto financing and Other Asset financing) in India across the period of 2007-2012. The study examined the profitability, efficiency and turnover aspects of the selected NBFCs. The findings indicated that there exists a significant difference in the profitability ratios, leverage ratios, liquidity ratios and risk indicator ratios of selected NBFCs. When all companies were taken together the significant difference did not exist for only two ratios namely, Price Earning Ratio and Current Ratio. The ratios for all the selected NBFCs were differing significantly from one another. Finally, the study concluded that the analysis of variance along with details about average ratios may become a useful guide to the NBFCs in their financial decisions making (**Sowndharya and Shanmugham, 2014**).

Using disaggregated data of microfinance providers in Ethiopia, the study compared financial cooperatives and specialized or non-bank microfinance institutions on their outreach, financial performance and ability to achieve financial self-sufficiency together with outreach to the poor. The study used primary data collected from microfinance providers in Ethiopia between April and June 2012. The sample size includes all NBFIs in Ethiopia, which accounts 30 in number, and 77 financial cooperatives that account for about nine per cent of the total number of financial cooperatives in the country. The results obtained indicates that NBFIs lend small size loans and more to women borrowers, which

are often taken to imply depth of outreach, but they face high costs that affect their financial viability. Hence, the results showed that non-bank microfinance providers perform relatively well in terms of breadth and depth of outreach, but face higher cost, which creates tension between outreach and financial sustainability. In contrast, the results showed a positive complementary relationship between outreach and financial performance for financial cooperatives. On an average, financially self-sufficient cooperative lend small size loans, serve larger fractions of women borrowers, charge lower interest rates, and reduce cost of loans compared to their counter-parts that operate below the cost covering line (Abate et al., 2013).

2.2.6 Sustainability and Outreach of Microfinance Institutions

The policymakers around the globe have been emphasizing on financial inclusion in line with Sustainable Development Goals (SDG) 2030 of the United Nations. Developing countries are still behind in ensuring greater financial inclusion especially for women. While banks are the apex financial institutions in any country, microfinance institutions proved to be promising in advancing financial inclusion because of its better reach to women in remote areas. Thus, in a country like India, the outreach and sustainability of microfinance institutions is of utmost importance. This study aimed to rank the performance of microfinance institutions listed by Reserve Bank of India on the basis of their outreach, sustainability, quality and efficiency. The ranking has done separately for five years (2014-15 to 2018-19) using Technique for Order of Preference (TOPSIS) method while overall ranking and benchmarking for five years has been done using interval valued TOPSIS (IV-TOPSIS) method. The robustness of the study has been checked through sensitivity analysis. The overall results portrayed that Satin Credit care Network Limited as the best performing NBFC-MFI while BWDA Finance Limited as the worst performer for the combined period of 5 years (Roy and Patro, 2021).

The study aimed at finding out how various financial institutions are maintaining their outreach and financial sustainability along with fulfilling their social goals. The study was based on secondary data whereby ten financial institutions were studied on various parameters of performance indicators. The data has been collected from MIX (microfinance information exchange) organization. The study was done on basis of correlation and regression whereby associations of different variables of outreach and financial sustainability is analysed for four years from 2014-2018. The study found that operational

self-sufficiency is affected by return on asset, return on equity and profit margin. Higher the profit margin more the company will be operationally sustainable and sufficient. Therefore, the study recommended to increase their rates for long term sustainability (**Hasan et al., 2020**).

The study revealed the result of peer reviewed journal articles on microfinance impacts, sustainability, and outreach. The sample consisted of peer-reviewed journal articles published from 1997 to 2011. Microfinance impact, sustainability and outreach have used as keywords while searching for the articles. These searches produced over 350 articles of which 302 articles have sorted by a skimming process based on relevance to microfinance sustainability, outreach and impact. Descriptive statistics was used to categorize and sub-categorize the articles based on their primary focus, regional coverage, year of publication and journal category. The review suggested mixed results on the impacts of microfinance worldwide, and fails to discover a concrete relationship between outreach and sustainability. However, the review confirmed microfinance institutions extend financial and non financial services to the bottom of the pyramid ignored by traditional financial institutions and considered unbreakable (**Rahman et al, 2015**).

