

NAVIGATING THE FUTURE : UNVEILING THE DYNAMICS OF INDUSTRY 5.0

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**PG & RESEARCH DEPARTMENT OF COMMERCE,
THE MADURA COLLEGE,
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THE DYNAMICS OF INDUSTRY 5.0

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PREFACE

In an era marked by technological revolutions, the concept of Industry 5.0 stands at the forefront, promising a paradigm shift in the way industries operate. As we navigate the ever-evolving landscape unravel the intricacies and possibilities that Industry 5.0 holds. “Navigating the Future” invites all attendees to be active contributors to the ongoing dialogue that shapes the future on industries, fostering a community of forward – thinkers and innovators who are well – equipped to drive positive change in the world of Industry 5.0

Industry 5.0 is regarded as a fifth industrial revolution in which consumers could satisfy their individual requirements as per the tastes and expectations. Although the repetitive tasks are done by robots in Industry 4.0 which is at the mass customization level, Industry 5.0 aims to perform mass personalization with help of Artificial Intelligence.

Industry 5.0 is expected to revolutionize the production process with higher autonomy to collaborative robots. Industry 5.0 is the futuristic industrial revolution which is expected to bring in more creativity and innovation in the products by allowing robots to perform repetitive tasks. It is expected to utilize the creative intellectual capability of human optimally. Moving from mass production to custom manufacturing techniques and production system digitization and intelligentization.

In the lines if above, the PG & Research Department of Commerce has organized two days Conference on the theme “Navigating the Future: Unveiling the Dynamics of Industry 5.0” with the following objectives, to understand and gain knowledge on the functional areas of Industry 5.0; to provide a holistic understanding of the multifaceted dynamics of Industry 5.0 and to enhance the research aptitude among the academicians, scholars towards dynamic changing environment.

To get more insights on the above theme, research articles were invited for presentation and publication. The Department has received fifty (50) articles on various sub-themes from Professors and research scholars of various colleges in Tamil Nadu, Kerala and Karnataka. The Editorial Board has reviewed and edited all the papers scrupulously and meticulously with plagiarism check.

The Editorial Board has recommended and forwarded all the articles in the form of Edited Book with ISBN Publication Number for disseminating the knowledge to all the stakeholders of Higher Education Institutions and Industry concerned.

This book is a comprehensive guide for understanding and utilizing on various themes to generate indepth knowledge on it and suitable for research scholars as well as corporates. We hope that you will find this book informative and inquisitive as much as we learnt it.

Editorial Board.

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A SYSTEMATIC ANALYSIS ON AWARENESS OF MICROFINANCE IN INDIA AND ITS IMPACT

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Abstract:

Microfinance help business and individuals who are excluded from traditional banking system. It attempts to provide low-income groups with loans, operative accounts and insurance. The main idea is to provide financial services to women and poor living in rural areas. This study aims to analyse awareness of microfinance in India and its impact. India is a sub-continent with more than 1 lakh villages. This study reviews the reach of microfinance opportunities among the rural Indians. As government is trying to create more self-employment opportunities, the need for finance and the ways and means to obtain it becomes crucial. This analysis highlights the pros and cons of Microfinance and challenges faced by the government as well as the public to acquire it.

***Keywords:** Operative accounts, financial services, self-employment opportunities, traditional banking system.*

Introduction:

The role of Microfinance institutions is to provide opportunities to the marginalised sectors for growth and development. The purpose is to serve the people who are less privileged with limited financial resources and exposure. It is the social strategy to eradicate poverty. It accelerates the development process and financial inclusion. Microfinance institutions try to improve the livelihood of the people. Microfinance institutions offer collateral free services to the beneficiaries. The microfinance institutions generally offer smaller amounts of loans and credits.

Micro financial services include services offered by:

1. Non -government institutions
2. Co-operatives
3. Community based self-help groups
4. Insurance and credit companies
5. Co-operative societies
6. Commercial and state banks

The microfinance sectors have a completely different need and organisational structure when compared to traditional banking system. The microfinance system generally struggles because of lack of proper regulatory frame work. Families that are benefitted by this microfinance institutions are able to provide a good and uninterrupted education for their children.

The interest rate charged by the microfinance institutions are also comparatively less than a traditional banking rate. Lack of security and operating cost are the barriers in obtaining loans from a commercial bank. A microfinance institution is able to overcome this with the help of Central government – Micro Units Development Refinance agency (MUDRA). As per World bank estimates more than 500 million people have improved their economic conditions via microfinance related activities.

