

CHAPTER- 08

A STUDY ON MICROFINANCE ON SMALL ENTREPRENEUR/BUSINESS IN CONTEXT TO CHANDWA BLOCK, LATEHAR DISTRICT IN JHARKHAND

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Ch.Id:- IIHMR/NSP/EB/IREHM/2025/Ch-08

DOI: <https://doi.org/10.52458/9789349381407.nsp.2025.eb.ch-8>

INTRODUCTION

Midland Microfine Ltd, the leading player in rural models catering to small entrepreneurs, has adopted a distinctive approach involving Joint Liability Groups (JLGs) for their clients. This innovative system is a result of an in-depth study of five to six Microfinance Institutions (MFIs), leading to the introduction of a new monitoring system. This monitoring system aims to comprehensively oversee all financial aspects. Commencing operations in Punjab, Midland Microfine Ltd positions itself as a technologically advanced Microfinance Institution with a fully computerized environment, showcasing immense potential. The emphasis on a more efficient and technologically driven microfinance model underscores the untapped potential in the management information system for monitoring both systems

and clients. The incorporation of Joint Liability Groups, consisting of 4-5 members per group, is a distinctive feature, ensuring optimal client representation within the group structure [1].

In the joint liability group model, all members mutually guarantee each other, collectively assuming responsibility for the entire group's loan. This means that if any member fails to repay their EMI, the entire group is accountable for the outstanding payment. The group ensures that all members make timely payments and attend meetings at the center, eliminating the need for house visits by officers to collect payments. Midland Microfin exclusively forms groups with female clients, as the institution provides loans solely to women; the inclusion of male members would lead to group rejection [2].

Members take joint responsibility for any non-payment, pooling the collected amounts within the group to deposit into the company account. If members don't provide group guarantees, the center officer refrains from creating the group to avoid potential repayment issues in the future. The center officer exerts peer pressure to ensure timely repayment, emphasizing the importance of attending center meetings regularly to avoid complications during the repayment process [3].

Joint Liability Groups serve as a provision that makes the company's lending risk-free across India where financial activities are conducted. Unlike other microfinance institutions in India that operate without risk-free lending or mortgages, Midland ensures a risk-free lending experience for its clients. Branch managers and center officers actively communicate to raise awareness about this approach. Midland, as the first Punjab-based Microfinance Institution, introduces this innovative

concept with the latest technology, forming and meeting new groups over time.

RESEARCH QUESTIONS

1. Why there was a need of microfinance?
2. What was required to submit for mortgaged that give loan the company.

RESEARCH OBJECTIVES

To assess the impact of microfinance in rural areas and generate a comprehensive socio-economic profile of the beneficiaries involved in the intervention.

RESEARCH METHODOLOGY

This research employed a primary data source, specifically oral interviews conducted within the area covered by the study. Micro-entrepreneurial women and their families were interviewed during meetings at the study location to gather data. The primary data collection utilized a questionnaire, incorporating both quantitative and qualitative aspects. The collected data were analyzed using Microsoft Excel, employing various statistical tools such as cross-tabulation, percentages, and graphs. The results of the analysis were presented in tabular and graphical formats for clarity. The study was conducted in Chandwa block, Latehar district, Jharkhand, involving 50 women participants. The research duration spanned three months, commencing on March 21 and concluding on June 18, 2022.

RESULTS AND DISCUSSION

The distribution of loans provided by the microfinance company for various small businesses such as live bamboo

products, brickwork, catering, small dhabas/hotels, fast food, footwear, fruit shops, general stores, meat shops, medical shops, milk businesses, poultry work, stitching work, studios for Photoshop/photocopy, tent houses, vegetable shops, and welding work. The microfinance company predominantly operates in rural areas, constituting 88% of its coverage, while urban areas account for the remaining 12%, reflecting the prevalence of small businesses in rural settings. The company focuses on providing loans exclusively to female clients engaged in small businesses, emphasizing the importance of a joint liability group with heterogeneous age groups to address various issues and ensure adherence to rules. The identification of areas for loan disbursement involves comprehensive area surveys to gather information about villages, local politics, and potential issues. The credit bureau checking process evaluates client credit reports for loan eligibility and repayment capacity.

Prior to loan disbursement, mandatory group training lasting three days is conducted to equip borrowers with knowledge about loans, income sources, business, and expenditures. Group eligibility tests are administered by branch managers or upper-level officers to verify client details, house income sources, and interest in the loan. The processing management information system (MIS) involves online data entry and verification of identity proof, ensuring a secure and streamlined process. Certain group eligibility criteria are in place, including blood relatives being part of the same group, one household member per group, and a thorough end-use verification process. Loan disbursement procedures are completed in branches, including document signatures for insurance, agreements, and interactions with clients to address any concerns. The company emphasizes payment modes, regular

meetings, timely payments, passbooks, insurance, and agreements.

The end-use verification process involves account payment to mitigate risks associated with cash transactions. The company conducts a confirmation process with clients via mobile or face-to-face interactions to ensure clarity and client satisfaction. Additionally, the company has introduced CSR initiatives, such as the "SWACHTA EVAM SWASTHYA" JAGRUKTA ABHIYAAN project, aimed at promoting menstrual hygiene among women in rural areas. Another initiative, the GO GREEN DRIVE, focuses on environmental sustainability through sapling planting activities.

CONCLUSION

In conclusion, Midland Microfine Ltd stands out as a pioneering force in rural microfinance, strategically employing Joint Liability Groups (JLGs) to cater to small entrepreneurs. The innovative monitoring system, developed after a thorough study of Microfinance Institutions (MFIs), sets Midland apart in ensuring a comprehensive oversight of financial aspects. Operating in Punjab with a technologically advanced, fully computerized environment, Midland exhibits substantial potential in the untapped arena of management information systems. The incorporation of JLGs, particularly with an exclusive focus on female clients, reflects a commitment to responsible lending practices.

REFERENCES

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