This study has attempted to look into various dimensions of sustainability and outreach of Indian MFIs in the context of other countries in South Asia. Microfinance crisis has hit operational sustainability of Indian MFIs very badly, yet, on cost front Indian MFIs seems to be the best performer in South Asia. The finding revealed that in pre and post crisis period, average (median) percentage loan given to women remains highest in India in comparison to South Asia, implying breadth of outreach is not affected by the crisis. Turning the focus to the depth of outreach i.e. Average loan Balance per borrower, it was the lowest across the countries in South Asia in both pre and post crisis period. Poorer the borrower is smaller the size of loan thus, in India, borrowers are relatively poor. Secondly, it was associated with the lesser efficiency, which was obviously a reason of concern for Indian MFIs (**Kaur, 2014**).

The terms outreach and sustainability were used in many fields of study. The study emphasized the concepts, the measures and existing schools of taught with regard to outreach and sustainability in microfinance institutions. The objective of almost all microfinance institutions is improving the well being of the poor through their services. The number of different types of loan, savings, insurance and other products offered broken

down by product lines or product types. The study also revealed that credit risk management of microfinance institutions with reference to sustainability concluded that the key to financial sustainability is to charge an interest rate that is high enough to cover operating costs, loan losses and interest and adjustment expenses. Therefore, the study concluded microfinance institutions must operate efficiently enough that reasonable, affordable and competitive interest rates can be charged to cover these costs (**Rao and Fitamo, 2014**).

The study attempted to examine the trade-off between outreach and sustainability of the MFIs model of microfinance in the Assam state. For analysis, a case study of one mature MFI namely, Credit and Savings Program-Rashtriya Grameen VikashNidhi (CSP-RGVN) has been considered. The study result indicated a negative relationship of outreach with SDI and SDR, and SDR correlation between SDR and outreach is high although both are statistically insignificant. It is inferred from the analysis that although concerned MFI increased outreach since its inception, the MFI is yet to be self-sufficient. Although operationally MFI was self-sufficient, to achieve financial self-sustainability was a crucial area of consideration. It was pertinent to note that the MFI was operationally self-sufficient but still depends on subsidies, which is reflected in the SDI and SDR (**Borbora and Sarma, 2011**).

Several micro finance institutions (MFIs) have established and operating towards resolving the credit access problem of the poor. In light of this, the study attempted to look at MFIs performance in the country from outreach and financial sustainability angles using data obtained from primary and secondary sources. The study found that the industry's outreach rise in the period from 2003 to 2007. It identified that while MFIs reach the very poor; their reach to the disadvantages particularly to women was limited. From financial sustainability angle, it is found that MFIs are operational sustainable measured by return on asset and return on equity and the industry's profit performance was improved over time. Similarly, using dependency ratio and Non-performing Loan (NPLs) to loan outstanding ratio proxies the study also finds that MFIs are financial sustainable. Finally, it found no evidence of trade-off between outreach and financial sustainability (**Kereta, 2007**).

2.3 Research Gap

NBFC-MFIs are the largest occupier in today's Microfinance industry. They gradually emerge as one of the most effective provider of micro credit to promote

entrepreneurship by effectively generating employment, providing collateral free loans for business activities and supporting household income. Earlier studies primarily examined the performance of Banks, Non-bank financial institutions, Small finance Banks and other microfinance institutions. A new category of NBFC-MFIs is not under the focus of many studies. The current study adds value by concentrating on the members of Micro Finance Industries Network (MFIN) were the sole group to be taken into consideration, as MFIN is a Self-Regulatory Organization (SRO) that is governed by the RBI. Hence a study has been proposed to investigate the outreach and sustainability of NBFC-MFIs from three distinct perspectives, all of which have a major influence on the development of institutions.