Microfinance includes a wide variety of services which include “Microcredit”. Micro credit refers to providing credit to the poor sections of the society. Microfinance and microcredits are often confused. But microcredit is only the part of microfinance. Microfinance refers to a variety of services which include loans, savings, insurance and remittances.

The microfinance institutions generally adopt a non-traditional way of lending such as group lending that is not employed by traditional sectors. These institutions generally tend to offer new way of lending in the last 30 years to unsalaried borrowers by taking little or no collateral. They also provide implicit guarantee to the customers, if their previous loans were promptly paid and cleared. This study makes a comprehensive analysis of how microfinance institutions operate in our country as per the guidance of NABARD and RBI. The primary objective of the study is to observe the sustainability and performance of this sector in contributing towards the national income of the country.

The Microfinance institutions has started observing tremendous growth over the last five years. The Reserve Bank of India has appointed an RBI sub-committee known as the Malegam Committee. This committee aimed to address the primary customer complaints that led to the crisis, including coercive collection practices, usurious interest rates, and selling practices that resulted in over-indebtedness. The Malegam Committee released their recommended regulations in January 2011.

Review of Literature

Role of Microfinance in India: A Thematic Review (2022) by Ramesh Kumar Chaturvedi This review attempts to present a systematic summary of research in the domain of microfinance in India over the last two decades. These articles are identified through a systematic search of electronic databases by focusing on the major keywords microfinance, poverty, sustainability, and India. Seven major themes have been identified, and each theme is further grouped into sub-themes. The identified main themes include women's empowerment, self-help group, financial inclusion, sustainability, Andhra Pradesh crises, the status of microfinance in India, and poverty. This paper attempts to highlight the current trend and pattern of research in this field of study. It will provide direction for future research in the field of microfinance and also offer insights to policymakers on various issues pertaining to microfinance.

Microfinance and Social Development: A Selective literature review (2010) by Thaha Ie: Microfinance has a relatively short history that dates back to the 1970s, it has attracted extensive attention from researchers, policy makers, corporations, and financial institutions worldwide. Microfinance comprises several services, including but not limited to, microcredit, micro savings, microbanks, micro remittances, micro guarantees, money

transfers, and microinsurance. Information and communications technology is a category of financial services that is believed to possess the power to alleviate global poverty by providing necessary financial services to the portion of the population that is generally underserved by conventional financial products and at risk of financial exclusion.

The Systematic Literature Review and Researches on development of Microfinance Industry in Indiaby Vivek Kumar Tripathi and Vinod Kumar Tripathi: this research paper presents microfinance recent development model focusing on key quality characteristics. This study is applicable in the context of social development at this time when social services delivery is not only poor but at dismal level. This paper aims to provide a synthetic review of the literature on the Microfinance and development. Systematic Review of literature (SLRs) justifies the reason for our research. It demonstrates the topic. It narrates a brief elaboration of prior studies. Prior research will help us to ensure that we have included all of our major relevant constructs in our study. It talks about the knowledge of our field which allows us to identify the gap which our research could fill and also strength's the topic that we chose for our research.

Devi S. Kavitha (2014) has reviewed on the topic "Micro Finance and Women Empowerment" 'this topic in this article is the presentation in a succinct and applicative manner of several decision-making processes'. Microfinance gained impetus primarily because it promised the social and economic uplift of women in developing countries across Asia, Latin America, and Africa. Countries in these regions have patriarchal societies that harbour gender-biased traditions preventing the liberation of women. The ability to generate and control their own income can further empower poor women. Research shows that credit extended to women has a significant impact on their families' quality of life. Of these methods microfinance providers tend to involve the husbands of their female clients when talking business, because his support is vital. Additionally, any plan to fight poverty cannot solely focus on one gender and circumstances therefore; many microfinance programs serve men as well.

Magali J. John (2014) has done their research in the topic "The Influence of Leadership, Corporate Governance and Regulations on Credit Risk Management: The Study of Rural SACCOS from Tanzania" 'The study investigated quantitatively and descriptively the influence of leadership, corporate governance and regulations on credit risk management in rural SACCOS. This study finds that good leadership, corporate governance and regulations are essential for effective credit risk management in rural SACCOS. The study further revealed that 65%, 54%, 46%, 38% and 98% of rural SACCOS affirmed the presence of good re-elected leaders, effectiveness in loans collection, presence of creativity and innovating among leaders, annually audited reports and the presence but not printed and distributed to members of their by-laws respectively. This paper describes the rural SACCOS should practice the good leadership, governance and should abide by their by-laws in order to have the effective credit risks management. Government should regulate the rural SACCOS very stringently and the political interference should be avoided.

