

“AN ANALYTICAL STUDY OF OUTREACH AND FINANCIAL PERFORMANCE OF SELECTED MICRO FINANCE INSTITUTIONS IN INDIA AND NEPAL”

**AN ABSTRACT SUBMITTED TO
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Purpose:-

The purpose of the study is to measure the financial efficiency and growth trajectory of Indian and Nepalese Micro finance institutions (MFIs). India and Nepal are two neighboring South Asian countries, where India is a developing country having low-middle income group and Nepal a 'least developed country'. These countries have an immense population that is living below poverty line having little or no access to credit facilities of formal banking system - which is understandably due to high transaction cost and lack of collaterals. Governments have taken a range of steps towards eradication of poverty in their respective countries. In a pervasive pursuit of poverty- eradication, Micro Finance approach has taken a shape of new welcoming paradigm in poor-rural-hold's financial upliftment, which has so often been ignored by banking system as yet, to become financially independent by receiving financial services like credit, insurance and savings.

MFIs play a significant role in poverty reduction, women empowerment and increase creditability belonging to similar socio-economic characteristics. In the past MFIs has always been measured on social parameter rather than their outreach and financial performance. The motivation towards this study was derived from crucial role that these institutions play in socio-economic transformation in this regard. Rather than proving impact, research endeavors have shifted to focusing on improving the impact of MFIs because the ability to improve their impact as socio-economic transformation may be hinged on their efficiency over time. Hence it is interesting to know whether Indian and Nepalese MFIs are working towards outreach of poor peoples and financially sustainable.

Design/Methodology:-

This thesis determines the outreach and financial performance of selected micro finance institutions in India and Nepal from the period 2010-2017 for 60 MFIs (30 from Nepal and 30 from India). The study is based on a seven years secondary data obtained from MIX Market and primary data is also collected where it is required. In order to know the outreach and financial performance, ROA, OSS, portfolio risk >30, capital asset ratio, No. of active borrowers and age of MFI is the best measure to be used for measuring long term sustainability of MFIs. The data obtained were subjected to both financial efficiency and outreach trajectory analysis.

Findings:-

This study suggests that their scope for new players and donors to tap unorganized financial market. It should be made mandatory for MFIs to disclose their results on regular basis and a well defined monitoring system need to be place like formal banking system in order to achieve long term sustainability. As per result Indian MFIs is financially viable and there is a huge gap between demand and supply of micro finance in Nepal. At present, Nepalese MFIs are not able to fulfill this gap.

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Research Limitations/implications:-

This study measures outreach and financial sustainability of Indian and Nepalese MFIs over a period of seven years. However, further studies could explore this in greater depth by incorporating more years of data.

Practical Implications:- The research findings have great implications for Indian and Nepalese MFIs. Since this study is among of its kind, the researchers have paved ways for further investigation in this area. Moreover, the study encourages the Indian and Nepalese MFIs to be more concerned of their efficiencies.

Originality/Value: - This study measures the outreach and financial performance of Indian and Nepalese Micro finance institutions. These have never been examined together in this way before.

Keywords:- Outreach, Efficiency, MFIs, OSS, FSS

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