Objectives:

1. To analyse the reach of microfinance literacy in the country.
2. To comprehend the outcome of microfinance in the last two decades.
3. To interpret the various schemes of microfinance in practice
4. To study the contribution MSME towards the GDP of the country.

Data Source:

This study is based on Secondary Data collection from articles, literature and publicly available data.

Microfinance in India:

The role of microfinance in India is inevitable. Microfinance is an array of financial services available to poor entrepreneurs and small business owners without any collateral. Recent development in the field of microfinance and technological advancement has led to growth of identification of new mechanism in this field.

Government initiatives play a phenomenal role in the development of unreserved sectors in the country. All because of microfinance schemes the role of MSME has a significant contribution to the GDP of the country. INR 10 billion dollars have been released by SIDBI to microfinance sectors.

The Government of India has also expanded the microlending limit to 1.25 lakhs to support the reach of microfinance sectors.

Need for Microfinance System in India:

1. Women empowerment and self-employment opportunities
2. Microfinance helps people who are unable to access the banks and formal institutions
3. It helps in rehabilitation of affected people
4. Microfinance creates economic activity in the rural areas and aids in rural development.

Components of Microfinance

1. Microcredit:

It is an extension of very small loan to the small entrepreneurs and individuals.

It is extended through a institutions like:

- Regional Rural Bank
- Co-operative bank
- Non - banking financial institutions
- Microfinance institutions

2. Microinsurance:

It is the low premium and low insurance policies. It covers the transaction of low cost.

It covers the damage like damage of crop / livestock / general microinsurance / life microinsurance/ health insurance etc.

- Micro Insurance are distributed through NGO/ SHG / MFI
- It can be either a General Insurance or Life Insurance
- This category has been created by the Insurance Regulatory and Development Authority of India (IRDAI). Microinsurance is governed as per the IRDAI Microinsurance Regulations, 2005. Such a policy can belong to General Insurance as well as the Life Insurance category. However, the defining quality of such policies is that the sum assured offered by them is equal to or less than Rs. 50,000.

3. Micro Saving:

They are minimum deposits with low or no service charges. Micro saving and Micro Instruments are tools that inculcate the habit of saving. MSMEs which were badly hit by the pandemic were supported through policies such as collateral free loan of Rs 3,000 billion, subordinate debt provision of Rs 200 billion and equity infusion via mother-fund daughter fund model. Further, the change in definition of classification of MSMEs by including turnover as basis of definition was intended to allow MSMEs to expand without losing benefits and improve ease of doing business by aligning them with Goods and Services Tax (GST). The 2021 stimulus package announced in June in response to the second wave of the pandemic focused on loan guarantees, concessional credit to pandemic hit sectors and health care infra. This included expansion of the existing ECLGS by Rs 1,500 billion, and a new Rs 75 billion scheme to guarantee loans up to Rs 125,000 to small borrowers through micro-finance institutions.

4. Microfinance Institutions:

Microfinance Institutions provide smaller amounts of credit. MFI have their clients who are generally microentrepreneurs. These types of clients are generally considered to be too risky for a traditional banking. A Microfinance institution must be able to:

- Explain the operating principles of financial and non -financial services
- Apply procedures for granting credit
- assess risks
- collect savings and manage cash
- contain operating costs
- use an MIS (computerised management information system)
- detect fraud.

Role of Microfinance and its Impact Post the Regulation:

The role of microfinance has been quite extensive in the last few years. RBI has implemented Regulatory Framework for Microfinance Loans, effective from April 1, 2022, to update Microfinance regulatory policy. This will create regulatory parity between Regulated Entities (RE) that provide Microfinance, harmonise regulations to protect customers from over-indebtedness, and define Microfinance. Microfinance loans are now collateral-free loans for households having annual income up to INR 3 lakh.

Government Programmes:

1. **SHG-Bank Linkage Programme (SHG-BLP):** This was initiated by NABARD in 1992. This package gives women to unite together and start a group with 10 to 15 members. Women belonging to financially backward classes contribute by giving their savings. Loans are provided to the members of the group from this contribution.
2. **Micro Enterprise Development Programme (MEDPs):** This is a SHG which enables to enhance the capacities of its members through appropriate skill upgradation in agricultural and non - agricultural activities. This is to enrich knowledge about enterprise management, market dynamics and rural development.
3. **Livelihood and Enterprise Development Programme (LEDP):** This was initiated on pilot basis in 2015 to create sustainable livelihood in both farm and non-farming activities. It is a holistic intervention programme on cluster-based approach in skill building, refresher training, escort support for credit linkages.
4. **Financial support by SIDBI and NABARD:** NABARD supports MFIs in their formative years (as NGO-MFIs) with grant support and **Revolving Fund Assistance (RFA)**. NABARD had also created the **Micro Finance Development and Equity Fund (MFDEF)** in 2006 to help a number of MFIs with quasi-equity and subordinated debt instruments; **(b) SIDBI** has aided the growth of MFIs through its **SIDBI Foundation for Micro Credit (SFMC)**. The **India Microfinance Equity Fund (IMEF)** of SIDBI has also supported MFIs, especially the medium and smaller ones with equity and quasi-equity. Since IMEF had similar function as MFDEF, it (MFDEF) was withdrawn in 2013; **(c) MUDRA:** Support to Microfinance sector was scaled up by Government of India by setting up the **Micro Units Development & Refinance Agency Ltd (MUDRA)** in 2015. It is an NBFC that focuses on micro-enterprises, extending **financial support to MFIs** for on-lending to individuals/groups/JLGs/SHGs.

Sector Credit Growth:

Sector	March 2020	March 2021	August 2020	August 2021
Agriculture and allied sector	4.2 %	12.3 %	4.8 %	11.3 %
Personal Loans	15 %	10.2 %	8.5 %	12.1 %
Industry	0.7 %	0.4 %	0.4 %	2.3 %
Medium Industry	-0.7 %	28.8 %	4.4 %	63.4 %
Micro and small Industry	1.7 %	0.5 %	-1.1 %	10.1 %

Microfinance continues to contribute to the Financial Inclusion landscape by adding another 1.9 Crore unique clients over the last financial year to its fold. Growth momentum of the Microfinance industry has continued in Q2 FY 23-24 taking the portfolio to ₹3,76,110 crore. This is a stellar growth of 25% on a YoY basis. The portfolio quality has also come

near pre-COVID levels with PAR 30 days to 180 days at 2.0%," Dr Alok Misra - CEO and Director at MFIN said.

The 28th Meeting of the Standing Advisory Committee (SAC) to review the flow of credit to Micro, Small and Medium Enterprises (MSME) sector was held under the chairmanship of Shri Swaminathan J, Deputy Governor, Reserve Bank of India on September 29, 2023 in Lucknow. During the meeting, the SAC reviewed the flow of credit to MSMEs and deliberated on issues related to assessing and bridging the credit gap for the sector, exploring digital solutions for improved credit linkage, credit support to women entrepreneurs, revival and rehabilitation of stressed MSMEs, and credit guarantee schemes, among others.

Analysis Summary:

Microfinance is one of the important sources of finance for the poor households. It perhaps receives fair share of analysis in the Indian market. The two strategies involved is relationship-based banking and group-based model. Microfinance is a source of capital for the people. It empowers women in growth leading to prosperity. In the world of profitability, Microfinance tries to bring in stability in the economy. It removes inequality of income and contributes to increase in national income of the country.

Conclusion and Discussion:

Microfinance is an economic tool to promote financial inclusion in the country. Microfinance encourages self-sufficiency and entrepreneurship in the country. It aids in bringing economic activity apart from farming in rural areas and aids in rural development. It is availability of alternative capital funding method. In India community banking looks in the form of SHG. NGO is the one of the major sources in making microfinance facility available to the poor. They play a vital role in rural reconstruction, rural development and agricultural development. Additionally, microfinance sector has its own challenges ranging from lack of credit history, absence of collateral, lack of financial literacy etc. So, this part of finance has no guarantee of fixed returns and chances of NPA is also high.

Discussion:

Microfinance requires literacy to understand it. As all the microfinance institutions are not running on profits, it is difficult to manage in long run. The absence of collateral is another drawback. MFI is dependent on borrowing from banks. Most MFI's funding sources are restricted to private banks. Funds available from these banks are typically for short term, generally 2 years. Moreover, Banks tend to disburse loans at the end of financial year to meet the targets. This can create issues for MFIs if there is delay in repayment of loans by borrowers. MFIs are not willing to convert to any corporate structure. They find it difficult to strike a balance between social and business goals. MFIs should use new technologies, IT tools, and applications to reduce operational costs.

Future Research Dissertations:

This study can be further extended by collecting the first-hand information from the rural sector. A complete analysis can be done by having discussions with NGO and SHG across the country. Microfinance credit can be expanded beyond agricultural sector to industrial sector and service sectors too. The study can be further highlighted with analysing the work of NABARD and SIDBI.

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